

Analysis of the influence of fraud hexagon on fraudulent financial statement, prediction of corporate bankruptcy, and corporate health (Case study on a registered consumer non-cyclical company on the Indonesian Stock Exchange Period 2017-2022)

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Abstract

This research aims to examine the influence of the fraud hexagon on fraudulent financial statements, prediction of corporate bankruptcy, and corporate health through macroeconomics as intervening. The data for this research are 30 consumer non-cyclical companies on the Indonesian Stock Exchange period 2017-2022. This research uses descriptive statistics and inferential statistics via Smart PLS 3 software. Financial reports play an important part in making decisions that have economic value. Every company will try to provide the best in its business. Managers have an interest in making financial reports. Financial reports should display actual data and comply with applicable regulations. There are several models used to detect fraudulent financial statements, prediction of corporate bankruptcy, and corporate health. The models used are fraud hexagon, beneish m-score, dechow f-score, OMI, altman z-score, grover g-score, springate s-score, zmijewski x-score, and financial ratio analysis. The results of this research are fraud hexagon influences corporate health, prediction of corporate bankruptcy, corporate health, macroeconomics, fraudulent financial statements through macroeconomics, prediction of corporate bankruptcy through macroeconomics, and corporate health through macroeconomics.

Keywords: Fraud Hexagon, Fraudulent Financial Statement, Prediction of Corporate Bankruptcy, Corporate Health

INTRODUCTION

Financial statements provide benefits for stakeholders in making economic decisions and as a communication tool for management accountability about the use of the resources that have been entrusted to them (IAI, 2009). The financial statement too shows the results of top management accountability use of the resources entrusted to them. Information from financial reports is also a benchmark for the efficiency and effectiveness of a company's performance. This is needed by external and internal parties of the company (Aprilia, 2017). Financial reports also help managers and stakeholders to evaluate financial information to gain a better understanding of the company's risk aspects and attributes. Accurate financial information can be used as a basis for decision makers and predict the reliability of alternative scenarios created by management (VanAuken et al., 2017).

Agency theory describes an agency relationship that is a contract in which one or more owners hire another person (managers) in which the manage to carry out activities on behalf of the owner that involve delegation of authority for decision making to the manager (Jensen & Meckling, 1976). The contract between owners and managers can be different because they have more interests to get a goal. This can cause agency conflict. Fraud is an action done by a person to obtain benefits from other individuals by presenting statements that are not true in devious ways (Albrecht et al., 2016). According to The Association of Certified Fraud Examiners (ACFE, 2022), fraud is an illegal act to manipulate or give false information to other parties. Fraud can be carried out by internal and external persons. Which is the largest anti-fraud organization in the world (ACFE), and there are three main categories of fraud contained in the fraud tree, namely corruption, asset misappropriation, and financial statement fraud.

Financial statement fraud schemes, in which the perpetrator intentionally causes a material misstatement or omission in the organization's financial statements, are the least common but costliest category. These schemes occur in 9% of cases and cause a median loss of USD593,000. The Asia-Pacific Region has 194 cases, and this involved 10% of all cases in the world. 194 cases have median loss amounting to USD121,000. Australia has 38 cases, China has 33 cases, Malaysia has 25 cases, and Indonesia has 23 cases. They are big four country in the Asia Pacific Region, which has the most fraud cases (ACFE, 2022). Indonesia is in fourth place out of 18 Asia Pacific countries. ACFE Indonesia conducted research on 239 respondents. The most common fraud in Indonesia is corruption with the largest percentage. These schemes occur in 64,4% from 167 cases.

The phenomenon of financial statement fraud cases in Indonesia shows PT. Garuda Indonesia on June 28, 2019. The Main Director of PT Waskita Karya as a suspect in the alleged corruption case of irregularities or misappropriation of the use of PT Waskita Beton Precast funds in 2016-2020 amounting to IDR 2 trillion (Binekasri, 2023). The case about PT Asuransi Jiwasraya (Persero) is deviations from statutory regulations committed by management parties investing in shares and mutual funds at PT Asuransi Jiwasraya (Persero). These irregularities resulted in state financial losses to PT Asuransi Jiwasraya (Persero) amounting to IDR 16.8 trillion. In 2010 PT Bumi Resources Tbk manipulated reporting sales of three coal mining companies belonging to Bakrie Group to the Directorate General of Taxes. PT Tiga Pilar Sejahtera (AISA) carries out financial records that are different from the financial records of financial auditors in auditing the 2017 financial statements. Overstatement amounted to IDR 4 trillion in accounts receivables, inventory, and fixed assets of the TPSF Group and IDR 662 billion in Sales and IDR 329 billion in Food Entity EBITDA.

