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An Examination of Fraud Pentagon Effect in Indonesian Banking

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Abstract:

The purpose of this study is to examine the impact fraud pentagon in Indonesian banking. Fraud pentagon which has five elements including pressure, opportunity, rationalization, capability and arrogance are investigated. The samples of this study are based on the banks' financial reports for the period of 2016 to 2018 covered 44 Indonesian banks. Collected data are analysed using logistic regression method. The research findings concluded that pressure which is proxied by institutional ownership and arrogance which is proxied by frequent number of CEO's picture affect the fraudulent financial reporting. Meanwhile, financial target (one of pressure element proxy), opportunity (proxied by ineffective monitoring), rationalization (change in auditors), and capability (proxied by change in directors) have no effect to fraudulent financial reporting.

Keywords: *Fraud pentagon, pressure, opportunity, rationalization, Indonesian banking*

1. Introduction

Fraud in financial statements or fraudulent financial reporting is a deliberate act or omission in the financial statements that are not presented in accordance with accounting principles with the intention of deceiving users of financial statement information. Although the percentage of fraudulent financial reporting has the smallest percentage (4%) overall, ACFE (2016) states that fraudulent financial reporting is the most detrimental of \$ 1,000,000 (Indonesia Fraud Survey 2016). As a financial intermediary that collects and distributes funds, banks are very vulnerable to fraud. In the 2016 Fraud Indonesia Survey, it was stated that the banking and financial service industry became the second most disadvantaged industry with a percentage of 15.9% whereas ACFE (2016) placed the financial and banking industry in the first position of the organization that was harmed by fraud with a percentage of 16.8%.

Teitey (2016) in his journal explained that Enron's shares which were previously valued at US \$ 90 per share in mid-2000 dropped dramatically to less than US \$ 1 at the end of November 2001, causing shareholders to decrease by US \$ 11 billion. The drastic decline in the company's shares occurred in unhealthy accounting practices. Not only investors who submitted negative implications, Enron employees who invested their pension funds in shares were also disadvantaged by the results of this report. On December 2, 2001 Enron registered the company's bankruptcy to court and fired 5000 employees so that it was revealed that the company needed more than one fund.

Next is the case of WorldCom which is a telecommunications company with 80,000 employees. Throughout the 1990s, the company grew rapidly to acquire 60 other telecommunications companies (Kuhn, 2006). This increased its revenue from \$ 152 million in 1990 to \$ 392 billion in 2001. The company provides long-distance telephone services and has the largest internet network backbone. In 1998 there was an economic recession in America so that demand for internet infrastructure dropped dramatically and impacted on the drastic decline of WorldCom's income, which was far from expectations. At the beginning of 2000 the company experienced a decline due to a decrease in revenue while debt increased, which caused the value of the stock continues to decline. Company took steps out of the problem by changing financial statements.

In Indonesian cases, Century Bank case which is one of the major cases of the Indonesian banking world that occurred in 2008. The bank fell due to misuse of customer funds by Century Bank owners and their families. This case robbed the state of more than 7 trillion in bailout form. Century Bank is suspected of manipulating financial statements by including bad credit as current credit so that management does not need to make a backup. The allegation of manipulation was strengthened after the findings of the Bank Financial Examination (BPK) which stated that Century's capital adequacy ratio position as of October 2008 was minus 3.5 percent even though it had just received Short Term Loan Facility Funds (FPJP) from Bank Indonesia while in the unaudited financial statements as of September 2008 the previous management reported that the company's CAR was at 2.5%. In addition to manipulation by playing bad credit numbers, the old management of Century Bank also included L / Cs as well as fictitious loans and other assets that did not appear in the

financial statements. In addition to the family, this case also involved child officials, police officers, banking policy-making institutions, and there was even the issue of the President's involvement in the case (Aditjondro, 2010).

