

Influence of Fraud Triangle on Financial Statement Fraud with Financial Distress as an Intervening Variable (Empirical Study on Financial Sector Companies Listed on the Indonesia Stock Exchange in 2020-2022)

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Abstract

This study aims to determine the effect of the fraud triangle on financial statement fraud with financial distress as an intervening variable. The population of this study were all financial sector companies totaling 107 and then withdrawing samples using purposive sampling method, there were 42 companies that met the sample criteria. The results showed that pressure affects financial statement fraud, pressure affects financial distress, financial distress affects financial statement fraud, and financial distress is able to mediate the relationship between pressure and financial statement fraud. Furthermore, opportunity and rationalization have no effect on financial statement fraud. Opportunity and rationalization have no effect on financial distress. Financial distress is unable to mediate the relationship between opportunity and rationalization with fraudulent financial statements.

Keywords: Fraud Triangle, Financial Distress, Financial Statement Fraud, Structural Equation Modelling

Introduction

Association of Certified Fraud Examiners ACFE (2022) defines fraud as a deliberate violation of the law by making false and false reports for personal or collective gain and presenting them to other parties. Based on the data submitted by the Report to The Nations 2022, there are three main types of fraud, namely: First, fraud against assets (asset misappropriation) which is the misuse of company / institution assets. Second, corruption where ACFE divides corruption into two, namely conflict of interest and bribery. Third,

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financial statement fraud, which is any action that makes financial statements not what they should be. The detailed types of fraud are presented in Figure 1.1.

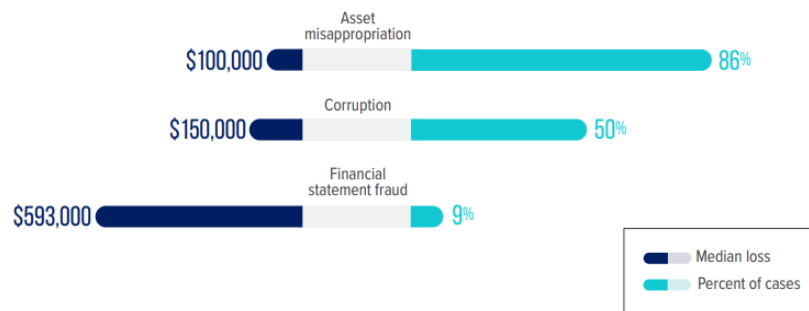


Figure 1.1 Types of Fraud

Based on figure 1.1 above, financial statement fraud cases are rare at only 9% compared to corruption at 50% and misuse of assets at 86%. However, financial statement fraud is the highest cause of loss with an average loss of \$593,000. Indonesia is still a country with a high level of fraud. Given the level of fraud, the government is considered an organization that will be damaged when fraud occurs. According to data submitted by the Report to the Nations 2022 on the Global Study on Occupational Fraud and Abuse (Asia Pacific Edition). In 2022 Indonesia was ranked 4th with the most fraud contributions, which amounted to 23 cases.

Responding to the high losses incurred from this type of financial statement fraud is certainly an evaluation for each country, including Indonesia, to take action to prevent fraud. Cases of financial statement fraud that occur in Indonesia are part of audit failures that are also carried out by the Public Accounting Firm (KAP). Public Accountants in the United States, in this case the AICPA (American Institute Certified Public Accountant), provide solutions to overcome fraudulent financial statement practices in the form of Statement of Auditing Standards (SAS). In this standard, there is an illustration of the fraud factor, namely SAS no. 99 which is based on the fraud triangle theory. This triangle theory was proposed by Cressey (1953) which categorizes three conditions for fraud in companies, namely pressure, opportunity and rationalization.

Without effective supervision and handling, fraudulent practices will be increasingly frequent and will become a serious problem. One of the factors that causes companies to commit fraud is financial distress. Financial distress is a condition of a company that is experiencing financial difficulties that occur before liquidation or bankruptcy occurs. Management will be encouraged to commit financial statement fraud when they know that the company they manage is experiencing financial distress. Management does not want the performance of the company being managed to be assessed poorly by shareholders and creditors due to non-optimal performance from management (Nugroho et al., 2018).

