

The Development of Financial Reporting Fraud Theory: A Systematic Literature Review

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ABSTRACT

This study aims to examine financial statement fraud using the fraud triangle, fraud diamond, fraud pentagon, and fraud hexagon theories in Indonesia through the Systematic Literature Review (SLR) method. This study used 23 Scopus-indexed journal articles published between 2016 and 2026. The results show that the Financial Crime journal is the most dominant journal in research, and the fraud triangle theory is the most widely used theory. The variables that most frequently influence financial statement fraud in the pressure element include financial stability, external pressure, and financial targets. In the opportunity element, there is the nature of the industry and ineffective monitoring. In the rationalization element, there is a change of auditor. In the arrogance element, there is a frequent number of CEO's pictures, and in the collusion element, there is political connections. This study highlights the importance of a deeper understanding of the dynamics of internal and external factors in fraudulent acts. This research is expected to form the basis for developing more effective internal control theories and practices to prevent financial statement fraud in the future.

INTRODUCTION

Financial reports are the result of the accounting recording process issued by a company within a specific time period. Financial reports are crucial in presenting a company's financial information that can be used for economic decision-making and demonstrate management's performance and responsibility for managing the company's resources (Anisa, 2012). These reports serve as a communication tool to provide an overview of the company's financial position and activities to parties involved in the company's management process. If financial reports are prepared accurately and honestly, investors or other stakeholders will trust the company. Conversely, if financial reports are not prepared accurately, it will erode the trust of investors or other stakeholders. Therefore, accuracy and honesty are crucial in preparing financial reports.

In reality, many companies manipulate financial reports to present conditions that are better than they actually are to enhance a financial report. This action is referred to as *financial statement fraud*, which is a deliberate misrepresentation or misinformation in financial reports to deceive users (Nugroho, 2017). This fraud is included in the type of white-collar crime, where the perpetrators are people who are already professionals in the work environment, one of which is in the corporate environment. Although white collar crime may not directly cause victims or threaten the lives of victims like other crimes, white collar crime can have a wide impact and harm many people, as well as cause bankruptcy or ongoing economic losses for the country (Rohmah, 2015).

In *the Association of Certified Fraud Examiners 2024* fraud report can impact on several levels, including level national, provincial, and district. According to (ACFE, 2024), which has the most impact or experience loss the biggest be at the level government national that is by 47%. Followed by with 29% of level government province, and at the level government regency experience loss by 23%.

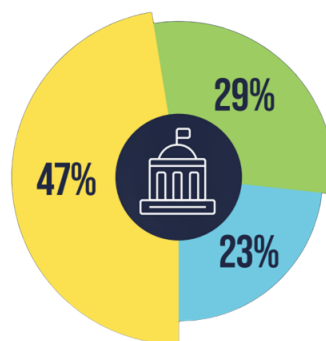


Figure 1. Frequency of Fraud Losses

In detecting and understanding the causes of fraud, especially in corporate financial reports, previous researchers have developed various *fraud theories* using several factors in the analysis process. The first theory to develop was *the fraud triangle* proposed by (Cressey, 1953). This theory explains that there are three main elements that cause fraud, including pressure, opportunity, and rationalization. This model has become the basis for the preparation of various audit standards and internal control guidelines, but as it developed, researchers began to doubt the adequacy of this model in identifying the complexity of fraud cases that often occur (Dorminey et al., 2012). Therefore, *the fraud diamond theory* was developed by adding the element of capability by (Wolfe & Hermanson, 2004).

Then, in 2011, Crowe Horwath (Crowe, 2012) began developing a new theory, *the fraud pentagon*, by adding the element of arrogance because this factor can trigger fraudulent acts by employees. Furthermore, (Vousinas, 2019) added a new element, namely bad habits (*collusion*), to the *fraud hexagon theory* to overcome the limitations of previous theories. According to (Diyanty, 2022), the *fraud hexagon* theory emerged due to criticism in the

growing literature regarding previous fraud theories that were considered inadequate. Therefore, this theory is a refinement of the theories related to previous fraud. This model assumes that companies with poor leadership environments, in this case "bad" is meant as fraudulent acts that can easily be carried out at various levels of the organization because in practice it does not have to be done secretly (Diyanty, 2022).

