

FRAUD FACTOR ANALYSIS HEXAGON IN DETECTING FINANCIAL REPORT FRAUD IN LISTED COMPANIES IN INDONESIA: A SYSTEMATIC LITERATURE APPROACH

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Abstract. Financial reporting fraud is a significant challenge across industries, undermining stakeholder trust and the reliability of financial data. The Fraud Model Hexagon expands upon earlier models, like the Fraud Triangle and Fraud Diamond, by introducing six elements: pressure, opportunity, rationalization, capability, ego, and collusion that offer a comprehensive view of the factors enabling fraud. This literature review systematically examines the model's effectiveness in detecting financial fraud within Indonesian corporations, especially those listed on the Indonesia Stock Exchange or connected to political and governmental entities. Ten studies from 2018 to 2024 were analyzed, focusing on each Fraud Hexagon element's role in fostering fraud. Findings highlight that pressure, opportunity, and collusion are primary drivers of fraud in politically connected sectors, with capability and rationalization further facilitating fraud, while ego emboldens managers to act without fear of repercussions. The Fraud Hexagon provides a nuanced framework for risk assessment, prompting recommendations for stronger internal controls and ethical standards. It also serves as a valuable diagnostic tool for auditors and regulators, particularly in politically sensitive sectors. This study contributes to understanding the social and psychological dimensions of financial fraud and offers a foundation for future cross-industry research.

Keywords: Fraud Hexagon, financial fraud, pressure, opportunity, collusion

Abstrak. Kecurangan pelaporan keuangan adalah tantangan besar di berbagai industri, merusak kepercayaan pemangku kepentingan dan keandalan data keuangan. Fraud Model Hexagon memperluas model sebelumnya, seperti Fraud Triangle dan Fraud Diamond, dengan memperkenalkan enam elemen: tekanan, peluang, rasionalisasi, kapabilitas, ego, dan kolusi yang memberikan pandangan komprehensif tentang faktor-faktor yang memungkinkan kecurangan. Tinjauan literatur ini secara sistematis mengkaji efektivitas model ini dalam mendeteksi kecurangan keuangan pada perusahaan di Indonesia, terutama yang terdaftar di Bursa Efek Indonesia atau memiliki keterkaitan politik dan pemerintah. Sepuluh penelitian dari 2018 hingga 2024 dianalisis, berfokus pada peran masing-masing elemen Fraud Hexagon dalam mendorong kecurangan. Hasil penelitian menunjukkan bahwa tekanan, peluang, dan kolusi adalah pendorong utama kecurangan di sektor-sektor yang memiliki koneksi politik, dengan kapabilitas dan rasionalisasi memperkuat terjadinya kecurangan, sementara ego memberikan keberanian pada manajer untuk bertindak tanpa rasa takut akan sanksi. Fraud Hexagon memberikan kerangka kerja yang lebih rinci untuk penilaian risiko, yang mendorong rekomendasi untuk penguatan kontrol internal dan standar etika. Model ini juga berfungsi sebagai alat diagnostik yang berharga bagi auditor dan regulator, terutama di sektor-sektor yang sensitif secara politik. Studi ini memberikan kontribusi dalam memahami dimensi sosial dan psikologis dari kecurangan keuangan serta menawarkan dasar untuk penelitian lintas industri di masa depan.

Kata kunci: Fraud Hexagon, kecurangan keuangan, tekanan, peluang, kolusi.

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INTRODUCTION

Financial reports are an important aspect for company stakeholders, serving as the main source of information that supports economic decision-making (Redjeki et al., 2024) . However, many cases show that these reports are often used as a medium for manipulation by internal parties of the company who want to show better financial performance than reality. This manipulation practice not only misleads investors but can also result in a crisis of confidence in the economic sector, as happened in the cases of PT Garuda Indonesia and PT Hanson International (Subaweh & Supadmini, 2024).

Association report of Certified Fraud Examiners (ACFE), fraud or cheating in financial reporting has the greatest impact on losses among other types of fraud, although its frequency is lower (Hsiao et al., 2024) . Fraud in financial reporting can occur when management intentionally presents incorrect data to cover up the actual situation, which allows external parties, such as investors and creditors, to make wrong decisions (Rodhiyuddin & Daryatno, 2024) .

