

ABSTRACT

Fraud in the corporate and government sectors is a global problem that causes significant financial losses and damages organizational governance. The purpose of this dissertation is to examine the effect of the fraud hexagon on the tendency for fraudulent financial reporting, with the whistleblowing system as a moderating variable. This dissertation uses a population of 1,190 manufacturing companies during the period 2018-2024. Purposive sampling was used to select a sample of 392 manufacturing companies. E-Views statistical testing tools were used to analyze the hypotheses in this study.

The results of the hypothesis testing show that four (4) of the twelve (12) hypotheses proposed can be accepted. Stimulus, capability, and ego did not influence the tendency toward fraudulent financial reporting. The variables of collusion, opportunity, and rationalization had a positive influence on the tendency toward fraudulent financial reporting. The results of the moderation test showed that the whistleblowing system could not moderate the influence of capability, rationalization, and ego on the tendency toward fraudulent financial reporting.

Theoretically, the findings of this study have implications for the Fraud Hexagon theory by showing that some factors significantly influence the tendency toward fraudulent financial reporting, while other factors have no influence. These findings reveal that collusion, opportunity, and rationalization have a positive effect on the tendency toward financial fraud, in line with the Fraud Hexagon theory's proposition that collusion, opportunity, and rationalization are the main triggers of fraud. On the other hand, stimulus, capability, and ego were found to have no effect, indicating that these three elements may not always be key factors in the context of this study. In addition, this study also examined the role of the whistleblowing system as a moderator.

This study has several limitations, including a large number of wasted samples in the research. Therefore, the agenda for future research is to use samples by expanding the sector and extending the research time frame, using other measurements for opportunity if using a proxy for the board of commissioners, such as the quality and competence of board members, and the frequency and depth of board of commissioners/audit committee meetings.

Keywords: *Fraud Hexagon, Stimulus, Capability, Collusion, Opportunity, Rationalization, Ego, Whistleblowing System.*