This study aims to examine research on financial statement fraud using the fraud triangle, fraud diamond, fraud pentagon, and fraud hexagon theories in Indonesia. This study analyzes articles from Scopus-indexed journals using the field mapping method. Charting the field is a mapping carried out to group findings from various research results (Nursulistyo & Aryani, 2023). In addition, this literature review was conducted due to the lack of research discussing financial statement fraud using the fraud hexagon theory according to the author's observations. Therefore, this study not only uses the fraud hexagon theory but also adds several other fraud theories, such as the fraud triangle theory, fraud diamond, and fraud pentagon. This study is expected to highlight and discuss the empirical results of research on financial statement fraud using the fraud triangle model, fraud diamond, fraud pentagon, and fraud hexagon in Indonesia.

RESEARCH METHODS

The method used in this research is the field mapping method (Hesford et al., 2006), which is a systematic approach to analyzing existing literature in a specific research field. A systematic literature review is a type of review that is structured in a planned manner to answer specific research questions (Rother, 2007). It aims to analyze variables used in previous studies and summarize the results of previous studies that are not always consistent. This method can facilitate the identification of gaps in previous research and develop further research. In addition, the review can also deepen understanding of the topic discussed through a logical thinking framework. Reviews can not only strengthen the theory in the study but also improve the quality of the research. Therefore, the review must select high-quality articles to produce quality articles. This study combines research methods with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) provisions in the sample selection process used. This process is carried out systematically using PRISMA provisions that include identification, screening, eligibility, and inclusion (Moher et al., 2009). The data used in this study comes from the Scopus database, which can be accessed at <https://www.scopus.com>. This study also employed several criteria in the data collection process, as presented in the following table:

Table 1. Article Selection Criteria

No	Criteria	Selection
1	<i>Subject</i>	Studies that focus on financial reporting fraud based on the fraud triangle, diamond, pentagon, and hexagon theories
2	<i>Year</i>	2016-2026
3	<i>Journal Scope</i>	<i>Economics, Econometrics, and Finance; Business, Management, and Accounting</i>
4	<i>Article Type</i>	Empirical studies on financial reporting fraud
5	<i>Language</i>	English
6	<i>Source</i>	<i>Peer-reviewed</i> journal articles indexed in the Scopus database
7	<i>Keywords</i>	Articles containing the terms: “ <i>financial statement fraud</i> ” OR “ <i>triangle</i> ”; OR “ <i>diamond</i> ”; OR “ <i>pentagon</i> ”; OR “ <i>hexagon</i> ”

Based on the initial search process using the PRISMA approach, 81 articles were obtained related to the research topic. By following the provisions used by PRISMA, the article screening process was carried out in three stages. In the initial identification stage, 8 duplicate documents were found, so these documents were eliminated and 73 documents were continued to the next stage. In the screening stage, screening was carried out based on the suitability of the article selection criteria. In this stage, 12 articles were eliminated because they were not scientific articles and 1 article was eliminated because its status was still *articles in press*. Next, the *eligibility* and *inclusion assessment stage*, an analysis of the title and abstract was carried out to ensure the article's suitability to the research theme. At this stage, 37 articles were eliminated because they were not relevant to the theme. After all selection stages were completed, 23 articles were obtained that had met all inclusion criteria and were then determined as the final sample for use in this literature review research. The selected articles will then be analyzed to identify factors that influence *financial statement fraud* from elements of fraud theory, such as pressure, opportunity, rationalization, ability, ego, and collusion.