Fraud Theory:

In detecting fraud, various theories have been introduced. (Cressey, 1953; Segalani, 2024) developed the Fraud model. Triangle with three main elements: pressure, opportunity, and rationalization. This model was later developed into the Fraud Diamond (Wolfe & Hermanson, 2004) , which added the element of capability. Furthermore, this model was developed into the Fraud Pentagon with the addition of the element of arrogance by Marks in 2011 (Fraudulent & Tendencies, 2024) . In 2019, Georgios Vousinas proposed Fraud Hexagon, which includes six elements that cause fraud: pressure, opportunity, capability, rationalization, arrogance, and collusion (Vousinas, 2019) . This model was chosen because it takes into account the increasingly significant collusion factor in detecting possible fraud (Rizkiawan & Subagio, 2022) . Factors contained in Fraud Hexagon provides a more complete perspective in understanding the dynamics of fraud. Collusion, for example, allows several parties to collaborate in committing fraud, thereby increasing the opportunity for fraud to occur (Annisyah & Sari, 2023) . The addition of this collusion element is relevant to data from the ACFE which shows that more than 36% of fraud cases are carried out with collusion by four or more perpetrators, resulting in losses reaching billions of rupiah in each case (Wahyuni et al., 2021) .

Urgency of Research

Financial reporting fraud is a serious threat to the credibility of the capital market and economic stability. In Indonesia, several major fraud cases that have been revealed such as the Jiwasraya, Asabri, and Indosurya Inti Finance cases show the major impact that can be caused by financial reporting manipulation (Annisa et al., 2024) . This shows that more serious efforts are needed to identify and detect potential fraud. Fraud Hexagon as the latest model allows researchers and auditors to get a deeper picture in understanding the elements that cause fraud, especially in the Indonesian context where corruption and collusion are still serious problems (Meilany & Winario, 2024) . Furthermore, the existing literature indicates that factors such as financial pressure and changes in directors often contribute significantly to a company's tendency to manipulate financial statements. For example, research (Wahyu Budiyanto, 2022) which uses Fraud Hexagon found that financial factors stability and collusion have a significant influence on increasing the risk of fraud in companies listed on the Jakarta Islamic Index. This finding is in line with a study by (Nadziliyah & Primasari, 2022) which indicates that collusion and financial pressure are the main factors influencing management to manipulate financial reports in an effort to maintain the company's image.

Research purposes

This study aims to evaluate the application of the Fraud model Hexagon in detecting financial reporting fraud in companies listed on the Indonesia Stock Exchange. This model is expected to provide more comprehensive insights into the factors that play a role in financial reporting fraud. In addition, this study will analyze the effectiveness of Fraud Hexagon in the context of companies with high economic pressure and low internal control, and identifies the main barriers to the application of this theory.

Research Questions

This research is based on several main research questions:

- a. RQ1: What are the main factors of Fraud? Which Hexagon has a significant influence on financial reporting fraud in companies listed on the Indonesia Stock Exchange?
- b. RQ2: How effective is Fraud? Hexagon in detecting fraud in various types of companies with different characteristics?
- c. RQ3: What are the obstacles in implementing Fraud? Hexagon in Indonesia, especially in companies with minimal internal oversight?

Benefits of research

This research is expected to provide the following benefits:

a. **Theoretical Benefits:** This study adds to the literature related to the detection of financial reporting fraud using the Fraud approach. Hexagon which includes six factors. This model provides a new perspective for fraud research with collusion elements that reflect the reality of corruption and manipulation in the corporate world (Wahyu Budiyanto, 2022) .

b. **Practical Benefits:** This research can be a guide for auditors, policy makers, and company management in strengthening internal control and detecting early signs of fraud. Hexagon can be an effective tool in identifying potential fraud risks in a company.

Conceptual Framework

Fraud The Hexagon contains six main elements, namely pressure, opportunity, capability, rationalization, arrogance, and collusion. Each of these elements has a different proxy according to the context of each research. For example, pressure can be measured through the financial stability of the company, while capability is often proxied by changes in leadership (Nadziliyah & Primasari, 2022) . In this study, each element of Fraud the Hexagon will be analyzed based on the variables used in previous literature, such as financial stability, director changes, and political relations, to obtain comprehensive results.