The latter fraudulent financial reporting case also involved PT Sunprima Nusantara Financing (SNP Finance) which is a subsidiary of the Columbia business group. In selling its products, Columbia provides the option of purchasing by cash or installment credit to its customers. SNP Finance is Columbia's partner in facilitating credit and installments for Columbia customers (Handoko and Soepriyanto, 2018). To get working capital, SNP Finance collects funds through bank loans, namely joint financing where several banks join and provide loans or directly. This case arose after the Directorate of Special Economic Crimes of the Criminal Investigation Agency (Tipideksus Bareskrim) Police Headquarters found allegations of burglary of funds in 14 banks, both private and state owned by the company. SNP Finance is known to receive working capital credit facilities from 14 banks and one of the largest comes from PT Bank Mandiri (Persero) Tbk. The company, which has been a customer of Bank Mandiri for 20 years, is proposing a loan restructuring. Columbia's setback had an impact on SNP Finance, resulting in non-performing loans (NPLs). To overcome debt to banks, SNP Finance has conducted new funding through the sale of medium-term loans (Medium Term Loans). In March 2018, the finance company under the Columbia Group was seen to be in good condition and got an idA rating or stable for the company's debt but changed to idSD (selective default) in May 2018 because SNP failed to pay the interest in Medium Term Notes (MTN) worth IDR 6.75 Billion. Deloitte, who was the external auditor of the SNP Finance company, failed to detect any fraudulent schemes in the SNP Finance financial statements.

There are still some fraudulent practices in banks and financial industry in Indonesia as one of the most vulnerable industry. Then, the researcher intends to examine these phenomena. This research uses the pentagon fraud theory proposed by Crowe (2011) which perfects the fraud triangle theory proposed by Cressey (1953) and the theory put forward by Wolfe and Hermanson (2004), namely the diamond fraud theory. In this pentagon fraud theory, there are five indicator elements that encourage financial reporting fraud, namely pressure, opportunity, rationalization, competence, and arrogance. In this study using the logistic regression method by implementing six variables related to Financial Reporting Fraudulent because of the vulnerability of fraud occurred in the banking sub-sector sub-service companies with a research period of 3 years (2016-2018). Measuring instruments used in this study are pressures that are proxied by financial targets and institutional ownership; opportunity as proxied by ineffective monitoring; rationalization proxied by change in auditors; capability is proxied by change in directors and arrogance is proxied by frequent number of CEO's picture as the last variable.

Based on the explanation above, the purpose of this study is to answer the problem and find out whether financial targets, institutional ownership, ineffective monitoring, change in auditors, change in directors, and frequent numbers of CEO's pictures affect the possibility of fraudulent financial reporting in Indonesian banks as the most vulnerable industry.

2. Literature Review

This part will discuss the five element of the fraud pentagon and the hypothesis development. Financial Target (Pressure) on the possibility of the occurrence of Financial Reporting Fraudulent will become the first discussion. Perceived pressure is defined as motivation that directs the offender to engage in unethical actions (Ruankaew, 2016). Financial targets are financial targets that must be achieved by a company in one period. Management will strive to achieve financial targets to get awards or bonuses for achieving them.

In a study conducted by Lou and Wang (2009) shows that fraudulent financial reporting influences the company's financial pressure. Manurung and Hadian (2013) show that the financial target variable which is a proxy of the pressure element influences fraudulent financial reporting. The results of this study contradict the research of Yulianti et al. (2019) which shows that the target financial variable does not affect the fraudulent financial reporting. Then, this study will have the first hypothesis as follow:

- H1: Financial Targets have an effect on the likelihood of Fraudulent Financial Reporting

According to AL-Najjar (2014) institutional ownership is measured by the percentage of shares held by institutional investors. Institutional investors include insurance companies, banks, investment companies and other institutional ownership. There are indications when institutional ownership in a company turns into pressure for the company itself.

In a study conducted by Skousen et al. (2009) shows that ownership of external shares influences fraudulent financial reporting. Research Pamungkas et al. (2018) shows that institutional ownership variable which is a proxy of pressure does not affect the fraudulent financial reporting. To prove the truth of the indications, the following hypothesis is formed:

- H2: Institutional Ownership affect the likelihood of the occurrence of Financial Reporting

Effective monitoring is a situation where the company does not have an effective supervisory unit to monitor the company's performance. Lack of corporate internal control opens opportunities for various parties to manipulate financial reports (fraudulent financial reporting). Research conducted by Agusputri and Sofie (2019) shows that ineffective monitoring variables affect the fraudulent financial reporting. The study contradicts the research that has been done by Skousen et al. (2009) states that the portion of independent board of commissioners does not have a significant influence in detecting fraudulent financial reporting. To prove previous studies, this study uses hypothesis as follows:

- H3: Ineffective Monitoring affect the possibility of the occurrence of Fraudulent Financial Reporting

Change of auditor is a proxy for the element of rationalization. Companies that frequently change auditors are more likely to take fraudulent financial reporting actions. This can be considered as an attempt to eliminate the fraud trail (fraud trail) found by previous auditors.