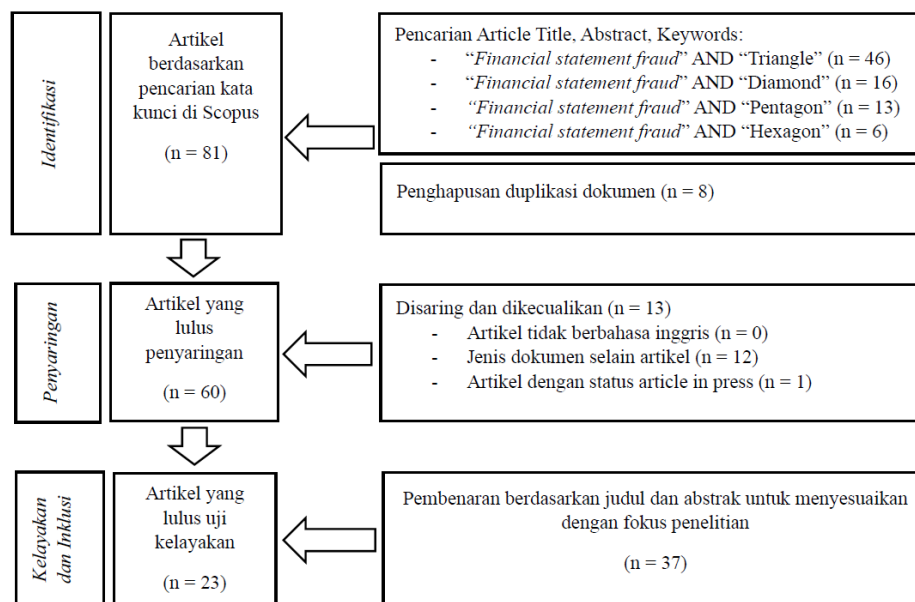


Figure 2 PRISMA diagram

After all selection stages were carried out using the PRISMA approach, the articles selected as research samples are presented in detail in Table 2.

Table 2. Article Data Used in the Research

No	Writer	Title	Journal Name	Scimago
1	(Nindito, 2018)	Financial statement fraud: Perspective of the Pentagon Fraud model in Indonesia	Academy of Accounting and Financial Studies Journal	Q4
2	(Fitri et al., 2019)	Do the fraud triangle components motivate fraud in Indonesia?	Australasian Accounting, Business and Finance Journal	Q2
3	(Chafoor et al., 2018)	Factors Eliciting Corporate Fraud in Emerging Markets: Case of Firms Subject to Enforcement Actions in Malaysia	Journal of Business Ethics	Q1
4	(Handoko & Natasya, 2019)	Fraud diamond model for fraudulent financial statement detection	International Journal of Recent Technology and Engineering	Q4
5	(Omukaga, 2019)	Is the fraud diamond perspective valid in Kenya?	Journal of Financial Crime	Q1
6	(Yusrianti et al., 2020)	Financial statement fraud risk factors of fraud triangle: Evidence from Indonesia	International Journal of Financial Research	Q4
7	(Herdjiono & Kabalmay, 2021)	Can the Fraud Triangle Detect Financial Statement Fraud? An Empirical Study of Manufacturing Companies in Indonesia	Journal of Corporate Finance Research	Q3
8	(Devi et al., 2021)	The Effect of Fraud Pentagon Theory on Financial Statements: Empirical Evidence from Indonesia	Journal of Asian Finance, Economics and Business	Q3
9	(Suryani &	Fraud Triangle Perspective: Artificial	Quality - Access to	Q4

	Fajri, 2022)	Neural Network Used in Fraud Analysis	Success	
10	(Setiorini et al., 2021)	The pentagon fraud theory perspective: understanding the motivation of executives to manipulate with the financial statements of a state-owned enterprise	Economic Annals-21	Q3
11	(Demetriades & Owusu-agyei, 2022)	Fraudulent financial reporting: an application of fraud diamond to Toshiba's accounting scandal	Journal of Financial Crime	Q1
12	(Khamainy et al., 2022)	Detecting financial statement fraud through new fraud diamond model: the case of Indonesia	Journal of Financial Crime	Q1
13	(Hidayati et al., 2022)	Financial pressure and related party transactions on financial statement fraud: fraud triangle perspective	International Journal of Business and Emerging Markets	Q3
14	(Alfarago et al., 2023)	The Likelihood of Fraud from the Fraud Hexagon Perspective: Evidence from Indonesia	ABAC Journal	Q1
15	(Yarana, 2023)	Factors Influencing Financial Statement Fraud: An Analysis of the Fraud Diamond Theory from Evidence of Thai Listed Companies	WSEAS Transactions on Business and Economics	Q4
16	(Suprpto & Agustia, 2023)	The Analysis of Fraudulent Financial Statements Prevention Using Hexagon's Fraud and Government Internal Auditor as Moderating Variable in Local Government in Indonesia	Forum for Development Studies	Q3
17	(Puspaningsih et al., 2024)	Detecting Potential Financial Statement Fraud Using the Fraud Pentagon Analysis: Evidence from Indonesia	Review of Integrative Business and Economics Research	Q3
18	(Biduri & Tjahjadi, 2024)	Determinants of financial statement fraud: the perspective of pentagon fraud theory (evidence on Islamic banking companies in Indonesia)	Journal of Islamic Accounting and Business Research	Q2
19	(Arum et al., 2024)	Moderation of Corporate Governance in Financial Statement Fraud Investigation with the Score Model	Revista de Gestao Social e Ambiental	Q4
20	(Rahayu & Widuri, 2025)	Artificial Neural Network Methodology in Financial Statements Fraud: An Empirical Study in the Property and Real Estate Sector	Risk Governance and Control: Financial Markets and Institutions	Q4
21	(Rahman et al., 2025)	Fraud diamond insights: Predictors of financial statement fraud in the financial services sector	Commercial Acts	Q3
22	(Rath & Pattnaik, 2025)	Impact of Financial Statement Fraud on Firm Value: Evidence from the Pharmaceutical Sector Using the Beneish M-Score Model	SCMS Journal of Indian Management	Q4
23	(Ho et al., 2026)	Fraud triangle factors and financial statement fraud: The moderating role of earnings management in an emerging market	Investment Management and Financial Innovations	Q2