Previous research Fatharani & Punamasari (2023) argued that pressure affects financial statement fraud. In contrast to Sari et al (2021) argue that pressure has no effect on fraudulent financial statements. Muningsih & Muliati (2020) argue that opportunity has a positive effect on fraudulent financial statements. In contrast to Putri (2022) argues that opportunity has no

effect on fraudulent financial statements. Ramadhaniyah et al (2023) argue that rationalization has a positive effect on fraudulent financial statements. In contrast to Alfina & Amrizal (2020) argue that rationalization has no effect on financial statement fraud. This research is a development of Boermawan & Arfianti (2022) by adding financial distress as an intervening variable and using financial sector objects listed on the Indonesia Stock Exchange (IDX) for the period 2020-2022.

Based on the gaps and differences in findings from previous studies that have been described, this has encouraged researchers' interest in studying it through writing this journal which will be outlined in the title "The Effect of the Fraud Triangle on Financial Statement Fraud with Financial Distress as an Intervening Variable (Case Study in the Financial Sector Listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 Period)".

Literature Review

Agency Theory

Agency theory Jensen & Meckling (1976) for the first time sparked a theoretical exploration of agency theory entitled "Theory of the firm: Managerial behavior, agency costs, and ownership structure". Agency theory was created to solve a problem that occurs due to incomplete information and dishonesty in submitting financial reports. Agency theory is a theory to regulate the contractual relationship between the principal and the agent. The principal acts as the owner of the company who gives the power to manage the company, the agent acts as the company's management.

Signaling Theory

Signaling theory was first put forward by Spence (1973) entitled "Job Market Signaling" when signaling theory appeared for the first time. Signaling theory is a theory that reveals that companies provide signals to users of financial statements, both in the form of positive signals (good news) and negative signals (bad news). This theory suggests how a company should signal to users of financial statements.

Fraud Triangle

The fraud triangle concept was proposed by Cressey (1953) and then developed into the rationale for why people commit fraud so that it is used by many professional organizations to describe the factors that cause fraud. Cressey states that there are three causal factors when fraud or fraud occurs, namely pressure, opportunity, and rationalization.

Pressure is encouragement or motivation someone commits fraud or fraud. Encouragement or pressure can come from from himself or other groups. This pressure can be in the form of financial pressure and non-financial pressures (Al Farizi et al., 2020).

Opportunity is a condition or gap that allows fraudulent acts to occur in financial reporting. Usually occurs because management system is not ineffective management system,

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negligence, and misuse of power that can lead to to commit fraud. One of these opportunities can arise if weak supervision (Waqidtun et al., 2021).

Rationalization is an act of justification in committing fraud. The perpetrator feels that he is honest person and considers that the actions taken by him are the right and appropriate thing to do. to do (Ramadhaniyah et al., 2023).

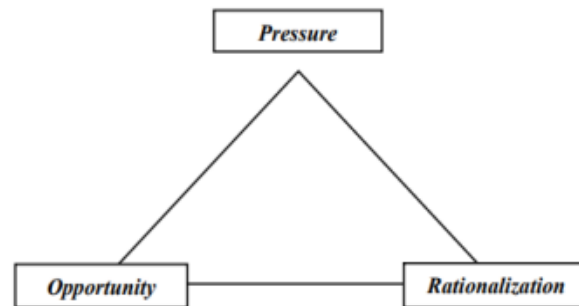


Figure 1.2 Fraud Triangle

Financial Distress

A condition where the company is in financial difficulty, it can be said that the company is on the verge of bankruptcy. Management will be encouraged to commit financial statement fraud when they know that the company they manage is experiencing financial distress (Tyas & Sari, 2021).

