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EXPLORING FACTORS BEHIND FRAUDULENT FINANCIAL REPORTING IN THE BANKING SECTORS OF INDONESIA AND MALAYSIA: AN REVISED BENEISH M-SCORE INVESTIGATION

Pupung Purnamasari[1], Rudy Hartanto[2], Nurleli[3], Kania Nurcholisah[4], Lasmanah[5]
[1]Department of Accounting, Universitas Islam Bandung, Indonesia
[2]Department of Management, Universitas Islam Bandung, Indonesia

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ABSTRACT

This study aims to provide a fresh perspective on the Beneish M-Score model, which has been widely used by researchers to analyze the potential for financial statement fraud. This study specifically focuses on the revised benefit M-score method. The research objects are banks in ASEAN countries, namely Indonesia and Malaysia, from 2017 to 2021, with a sample size of 260 banks. To produce a better approach, this study adopts a probit regression approach to develop a new Beneish M-Score. The probit regression approach is applied based on the existing Beneish model with the goal of reclassifying the status of these banks as having indications of fraud. This finding confirms that the revised M-Score approach has better capabilities for identifying companies involved in fraudulent activities. The results indicate that a high change in asset ratio, changes in director turnover, and the composition of independent board commissioners have a positive and significant influence on the potential for financial statement fraud. However, variables such as the number of available CEO photos and political connections negatively impact financial fraud. Meanwhile, factors like changes in public accounting firms and company age (existence) do not have a significant impact on financial statement fraud and have a negative influence on the likelihood of fraud occurrence.

Corresponding Author:
Rudy Hartanto
Department of Accounting, Universitas Islam Bandung, Indonesia
Email : rudyhartanto05@gmail.com

1. INTRODUCTION

Fraud is the most serious issue that arises in the business environment. Fraud is a deliberate act of deviation or deception carried out to deceive, manipulate, or mislead banks, customers, or other parties within the banking environment, resulting in financial loss. Financial statement fraud involves manipulating the presentation of financial information with the intention of providing misleading information to users of financial statements regarding the financial performance of a company. Some examples of fraud include embezzlement, fraud, asset misappropriation, information leakage, banking crimes, and other detrimental criminal acts (Global Fraud Report 2021).

In the banking sector, financial statements play a crucial role in overseeing the financial health of a bank, with the aim of identifying and mitigating risks such as leverage and interest rate risks (Liu, 2020). Additionally, financial statements serve as an essential tool for banks to gain insights into the global financial condition, enabling them to mitigate the impacts of financial crises in the banking sector (Liu, 2020).

The global banking industry has experienced rapid growth, as has been the case in Indonesia and Malaysia, where the banking sector plays a significant role in a country's economic development by generating a substantial portion of revenue in the service sector. Due to the critical role of the banking sector for society, the integrity and transparency of financial statements are of primary concern. However, several financial statement fraud scandals that have occurred worldwide over the years have also affected the banking sector. According to

the Association of Certified Fraud Examiners (ACFE), the banking sector reported the highest number of fraud cases compared to other sectors in a survey conducted in 2014 (Febrianto & Fitriana, 2020).

This can be seen in the numerous cases of fraud in the Indonesian banking sector in recent years (Lionardi & Suhartono, 2022). For instance, during the period from the first half of 2020 to the first half of 2021, the Financial Services Authority (OJK) received 7,087 reports of fraud cases in the banking industry in Indonesia. Approximately 71.6% of the cases occurred in government-owned commercial banks, 28% in private banks, and 0.3% in foreign banks. The total losses suffered by banks due to cybercrime during that period reached IDR 246.5 billion, while customer losses were recorded at IDR 11.8 billion (https://pandu.kominfo.go.id/blog/479).

Similarly, cases of fraud have occurred in Malaysian banks in 2022, where Malaysian citizens lost about RM 415 million due to scams. The issue became so severe that the Central Bank of Malaysia intervened and issued strict directives to all Malaysian banks to migrate from SMS-based authentication in online banking services (https://kpmg.com/). There are several reasons contributing to the increasing risk of banking fraud, including the shift towards digital banking.