RESULTS AND DISCUSSION

Article Classification Based on Journal Name

This study classifies articles by listing the journal name, author, number of articles per journal, and their percentages in Table 3. This table shows that the Journal of Financial Crime has the highest number of articles with a percentage of 0.130%. Meanwhile, for other journals, each only has one article with a percentage of 0.043%. These journals include Abac Journal; Academy of Accounting and Financial Studies Journal; Acta Commercii; Australasian Accounting, Business and Finance Journal; Economic Annals-XXI Finances, Accounting and Audit; Forum for Development Studies; International Journal of Business and Emerging Markets; International Journal of Recent Technology and Engineering; Investment Management and Financial Innovations; Journal of Asian Finance, Economics and Business; Journal of Business Ethics; Journal of Corporate Finance Research; International Journal of Financial Research; Journal of Islamic Accounting and Business Research; Quality - Access to Success; Review of Integrative Business and Economics Research; Revista De Gestao Sociale Ambiental; Risk Governance and Control: Financial Markets and Institutions; SCMS Journal of Indian Management; and WSEAS Transactions on Business and Economics.

Table 3. Classification of Financial Statement Fraud Articles

No	Journal Name	Writer	Number of articles	Percentage
1	Abac Journal	(Alfarago et al., 2023)	1	0.043 %
2	Academy of Accounting and Financial Studies Journal	(Nindito, 2018)	1	0.043 %
3	Commercial Acts	(Rahman et al., 2025)	1	0.043 %
4	Australasian Accounting, Business and Finance Journal	(Fitri et al., 2019)	1	0.043 %
5	Economic Annals-XXI Finances, Accounting and Audit	(Setiorini et al, 2022)	1	0.043 %
6	Forum for Development Studies	(Suprpto & Agustia, 2023)	1	0.043 %
7	International Journal of Business and Emerging Markets	(Hidayati et al., 2022)	1	0.043 %
8	International Journal of Recent Technology and Engineering	(Handoko & Natasya, 2019)	1	0.043 %
9	Investment Management and Financial Innovations	(Ho et al., 2026)	1	0.043 %
10	Journal of Asian Finance, Economics and Business	(Devi et al., 2021)	1	0.043 %
11	Journal of Business Ethics	(Ghaforr et al., 2019)	1	0.043 %
12	Journal of Corporate Finance Research	(Herdjiono & Kabalmay, 2021)	1	0.043 %
13	Journal of Financial Crime	(Omukaga, 2020); (Demetriades & Owusu-Agyei, 2022); (Khamainy et al., 2022)	3	0.130%
14	International Journal of Financial Research	(Yusrianti et al., 2020)	1	0.043 %

15	Journal of Islamic Accounting and Business Research	(Biduri & Tjahjadi, 2024)	1	0.043 %
16	Quality - Access to Success	(Suryani & Fajri, 2022)	1	0.043 %
17	Review of Integrative Business and Economics Research	(Puspaningsih et al. 2024)	1	0.043 %
18	Revista De Gestao Sociale Ambiental	(Arum et al., 2024)	1	0.043 %
19	Risk Governance and Control: Financial Markets and Institutions	(Rahayu & Widuri, 2025)	1	0.043 %
20	SCMS Journal of Indian Management	(Rath & Pattnaik, 2025)	1	0.043 %
21	WSEAS Transactions on Business and Economics	(Yarana, 2023)	1	0.043 %
Total			23	100 %

Article Classification Based on Theory

Table 4 shows an analysis of the theories used as a basis for explaining the factors influencing *financial statement fraud*. The analysis shows that the *fraud triangle theory* is the most widely used theory in research. Meanwhile, the *fraud hexagon theory* has the least amount of research, having only been used by three researchers.