METHOD

Research Approach

This research employs a qualitative systematic literature review (SLR) approach, aimed at identifying and synthesizing findings from various studies on the Fraud Model Hexagon in detecting financial reporting fraud. The qualitative SLR method was selected to provide an in-depth understanding of the literature related to this topic (Snyder, 2019) .

Systematic Process and Literature Selection

This review process follows PRISMA (Preferred Reporting Items for Systematic Reviews and Meta- Analyses), with the main steps including: formulation of research questions, literature search, article selection, and data extraction (Moher et al., 2009) . The inclusion criteria used were articles that discussed Fraud Hexagon in the context of financial reporting fraud, published in the last 10 years, and in English or Indonesian. Exclusion criteria included articles without empirical data or methodologies that did not meet scientific standards.

Data source

Literature was obtained from academic databases such as Scopus, IEEE Xplore, and Google Scholar, as well as local journals such as the Indonesian Journal of Accounting and

Finance. The search used keywords such as “Fraud Hexagon” and “financial statement fraud” combined with Boolean operators to expand the scope of results.

Data Collection and Analysis

Articles that met the inclusion criteria were then manually analyzed to extract data on the year of publication, authors, methodology, main findings, and industry sectors studied. Descriptive analysis was used to describe the general characteristics of the literature, such as the distribution of articles per year and industry sectors analyzed.

Variable Approach and Meta-Synthesis Analysis

Every element of Fraud Hexagons, such as pressure, opportunity, and collusion, are evaluated in different contexts to find recurring relationships. For example, pressure factors are often evaluated based on the financial stability of the company, while collusion can be analyzed from the political affiliation of the company. This approach helps identify the main factors that influence the occurrence of fraud in various sectors.

Limitations

Some limitations of the SLR method include potential bias in article selection and limited access to some paid journals. However, the use of strict selection steps and the use of open sources are expected to minimize these biases.

RESULTS

This review analyzes 10 major studies conducted between 2018 and 2024. These studies cover several sectors, including infrastructure, manufacturing, tourism, Islamic banking, and the financial sector in general, with data mostly coming from companies listed on the Indonesia Stock Exchange (IDX) (Kubik, 2023; Robinson et al., 2024; Sipahutar et al., 2024). Each study highlights elements in Fraud the Hexagon Model and measuring its impact on financial statement fraud, shows how factors such as collusion and external pressure significantly affect the risk of fraud in Indonesian companies. In a study examining the infrastructure and utilities sector, it was found that factors such as financial pressure proxied by financial stability and financial targets play a significant role in increasing the motivation to manipulate financial statements (Amadi Ngozi Eleba; & Jack Obiasi Tubotamuno Ojas, 2024; Kubik, 2023). Another study focusing on the Islamic banking sector highlighted the importance of collusion and capability in driving fraudulent behavior, especially in banks with significant political involvement and direct involvement with the government (Widjaja, 2024). This study identified that state-owned companies and private companies with political connections

showed higher levels of fraud in financial statements compared to companies without political connections.

Findings Based on Research Questions

Influence of Factors Fraud Hexagon

Research that utilizes Fraud the Hexagon for analyzing financial reporting fraud consistently finds that pressure, opportunity, and collusion have a significant impact on creating opportunities for fraud. The following is a more in-depth analysis of each of the Fraud factors. Hexagon:

a. Pressure

Fraud Model Hexagon, pressure is often proxied by financial stability and financial target variables. Research on companies listed on the IDX shows that companies experiencing financial pressure tend to be at higher risk of committing fraud in their financial statements (Assamah & Yuan, 2024; Robinson et al., 2024). In a study on the manufacturing sector, pressure from high financial targets, as well as low financial stability, were the main factors driving fraud. These results are in line with the theory that companies with poor financial performance tend to improve their financial performance in a dishonest manner in order to maintain a good image in front of investors and creditors (Dau et al., 2024; Rohman & Saefudin, 2024).