Research conducted by Ruankaew (2016) shows that the Change in Auditors variable influences fraudulent financial reporting. The study is contradictory to the research that has been done. The research that has been conducted by Yulianti

et al. (2019) which shows that the changes in auditors variable does not affect the fraudulent financial reporting. Then, the hypothesis used is as follows:

- H4: Change in Auditors affect the possibility of Fraudulent Financial Reporting

New company directors can reduce the effectiveness of company performance and need time to adapt to the new culture of the company. Changing directors can be an opportunity for companies to commit fraud which is the impact of the stress period (Wolfe and Hermanson, 2004).

Research conducted by Pamungkas et al. (2018) shows the influence of the variable change in directors which is a proxy for elements of competence on fraudulent financial reporting. Contradicting the results with research conducted by Yulianti et al. (2019) which shows the results that the variable change in directors has no effect on fraudulent financial reporting. To prove the truth of the indications, the following hypothesis is formed:

- H5: Change in Directors affect the possibility of the occurrence of Fraudulent Financial Reporting

Frequent number of CEO's picture is the number of photos of the main board of directors (CEO) displayed or appears in the company's annual report. A CEO tends to want to show the position he has in the company. The number of CEO photos contained in the report can represent the level of CEO arrogance. A CEO who has a high level of arrogance feels that the company's internal control does not apply to him. With his position, the CEO can freely do everything to maintain his status in the company. Research that has been done by Antawirya et al. (2019) and Apriliana and Agustina (2017) show the influence of the frequent number of CEO's picture variables which is a proxy of the arrogance element of fraudulent financial reporting. Based on this explanation, the following hypothesis is derived:

H6: Frequent Number of CEO's picture affect the likelihood of the occurrence of Fraudulent Financial Reporting

3. Research Method

This research was conducted at banking companies listed on the Indonesia Stock Exchange during the 2016-2018 period. There are 44 companies selected as research samples. Each hypothesis is then tested using the logistic regression coefficient test with a significance level of alpha (α) 5% or 0.05. The use of logistic regression in this study is because the dependent variable (Y) that I used is in the form of a dummy consisting of two values that replace the presence or absence of events with a code number 1 or 0. The independent variable used in this study uses a combination of numerical variables, namely ratio and also the categorical variable is nominal. This study uses descriptive statistical tests and hypothesis testing. To find out whether or not there is an influence of the independent variables on the dependent variable it is necessary to test the hypothesis using the SPSS program. The regression model is formulated as follows:

$$Y : \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \varepsilon$$

Explanation:

Y	: Prediction of <i>Fraudulent Financial</i>
α	: Constanta
X1	: <i>Financial Target</i> (ROA)
X2	: <i>Institutional Ownship</i> (OSHIP)
X3	: <i>Ineffective Monitoring</i> (BDOUT)
X4	: <i>Change in Auditors</i>
X5	: <i>Change in Directors</i>
X6	: <i>Frequent Number of CEO's Picture</i>
ε	: <i>Error</i>

Before conducting a hypothesis, test using logistic regression test, first conduct a variety of tests consisting of the overall model test (Overall Model Fit), the feasibility test of the regression model (Hosmer and Lemeshow), the coefficient of determination test (Nagelkerke R Square) and the classification matrix test.

3.1. Descriptive Statistic

The results of descriptive statistical testing for target financial variables, institutional ownership, ineffective monitoring, change in auditors, change in directors, frequent numbers of CEO's picture, and dependent variable restatement are presented in table 1 below.