Table 4. Identification of Theory

No	Theory	Writer
1	<i>Agency Theory</i>	(Handoko & Natasya, 2019); (Herdjiono & Kabalmay, 2021); (Devi et al., 2021); (Puspaningsih et al. 2024)
2	<i>Fraud Triangle Theory</i>	(Fitri et al., 2019); (Ghaforr et al., 2019); (Yusrianti et al., 2020); (Herdjiono & Kabalmay, 2021); (Suryani & Fajri, 2022); (Hidayati et al., 2022); (Rahayu & Widuri, 2025); (Rath & Pattnaik, 2025); (Ho et al., 2026)
3	<i>Fraud Diamond Theory</i>	(Handoko & Natasya, 2019); (Omukaga, 2020); (Demetriades & Owusu-Agyei, 2022); (Khamainy et al., 2022); (Yarana, 2023); (Rahman et al., 2025)
4	<i>Fraud Pentagon Theory</i>	(Nindito, 2018); (Devi et al., 2021); (Setiorini et al, 2022); (Puspaningsih et al. 2024); (Biduri & Tjahjadi, 2024)
5	<i>Fraud Hexagon Theory</i>	(Alfarago et al., 2023); (Suprpto & Agustia, 2023); (Arum et al., 2024)

Classification of Articles Based on Factors Influencing Financial Statement Fraud

Table 5 shows information regarding variables that influence *financial statement fraud*. This table presents elements of *fraud theory*, the variables that influence each element, and the measurements used in the selected articles. Based on the analysis, there are dominant variables because they most frequently influence each element. In the pressure element, the variables *financial target*, *financial stability*, and *external pressure* are the variables most frequently found to influence. Furthermore, the opportunity element (*opportunity*), the most frequently influential variables are *ineffective monitoring* and *the nature of the industry*. In the rationalization element, only one variable was found to be most frequently influential, namely *change of auditor*. In the capability element, *only the change of director* variable was the

most dominant. In the ego element (*arrogance*), there was also only one variable that was most frequently influential, namely *Frequent number of CEO's picture*. Meanwhile, in the collusion element, *only one study found an influence, namely the political connection* variable.

Table 5. Identification of Factors Influencing Financial Statement Fraud

No	Element	Independent Variables	Measurement	Article No.
1	Pressure	<i>Free cash flow</i>	FCF	1
		<i>Financial stability</i>	Asset growth	2, 4, 6, 9, 13, 21
		<i>External pressure</i>	$Leverage = \frac{\text{Total debt}}{\text{Total assets}}$	2, 7, 10, 16, 18
		<i>Financial target</i>	<i>Return on Asset</i>	2, 5, 6, 7, 8, 10, 11, 13, 15, 19
		<i>Tax aggressiveness</i>	ETR	3
		<i>Financial distress</i>	Z-score	3, 23
		<i>Personal financial needs</i>	OSHIP	12
2	Opportunity	<i>Solvency ratios</i>	Debt / equity; $\frac{\text{Total debt}}{\text{Total assets}}$	20
		<i>Independent audit committee</i>	Percentage of independent audit committee members	1
		<i>Nature of industry</i>	Accounts receivable ratio	5, 6, 7, 9, 12
		<i>Ineffective monitoring</i>	Ratio of the number of independent commissioners (BDCOUT)	8, 10, 11, 18, 19
		<i>Inventory to sales ratio</i>	Inventory/Sales	9
		<i>Gross profit to the asset</i>	Gross profit/Total assets	9
		<i>Effective monitoring</i>	Proportion of independent board of commissioners	12
3	Rationalization	<i>Asset turnover ratios</i>	Accounts receivable / sales; Inventory / sales; Gross profit / total assets	19, 20
		<i>Firm size</i>	Natural logarithm of total assets	20
		<i>Accrual</i>	TATA	1, 15
		<i>Change of auditor</i>	Dummy variables	2, 3, 8, 10, 14, 18
		<i>Firm liquidity</i>	Working capital/Total assets	9
4	Capability	<i>Audit opinion</i>	Dummy variables	11, 16, 17
		<i>History of sales</i>	Sales growth	12
		<i>Profitability ratios</i>	Net profit / total assets; Net profit / sales; Sales / total assets; Working capital / total assets	20
4	Capability	<i>Disclosures on</i>	DDA	1

		<i>doubtful accounts</i>		
		<i>Change of director</i>	Dummy variables	8, 10, 14, 17
		<i>Board member changes</i>	Dummy variables	11
5	Ego (<i>Arrogance</i>)	<i>CEO duality</i>	Dummy variables	8
		<i>Frequent number of CEO's picture</i>	Total number of CEO photos	10, 14, 18, 19
6	Collusion	<i>Political connection</i>	Dummy variables	19