b. Opportunity

Opportunity factors in Fraud Hexagon refers to the opportunity that individuals have to commit fraud due to weak internal control systems or ineffective supervision. Studies in the financial and banking sectors show that companies with weak internal controls often provide greater opportunities for managers or executives to manipulate their financial statements. (Widjaja, 2024). This study found that the greatest opportunities arise when companies have less effective internal controls or when management has full access to financial data without a strong audit mechanism (Amadi Ngozi Eleba; & Jack Obiazi Tubotamuno Ojas, 2024; Komolafe; Joseph, 2023).

c. Rationalization

Elements of rationalization in Fraud the Hexagon Model explains how individuals who commit fraud can justify their actions. In this context, audit opinions are often used as a proxy for rationalization factors, where companies that receive negative audit opinions or feel their position is threatened by external evaluations tend to manipulate their financial data in order to avoid negative impacts on the company's reputation (Hendri Maulana et al., 2023; Kubik, 2023). Research conducted on several state-

owned companies and the private sector in Indonesia shows that this rationalization often occurs when companies feel that their actions are necessary to maintain the company's existence and stability, even though these actions are contrary to accounting ethics standards.

d. Capability

The capability factor in this model refers to the ability of an individual or group to commit fraud. In Indonesia, studies have shown that frequent changes in directors or having special capabilities in risk management can be factors that increase the risk of fraud (Dau et al., 2024; Sipahutar et al., 2024). Studies in the tourism sector and state-owned companies reveal that capability becomes a significant factor when there are managers or executives who have in-depth knowledge of loopholes in the company's financial system, which allows them to manipulate reports without being detected.

e. Ego or Arrogance (Ego)

Ego, in Fraud Hexagon, refers to a sense of superiority or belief that an individual is immune to sanctions. In Indonesia, research on state-owned companies and private sector companies with political connections shows that ego factors greatly influence the desire to manipulate financial reports. Some executives who feel they have political power tend to think that they will not be affected by legal action or internal audits, which makes them dare to commit fraud openly (Assamah & Yuan, 2024; Widjaja, 2024).

f. Collusion

Collusion is a very crucial element in fraud. Hexagon Model, especially in business environments with many inter-company relationships or connections with the government. Research has found that companies with close ties to the government or large partnerships in infrastructure projects tend to be at higher risk of fraud due to illegal partnerships or conflicts of interest that facilitate report manipulation (Komolafe; Joseph, 2023; Robinson et al., 2024). Studies have shown that collusion between management and external auditors also allows for the cover-up of fraud in financial statements.

Sectoral Variations in the Impact of Fraud Hexagon

This review found that there were differences in the impact of Fraud Hexagon Model in various industrial sectors. In the financial and banking sector, elements such as collusion and arrogance are proven to be more prominent, especially in companies that have strong connections with the government or significant political involvement (Sipahutar et al., 2024;

Widjaja, 2024) . Meanwhile, in the manufacturing sector, pressure from financial targets and financial stability are the main drivers of fraud due to the need to maintain reputation amidst tight market competition (Dau et al., 2024; Kubik, 2023) .

In the tourism and services sector, research shows that the less stable nature of the industry and dependence on seasons or national economic conditions provide opportunities for management to manipulate, especially in income statements. In some cases, companies in this sector have also been found to be more prone to collusion, where there is unhealthy cooperation between management and external parties to circumvent applicable regulations or financial standards (Amadi Ngozi Eleba; & Jack Obiasi Tubotamuno Ojas, 2024; Komolafe; Joseph, 2023) .

Research Trends and Gaps

This research reveals several important trends and gaps related to Fraud. Hexagon Model. In general, pressure, opportunity, and collusion are proven to be the most significant factors in influencing financial reporting fraud across sectors. However, some elements such as capability and rationalization show varying results. This suggests that these factors may be more dependent on the industry context or socio-economic environment surrounding the company.

Studies also show that capability is often insignificant in some sectors, such as manufacturing, where fraud is driven more by external pressures or intense competition within the industry than by an individual's ability to cheat (Dau et al., 2024; Rohman & Saefudin, 2024) . Rationalizations also vary across sectors, with some studies suggesting that companies with good audit opinions are also more likely to commit fraud if they are in poor financial condition or under significant external pressure.