The results of the Central Statistics Agency (BPS) survey in 2020, it was noted that 82.85% of companies were affected by the Covid-19 corona virus pandemic. Based on the sector, accommodation and food/drink businesses experienced the largest decline in income, namely 92.47%. This research will present "Analysis of the Influence of Fraud Hexagon on Fraudulent Financial Statement, Prediction of Corporate Bankruptcy, and Corporate Health (Case Study on a Registered Consumer Non-Cyclicals Companies on the Indonesian Stock Exchange Period 2017-2022)".

LITERATUR REVIEW

Literature Review

Signaling theory was originally proposed by Spence (1973) to explain job market behavior. Signaling theory helps to explain the behavior of two parties when they have access to different information. Strategic signaling refers to actions taken by a signaler to influence the views and behaviors of receivers. Signal theory explained that the sender (the owner of the information) gives a signal in a form of information that reflects the condition of a company which is beneficial to the receiver. Jensen & Meckling (1976) defined agency relationship as the contract between principal parties that persuade other parties in agents to perform management service in accordance with principal interest, including giving the decision-making authority to the agent. Agency theory begins with the assumption that people act in their own self-interest, and that, under normal conditions, the goals, interests, and risks of the two actors (principal and agent) are not identical.

There are three conditions that affect the company's fraudulent activities, namely pressure/motive, opportunity, and rationalization. This theory is known as the Fraud Triangle (Cressey, 1953). The Fraud Triangle theory was then further developed by (Wolfe & Hermanson, 2019). This theory is known as the Fraud Diamond, adding one factor, namely capability. Next future, the Fraud Diamond theory was developed into the Fraud Pentagon by (Horwath, 2011), adding one more factor, namely arrogance. The Pentagon Fraud Theory was further developed by Vausinas (2011) into the Fraud Hexagon, he added one more factor, namely collusion.

Vausinas (2016) argues that one of the key elements in many frauds and financial (white-collar) crimes is collusion. Based on VanAuken et al. (2017) a major element "ego" which plays a crucial role in compelling people to commit fraud and conclude in the formation of the S.C.O.R.E. model, which is graphically depicted in the fraud pentagon. He goes further by adding the collusion factor to better apply in cases of white-collar crimes.

Beneish (1999) presents a systematic relationship between the probability of manipulation and some financial statement variables. This evidence is consistent with the usefulness of accounting data in detecting manipulation and assessing the reliability of reported earnings. The model identifies approximately half of the companies involved in earnings manipulation prior to public discovery. Because companies that are discovered manipulating earnings see their stocks plummet in value, the model can be a useful screening device for investment professionals. This theory is known as the M-Score.

Dechow et al. (2011) are present the characteristics of misrepresenting firms on various dimensions, including accrual quality, financial performance, nonfinancial performance, off-balance-sheet activities, and market-related variables. At the time of misstatements, accrual quality is low and both financial and nonfinancial measures of performance are deteriorating. Financing activities and related off-balance-sheet activities are much more likely during misstatement periods. Managers of misstating firms appear to be sensitive to their firm's stock price. The misstatements appear to be made with the objective of covering up a slowdown in financial performance to maintain high stock market valuations. Manipulation (F-score) offers researchers a complementary and supplementary measure to discretionary accruals for identifying low quality of earnings firms. This theory is known as the F-Score.

Hasan et al. (2017) are show that 34 percent of sample companies in selected Asian countries are involved in financial statement manipulation; the average manipulation rate (overall manipulation index) was 72 percent; and there are significant differences between countries at the 5 percent level. This study also identified the four most used techniques, namely: day sales receivables (DSRI), depreciation (DEPI), asset quality (AQI) and total accruals to total assets (TATA). This is the first study of its kind addressing measurement of manipulation score, overall manipulation index (OMI) and identification of widely used variables of manipulation in financial statements. This theory is known as the overall manipulation index (OMI).