Fraud

According to Putra et al (2021) fraud is fraud or deliberate lies, lies can be in the form of deliberately presenting or conveying something that is not true or removing and taking it. Fraud produces benefits for the perpetrators, can be in the form of financial or non-financial and can harm other parties.

Financial Statement Fraud

Financial statement fraud is an attempt by the company to deliberately deceive and mislead users of financial statements, especially investors and creditors (Boermawan & Arfianti, 2022).

Research Method

The research conducted is quantitative research. The data used is secondary data in the form of annual reports of companies listed on the Indonesia Stock Exchange (IDX). The population in this study are financial sector companies listed on the IDX during 2020-2022. The sampling technique used purposive sampling method so that the number of companies sampled was 42 companies.

This study has three exogenous latent variables and two endogenous latent variables. The exogenous latent variables in this study are pressure, opportunity, and rationalization

variables. The first exogenous variable is pressure which has four indicators, namely financial stability, external pressure, personal financial needs, and financial targets. The second exogenous variable is opportunity which has three indicators, namely industry conditions, ineffective supervision, and organizational structure. The third exogenous variable is rationalization which has two indicators, namely auditor turnover and audit opinion. The endogenous variables in this study are financial distress and financial statement fraud. The endogenous variable financial distress has five indicators, namely the Altman, Ohlson, Zmijewski, Springate, and Grover models. Meanwhile, the second endogenous variable is financial statement fraud which has two indicators, namely benneish M-Score and F-Score.

Data analysis in this study is using Structural Equation Modeling (SEM) analysis - Partial Least Square (PLS). According to Ghazali (2021) the component or variant-based Structural Equation Modeling (SEM) model known as Partial Least Square (PLS) is designed for causal analysis with high complexity and little theoretical support. The Partial Least Square (PLS) approach is distribution free.

The analysis stage of this research is to test the measurement model and model structure. Outer model testing analysis uses convergent validity, discriminant validity, and reliability criteria. Inner model testing analysis uses criteria such as R-square, Q-square, and F-square. Hypothesis testing is done using the bootstrap resampling method. The test is carried out using a t-test if the p-value < 0.05 is obtained, it is concluded that it is significant, and vice versa.

The hypothesis of this study are:

H₁: The effect of pressure on financial statement fraud.

H₂: Opportunity's influence on financial statement fraud.

H₃: The effect of Rationalization on financial statement fraud.

H₄: The effect of pressure on financial distress.

H₅: The effect of opportunity on financial distress.

H₆: The effect of rationalization on financial distress.

H₇: The effect of financial distress on financial statement fraud.

H₈: Financial distress mediates the relationship between pressure and financial statement fraud.

H₉: Financial distress mediates the relationship between opportunity and financial statement fraud.

H₁₀: Financial distress mediates the relationship between rationalization and financial statement fraud.

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Result/Findings

The number of financial sector companies listed on the Indonesia Stock Exchange (IDX) that published financial reports in 2020-2022 which were sampled as many as 42 companies. So that the research sample to be processed is 126 data (42 x 3).

The outer model test uses convergent validity, discriminant validity, and reliability criteria. Testing convergent validity can be seen from the loading factor value. Indicators are said to be reliable if the loading factor value is above 0.70. However, in the development stage research, loading of 0.5 to 0.6 is still acceptable (Ghozali, 2021). In this study, the researcher set the limit of the loading factor value for indicators included in the model is the loading factor value above 0.5.

Table 1. First Model Outer Loading Results

	Financial Distress	Financial Statement Fraud	Opportunity	Pressure	Rationalization
ALTMAN	0.840				
F-SCORE		0.936			
GROVER	0.866				
KI			0.892		
KKP				0.645	
M-SCORE		0.486			
OA					0.782
OHLSON	-0.916				
PA					0.897
PTE			0.705		
SK				-0.318	
SO			0.076		
SPRINGATE	0.852				
TE				0.028	
TK				0.940	
ZMIJEWSKI	-0.930				

Source: Research Data, 2024

Indicators with loading factors below 0.5 will then be removed from the research model.