Fraud in the banking sector is not a new phenomenon (Awang & Ismail, 2018a). It is not limited to Indonesia and Malaysia. Financial statement fraud cases have also occurred in the public sector banks (PSBs) in India, resulting in a total loss of Rs. 22,743 crore due to various banking scams. Despite steps taken by the RBI, the number of banking fraud cases has decreased, but the amount of money lost has increased in recent years. Investigations have revealed involvement not only of mid-level employees but also of senior management, as reflected in cases involving Syndicate Bank and Indian Bank. This raises serious concerns about the effectiveness of corporate governance at the highest echelons of these banks. Additionally, there has been a trend of increasing non-performing assets (NPAs), significantly impacting their profitability (Singh et al., n.d.).

Furthermore, Ozili (2022) analyzed the banking industry in the UK, where three out of four systemic banks exhibited higher income smoothing during the pandemic quarters. The implication of this finding is that systemic banks in the UK used earnings management as a mechanism to mitigate the pandemic's impact on their profits. Similarly, Khatun et al. (2022) demonstrated that the banking industry in Bangladesh exhibits an unstable trend in manipulated financial reporting, with inflating revenue, increasing intangible assets, reducing costs, and accruals being the most noteworthy items in manipulated financial statements.

The Beneish M-Score model is utilized as a tool to identify the potential for financial statement fraud in the banking sector. This model conducts a more in-depth analysis of unusual changes in significant accounts. However, the Beneish model cannot be entirely relied upon for detecting financial statement fraud (MacCarthy, 2017). Therefore, a revision of the Beneish M-Score model is necessary to enhance the effectiveness of detecting financial statement fraud (Feruleva & Shtefan, 2017; Nyakarimi, 2022; Purnamasari, 2023). This research calls for investigation to broaden the understanding of the factors driving financial statement fraud practices in both the Indonesian and Malaysian banking sectors. The findings from this investigation are expected to provide insights for policymakers, regulators, and practitioners in the banking industry to uphold the integrity of the financial system in both countries.

2. LITERATURE REVIEW

2.1 Financial Statement Fraud

Financial statement fraud is something that the auditor needs to pay attention to, and the auditor must understand and recognize the characteristics or signs of financial statement fraud. Fraudulent Financial Statements refer to intentional actions to present incorrect information or omit important information in financial reports, by violating generally accepted accounting principles. Financial statement fraud is a scheme carried out by an employee who deliberately conceals true information in financial statements and even deliberately makes misstatements, such as recording fictitious income, increasing asset values, or understating reported total costs. (Masruroh & Carolina, 2022) Deliberate omission or manipulation of these material facts has the potential to influence the decisions of related parties.

According to Wells (2011), financial statement fraud can be done in several ways, including:

a. Falsification, alteration or manipulation of financial records, supporting documents or business transactions.
b. Intentional omission of events, transactions, accounts or other important information that should be presented in the financial statements.
c. Incorrect and intentional application of accounting principles, policies and procedures used to measure, recognize, report and disclose economic events and business transactions.
d. Deliberate omission of information that should be presented and disclosed regarding accounting principles and policies used in financial reporting (Rezaee, 2002).

Financial statement fraud basically involves every crime committed by perpetrators who use fraud to get something as an element of opportunity, pressure and rationalization. Thus, it is important to prevent and detect fraud before it causes a business to collapse. Accounting fraud usually includes political and business scandals that stem from a lack of disclosure from management. The number of accounting scandals that have occurred is one of the reasons for conducting financial report analysis to minimize fraud in financial reports. Companies always use the services of public accountants to audit company financial statements which are expected to limit fraudulent financial reporting practices. (Wijayati et al., 2017)

2.2 Beneish M-Score

Financial statement fraud can be detected using the Beneish Model formula approach. The beneficial M-Score model is used to detect manipulation of financial statements by an auditor and shows the extent to which income has been manipulated (Mavengere, 2015) (Darmawan & Budi Yanti, 2022; Valaskova & Fedorko, 2021) (Tarjo & Herawati, 2015). The formula is as follows:

$$\text{M-Score} = -6.065 + 0.823*\text{DRSI} + 0.906*\text{GMI} + 0.593*\text{AQI} + 0.717*\text{SGI} + 0.107*\text{DEPI}$$