Companies that are about to go bankrupt will manipulate data to keep the company in existence. Depending on Z-Score theory Altman (1968), a set of financial ratios was combined in a discriminant analysis approach to the problem of corporate bankruptcy prediction. The theory is that ratios, if analyzed within a multivariate framework, will take on greater statistical significance of the common technique of sequential ratio comparisons. The discriminant-ratio model proved to be extremely accurate in predicting bankruptcy correctly in 94 per cent of the initial sample with 95 per cent of all firms in the bankrupt and non-bankrupt groups assigned to their actual group classification. Furthermore, the discriminant function was accurate in several secondary samples introduced to test the reliability of the model. Investigation of the individual ratio movements prior to bankruptcy corroborated the model's findings that bankruptcy can be predicted accurately up to two years prior to actual failure with the accuracy diminishing rapidly after the second year.

Based on S-Score theory Springate (1978) in the journal Predicting the probability of failure in Canadian Companies, Springate has found a Multiple Discriminant Analysis (MDA) ratio model to predict bankrupt companies and non-bankrupt companies. Springate (1978) used the same statistical methods and techniques as (Altman, 1968). The difference is the sample used. Altman (1968) uses a sample of companies in America, while Springate (1978) uses a sample in Canada. Grover (2003) discovered the G-Score model as a form of reassessment of the Z-Score model. Grover added 13 new financial ratios for 70 companies.

The liquidity ratio is the company's ability to pay off its short-term obligations, or how quickly the company converts its assets into cash (Sukamulja, 2019). The liquidity ratio is very important, especially for short-term creditors, because it describes short-term credit risk and the efficiency of using short-term assets. There are five types of liquidity ratios, namely: Current Ratio, Quick Ratio (Acid Test) Ratio, Cash Ratio, NWC to Total Asset Ratio, and Interval Measure (Sukamulja, 2019).

Solvency ratio is the company's ability to pay off long-term obligations and measure long-term financial risks (Sukamulja, 2019). The Solvency Ratio describes the proportion of a company's debt. The higher the proportion of debt over company asset funding, the riskier the business will be. Solvency ratio or leverage ratio is the company's ability to finance debt (Fahmi, 2014). The use of debt that is too high will endanger the company because the company will fall into the extreme leverage category, that is, the company is trapped in a high level of debt, and it is difficult to get rid of the debt burden. The following

are several types of Solvency Ratios, namely: Debt to Assets Ratio, Debt to Equity Ratio, Equity Multiplier, Long Term Debt Ratio, Time Interest Earned Ratio, and Cash Coverage (Sukamulja, 2019).

The profitability ratio measures the company's ability to generate profits and measures the rate of return on investments made (Sukamulja, 2019). The profitability ratio also reflects how management performs in maintaining the effectiveness of the company's operational activities. The better the profitability ratio, the better it describes the company's ability to generate high profits. There are four types of profitability ratios, namely: Gross Profit Margin, Net Profit Margin, Return on Assets, and Return on Equity (Sukamulja, 2019).

The efficiency ratio measures how efficiently a company manages its assets to generate sales (Sukamulja, 2019). The following are the types of efficiency ratios: Inventory Turnover, Day's Sales in Inventory, Receivables Turnover, Day's Sales in Receivables, Fixed Asset Turnover, and Total Asset Turnover.

The market value ratio is a ratio used to compare the company's value in the eyes of investors (market value) with the company's value recorded in the financial reports (Sukamulja, 2019). The market value ratio is a ratio that shows a group of ratios related to the company's share price compared to the company's profits, book value per share and market value compared to book value. This ratio describes the condition or state of the company's performance in the capital market. There are four types of market value ratios, namely: Earnings Per Share, Price Earnings Ratio, Market to Book Ratio, and Tobin's Q. According to Kasmir (2010), the growth ratio is formulated as follows: Sales growth, Net profit growth, and Growth in earnings per share.

Advanced companies will be influenced by policies and regulations issued by the government. The government has a policy in developing the country. Each country will regulate the economy so that it remains stable and continues to grow. Several policies such as monetary policy and fiscal policy will have an impact and influence on company performance. Public company performance will appear in the annual report. The results of this policy will appear in the annual inflation values, a country's economic growth, and interest rates.