Table 2. Second Model Outer Loading Results

	Financial Distress	Financial Statement Fraud	Opportunity	Pressure	Rationalization
ALTMAN	0.894				
F-SCORE		1.000			
GROVER	0.916				
KI			0.659		
KKP				0.665	

OA					0.715
PA					0.937
PTE			0.919		
SPRINGATE	0.865				
TK				0.978	

Source: Research Data, 2024

The outer loading value in table 2 is above 0.5. This value can be interpreted that each variable has a good convergent validity value, so the requirements for convergent validity have been met.

Table 3. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Financial Distress	0.796
Financial Statement Fraud	1.000
Opportunity	0.640
Pressure	0.699
Rationalization	0.695

Source: Research Data, 2024

Table 3 shows the average variance extracted value above 0.50. This value can be interpreted that all constructs are said to be good, so they are eligible.

Tabel 4. Cross Loading

	Financial Distress	Financial Statement Fraud	Opportunity	Pressure	Rationalization
ALTMAN	0.894	0.532	0.009	0.247	-0.098
F-SCORE	0.597	1.000	-0.098	0.392	-0.226
GROVER	0.916	0.526	-0.060	0.199	-0.174
KI	0.019	-0.059	0.659	-0.103	-0.028
KKP	-0.001	0.174	-0.033	0.665	-0.088
OA	-0.006	-0.151	-0.028	-0.014	0.715
PA	-0.163	-0.217	-0.056	-0.086	0.937
PTE	-0.041	-0.093	0.919	-0.120	-0.054
SPRINGATE	0.865	0.538	-0.016	0.262	-0.072
TK	0.309	0.408	-0.151	0.978	-0.059

Source: Research Data, 2024

To ensure that each latent variable has a different concept among the variables assessed, it is necessary to know the value of discriminant validity by looking at the cross loading value. The discriminant validity value is adequate if the cross loading of the construct with the measured indicator is higher than that of other constructs, this shows. Table 4 shows that the value of each construct and its indicators has a higher cross loading value than other constructs.

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Table 5. *Reliability*

	Cronbach's Alpha	Reliabilitas Komposit
Financial Distress	0.871	0.921
Financial Statement Fraud	1.000	1.000
Opportunity	0.474	0.776
Pressure	0.661	0.818
Rationalization	0.597	0.817

Source: Research Data, 2024

Reliability criteria can be seen from the composite reliability and Cronbach alpha values of each construct. A construct is said to have high reliability if the composite reliability and Cronbach alpha values are above 0.7 (Hair et al., 2011). The results in Table 5 show that the composite reliability of the financial distress variable, financial statement fraud, pressure, opportunity and rationalization variables all have a composite reliability greater than 0.70, which means they meet the reliability criteria.

In addition, the Cronbach alpha of the financial distress and financial statement fraud variables has a Cronbach alpha value greater than 0.70, which means it meets the reliability criteria, while the Cronbach alpha value of the opportunity variable, pressure variable, and rationalization variable is still below 0.70. The Cronbach alpha value below 0.70 is still acceptable or said to be reliable, but with the concept that the reliability value is low reliability or low reliability.

Thus, all constructs have met the reliability criteria. All variables and indicators in this study have met all test criteria, so it can be concluded that this research is reliable and valid.

Table 6. *R-Square Test*

	R Square
Financial Distress	0.082
Financial Statement Fraud	0.439

Source: Research Data, 2024

Table 6 shows that the R-Square value of financial distress is 0.082. It can be interpreted that the variables of pressure, opportunity, rationalization, and financial statement fraud can explain the financial distress variable by 0.082 or 8%. For the financial statement fraud variable, the result is 0.439. It can be interpreted that the variables of pressure, opportunity, rationalization and financial distress can explain the financial statement fraud variable by 0.439 or 44%. To measure how well the observation value is generated by the model and its parameter estimates, it must pay attention to the Q-Square value. To fit the criteria, the q-square value must be positive or exceed the zero value and not be negative.