Furthermore, from this formula, this study calculates a combination of the Beneish M-Score with other analytical tools to predict whether fraudulent acts are legal or not. Where:

Table 1. Variable Operational

No.	Variabel	Rumus
1	Days' Sales in Receivable Index (DRSI)	*(Account Receivables t / Sales t)* / *(Account Receivables t-1 / Sales t-1)*
2	Gross Margin Index (GMI)	*(Sales t-1 – COGS t-1) / Sales t-1* / *(Sales t – COGS t) / Sales t*
3	*Asset Quality Index* (AQI	(1-((Current Asset t + PPE t)/Total Asset t)) / (1-((Current Asset t-1 +PPE t-1)/Total Asset t-1))
4	Sales Growth Index (SGI)	*SGI = Sales t* / *Sales t-1*
5	*Depreciation Index* (DEPI)	*(Depreciation t-1/(Depreciation t-1 + PPE t-1))* / *(Depreciation t/(Depreciation t + PPE t))*

This research was conducted by modifying the beneficial M-Score model to determine whether banks are involved in fraudulent financial reporting activities. The revised Beneish M-score model was carried out by reprocessing the Beneish M-score model into probit regression. The regression results will produce a new M-Score value (Nyakarimi, 2022). The calculation of the probit analysis formula is as follows:

$$pr(Y = 1|X) = \phi(X^n\beta) \text{ Where 1 represents fraud}$$

2.3 Hexagon Fraud Model

The latest development in the theory of fraud, known as the hexagonal (hexagonal) fraud theory, was introduced by Georgios L. Vousinas of the National Technical University of Athens, Athens, Greece in 2017. The hexagon fraud theory adds a new element, namely arrogance to complement its predecessor theories. . Arrogance is a behavior of superiority and rights or greed for criminals who believe that company policies and procedures are not applied to them (Ghandur Dzakwan Ina et al., 2019) In this theory, Vousinas categorizes six factors that can be used to detect fraud in financial statements, which are known as Model S.C.C.O.R.E. These factors include Stimulus/Pressure (pressure), Competence/Capability (competence/ability), Collusion (collusion), Opportunity (opportunity), Rationalization (rationalization), and Ego/Arrogance (ego/arrogance) (Vousinas, 2019) .

The hexagon fraud theory offers a more comprehensive framework for understanding and detecting fraud in financial statements. By considering interrelated factors, such as pressure, ability, opportunity, and rationalization, as well as elements of collusion and ego/arrogance, this model can help identify indications of fraud that may occur.

The use of independent variables such as financial stability, ineffective monitoring, and changes in auditors and directors is an important step in detecting potential fraud in financial statements. In addition, CEO image frequency and political connections can also provide additional insight into existing fraud risks. By combining the hexagon fraud theory and the use of relevant independent variables, it is hoped that there will be a more complete and detailed framework for identifying and preventing fraud in financial statements. This can increase trust and integrity in financial reporting, as well as protect the interests of the company's stakeholders. Furthermore, the operational measurement of the independent variables is explained as follows:

Table 2. Operational Variable Dependence

No.	Variable	Rumus
1	Pressure	Financial Stability (ACHANGE)= Ratio of change in total assets
2	Opportunity	Director Change (DCHANGE) = Change of Directors, 1 if changing of directors 0 otherwise
3	Rationalization	Auditor Independent (AUDCHANGE) = Auditor Change, 1 if auditor changes, 0 otherwise
4	Capability	independent board of commissioners (BDOUT)= The ratio of independent commissioners to the total board of commissioners
5	Arrogance	Photo Director (CEOPICT) = Number of director photos available in the annual report
6	Collusion	Political Connection (POCON) = 1 If the bank is owned by the government, 0 otherwise
7	Company Existence (EKSIS)	The number of years the company was founded

Financial stability can be interpreted as the condition of a company with sufficient funds, smooth cash flow, and controlled debt levels, able to survive in the long term, and benefit stakeholders. This situation supports the implementation of strong internal controls, involving important resources such as internal auditors and technology (Arens, Beasley, Elder, & Hogan, 2017). Pressure in the banking sector arose from the purpose of providing credit, non-performing loans, and the impact of countercyclical policy regulations during the pandemic on banking (Soepriyanto et al., 2022). External pressure and the need to meet the demands of third parties can form management pressures that drive performance and responsibility (Narsa Niluh Putu Dian Rosalina Handayani et al., 2023b).