Previous Research

The results of research conducted by Riyanti & Trisanti (2021) show that financial pressure has a positive effect on potential financial statement fraud, effective monitoring has a negative effect on potential financial statement fraud, while related party transactions, CEO education, CEO narcissism, and political connection do not affect potential financial statement fraud. The role of the audit committee as a moderating variable is only able to weaken the relationship between financial pressure and potential financial statement fraud. The results of research conducted by Nugroho & Diyanty (2022) showed slightly different findings when FFS was measured using two different measurements. Rationalization is proven to affect the occurrence of FFS; both measured using the M-score and OMI. Stimulus and opportunity partially influence the occurrence of FFS. This study also demonstrates which elements in financial statements are often used as a tool to perform FFS and found evidence that DEPI is the item most frequently used to perform FFS. On the other hand, the sector that is indicated to conduct FFS is often the cyclical consumer sector.

This study of research by Maryani et al. (2022) shows that the Opportunity is viewed from the ineffectiveness of the supervisor, and the change of the chairman of the internal auditor influences fraudulent financial reporting. Other causes include financial target pressure, external pressure, and personal financial demands; Opportunity in terms of external auditor quality; Rationalization based on external auditor change and audit opinion; Capability that is seen from a change of directors; The number of images of CEOs and CEO politicians demonstrate arrogance; and collusion (Achmad et al., 2022). The results of the study indicate that financial stability and external pressures have a positive effect on fraudulent financial reporting. However, ineffective monitoring, auditor changes, change in director, arrogance, and collusion do not affect fraudulent financial reporting.

Comparison of the Beneish M-Score and Omi (Overall Manipulation Index) Models on Hexagon Fraud in Detecting Fraudulent Financial Statements (Empirical Study of State-Owned Enterprises in Indonesia, 2017 – 2021) is made by (Ayati et al., 2023).

Ayati et al. (2023) doing research on comparison of the Beneish M-Score and OMI (Overall Manipulation Index) models on hexagon fraud in detecting fraudulent financial statements. The results show that the Beneish M-Score model has no effect on the fraud hexagon in detecting fraudulent financial statements. Meanwhile, testing using the OMI method includes elements in the fraud hexagon such as capability, stimulus and rationalization which influence financial statement fraud. This research tested the fraud hexagon model against the M-Score and OMI models. The results of this research will support testing of the fraud hexagon model for fraudulent financial statements.

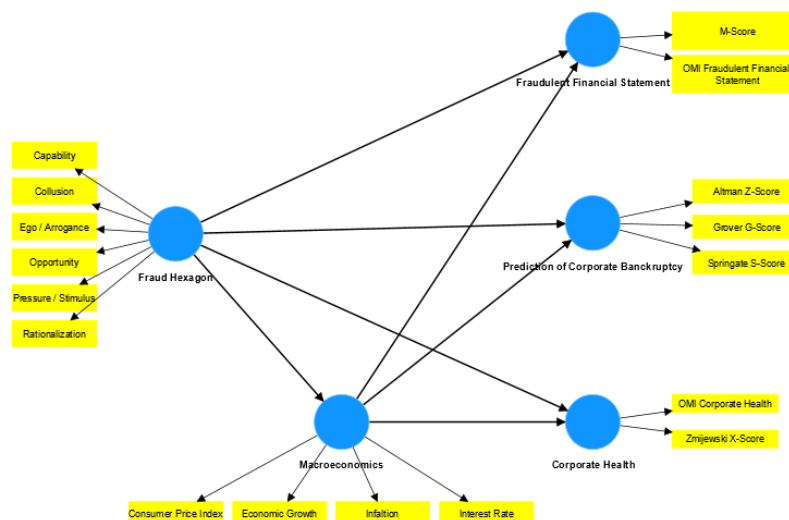


Figure1. Research Framework

Hyphotesis Development

Financial reports play an important part in making decisions that have economic value. Every company will try to provide the best in its business. Managers have an interest in making financial reports. Financial reports should display actual data and comply with applicable regulations. There are several models used to detect Fraudulent Financial Statements, Prediction of Corporate Bankruptcy, and Corporate Health. The models used are fraud hexagon, Beneish M-Score, Dechow F-Score, OMI, Altman Z-Score, Grover G-Score, Springate S-Score, Zmijewski X-Score, and financial ratio analysis. As revenues decline and economic uncertainty increases, predicting corporate bankruptcy, fraud, and corporate health becomes increasingly important. Many businesses have difficulty maintaining liquidity and operational continuity, so more careful analysis is needed to identify companies at risk. Meanwhile, evaluating a company's health has become more complex considering rapidly changing economic conditions. The following are 10 development research hypotheses:

1. H₁: Fraud Hexagon has a positive effect on Fraudulent Financial Statement directly.
2. H₂: Fraud Hexagon has a positive effect on Prediction of Corporate Bankruptcy directly.
3. H₃: Fraud Hexagon has a positive effect on Corporate Health directly.
4. H₄: Fraud Hexagon has a positive effect on Macroeconomics.
5. H₅: Macroeconomics has a positive effect on Fraudulent Financial Statement directly.
6. H₆: Macroeconomics has a positive effect on the Prediction of Corporate Bankruptcy.
7. H₇: Macroeconomics has a positive effect on Corporate Health.
8. H₈: Fraud Hexagon has a positive effect on Fraudulent Financial Statement through Macroeconomics.
9. H₉: Fraud Hexagon has a positive effect on Corporate Bankruptcy through Macroeconomics.
10. H₁₀: Fraud Hexagon has a positive effect on Corporate Health through Macroeconomics.

RESEARCH METHODS

This research uses an associative method with a quantitative approach. Descriptive research is research conducted to determine the relationship or influence between two or more variables (Sugiyono, 2012).

Quantitative data is data that is measured on a numerical scale and is divided into interval data and ratio data (Kuncoro, 2013). The type of sampling technique in this research uses the purposive sampling method, namely a sample selection technique with certain considerations. The criteria used are as follows:

1. Consumer Non-Cyclical Companies on the Indonesian Stock Exchange Period 2017-2022.
2. The company provides financial reports and annual reports for the 2017-2022 period.
3. Sample macroeconomics data (Economic Growth, Inflation, and Interest Rate Report) for the last 6 years (2017-2022) available from Bank Indonesia and the Indonesian Central Statistics Agency.

The population in this research is Consumer Non-Cyclical Companies on the Indonesian Stock Exchange Period 2017-2022. The total population is 122 Consumer Non-Cyclical Companies. The companies chosen are companies that have gone public, intended to make it easier to obtain financial report data. This research uses 30 Consumer Non-Cyclical Companies.

Operational Variables

Independent Variable Fraud Hexagon

| | |
|---------------------|---|
| Pressure / Stimulus | : Total Revenue / Total Aset |
| Opportunity | : Receivables / Sales |
| Rationalization | : Change in Public Accounting Firm |
| Capability | : Change in Directors |
| Ego / Arrogance | : The amount of director's remuneration |
| Collusion | : Share Price / Book Value per Share |

Dependent Variable Fraudulent Financial Statement

Beneish M-Score = $-4,840 + 0,920 \cdot DSRI + 0,528 \cdot GMI + 0,404 \cdot AQI + 0,892 \cdot SGI + 0,115 \cdot DEPI - 0,172 \cdot SGAI - 0,327 \cdot LVGI + 4,697 \cdot TATA$