	N	Min	Max	Mean	Std. Dev
Financial Target	132	-,1173	,0313	,0031	,0234
Inst. Ownership	132	,0000	1,0000	,7319	,2372
Ineffective Monitor	132	,3333	1,0000	,5776	,1140
Change in Auditors	132	,00	1,00	,20	,405
Change in Directors	132	,00	1,00	,21	,410
Frequent Number of CEO's Picture	132	1,00	5,00	2,63	1,037
Restatement	132	,00	1,00	,05	,225
Valid N (listwise)	132				

Table 1: Descriptive Statistic
Source: Processed Data

Iteration		-2 Log likelihood	Constant	Fin Target	Institutional Ownership	Ineffective Monitor	Change in Auditors	Change in Directors	Number of CEO's Picture
Step 1	1	61,444	-,701	-1,134	-1,161	-,862	-,097	-,249	,128
	2	45,976	-,011	-1,798	-2,606	-2,411	-,236	-,691	,333
	3	41,135	1,333	-,113	-4,036	-5,000	-,326	-1,475	,594
	4	39,578	2,783	3,699	-5,081	-7,693	-,224	-2,562	,775
	5	39,181	3,587	6,442	-5,591	-9,132	-,100	-3,700	,846
	6	39,079	3,748	7,077	-5,694	-9,417	-,073	-4,742	,859
	7	39,043	3,757	7,114	-5,700	-9,432	-,071	-5,751	,860
	8	39,029	3,757	7,115	-5,700	-9,432	-,071	-6,753	,860
	9	39,025	3,757	7,115	-5,700	-9,432	-,071	-7,754	,860
	10	39,023	3,757	7,115	-5,700	-9,432	-,071	-8,754	,860
	11	39,022	3,757	7,115	-5,700	-9,432	-,071	-9,754	,860
	12	39,022	3,757	7,115	-5,700	-9,432	-,071	-10,754	,860
	13	39,022	3,757	7,115	-5,700	-9,432	-,071	-11,754	,860
	14	39,022	3,757	7,115	-5,700	-9,432	-,071	-12,754	,860
	15	39,022	3,757	7,115	-5,700	-9,432	-,071	-13,754	,860
	16	39,022	3,757	7,115	-5,700	-9,432	-,071	-14,754	,860
	17	39,022	3,757	7,115	-5,700	-9,432	-,071	-15,754	,860
	18	39,022	3,757	7,115	-5,700	-9,432	-,071	-16,754	,860
	19	39,022	3,757	7,115	-5,700	-9,432	-,071	-17,754	,860
	20	39,022	3,757	7,115	-5,700	-9,432	-,071	-18,754	,860

Table 2 : Overall Model Fit
Initial -2 Log Likelihood: 54,739
Source: Data Processed

Step	Chi-square	df	Sig.
1	1,589	8	,991

Table 3: Hosmer and Lemeshow
Source: Data Processed

The results of the feasibility test of the regression model (Hosmer and Lemeshow) showed that from the Hosmer and Lemeshow test, Chi-square was 1.589 and the significance value was 0.991 or 99.1%. Because the significance value obtained by researchers using IBM SPSS 25 is greater than 0.05, then in this case the hypothesis 0 is accepted because the model is considered capable of predicting the value of observation.

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	39,022 ^a	,112	,331

Table 4: Determination Coefficient Test
Source: Data Processed

The coefficient of determination test results (Nagelkerke R Square) shows a value of 0.331 or 33.1%. This means that the dependent variability that can be explained by the independent variables is 33.1%. While the remaining 66.9% which is 100% results minus 33.1% is explained by other variables outside this study.

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Fin Target	7,115	23,895	,089	1	,766	1230,842
	Institutional Ownership	-5,700	2,056	7,686	1	,006	,003
	Ineffective Monitoring	-9,432	5,998	2,473	1	,116	,000
	Change in Auditors	-,071	1,227	,003	1	,954	,931
	Change in Directors	-18,754	6537,856	,000	1	,998	,000
	Frequent Number of CEO's Picture	,860	,425	4,101	1	,043	2,363
	Constant	3,757	3,835	,960	1	,327	42,824

Table 5: Logistic Regression Test

Source: Data Processed

Based on the results of logistic regression testing all company data in table 5 above, the logistic regression model is obtained as follows:

$$\text{FFR} = 3,757 + 7,115X_1 + -5,700X_2 + -9,432X_3 + -0,071X_4 + -18,754X_5 + 0,860X_6 + \varepsilon$$