Based on the analysis results in the study, the variables that have an influence on *financial statement fraud* show different directions of influence, namely positive and significant negative. In the pressure element, there are several variables that have a positive and negative influence, such as the free cash flow variable, which has a significant negative effect on *financial statement fraud*. This shows that free cash flow can describe a company's ability to meet internal funding needs, namely the extent to which the company is able to fund operational activities and expansion using its own funds (Nindito, 2018). Companies with low internal funding capabilities generally have a higher level of dependence on external financing sources (Nindito, 2018). The *financial stability variable* has a significant positive effect on *financial statement fraud*, indicating that when economic conditions experience financial instability, managers will be pressured to manipulate financial reports. In these conditions, management is encouraged to take unethical actions to hide or cover up the company's poor financial condition (Handoko & Natasya, 2019). External *pressure* has a significant positive effect on *financial statement fraud* because companies are required to maintain good financial ratios and profitability levels to obtain external funding and maintain their competitiveness (Herdjiono & Kabalmay, 2021). Furthermore, companies must demonstrate the ability to meet loan repayment obligations, which can encourage managers to commit fraud (Herdjiono & Kabalmay, 2021).

The *financial target* variable shows a significant positive and negative influence on *financial statement fraud*. This illustrates that high financial targets can encourage management to manipulate financial reports, but under certain conditions, these targets can also increase motivation to significantly improve company performance without committing fraud. The *tax aggressiveness variable* shows a significant positive influence on *financial statement fraud*, because companies that pay more taxes than they should have the potential to reduce suspicion from regulators and investors (Ghafoor et al., 2018). The *financial distress variable* shows a significant positive influence on *financial statement fraud*, because conditions of financial difficulty can increase the incentive for companies to make inappropriate financial reports (Ghafoor et al., 2018). The *personal financial need* variable shows a significant positive influence on *financial statement fraud*, because higher levels of share ownership by internal parties of the company can increase the risk of financial statement fraud (Khamainy et al., 2022). Finally, the *solvency ratio variable* shows a significant positive influence on *financial statement fraud*, as management is compelled to take various actions to

meet principal expectations, one of which is through fraudulent financial reporting practices (Rahayu & Widuri, 2025). A company's inability to meet its debt obligations can put pressure on management, leading to manipulation (Yesiariani & Rahayu, 2017).

Furthermore, in the opportunity element, the *independent audit committee variable* shows a significant negative influence on *financial statement fraud*, because the lower the percentage of independent members in the audit committee, the higher the likelihood of financial statement fraud (Nindito, 2018). *The nature of industry variable* has a significant positive and negative influence on *financial statement fraud*, indicating that the lower the ratio of changes in accounts receivable, the greater the likelihood that management is encouraged to commit fraud in financial reporting (Yusrianti et al., 2020). *The ineffective monitoring variable* also has a significant positive and negative influence on *financial statement fraud*, indicating that to fulfill personal interests, individuals tend to have the opportunity to commit fraud when there is an opportunity or when the monitoring system in the organization or company is not running effectively (Devi et al., 2021). *The inventory to sales ratio variable* has a significant positive influence on *financial statement fraud*, indicating that the assessment of a company's inventory has a fairly high potential risk of misstatement, and the faster the inventory turnover rate, the more positive investors' assessment of the company's performance (Suryani & Fajri, 2022).

The gross profit to total assets variable also has a significant positive effect on *financial statement fraud*, indicating that a high gross profit to total assets ratio can provide room for management to commit fraud, as investors tend to be very focused on the company's ability to optimize assets to generate profits (Suryani & Fajri, 2022). *The effective monitoring variable* shows a significant negative effect on *financial statement fraud*, as supervision carried out by an independent committee is an effective mechanism for companies to minimize fraud (Khamainy et al., 2022). *The asset turnover ratio variable* shows a significant positive effect on *financial statement fraud*, as components in the asset turnover ratio consist of accounts that have a high level of vulnerability to fraud, such as accounts receivable, inventory, and gross profit (Rahayu & Widuri, 2025). Finally, *the firm size variable* has a significant positive effect on *financial statement fraud*, because the larger the company, the more complex its operations and supervisory structure, thereby increasing the opportunity for information asymmetry that can be exploited to manipulate financial statements.