Another gap identified was the lack of cross-national or cross-cultural research testing the effectiveness of Fraud the Hexagon Model in detecting fraud in an environment that is significantly different from Indonesia. This is an opportunity for future research to explore whether this model can be adapted or requires modification for industries in other countries that have structural differences in regulation and culture.

DISCUSSION

Interpretation of Findings

The results of this literature review indicate that the Fraud Model Hexagon provides a more comprehensive basis for analyzing financial reporting fraud than its predecessor, the Fraud model. Triangle and Diamond Fraud. Fraud Model the Hexagon integrates six factors

pressure, opportunity, rationalization, capability, ego, and collusion that are considered to be the main drivers of financial reporting fraud. Here is a more in-depth analysis of these findings.

Pressure

Pressure is a major factor in financial fraud, often related to the demands of meeting financial targets or maintaining financial stability. Research in the infrastructure sector and state-owned enterprises in Indonesia shows that financial pressure is a significant driver for managers to take manipulative actions to cover up the company's true financial condition (Dau et al., 2024; Kubik, 2023). Studies on companies listed on the Indonesia Stock Exchange reveal that pressure from investors or shareholders creates an environment where management feels compelled to manipulate financial statements in order to maintain good performance. This shows that pressure coming from outside or inside the company can encourage individuals to commit fraud, even in large companies with good reputations. This pressure can create an atmosphere conducive to fraud, especially when the company is in a critical financial situation. For example, a company that is on the verge of bankruptcy or facing significant losses may choose to manipulate its financial statements to maintain the trust of investors and creditors. This condition shows that high pressure without strict supervision can be a major trigger for fraud in financial statements.

Opportunity

Opportunity is the second factor in the Fraud Model Hexagon refers to conditions or weaknesses in internal controls that allow individuals to commit fraud. Research in the financial sector shows that opportunities often arise due to weak or ineffective internal controls in a company (Rohman & Saefudin, 2024). This reveals that when internal controls are weak, individuals or groups within a company are more likely to take risks to carry out financial manipulation without worrying about being caught.

In the context of large companies such as state-owned enterprises or the tourism sector in Indonesia, effective internal control often does not run optimally, especially when there is a conflict of interest among shareholders or high-level executives. When internal control is weak, individuals who have full access to the company's financial data can easily manipulate information without being monitored. This finding emphasizes the importance of strict supervision and adequate audit mechanisms as preventive measures in preventing financial reporting fraud.

Rationalization

Rationalization is an important aspect of Fraud Hexagon, because it allows individuals to justify their fraudulent actions. In many cases, fraudsters feel that their actions are acceptable

or necessary to maintain the stability of the company. For example, management who feels that the survival of the company depends on the manipulation of financial statements may use the excuse that their actions are in the best interests of the company (Hendri Maulana et al., 2023).

Research conducted in Indonesia shows that companies facing the threat of bankruptcy often use rationalization as a basis for manipulating financial statements. This rationalization often occurs in companies with poor audit opinions or those facing pressure from external parties to show stable financial performance. This shows that rationalization functions as a supporting factor that provides justification for individuals to commit fraud in financial statements.

Capability

Capability is the factor that differentiates Fraud Hexagon from other models, because it recognizes that individuals who have skills, knowledge, and access to a company's financial information have a higher potential to commit fraud. Research in the tourism sector and state-owned enterprises in Indonesia shows that changes in directors or the appointment of executives with high risk management capabilities can be indicators of greater fraud risk (Dau et al., 2024; Robinson et al., 2024) . This suggests that individuals who have the technical ability to understand a company's financial systems can often find ways to hide fraud.

This capability is also supported by having access to information that other employees may not have, so that the individual has an advantage in carrying out financial manipulation. In this context, capability is not only related to technical ability but also to knowledge of gaps in the company's internal control system. Thus, this capability element reinforces the importance of implementing internal control policies that do not only rely on technical ability but also prioritize transparency and limited access to prevent potential fraud.