Based on the hexagon theory, financial pressure can encourage individuals or organizations to commit fraud in financial statements. Management, seeking to maximize profits, may go beyond the bounds of responsibility to achieve goals, raising the potential for fraudulent financial reporting. Demands for achieving financial targets with large incentives can influence

managers to commit fraud (Achmad et al., 2022). The company's financial stability is reflected in asset management, shown in the financial statements. However, because assets are under management control, their representation in financial statements can be manipulated (Achmad et al., 2022).

In situations of fraudulent financial statements, the effectiveness of the internal control system within a bank is crucial (Sood & Bhushan, 2020). Similar thoughts are also given by (Mohamed & Handley-Schachler, 2015), which shows that fraudulent financial statements occur due to weak internal controls. Segregating duties between executive and non-executive directors, as well as between employees who manage performance and those responsible for accounting and information systems, is an essential element of an effective system of internal controls to reduce the risk of fraud.

Research (Zulfikar et al., 2020) confirms that the proportion of independent commissioners and experience of commissioners encourages banking industry management to increase corporate governance compliance. This shows that the oversight of the board of commissioners is effective in reducing information asymmetry. Therefore, the higher the proportion of independent commissioners, the better the company's performance. Another view holds that a high proportion of independent commissioners strengthens control over managerial decisions, because they have an interest in maintaining a good image and attracting outside capital, encouraging them to avoid fraudulent financial reporting.

Changes in the composition of the board of directors reflect the ability, where the potential for fraud can arise when run by individuals with position, confidence, and expertise in effective manipulation, including influencing others. The replacement of directors also inspired improvement in the performance of the previous directors. Usually, changes in directors involve political elements and the interests of certain parties which often give rise to conflicts of interest. Personality elements, including ethics, can be included in the selection process for prospective accounting practitioners to complete their background analysis (Awang & Ismail, 2018b).

Inefficient or inadequate oversight within the organization has a major impact on fraudulent financial reporting. These inefficiencies can also create an environment that facilitates fraud. When employees feel their risk of detection is low due to weak supervision, they are more likely to take the risk of committing fraud (Cressey, 1953; Krambia-Kapardis, 2016). Therefore, efficient monitoring is required as a fraud prevention measure (Abu Khadra & Delen, 2020), inducing the perception that fraud will be uncovered and the perpetrators will be punished. This monitoring is also linked to the effectiveness of supervision carried out by an independent board of commissioners. Banking industry compliance with regulations reflects effective oversight by the board of commissioners. Research also shows the benefits of a larger board of commissioners in increasing the company's expertise and resources (Zulfikar et al., 2022).

He continued, auditor switching occurs when a company changes its previous auditor to hide traces of fraud detected by the previous auditor. Auditor change has great potential to influence fraudulent financial reporting. Changing auditors on a regular basis can maintain auditor independence, an important element in an effective audit, and prevent the formation of too close a relationship that can affect the objectivity of the auditor. However, some companies change auditors to avoid fraud, according to SAS No. 99 which states that a change of auditors can be an indication of fraud. Companies facing problems generally change auditors, demonstrating the ultimate goal only in financial reporting. A similar concept is stated by (Ghandur Dzakwan Ina et al., 2019).

Organizations that are more exposed to the public, as evidenced by the visibility of directors through images, may be more influenced to maintain a positive image and reputation. Directors who are known to the public may feel they have a great responsibility in maintaining the integrity of the organization, because fraud scandals can damage their image and that of the company. This high visibility can play a role in preventing fraudulent financial statements. The CEO (Chief Executive Officer) is the top executive in the company who is fully responsible for the continuity and success of the company (Masruroh & Carolina, 2022).