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2)$$

$$Q^2 = 1 - (1 - 0,082) (1 - 0,439)$$

$$Q^2 = 1 - 0,515$$

$$Q^2 = 0,485$$

The results of the calculation of the predictive relevance value of 0.485 or 49% indicate that the data diversity that can be explained by the model is 49%. The remaining 51% can be explained by other variables that are not hypothesized in this study.

Table 7. F-Square Test

	Financial Distress	Financial Statement Fraud	Opportunity	Pressure	Rationalization
Financial Distress		0.431			
Financial Statement Fraud					
Opportunity	0.000	0.006			
Pressure	0.071	0.091			
Rationalization	0.013	0.037			

Source: Research Data, 2024

Table 7 shows, the f-square value of the effect of financial distress on financial statement fraud is 0.431 which means it has a large effect size or f-square > 0.35. The effect of pressure on financial distress is 0.071 which is a weak effect. The effect of pressure on financial statement fraud of 0.091 is a weak influence. The effect of rationalization on financial statement fraud of 0.037 is also a weak influence because it has an effect size or f-square > 0.02 which means it has a weak influence. Furthermore, the effect of opportunity on fraudulent financial statements, the effect of opportunity on financial distress and the effect of rationalization on financial distress can be ignored because it has an f-square value < 0.02. So it can be concluded that opportunity on fraudulent financial statements, opportunity on financial distress, rationalization on financial distress has no effect size.

Table 8. Hypothesis Test of Direct Effects

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	P Values
Financial Distress -> Financial Statement Fraud	0.514	0.515	0.079	6.482	0.000
Opportunity -> Financial Distress	0.005	0.017	0.112	0.044	0.965
Opportunity -> Financial Statement Fraud	-0.061	-0.06	0.069	0.878	0.38
Pressure -> Financial Distress	0.258	0.271	0.105	2.45	0.015
Pressure -> Financial Statement Fraud	0.237	0.238	0.071	3.358	0.001
Rationalization -> Financial Distress	-0.109	-0.117	0.106	1.029	0.304
Rationalization -> Financial Statement Fraud	-0.147	-0.148	0.08	1.823	0.069

Source: Research Data, 2024

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To determine the magnitude of the indirect effect of the independent variable on the dependent variable through the intervening variable, it can be seen from the specific indirect effect test.

Table 9. Indirect Effect Hypothesis Test

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	P Values
Opportunity -> Financial Distress -> Financial Statement Fraud	0.003	0.009	0.058	0.044	0.965
Pressure -> Financial Distress -> Financial Statement Fraud	0.133	0.139	0.058	2.306	0.022
Rationalization -> Financial Distress -> Financial Statement Fraud	-0.056	-0.062	0.057	0.979	0.328

Source: Research Data, 2024

Discussion

The effect of pressure on financial statement fraud

The results in Table 8 show the direct effect on each hypothesis. In hypothesis 1, namely pressure has an effect on fraudulent financial statements, has a t-stat value of $3.358 > 1.96$ and a p-value of $0.001 < 0.05$. So that this hypothesis (H1) can be said that pressure has an effect on fraudulent financial statements “accepted”.

The results of this study are different from research conducted by Boermawan & Arfianti (2022) and Edi & Victoria (2018) which show that several indicators of pressure, namely external pressure, financial stability, personal financial needs and financial targets have no effect on financial statement fraud. However, the results of this study are in line with research conducted by Wahyuni et al (2023), Novita (2022), and Veranita & Nuritomo (2017) where pressure proxied by external pressure, financial targets, financial stability, and personal financial needs affects financial statement fraud. Based on the data collected by researchers, the first hypothesis can be accepted because based on the results of the study, it shows that excessive pressure given to management to achieve financial targets results in management committing fraud in making and presenting information in the company's financial statements. This is done so that the company reports that are managed look good in the eyes of investors. So it can be concluded that pressure affects financial statement fraud.