Ego or Arrogance

Ego or arrogance in the Fraud Model Hexagon refers to a sense of superiority or the belief that an individual is immune to sanctions. Research in Indonesia reveals that ego factors are very influential in companies that have political connections or strong ties with the government (Assamah & Yuan, 2024; Hendri Maulana et al., 2023) . Managers or executives who feel they have political power or protection are often more willing to commit fraud because they feel immune to legal risks or internal audits.

Ego also allows individuals to ignore ethical standards in finance and management, assuming that their position or status gives them the authority to act outside the bounds. These findings underscore the importance of transparent governance and the application of strict

ethical standards, especially in companies with political connections or strategic positions in the market.

Collusion

Collusion is an additional factor in Fraud Hexagon provides unique value in the Indonesian context, where inter-organizational relationships or relationships between managers and shareholders can facilitate fraud. Research shows that collusion between management and external auditors or between companies and government often facilitates fraud in financial reporting (Amadi Ngozi Eleba; & Jack Obiazi Tubotamuno Ojas, 2024; Komolafe; Joseph, 2023) . These cases highlight how collusion can create networks that protect individuals from detection or legal action, making financial manipulation more difficult to identify.

In companies with significant political connections, collusion often allows management to cover up their financial manipulation through informal agreements or strategic partnerships. This strengthens the argument that collusion is a critical element in understanding the dynamics of financial fraud, especially in highly structured markets such as Indonesia.

Comparison with Previous Models

The Fraud Hexagon Model builds upon earlier models such as the Fraud Triangle, Fraud Diamond, and Fraud Pentagon, each of which progressively added complexity to better analyze financial statement fraud. While the Fraud Triangle focuses on three basic elements—pressure, opportunity, and rationalization—it has been criticized as too simplistic for capturing the multifaceted nature of modern financial fraud, particularly in politically involved sectors. The Fraud Diamond introduced a fourth element, capability, acknowledging the role of individuals' skills and abilities in committing fraud. The Fraud Pentagon further added the element of arrogance, emphasizing the influence of overconfidence in fraudulent behavior. The Fraud Hexagon expands on these models by adding ego and collusion as key factors, providing a more comprehensive framework to address the full spectrum of motivations and enablers in financial fraud.

The Fraud Pentagon expands upon the Fraud Diamond by adding a fifth factor: arrogance. This element acknowledges that some individuals committing fraud possess a sense of superiority or entitlement, leading them to believe they are above the rules. This addition provides insight into the mindset of certain perpetrators who rationalize their actions through overconfidence. However, the Fraud Pentagon still lacks consideration of interpersonal dynamics, such as collusion, that can facilitate fraudulent behavior. The Fraud Hexagon further enhances the framework by adding both collusion and ego, offering a more complete analysis

of the social and psychological factors that drive financial fraud (Dau et al., 2024; Widjaja, 2024) .

In the Indonesian context, the element of collusion is particularly relevant due to the close relationship between large corporations and government entities. This relationship creates an environment that allows collusive practices to occur systematically, especially in sectors with significant government involvement. Fraud The Hexagon Model is more effective in identifying potential fraud in this context than previous models, which do not take these complex social relationships into account.

Research Limitations

Despite the Fraud Model While Hexagon offers a more comprehensive framework, this study has some limitations that need to be considered.

Limitations of Geographical and Cultural Context

Majority of studies in this review focuses on companies in Indonesia, especially companies listed on the IDX. This limits the generalizability of the results to international contexts that may have different regulations, cultures, and economic structures. For example, in countries with stricter financial regulations, the influence of factors such as ego or collusion may be smaller or even insignificant. Therefore, future research needs to expand its scope to cover various geographical contexts to be more generalizable globally (Amadi Ngozi Eleba; & Jack Obiazi Tubotamuno Ojas, 2024; Assamah & Yuan, 2024) .

Limitations of Research Methods

Many of the studies in this review used quantitative methods with secondary data, such as annual financial reports or auditors' reports. This approach may not adequately explore psychological or interpersonal factors, such as ego or rationalization. Qualitative approaches, such as in-depth interviews or case studies, can provide deeper insight into the motives behind fraudulent acts and how Fraud Hexagon factors interact with each other in real contexts (Robinson et al., 2024) .

