

ABSTRACT

Financial statement is the document containing information that describes the company's financial condition and reflects the actual state of the company. Thus, it makes the management trying to produce financial statements describing that the company is in a healthy condition. However, management performance is sometimes not as good as expected. This encourages management to commit fraudulent financial statements. This fraudulent act is referred to as fraud.

This study aims to determine the effect of the fraud diamond variables, namely pressure, opportunity, rationalization, and capability on financial statement fraud in SRI-KEHATI index member companies listed on the Indonesia Stock Exchange in 2016-2020.

The method used is a quantitative method. The object of this study is the SRI-KEHATI index member companies listed on the Indonesia Stock Exchange in 2016-2020. The sample selection technique used purposive sampling technique in order to obtain a sample of 70 companies. The data analysis technique used is descriptive statistical analysis and panel data regression using Eviews 12 software. The common effect model was selected after testing the panel data model selection.

The results of the study showed that the variables of pressure, opportunity, rationalization, and capability simultaneously had an influence on the financial statement fraud. The results of the study partially showed that financial stability (ACHANGE), financial target (ROA), external pressure (LEVERAGE) had a positive influence on the financial statement fraud. Meanwhile, the nature of industry (RECEIVABLE) had a negative influence on the financial statement fraud. Ineffective monitoring (BDOUT), change in auditor (AUDCHANGE), and change in director (DCHANGE) variables had no influence on financial statement fraud.

This study can be used as a reference for companies to consider changes in the company's total assets, company profits, and company debt for it results that can detect fraud. And it is hoped for further researchers to add and expand the study variables and use the latest period of data for more relevant results.

Keywords: *Financial Statement Fraud and Fraud Diamond*