The effect of opportunity on financial statement fraud

Testing hypothesis 2, namely opportunity has an effect on fraudulent financial statements, the t-stat value is $0.878 < 1.96$ and the p-values are $0.380 > 0.05$. So that this

hypothesis (H2) can be said that opportunity has no effect on fraudulent financial statements “rejected”.

The results of this study are in line with Waqidtun et al (2021) and Muningsih & Muliati (2020) where opportunity proxied by ineffective supervision, organizational structure, and industrial conditions has no effect on financial statement fraud. Based on the data collected by researchers, the second hypothesis cannot be accepted because based on the results of the study, it shows that whether or not a company's supervisory system is weak does not make the company have the opportunity to commit fraudulent financial statements. So it can be concluded that opportunity has no effect on fraudulent financial statements.

The effect of rationalization on financial statement fraud

Hypothesis testing 3, namely rationalization affects financial statement fraud, has a t-stat value of $1.823 < 1.96$ and a p-value of $0.069 > 0.05$. So that this hypothesis (H3) can be said that rationalization affects financial statement fraud “rejected”.

The results of this study are very interesting, because they find different results from several previous studies that found an influence between rationalization and financial statement fraud such as research conducted by Ramadhaniyah et al (2023), Al Farizi et al (2020), Edi & Victoria (2018) and Veranita & Nuritomo (2017), that rationalization proxied by auditor turnover and audit opinion cannot encourage management to commit financial statement fraud. Companies that change auditors are not because the company wants to avoid detecting fraud, but because the performance of the external auditor is not good and the company is not satisfied with the performance of the previous auditor either from the results of the audit carried out, so the company will replace a truly qualified auditor.

The effect of pressure on financial distress

Hypothesis testing 4, namely pressure has an effect on financial distress, has a t-stat value of $2.450 < 1.96$ and a p-value of $0.015 > 0.05$. So that this hypothesis (H4) can be said that pressure has an effect on financial distress “accepted”. Based on the results that have been carried out by researchers, it can be seen that the companies previously described are proven to be experiencing financial distress. Too high pressure given to management can cause the company to experience financial difficulties, and cause the company to commit fraud on the financial statements. So it can be concluded that pressure affects financial distress.

The effect of opportunity on financial distress

Hypothesis testing 5, namely opportunity affects financial distress, has a t-stat value of $0.044 < 1.96$ and a p-value of $0.965 > 0.05$. So that this hypothesis (H5) can be said that opportunity affects financial distress “rejected”. The results of this study are in line with the research of Wildatul & Rida (2023) which states that there is no influence between opportunity on the occurrence of financial distress, because based on the results of the study whether or not the supervision system of a company is stable does not make the company experience financial distress. So that ineffective supervision is not an indication of bankruptcy. It can be concluded that opportunity has no effect on financial distress.

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The effect of rationalization on financial distress

Hypothesis testing 6, namely rationalization has an effect on financial distress, has a t-stat value of $1.029 < 1.96$ and a p-value of $0.304 > 0.05$. So that this hypothesis (H6) can be said that rationalization affects financial distress “accepted”. Based on the results of research conducted by researchers, it is found that companies that make auditor changes and companies that get an unqualified opinion with explanatory language have not experienced financial distress. This is evidenced in the Altman model (O-Score > 2.99 healthy) and Springate (S-Score > 0.862 healthy). So it can be concluded that rationalization affects financial distress.

The effect of financial distress on financial statement fraud

Hypothesis testing 7, namely financial distress affects financial statement fraud, has a t-stat value of $6.482 > 1.96$ and a p-value of $0.000 < 0.05$. So that this hypothesis (H7) can be said that financial distress affects financial statement fraud “accepted”. The results of this study are very interesting, because they find different results from several previous studies that found an influence between financial distress and fraudulent financial statements such as research conducted by Tommy & Fenny Marietza (2022) and Annafi & Yudowati (2021), that financial distress cannot make company management make fraudulent financial statements.