4. Findings Discussion

The Financial Target independent variable is the first variable in this study using the Return on Assets (ROA) ratio. The logistic regression coefficient of the target financial variable shows a value of 7.115. The results of financial target testing have a significance value of 0.766 which exceeds $\alpha = 0.05$. This shows that hypothesis 1 (H1) is rejected so that it can be said that the Financial Target does not affect the likelihood of the occurrence of Fraudulent Financial Reporting at a significance level of 5%. The results of this study support the research conducted by Yulianti et al. (2019) which states that the target financial variable has no effect on fraudulent financial reporting. Agency theory that creates a conflict of interest in which the principal assesses the company's performance from financial targets, is not always a factor that causes companies to fraudulent financial reporting by making high Return on Assets. Increase and decrease in the value of ROA is always the case for companies. Increased ROA is not always a pressure on the management (agent) but can occur by improving the quality of company operations, recruiting potential employees and having the right directors' policies. In this case, the decrease in ROA can also occur because of the crisis that hit the company that cannot be predicted and to increase it again, it does not have to do fraud. However, the results of this study contradict the research that has been done by Skousen et al. (2009) and research conducted by Manurung and Hadian (2013) which shows that financial targets have a significant influence on fraudulent financial reporting.

The independent variable Institutional Ownership is the second variable in this study using the ratio of institutional ownership in companies. The logistic regression coefficient value of the Institutional Ownership variable shows a value of -5,700. Institutional Ownership test results have a significance value of 0.006 below $\alpha = 0.05$. This shows that hypothesis 2 (H2) is accepted so it can be said that Institutional Ownership influences the likelihood of the occurrence of Fraudulent Financial Reporting at a significance level of 5%. This is in line with research conducted by Skousen et al. (2009) shows that ownership of external shares influences fraudulent financial reporting. Institutional ownership is ownership of shares owned by institutions such as banks, insurance companies, mutual funds, and pension funds (Gitman and Zutter, 2015). The pressure faced by the company will be even greater when the management has responsibility to the institution. Usually institutions have a large proportion of share ownership in the company and are more selective in overseeing the company's management activities. This can encourage companies to carry out fraudulent financial reporting. The results of this study contradict the research of Pamungkas et al. (2018) shows that institutional ownership variable which is a proxy of pressure does not affect the fraudulent financial reporting.

The independent variable ineffective monitoring is the third variable in this study using the ratio of independent commissioners to all commissioners in the company. The logistic regression coefficient value of the Effective Monitoring variable shows a value of -9,432. Ineffective Monitoring test results have a significance value of 0.116 which is greater than $\alpha = 0.05$. This shows that hypothesis 3 (H3) is rejected so it can be said that ineffective monitoring has no effect on the likelihood of Fraudulent Financial Reporting occurring at a significance level of 5%. The results of this hypothesis are in line with the research conducted by Skousen et al. (2009) states that the portion of independent board of commissioners does not have a significant influence in detecting fraudulent financial reporting. This is possible because an independent board of commissioners is carried out to fulfill regulations that affect existing mechanisms in the banking system. In addition, this study measures the ineffective monitoring variable only by using the ratio of independent commissioners in the company. Whereas banking is a highly regulated business which means that there is strict supervision from the Financial Services Authority in minimizing the effectiveness of supervision. The study contradicts the research conducted by Agusputri and Sofie (2019) showing that ineffective monitoring variables affect the fraudulent financial reporting.

The independent variable Change in Auditors is the fourth variable in this study using a dummy variable by giving a number 1 to companies that make changes to auditors, while giving a number 0 to companies that do not make changes to auditors. The logistic regression coefficient value of the Change in Auditors variable shows a value of -0,071. The Change in Auditors test results have a significance value of 0.954 which exceeds $\alpha = 0.05$. This shows that hypothesis 4 (H4) is rejected so that it can be said that Change in Auditors has no effect on the likelihood of Fraudulent Financial Reporting

occurring at a significance level of 5%. This research is in line with research conducted by Yulianti et al. (2019) which shows that the changes in auditors variable does not affect the fraudulent financial reporting. Change of auditors in companies can be divided into two, voluntary and mandatory. Voluntary in the company can occur due to several reasons such as audit fees, change of company management, the size of the client company and the size of the Public Accounting Firm (KAP). Change of auditors may also be mandatory because it is stated in the Minister of Finance Regulation Number: 17 / PMK.01 / 2008 concerning Public Accountant Services which requires the KAP rotation in Indonesia to be carried out for a maximum of six consecutive book years so that it is not it means that the company that changes the auditor intends to cover the fraudulent financial reporting actions that have been carried out previously. The study contradicts the research conducted by Ruankaew (2016) showing that the Change in Auditors variable influences fraudulent financial reporting.