However, from the point of view of legitimacy theory, organizations can manage the visibility appearance of their directors in order to create a positive image and gain legitimacy in the public eye (Suchman, 1995). High levels of visibility can also create pressure to maintain an impression of success, which may stimulate the potential for cheating. When directors feel the

need to maintain image for the sake of reputation, they may be interested in manipulating financial reports to make them appear better than they are. Based on this and previous research by S. P. Sari and Nugroho (2021) and Larum, Zuhroh, and Subiyantoro (2021), it can be concluded that the appearance of many photos of directors in annual reports can indicate potential fraud.

Collusion refers to cooperation that harms other parties by committing fraud by two or more people for personal gain. Collusion has the potential to pose serious risks to the accuracy of financial reports and to an organization's reputation. This can mislead shareholders, investors and other parties who have an interest in the organization's financial performance. The company's strong political connections with the government can facilitate the acquisition of special privileges, especially in accessing loans. However, sometimes this is exploited to manipulate financial reports, even contributing to financial difficulties and tendencies to commit financial reporting fraud. Support from Cao, Xia, Guo, and Ma (2019) and Matangkin, Ng, and Mardiana (2018) strengthens the understanding that collusion in companies affects the potential for fraudulent financial statements.

But different things can happen when getting unique privileges increases the performance and value of the company. Collusion is related to the hexagon fraud theory, where management can take advantage of the company's convenience and privileges to commit fraudulent financial reporting through manipulation. Unaligned goals between agents and principals cause this manipulation. The agent tries to maximize the profit from its performance. Agents can commit fraud by using the resources provided by politicians. (Achmad et al., 2022)

Companies always depend on their existence in all conditions and cannot be separated permanently. The condition of the company can encourage fraud because management wants to maintain the existence of the company. In an effort to maintain its existence, management will try its best to achieve good results, maybe even manipulate financial reports to show good performance. When a company with a strong existence faces a decline in performance, the possibility of fraudulent financial reporting increases. The goal is to maintain the company's existence so that it remains good.

3. RESEARCH METHODOLOGY

This research involves a content analysis approach in reviewing the financial statements of banks listed on the Indonesia Stock Exchange (IDX) and the Malaysia Stock Exchange during the period 2017 to 2020. By relying on content analysis, researchers are able to objectively reveal documented facts through audited financial reports (Nyakarimi, 2022). The main advantage of this approach is that it does not rely on individual subjective judgments, but focuses more on concrete data recorded in financial reports that have been prepared and audited by the authorities. This principle maintains the integrity of the analysis by reducing the potential for manipulation of information or judgments that tend not to be objective. Within this research framework, content analysis aims to identify potential indicators or signs that suggest the possibility of fraudulent practices in the financial statements of the bank being investigated. From this analysis, the independent fraud variable is measured using the revised beneficial score model. Furthermore, this study uses the logistic analysis method with eviews software to examine the relationship of logistic regression with the fraud hexagon model's dependent variable.

4. RESULT

Analysis of the Revised Beneish Score Model

The financial statements are further analyzed to reclassify the bank as fraudulent or non-fraudulent. In this case, the probit regression model is used. For this purpose, the non-manipulator average based on the Beneish model was used as a reference for developing a new M-score which was used to categorize banks as fraudulent or non-fraudulent, as suggested by Feruleva and Shtefan (2017). The average M-score of the Beneish model for all non-manipulators is calculated and used as a benchmark value to categorize a bank as fraudulent or not. In the probit regression model, a new M-score is applied to determine whether a bank is involved in

fraudulent activity or not. Benchmark values are derived from non-manipulator averages obtained according to the Beneish model. The results of the analysis are presented in Table 2, which shows the average bank that is categorized as a non-manipulator.