OMI Fraudulent Financial Statement (M-Score) = $\sum(O_i/n)$

Dependent Variable Prediction of Corporate Bankruptcy

Z-Score (Z'') = $6.56X_1 + 3.26X_2 + 6.72 X_3 + 1.05 X_4$

S-Score = $1.03X_1 + 3.07X_2 + 0.66X_3 + 0.4X_4$

G-Score = $1.650X_1 + 3.404X_2 - 0.016 ROA + 0.057$

Dependent Variable Corporate Health

X-Score = $-4.3 - 4.5X_1 + 5.7X_2 - 0.004X_3$

OMI Corporate Health (6 Financial Ratio) = $\sum(O_i/n)$

Intervening Variable Macroeconomics

Economics Growth, Inflation, Interest Rate, and Consumer Price Index

Structural Equation

1. H_1 : Fraudulent Financial Statements 1 = $a + \beta_1$ Fraud Hexagon + e
2. H_2 : Prediction of Corporate Bankruptcy 1 = $a + \beta_1$ Fraud Hexagon + e
3. H_3 : Corporate Health 1 = $a + \beta_1$ Fraud Hexagon + e
4. H_4 : Macroeconomics = $a + \beta_1$ Fraud Hexagon + e
5. H_5 : Fraudulent Financial Statements 2 = $a + \beta_2$ Macroeconomic + e
6. H_6 : Prediction of Corporate Bankruptcy 2 = $a + \beta_2$ Macroeconomic + e
7. H_7 : Corporate Health 2 = $a + \beta_2$ Macroeconomic + e
8. H_8 : 8.1 Fraudulent Financial Statements 2 = $a + \beta_2$ Macroeconomic + e
8.2 Macroeconomics = $a + \beta_1$ Fraud Hexagon + e
9. H_9 : 9.1 Prediction of Corporate Bankruptcy 2 = $a + \beta_2$ Macroeconomic + e
9.2 Macroeconomics = $a + \beta_1$ Fraud Hexagon + e
10. H_{10} : 10.1 Corporate Health 2 = $a + \beta_2$ Macroeconomic + e
10.2 Macroeconomics = $a + \beta_1$ Fraud Hexagon + e

Analysis Data with Smart PLS 4

Data analysis and structural equation modeling using PLS software, are as follows:

1. Structural Model (Inner Model)

Inner Structural Models or Models describe relationships between latent variables based on a substantive theory. Structural Model Design relationships between latent variables based on the formulation of the problem or the research hypothesis.

2. Measurement Model (Outer models)

Model Outer or measurement Model defines how each block of indicators is associated with latent variables. Design of Measurement Model determines the properties of the respective indicator latent variables, whether reflexive or formative, based on the operational definition of variables.

3. Weight, Line coefficient, and Loading

Methods of parameter estimation (estimation) in PLS is the least squares method (least square methods). The calculation process is done by iteration, where iteration will stop if convergent conditions have been achieved. The estimation of the parameters in the PLS includes three things:

4. The Goodness of Fit

The Goodness of Fit model is measured using R2 dependent latent variables with the same interpretation of regression. Q2 predictive relevance for the structural model should be measured with Bootstrap resampling method developed by Geisser & Stone. The test statistic used is the t-statistic or t-test. Application of resampling methods, allowing free entry into force of the distributed datanfree) does not require the assumption of a normal distribution and does not require a large sample (sample recommended minimum of 30). Testing is done by t-test when obtained by p-value.

RESULTS AND DISCUSSIONS

Measurement Model

The model is a model that connects the lateen variables with manifest variables.

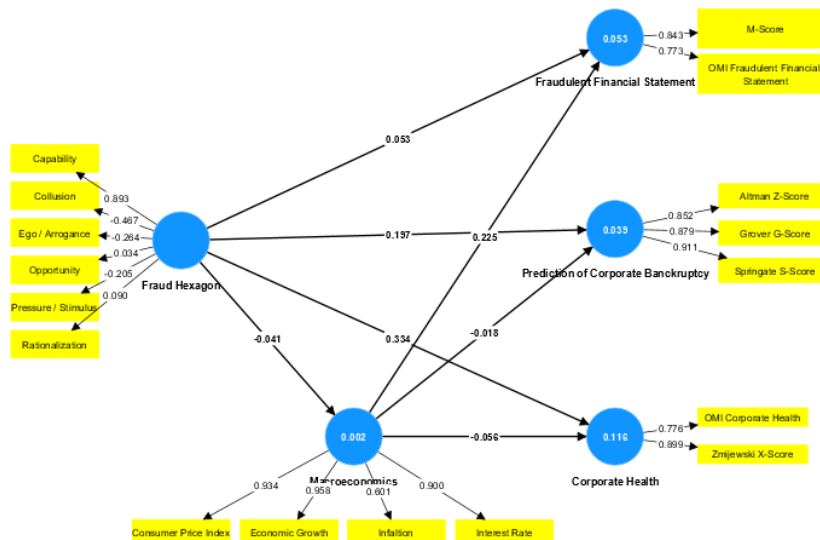


Figure 2. Measurement Model 1

Source: Smart PLS 3

The image above explains that the outer loading value for the manifest variables (Pressure / Stimulus, Opportunity, Rationalization, Ego / Arrogance, Collusion, and Inflation) is > 0.8, so it is deleted and measurement model 2 is used.