The independent variable Change in Directors is the fifth variable in this study using the dummy variable by giving a number 1 to companies that make changes to the main board of directors, while giving a number 0 to companies that do not make changes to the main board of directors. The logistic regression coefficient value of the Change in Directors variable shows a value of -18,754. The Change in Directors test results have a significance value of 0.998 that exceeds $\alpha = 0.05$. This shows that hypothesis 5 (H5) is rejected so that it can be said that the Financial Target does not affect the likelihood of the occurrence of Fraudulent Financial Reporting at a significance level of 5%. This study is in line with research conducted by Yulianti et al. (2019) which shows the results that the variable change in directors has no effect on fraudulent financial reporting. This can be due to the change of directors made to recruit directors who are more competent than the previous directors so as to enable an increase in company performance. Change of directors can also be caused because the directors who previously served had retired or died. Substitution of directors is also considered as an effort to get rid of previous directors who have indicated the occurrence of fraudulent practices in banking. Contradicting the results with research conducted by Pamungkas et al. (2018) shows the influence of the variable change in directors which is a proxy for elements of competence on fraudulent financial reporting.

The independent variable Frequent Number of CEO's Picture is the sixth variable in this study by counting the number of photos of the CEO or President Director of the company. The logistic regression coefficient value of the Frequent Number of CEO's Picture variable shows a value of 0.860. Frequent Number of CEO's Picture test results have a significance value of 0.043 which is smaller than $\alpha = 0.05$. This shows that hypothesis 6 (H6) is accepted so that it can be said that the Frequent Number of CEO's Picture affects the likelihood of Fraudulent Financial Reporting occurring at a significance level of 5%. The results of this study are in line with Crowe's theory (2011), a study by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which found that 70% of fraud has a profile that combines pressure with arrogance or greed and 89% of fraud cases involving CEOs. More and more CEO photos in the company's annual report show more arrogance attitude which is an element of pentagon fraud because the CEO is considered to want to show everyone the position and status held in the company. The arrogant attitude of the CEO assumes that internal control within the company does not apply to him. This can potentially lead to fraud in a company. This is also in line with research conducted by Antawirya et al. (2019) and Apriliana and Agustina (2017) showed an influence on the frequent number of CEO's picture variables, which is a proxy of arrogance elements on fraudulent financial reporting. However, the results of this study contradict the results with research conducted by Yulianti et al. (2019) which shows no effect on the frequent number of CEO's pictures on fraudulent financial reporting.

5. Conclusion

Based on the discussion above, the study can be concluded as follows: This study shows that first hypothesis stating 'Financial Targets have an effect on the likelihood of Fraudulent Financial Reporting' is rejected so that it can be said that the Financial Target does not affect the likelihood of the occurrence of Fraudulent Financial Reporting. For the second hypothesis stating that Institutional Ownership affect the likelihood of the occurrence of Financial Reporting is accepted so it can be said that Institutional Ownership affects the likelihood of the occurrence of Fraudulent Financial Reporting. The third hypothesis stating that Ineffective Monitoring affect the possibility of the occurrence of Fraudulent Financial Reporting is rejected so it can be said that ineffective monitoring has no effect on the likelihood of Fraudulent Financial Reporting. The fourth hypothesis stating that Change in Auditors affect the possibility of Fraudulent Financial Reporting is rejected so that it can be said that Change in Auditors has no effect on the likelihood of Fraudulent Financial Reporting. The fifth hypothesis states that Change in Directors affect the possibility of the occurrence of Fraudulent Financial Reporting is rejected so that it can be said that the Financial Target does not affect the likelihood of the occurrence of Fraudulent Financial Reporting. The last hypothesis stating that Frequent Number of CEO's picture affect the likelihood of the occurrence of Fraudulent Financial Reporting is accepted so that it can be said that the Frequent Number of CEO's Picture affects the likelihood of Fraudulent Financial Reporting.

Based on the conclusion made, there are some suggestions as follows:

For banking companies are advised to be careful in presenting financial statements so that they are free from fraud so that in making economic decisions, they can be in line with company goals. The company is also advised to conduct supervision in order to minimize the potential for fraud in the company. For those Investors and prospective investors are advised to analyze the company's financial statements in advance in order to avoid investing losses mainly due to financial statement fraud. Investors are advised to be careful in making economic decisions and add insight into accounting knowledge, especially regarding the possibility of fraudulent financial reporting that can occur in the company.

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