In this study, bank financial statements are analyzed in more depth by using a probit regression model to classify banks as fraud or non-fraud. This model uses a new M-score developed by referring to the non-manipulator average of the Beneish model. This M-score is an important indicator in determining whether a bank is involved in fraudulent activity. In probit regression analysis, data from the bank's financial statements is used to generate a new M-score, which is then used to classify a bank as fraudulent or not.

This method provides a more accurate picture of fraud in the bank's financial statements. With reference to the average non-manipulator from the Beneish model, this study can classify banks as fraudulent or non-fraudulent. This helps in differentiating banks that are involved in fraudulent activity from those that are not. The results of the analysis contained in Table 2 provide an overview of the average bank that is categorized as a non-manipulator. This data provides further understanding of the bank's financial condition and the tendency for fraud to occur in financial reports. This information can be used to take necessary actions to prevent and reduce the risk of fraud in the banking industry.

Table 3. Basis for Determining Non-Fraud Beneish M-Score

Variable	DSRI	GMI	AQI	SGI	DEPI
Benchmark	1.0964	0.8093	0.9579	1.0009	1.0571

This study demonstrates the importance of using a new probit and M-score regression model developed based on the non-manipulator average of the Beneish model. With this approach, better information can be obtained about the potential for fraud in a bank's financial statements. The use of this method is expected to assist in improving supervision and prevention of fraud in the banking industry.

The mean score for DSRI is 1.0964, the mean score for GMI is 0.8093, and the mean score for AQI, SGI, and DEPI are 0.9579, 1.0009, and 1.0571 respectively . This average is used to generate a new m-score which is used to reclassify companies as fraudulent or non-fraudulent. Before carrying out the probit regression analysis, the model fit test was carried out as described in Table 3. The test results showed that the significance value was 0.702, which means that the test results were said to be appropriate (sig> 0.05).

Table 4. Model Fit Analysis

		Chi-Square	df[a]	Sig.
PROBIT	Pearson Goodness-of-Fit Test	0.707	2	.702
a. Statistics based on individual cases differ from statistics based on aggregated cases.				

The results of the probit regression analysis have been presented in Table 4. The table contains the coefficients obtained from the probit regression for various parameters as follows: DSRI has a coefficient of 3.058, GMI has a coefficient of 1.496, AQI has a coefficient of 0.877, SGI has a coefficient of 1.385, and DEPI has a coefficient of 0.135 . These new coefficients are then used in the Beneish model to generate the revised m-score. By using the revised m-score model, a new m-score is applied to determine whether the bank that is the subject of the study is involved in fraudulent activity or not. The revised m-score is calculated as -5.6764, according to the given model. This m-score is used to classify a bank as fraudulent or not. The results of the probit regression analysis test show the revised Beneish m-score model as follows:

Revised M-Score = −12.609 + 3.058*1.0964+ 1.496*0.8093+ 0.877*0.9579 + 1.385*1.0009 + 0.135*1.0571 = -5.6764

Logistic Regression Analysis

The next test is logistic regression analysis to test what factors influence fraudulent financial statements. Before carrying out logistic regression testing, it is necessary to test the fit of the model. This test is conducted to find out whether the independent variables have a significant effect on the dependent variable or at least one independent variable has a significant effect on the dependent variable. This test is identical to the F test in multiple linear regression analysis. The value of this test can be seen in the item LR statistics or Prob (LR statistics). The Prob (LR statistic) value is 0.000001, which is smaller than the test significance level of 0.05. While the value of the LR statistic is 40.56701 greater than the value of Ftable (= 5%; df1 = 7, df2 = 253) which is 2.0545 With a confidence level of 95% it can be concluded that the hypothesized model is fit / matches the data.

The R-squared value in this model is 0.161190 meaning that 16.12% of the variation that occurs in a Fraud Financial Statement can be explained by Financial Tenure, Capability, Collusion, Opportunity, Rationalization, Ego and Existence The ACHANGE (Financial Stability) variable has a coefficient of 1.058982 with a Prob value. of 0.0810. This value is smaller than the significance value (0.0810 <0.10) so the hypothesis is accepted, meaning that Financial Stability (ACHANGE) has an effect on the occurrence of Financial Statement Fraud. The DCHANGE (Capability) variable has a coefficient of 0.728080 with a Prob value. of 0.0011. This value is smaller than the significance value (0.0241 <0.05) then the hypothesis is accepted, meaning that Capability (DCHANGE) has an effect on the occurrence of Financial Statement Fraud The KP variable (Collusion) has a coefficient of -0.635655 with a Prob value. of 0.0331.