Financial distress mediates the relationship between pressure and financial statement fraud

The results in Table 9 show the indirect effect on each hypothesis. In hypothesis 8, namely financial distress can mediate the relationship between pressure on fraudulent financial statements, has a t-stat value of $2.306 > 1.96$ and a p-value of $0.022 < 0.05$. So that this hypothesis (H8) can be said that financial distress can mediate the relationship between pressure on fraudulent financial statements “accepted”. This is because financial distress succeeds in mediating pressure in influencing financial statement fraud. Based on the results that have been carried out by researchers, it can be seen that in the companies previously described, the company is experiencing financial distress and is proven to commit financial statement fraud. Pressure that is too high can cause the company to experience financial difficulties, and cause the company to commit fraud on the financial statements. So it can be concluded that financial distress is able to mediate the relationship between pressure and financial statement fraud.

Financial distress mediates the relationship between opportunity and financial statement fraud

Hypothesis testing 9, namely that financial distress can mediate the relationship between opportunity and fraudulent financial statements, has a t-stat value of $0.044 < 1.96$ and a p-value of $0.965 > 0.05$. So that this hypothesis (H9) can be said that financial distress can mediate the relationship between opportunity and fraudulent financial statements “rejected”.

Therefore, the ninth hypothesis cannot be accepted, because based on the results of this study the weak supervisory system of a company does not make the company experience financial distress, but because the company is unable to manage finances properly. So it can be

concluded that financial distress is unable to mediate the relationship between opportunity and financial statement fraud. Based on the results that have been carried out by researchers, it can be seen that in the companies previously described, the company is experiencing financial distress and it is proven that the company does not commit financial statement fraud. The weakness or absence of a company's supervisory system does not make the company experience financial difficulties, but because the company is unable to manage its finances properly. So it can be concluded that financial distress is unable to mediate the relationship between opportunity and financial statement fraud.

Financial distress mediates the relationship between rationalization and financial statement fraud

Hypothesis testing 10, namely that financial distress can mediate the relationship between rationalization and fraudulent financial statements, has a t-stat value of $0.979 < 1.96$ and a p-value of $0.328 > 0.05$. So that hypothesis (10) can be said that financial distress is unable to mediate the relationship between rationalization and fraudulent financial statements "rejected".

This is because financial distress does not succeed in mediating rationalization in influencing financial statement fraud. Based on the results that have been carried out by researchers, it can be seen that in the company's previously described, the company is experiencing financial distress and it is proven that the company does not commit financial statement fraud. This means that companies that change auditors are not because the company wants to avoid detecting fraud, but because the performance of the external auditor is not good and the company is not satisfied with the performance of the previous auditor either from the results of the audit conducted. So that the company will replace a truly qualified auditor. So it can be concluded that financial distress is unable to mediate the relationship between rationalization and financial statement fraud.

Conclusion

Based on the results of research and discussion regarding the effect of fraud triangle on financial statement fraud with financial distress as an intervening variable in financial sector companies listed on the Indonesia Stock Exchange, the following conclusions can be drawn:

1. Pressure affects financial statement fraud.
2. Opportunity has no effect on fraudulent financial statements.
3. Rationalization has no effect on fraudulent financial statements.
4. Pressure has an effect on financial distress.
5. Opportunity has no effect on financial distress.
6. Rationalization has no effect on financial distress.
7. Financial distress turns out to have an effect on financial statement fraud.

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8. Financial distress turns out to be able to mediate the relationship between the effect of pressure on fraudulent financial statements.
9. Financial distress was not able to mediate the relationship between the effect of opportunity on fraudulent financial statements.
10. Financial distress was not able to mediate the relationship between the effect of rationalization on fraudulent financial statements.

Declaration of conflicting interest

The authors declare that there is no conflict of interest in this work.

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