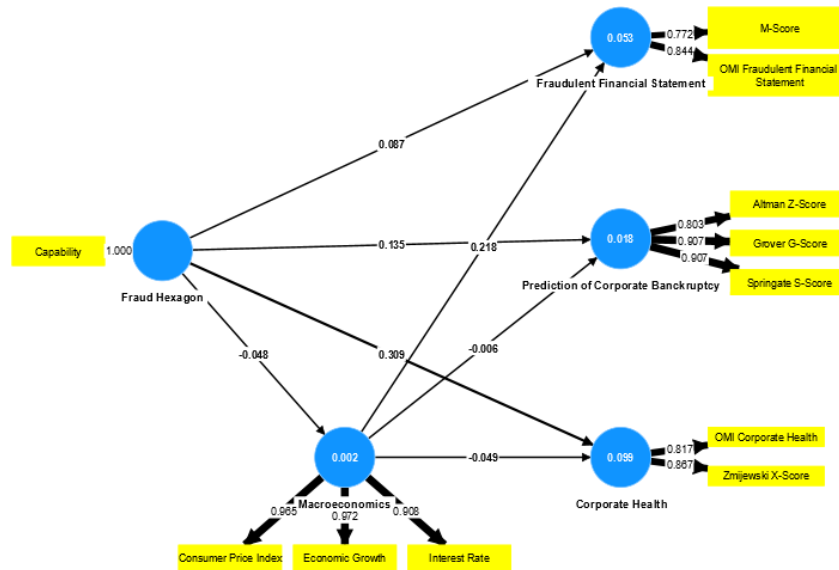


Figure 3. Measurement Model 2
Source: Smart PLS 3

Measurement Outer Loadings

The factor loading value shows the correlation between the indicator and the construct. An indicator with a low loading value indicates that the indicator does not work in the measurement model. expected loading value > 0.7. Cross Loading is another measure of discriminant validity. The expected value for each indicator has a higher loading for the construct being measured compared to the loading value for other constructs. In the outer model there is Composite Reliability. This value shows internal consistency, namely a high composite reliability value shows the consistency value of each indicator in measuring the construct. The CR value is expected to be > 0.7.

| | Outer loadings |
|--|----------------|
| Altman Z-Score <- Prediction of Corporate Bankruptcy | 0.803 |
| Capability <- Fraud Hexagon | 1.000 |
| Consumer Price Index <- Macroeconomics | 0.965 |
| Economic Growth <- Macroeconomics | 0.972 |
| Grover G-Score <- Prediction of Corporate Bankruptcy | 0.907 |
| Interest Rate <- Macroeconomics | 0.908 |
| M-Score <- Fraudulent Financial Statement | 0.772 |
| OMI Corporate Health <- Corporate Health | 0.817 |
| OMI Fraudulent Financial Statement <- Fraudulent Financial Statement | 0.844 |
| Springate S-Score <- Prediction of Corporate Bankruptcy | 0.907 |
| Zmijewski X-Score <- Corporate Health | 0.867 |

Figure 4. Measurement Outer Loadings
Source: Smart PLS 3

Measurement R Square

Adjusted R Square is the R Square value that has been corrected based on the standard error value. The Adjusted R Square value provides a stronger picture than R Square in assessing the ability of an exogenous construct to explain endogenous constructs. R Square values of 0.75, 0.50, and 0.25 indicate that the model is strong, moderate, and weak.

Table 1. R Square

| | R Square | R-square adjusted |
|------------------------------------|----------|-------------------|
| Corporate Health | 0.099 | 0.089 |
| Fraudulent Financial Statements | 0.053 | 0.043 |
| Macroeconomics | 0.002 | -0.003 |
| Prediction of Corporate Bankruptcy | 0.018 | 0.007 |

The Fraud Hexagon R Square value affecting Corporate Health is 0.099 with an adjusted r square value of 0.089. So, it can be explained that all exogenous Fraud Hexagon constructs simultaneously influence Corporate Health by 0.099 or 09.9%. Because the Adjusted R Square is less than 25%, the influence of all exogenous constructs is weak. The Fraud Hexagon R Square value affecting Fraudulent Financial Statements is 0.053 with an adjusted r square value of 0.043, so the influence of all exogenous constructs is weak. The Fraud Hexagon R Square value affecting Macroeconomics is 0.002 with an adjusted r square value of -0.003, so the influence of all exogenous constructs is weak. The Fraud Hexagon R Square value influencing the Prediction of Corporate Bankruptcy is 0.018 with an adjusted r square value of 0.007, so the influence of all exogenous constructs is weak.