This value is smaller than the significance value (0.0331 <0.05) so the hypothesis is accepted, meaning that Collusion (KP) has an effect on the occurrence of Financial Statement Fraud. The BDOUT (Opportunity) variable has a coefficient of 1.462114 with a Prob value. of 0.5804. This value is greater than the significance value (0.5804 > 0.05) then the hypothesis is rejected, meaning that Opportunity (BDOUT) has no effect on the occurrence of Financial Statement Fraud The AUDCHANGE (Rationalization) variable has a coefficient of 0.065533 with a Prob value. of 0.2064. This value is greater than the significance value (0.2064 > 0.05) then the hypothesis is rejected, meaning that Rationalization (AUDCHANGE) has no effect on the occurrence of Financial Statement Fraud. The CEOPICT (Ego) variable has a coefficient of -0.083282 with a Prob value. of 0.0465. This value is smaller than the significance value (0.0465 <0.05) then the hypothesis is accepted, meaning Ego (CEOPICT) has an effect on the occurrence of Financial Statement Fraud. The EXISTENCE variable has a coefficient of -0.008992 with a Prob value. of 0.0329. This value is smaller than the significance value (0.0329 <0.05) so the hypothesis is accepted, meaning that Existence (EXIST) has an effect on the occurrence of Financial Statement Fraud.

Table 6. Logistic Regression Analysis Results

Variable	Coefisien	t-statistics	Significance	Result
Constanta	-1.124257	-2.618844	0.0088	
ACHANGE	1.058982	1.745032	0.0810***	H_1 Approved
DCHANGE	0.728080	3.273637	0.0011*	H_2 Approved
AUDCHANGE	0.065533	0.275318	0.7831	H_3 Rejected
BDOUT	1.462114	2.768500	0.0056*	H_4 Approved
CEOPICT	-0.083282	-2.209483	0.0271**	H_5 Approved
KP	-0.635655	-2.130863	0.0331**	H_6 Approved
EKSIS	-0.008992	-1.595799	0.1105	H_7 Rejected
McFaddenR-Square			0.161190	
		LR-Statistik	40.56701	
		Signifikansi	0.000001	
Tingkat Signifikansi : 1% (*), 5%(**) dan 10%(***)				

5. DISCUSSION

The test results in this paper on the first hypothesis indicate that there is a positive influence between the ratio of changes in assets and the possibility of fraudulent financial statements. The possibility of fraud can occur due to changes in the number of assets carried out by management to greatly affect the financial performance that will be published. In addition, high fluctuations in asset changes can occur due to the involvement of other illegal transactions such as tax evasion or embezzlement of other assets. This result is also in line with Ozcan's statement (2016) which states that financial instability will cause financial pressure. The higher the asset change ratio, the greater the possibility of financial fraud through income manipulation. In other words, the more stable the assets, the less likely it is for financial fraud to occur. This is done to show the company's strong financial position. At the end of the first hypothesis results are in line with several previous studies which stated that financial stability affects the possibility of companies committing fraud (Bawekes, Simanjuntak, & Daat, 2018; Khamainy, Ali, & Setiawan, 2022; Kurnia, 2017).

In testing the second hypothesis, it shows a positive effect between changes in directors and the possibility of fraud. The change of new directors that often creates opportunities for fraud because the new directors still do not understand the existing internal controls in a company they lead, it takes time to understand the business processes and governance that apply in the company they lead. The results of the second hypothesis support previous research which stated that changes in directors tend to have the potential for fraud (Faradiza, 2019; Khamainy et al., 2022; M. P. Sari et al., 2020).