Limitations in Proxy Measurement

Some elements in Fraud Hexagon, such as capability and rationalization, is difficult to measure directly. The studies reviewed in this literature use varying proxies, such as director turnover for capability and audit opinion for rationalization. The use of these proxies may not accurately depict the true nature of the factors being analyzed, especially in different contexts. The development of more reliable and valid indicators or measuring instruments is needed to

gain a more accurate understanding of how each element of Fraud Hexagon plays a role in financial fraud (Dau et al., 2024; Hendri Maulana et al., 2023) .

Lack of Cross-Sector Studies

Most studies focus on specific sectors such as finance, manufacturing, and infrastructure. However, research findings from one sector may not be applicable to other sectors that have different financial structures, regulations, or risks. Future research needs to explore more diverse sectors to understand how fraud occurs. Hexagons play a role across different types of industries. For example, the technology or pharmaceutical sectors, which have different business dynamics, may exhibit unique or different fraud risk factors compared to the manufacturing or tourism sectors (Deni Sunaryo, Ety Puji Lestari, Siti Puryandani, 2023; Komolafe; Joseph, 2023; Kubik, 2023; Maulana et al., 2024; Sunaryo, 2020a, 2020b; Sunaryo et al., 2022).

CONCLUSION

This systematic literature review reveals that the Fraud Hexagon Model offers a more comprehensive framework for detecting and understanding financial reporting fraud compared to earlier models, including the Fraud Triangle, Fraud Diamond, and Fraud Pentagon. The Fraud Pentagon introduced arrogance as a fifth element, adding depth to the analysis by recognizing the role of entitlement or superiority in fraud motivation. The Fraud Hexagon further enhances this framework by incorporating six main elements pressure, opportunity, rationalization, capability, ego, and collusion that together capture the complex psychological and social dimensions driving fraud, particularly within the context of companies in Indonesia.

Key Findings

This review shows that pressure, opportunity, and collusion are significant drivers of financial reporting fraud. Pressure, such as the need to meet financial targets, drives management to manipulate reports to make the company look financially healthy. Opportunities arise from weaknesses in internal controls, giving room for individuals within the company to misuse financial data. Meanwhile, collusion, which involves dishonest cooperation between management and external parties such as auditors or shareholders, is highly relevant in the Indonesian context, which often has close ties between companies and the government. In addition, capability factors allow individuals with technical expertise to exploit a company's financial system without detection. Rationalization provides a basis for individuals to justify their manipulative actions, especially when the company is facing difficult

financial conditions. Ego, associated with feelings of superiority or political protection, drives some executives to feel immune from legal risks or internal sanctions, making them more daring to commit fraud.

Research Implications

These findings provide several implications for corporate stakeholders and auditors. Companies can take advantage of Fraud Hexagon to identify fraud risk areas that require closer scrutiny, such as more effective internal control systems and better management of pressure related to financial targets. The elements of ego and collusion indicate the need for strict ethical and transparency standards, especially for companies with government involvement.

For auditors, Fraud Model Hexagon can be used as an additional diagnostic tool to assess potential fraud risks. By understanding the role of factors such as collusion, auditors can be more careful in auditing companies that have close ties to the government or large contracts. On the other hand, regulators can adopt these findings to develop policies that support transparency and prevent collusion between companies and external stakeholders.

Future Research Recommendations

To strengthen these findings, future research is advised to conduct cross-country studies to test the validity of Fraud Hexagon in different cultural and regulatory contexts. Qualitative research is also recommended to explore psychological elements such as rationalization and ego in more depth through interviews or case studies. In addition, the development of more accurate indicators or measurement methods for elements such as capability, ego, and collusion would be useful in producing more valid and reliable data.

Overall, the Fraud Model Hexagon has great potential as a framework for detecting financial reporting fraud, especially in a complex and dynamic environment such as Indonesia. By covering broader social and psychological dimensions, the model enables companies, auditors, and regulators to increase transparency and reduce the risk of fraud. Use of Fraud Hexagon is expected to encourage more ethical business practices in the Indonesian financial sector and contribute to the creation of a more honest and responsible business environment.

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