Measurement reliability and validity

Table 2. Reliability and Validity

| | rho_c | AVE |
|------------------------------------|-------|-------|
| Corporate Health | 0.83 | 0.71 |
| Fraudulent Financial Statements | 0.791 | 0.654 |
| Macroeconomics | 0.964 | 0.9 |
| Prediction of Corporate Bankruptcy | 0.906 | 0.764 |

Internal Consistency Reliability measures how capable the indicator is of measuring its latent construct. The tools used to assess this are composite reliability and Cronbach's alpha. A composite reliability value of 0.6 – 0.7 is considered to have good reliability, and the expected Cronbach's alpha value is above 0.7. Based on the table above, all constructs have a A composite reliability rho_c value > 0.6 and in fact all of them > 0.7, then it can be said that all of these constructs are reliable.

Hypothesis Analysis

Table 3. The Result Influence of Exogenous Variable on Endogen Variable

| Hyphotesis | Path | Path Coeficient | Hyphotesis Test Result |
|------------|---|-----------------|------------------------|
| H1 | Fraud Hexagon -> Fraudulent Financial Statements | 0.087 | H0 rejected |
| H2 | Fraud Hexagon -> Prediction of Corporate Bankruptcy | 0.135 | H0 rejected |
| H3 | Fraud Hexagon -> Corporate Health | 0.039 | H0 accepted |
| H5 | Macroeconomics -> Fraudulent Financial Statements | 0.218 | H0 rejected |
| H6 | Macroeconomics -> Prediction of Corporate Bankruptcy | -0.006 | H0 accepted |
| H7 | Macroeconomics -> Corporate Health | -0.049 | H0 accepted |
| H4 | Fraud Hexagon -> Macroeconomics | -0.048 | H0 accepted |
| H8 | Fraud Hexagon -> Macroeconomics -> Fraudulent Financial Statements | -0.01 | H0 accepted |
| H9 | Fraud Hexagon -> Macroeconomics -> Prediction of Corporate Bankruptcy | 0 | H0 accepted |
| H10 | Fraud Hexagon -> Macroeconomics -> Corporate Health | 0.002 | H0 accepted |

The table above explains that a path coefficient value of less than 0.05 proves that H0 is accepted, whereas if the path coefficient value is more than 0.05 then H0 will be rejected. In the table above there are several accepted hypotheses, namely H3, H4, H6, H7, H8, H9, and H10. In general, Fraud Hexagon influences Corporate Health, Prediction of Corporate Bankruptcy, Corporate Health, Macroeconomics, Fraudulent Financial Statements through Macroeconomics, Prediction of Corporate Bankruptcy through Macroeconomics, and Corporate Health through Macroeconomics.

CONCLUSION

Financial reports play an important part in making decisions that economic value. Every company will try to provide the best in its business. Managers have an interest in making financial reports. Financial reports should display actual data and comply with applicable regulations. There are several models used to detect Fraudulent Financial Statements, Prediction of Corporate Bankruptcy, and Corporate Health. The models used are Fraud Hexagon, Beneish M-Score, Dechow F-Score, OMI, Altman Z-Score, Grover G-Score, Springate S-Score, Zmijewski X-Score, and financial ratio analysis. This research is research to test the Fraud, Bankruptcy and Company Health model. The basis for this model is in the financial reports. Macroeconomic influences will influence the development of a company. In periods of strong economic growth, companies tend to experience increased revenues and greater growth opportunities. Conversely, when the economy weakens or experiences a recession, companies may face decreasing revenues, increasing debt burdens, and difficulty accessing capital. Consumption levels, customer demand, and currency stability are some of the aspects that influence company performance. Fluctuations in currency exchange rates can also affect exports and imports, impacting companies involved in international trade. Interest rates determined by government monetary policy can affect borrowing costs and a company's capital structure. Companies with high debt levels may be more susceptible to changes in interest rates, while companies with low debt levels may be more stable. Companies need to anticipate changes in the economic environment, identify growth opportunities, and manage the risks associated with inevitable economic fluctuations. In an era of economic uncertainty, the integration of macroeconomic analysis in the evaluation of company health is becoming increasingly important

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