The board of commissioners ratio variable (BDOUT) has a positive effect on fraudulent financial reporting. Based on previous explanations and research conducted by previous studies (Faradiza, 2019; M. P. Sari et al., 2020) which stated that changes in directors tend to have the potential to cause fraud (Anichebe, 2019; Eneh, 2018; Faradiza, 2019; Mahama, 2015; M. P. Sari et al., 2020). This occurs because of the possibility of the ability to commit fraud.

The ego variable as measured by the number of CEO photos (CEOPICT) shows the results of a negative effect on fraudulent financial reporting. This is not in line with previous studies which show that the number of CEO photos has a positive effect on financial statement fraud (Larum et al., 2021; S. P. Sari & Nugroho, 2021). The existence of a negative influence indicates that, a CEO who already has public exposure known to the public through photos and profiles of the CEO, may tend to maintain their positive image and reputation by not committing fraud. Directors whose faces are publicly known may feel they have a greater responsibility to maintain organizational integrity, given that fraud scandals can damage their own reputation as well as that of the organization. Therefore, this high visibility can serve as a deterrent against fraudulent financial reporting.

The collusion variable as measured by political connection shows a negative effect on fraudulent financial reporting. This is not in line with several previous studies which stated that political connections have a positive effect on financial statement fraud (Ahmad, Subroto, & Atmini, 2022; Nadziliyah & Primasari, 2022; Wang, Chen, Chin, & Zheng, 2017). The existence of a negative influence indicates that banks that have a relationship with the government tend not to have the opportunity to commit financial statement fraud because there are stricter procedures and supervision from the government.

Furthermore, the results that have no effect are shown by the variables of public accounting firm turnover (audchange) and company existence (exist). The results of testing the hypothesis of switching public accounting firms have no effect on fraudulent financial statements. This shows that management tends to support external auditors who perform well, and as long as there is no fraud committed against the auditors. In addition, the age of the company also shows results that have no effect on fraudulent financial statements. In other words, company age and company size cannot be used to detect fraudulent financial statements.

6. ADDITIONAL ANALYSIS

This study uses additive analysis to test the differences in results between Indonesia and Malaysia. The test results are shown in the table below:

Table 7. Additional Analysis

Variable	Sign.	
	Indonesia	Malaysia
Constanta	0.4901	0.0522
ACHANGE	0.0809(***)	0.7242
DCHANGE	0.0000(*)	0.4385
AUDCHANGE	0.7687	
BDOUT	0.3148	0.0051(*)
CEOPICT	0.0288(**)	0.1688
KP	0.2159	0.1830
EKSIS	0.0752(***)	0.0265(**)
McFaddenR-Square	0.297404	0.281321
LR-Statistik	40.65538	15.95099
Sign.	0.000001	0.014019
Sig. rate: 1% (*), 5%(**) dan 10%(***)		

Examination of the factors that influence financial statement fraud on Indonesia and Malaysia has different results for all variables except for the political connection (KP) and existence variables. Tests in the country of Malaysia do not use a variable change in the public accounting firm due to the near singular matrix. In Malaysia, changes in assets, independent commissioners, number of CEO photos have no effect on fraudulent financial statements. This is inversely proportional to the results in Indonesia.

7. CONCLUSION

This research contributes to the fraud literature in the Indonesian and Malaysian banking sectors. This research proves that even though the banking sector has implemented strict regulations in its operations, there are still acts of fraud committed. Pressure, opportunity, and rationalization have an influence on the possibility of fraudulent financial reporting. This shows that the higher the fluctuation in changes in total assets (pressure), the frequent change of directors (opportunity) and the frequent change of public accounting firms (rationalization) can indicate that fraudulent financial statements have occurred.

The results of this study ultimately provide a new perspective on the use of the Beneish M-Score model which has been frequently used by many researchers before. The research findings show that the use of the revised Beneish M-Score model by applying probit regression to the banking sector produces different M-Score values. Therefore, the researchers suggest that further research be conducted to measure the revised Beneish M-Score which is strengthened by comparing before and after the revision either by using the probit method or by using other methods such as logit. The sample used in this study is still limited to banks in Indonesia and Malaysia, so the authors suggest adding samples from banks in other countries such as Asean or ASIA countries.

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