

ABSTRACT

This research aims to analyze and provide empirical evidence regarding the influence of the fraud heptagon theory on the tendency of fraudulent financial reporting. The elements of the fraud heptagon in this study include pressure (external pressure & financial stability), opportunity (concentrated ownership), rationalization (change in auditor), capability (change in director), incentive (remuneration), arrogance (CEO length of tenure), and greed (CEO duality).

The data in this study use secondary data obtained from annual reports and financial statements of the companies. The sample in this study consists of 75 financial sector companies listed on the Indonesia Stock Exchange from 2020 to 2022, resulting in a total of 225 observation data points. The analytical method in this study is logistic regression analysis.

The results of the study show that the pressure factor, proxied through financial stability, has a positive influence on the tendency of financial statement fraud. Meanwhile, other factors such as external pressure, opportunity, and capability do not have a negative influence on the tendency of financial statement fraud. Factors such as rationalization, incentive, arrogance, and greed do not have a positive influence on the tendency of financial statement fraud.

Keywords: Fraud Heptagon, Fraudulent Financial Reporting, Financial Sector Companies, Beneish M-Score