Furthermore, in the rationalization element, the *accrual variable* has a significant positive and negative influence on *financial statement fraud*, indicating that policies set by management can influence accrual changes, where the greater the change, the higher the possibility of manipulative accounting practices (Yarana, 2023). *The change of auditor variable* has a significant positive influence on *financial statement fraud*, because changing auditors can be seen as a way to erase or disguise traces of fraud that have previously been detected by the previous auditor (Manurung & Hardika, 2015). *The firm liquidity variable* has a significant positive influence on *financial statement fraud*, because investors use the level of

liquidity as one of the considerations in making investment decisions, so this encourages management to present the company's liquidity conditions as good (Suryani & Fajri, 2022). *The audit opinion variable* has a significant positive influence on *financial statement fraud*, indicating that the audit opinion given by the auditor can be used by managers as a form of justification for committing fraud in financial reporting (Puspaningsih et al., 2024). *The sales history variable* has a significant positive effect on *financial statement fraud*, indicating that when management faces poor sales performance in the previous year's financial statements, they tend to make various efforts to display an increase in the company's net sales in the following period (Khamainy et al., 2022). Finally, the *profitability ratio variable* has a significant positive effect on *financial statement fraud*, because profitability ratios provide both encouragement and pressure for management to display optimal financial performance (Rahayu & Widuri, 2025).

Furthermore, in the capability element, the variable of bad debt disclosure has a significant negative influence on *financial statement fraud*, indicating that inadequate recognition and provision levels can be exploited to manipulate asset and profit values so that financial statements appear better than their actual condition. The variable of *change of director* has a significant positive influence on *financial statement fraud*, indicating that changes in the board of directors can create a stressful transition period, which in turn can open up opportunities for fraud (Wolfe & Hermanson, 2004). Finally, the variable of *Board member's changes* shows a significant positive influence on *financial statement fraud*, meaning that the higher the frequency of changes in board of directors members, the greater the tendency for *financial statement fraud to occur* (Demetriades & Owusu-Agyei, 2022).

Furthermore, in the ego (*arrogance*) element, the *CEO duality variable* has a significant positive influence on *financial statement fraud*, indicating that good company performance should not be influenced by the number of director positions, but the existence of dual positions can increase the opportunity for fraud (Devi et al., 2021). Then, the *Frequent number of CEO's pictures variable* also shows a significant positive influence on *financial statement fraud*, because the more CEO pictures displayed, the tendency to gain public recognition reflects an element of arrogance in the *arrogance element*. High arrogance can encourage fraud because the CEO feels he is above the internal control system (Biduri & Tjahjadi, 2024). Furthermore, in the collusion element, there is only one variable that has an influence on *financial statement fraud*, namely *the political connection variable*. This variable has a significant positive influence on *financial statement fraud*, indicating that companies with strong political connections generally receive various benefits, such as easier access to bank loans, greater opportunities to obtain government contracts, and government rescue support when facing financial difficulties (Kartikawati et al., 2020). Therefore, political connections provide additional benefits to companies, especially when experiencing financial pressure or needing funding (Arum et al., 2024).

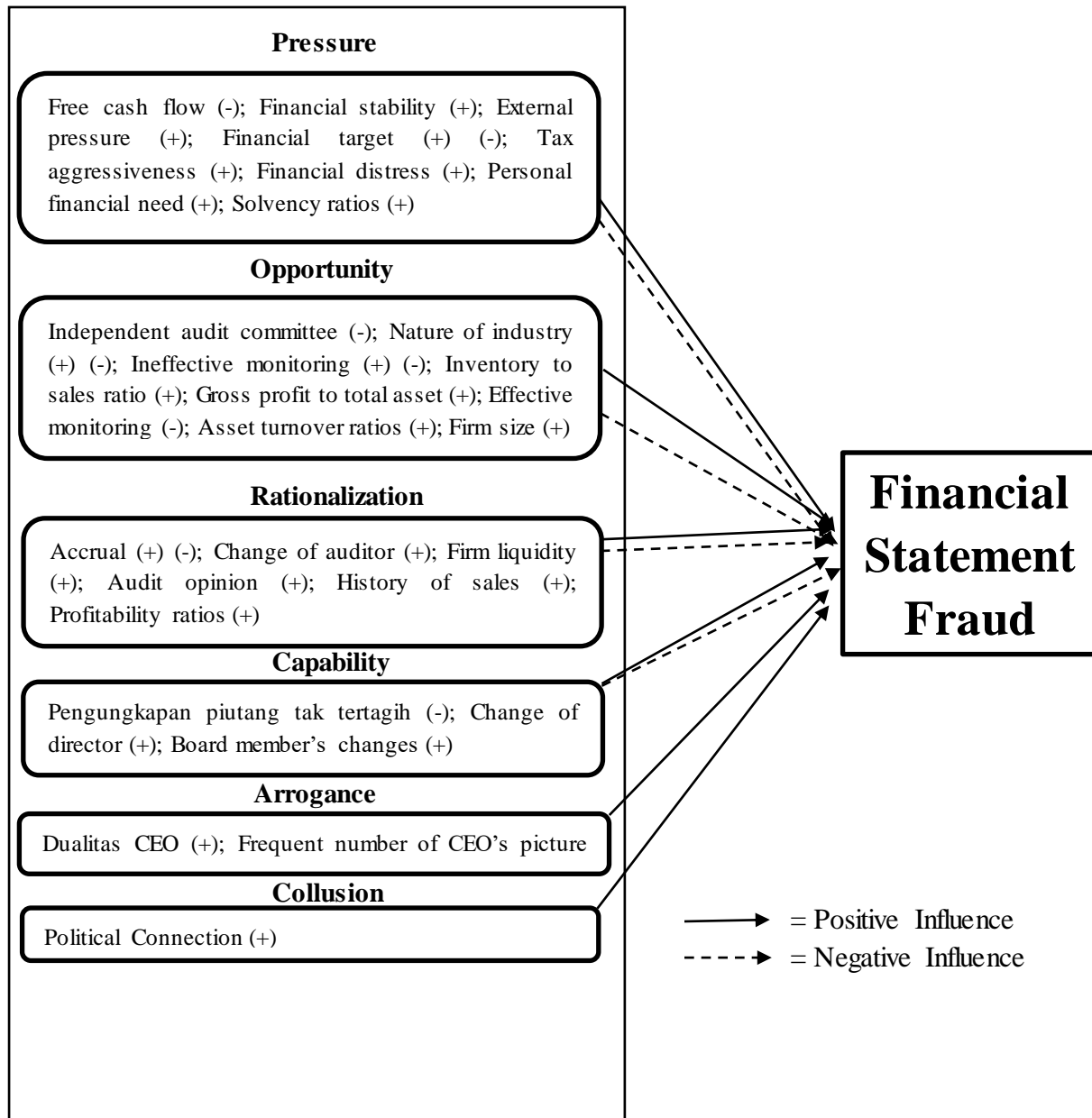


Figure 3. The Impact of Financial Report Fraud

CONCLUSION AND SUGGESTIONS

This study concludes that *financial statement fraud* in Indonesia remains a significant issue studied using various fraud theory approaches. The *fraud hexagon theory* provides a broader and more in-depth perspective than previous theories by adding the element of

collusion as a key determinant of fraud. Based on the classification of the journals analyzed, *the journal financial of crime* is the journal that dominates the research. The element of pressure, proxied by *financial stability*, *external pressure*, and *financial target*; the element of opportunity, represented by *the nature of the industry* and *ineffective monitoring*; the element of rationalization, proxied by *change of auditor*; the element of ego (*arrogance*), represented by *the frequent number of CEO's pictures*; and the element of collusion, proxied by *political connections*, are proven to have the most dominant contribution to the occurrence of *financial statement fraud*. The findings of this study indicate that there are diverse relationships between these variables and *financial statement fraud*, indicating that fraud is complex and multidimensional.

This study is limited by the number of articles used, namely only 23 articles selected from Scopus-indexed journals between 2016 and 2026, thus limiting the scope of the analysis. Furthermore, all articles used are published only in English and focus on the fields of *economics*, *econometrics*, *finance*, and *business, management, and accounting*, which may not reflect the full range of relevant research in the Indonesian context. Another limitation lies in the dominance of analytical methods and the lack of diverse research approaches, such as field studies or direct surveys, which could enrich understanding of the factors of financial statement fraud.

Further research is recommended to expand the scope of reviewed articles by including national journals indexed by Sinta 1 and 2, as well as international journals not yet indexed by Scopus but relevant to the research topic, and extend the publication period to increase the number of study results. Furthermore, more diverse research methods such as case studies, in-depth interviews, or quantitative approaches with surveys can be used to further explore the causal factors of *financial statement fraud*. Research can also focus on the implementation of the *fraud hexagon theory* in auditing and internal control practices in the public and private sectors to provide more applicable policy recommendations.

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