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# THE INFLUENCE OF THE FRAUD TRIANGLE ON FINANCIAL STATEMENT FRAUD INDICATIONS IN TECHNOLOGY SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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**Abstract:** This study aims to examine the effect of Fraud Triangle on indications of financial statement fraud in technology sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2024 period. The sample consisted of 26 technology sector companies observed over four years, resulting in a total of 104 observations. The sampling technique used was purposive sampling. This research employed a quantitative approach using secondary data obtained from the companies annual financial statements. The data were analyzed using logistic regression analysis with SPSS version 22. The results indicate the financial stability has a positive effect on indications of financial statement fraud. Ineffective monitoring has no effect on indications of financial statement fraud. Audit opinion also has no effect on indications of financial statement fraud. The findings imply that experienced by technology sector companies is an important factor to consider in preventing financial statement fraud. Furthermore, companies are expected to improve the effectiveness of their monitoring systems and corporate governance practices to minimize the potential for financial statement manipulation.

**Keywords:** Fraud Triangle, Financial Stability, Ineffective Monitoring, Audit Opinion, Financial Statement Fraud.

## BACKGROUND

Financial statement fraud remains one of the most detrimental forms of corporate fraud because it misleads investors, creditors, regulators, and other stakeholders by presenting financial information that does not reflect a company's actual condition. Unlike asset misappropriation or corruption, financial statement fraud often involves intentional manipulation of accounting records, financial disclosures, or the application of accounting principles to create a more favorable financial performance. Although its occurrence is relatively less frequent, the financial losses resulting from this type of fraud are considerably greater than those caused by other occupational fraud schemes.

The rapid development of the technology sector has significantly contributed to Indonesia's economic growth over the past decade. Technology companies are characterized by high business uncertainty, rapid innovation, aggressive expansion strategies, and substantial dependence on external financing. These characteristics encourage companies to continuously demonstrate strong financial performance in order to maintain investor confidence and sustain market competitiveness. Consequently, management may experience considerable pressure to achieve financial targets, creating opportunities for financial statement manipulation.

Several financial scandals involving technology companies have highlighted the importance of detecting fraudulent financial reporting. Companies experiencing financial difficulties or intense market competition may manipulate financial statements to maintain profitability, attract investment, or fulfill contractual obligations. Therefore, identifying factors that influence financial statement fraud has become increasingly important for investors, auditors, regulators, and other stakeholders.

One of the most widely recognized theories for explaining fraudulent behavior is the Fraud Triangle Theory proposed by Cressey (1953). The theory explains that fraud generally occurs due to the interaction of three elements: pressure, opportunity, and rationalization. Pressure represents incentives or motivations that encourage individuals to commit fraud, opportunity refers to weaknesses in internal control systems that enable fraudulent actions, and rationalization describes the justification used by perpetrators to legitimize unethical behavior. This theoretical framework has been extensively applied in accounting and auditing research to examine financial statement fraud.

In this study, the pressure element is represented by financial stability, which reflects management's ability to maintain the company's financial condition. Companies experiencing unstable financial performance may face greater pressure to manipulate financial reports in order to satisfy investors and creditors. The opportunity element is represented by ineffective monitoring, indicating weaknesses in corporate governance, particularly in supervisory mechanisms that may allow fraudulent activities to occur. Meanwhile, the rationalization element is represented by audit opinion, as the external auditor's opinion reflects the credibility of financial reporting and management's compliance with applicable accounting standards.

Previous empirical studies have reported inconsistent findings regarding the relationship between Fraud Triangle variables and financial statement fraud. Langsa et al. (2024), Riduan and Arif (2024), and Vidella and Tajuroh (2020) found that financial stability negatively affects financial statement fraud, suggesting that financially stable companies are less likely to manipulate financial information. Conversely, Annisa and Kuntadi (2024), Sihombing and Nugroho (2022), and Rahmawati and Pramesty (2024) reported a positive relationship, indicating that companies under pressure to maintain financial stability may be more likely to engage in fraudulent financial reporting.

Similarly, empirical evidence regarding ineffective monitoring remains inconclusive. Some studies suggest that ineffective monitoring increases the likelihood of financial statement fraud because weak corporate governance provides greater opportunities for management to manipulate financial information. However, other studies report no significant relationship, indicating that the presence of independent commissioners alone may not effectively prevent fraudulent reporting.

In addition, previous research has reported varying results regarding audit opinion. Several studies argue that companies receiving unqualified audit opinions tend to exhibit lower levels of financial statement fraud because high-quality external audits improve financial reporting credibility. Nevertheless, other studies find that audit opinion does not significantly explain fraudulent financial reporting, particularly when most sample companies receive similar audit opinions.

These inconsistent findings indicate the existence of a research gap regarding the influence of Fraud Triangle factors on financial statement fraud. Furthermore, studies focusing specifically on Indonesian technology companies remain relatively limited, despite the sector's unique business characteristics and rapid growth. Technology companies generally operate in highly competitive environments with substantial financing needs and strong expectations for continuous business expansion, making them particularly susceptible to financial reporting pressure.

Therefore, this study aims to examine the effect of financial stability, ineffective monitoring, and audit opinion on financial statement fraud in technology companies listed on the Indonesia

Stock Exchange (IDX) during the 2021–2024 period. Financial statement fraud is measured using the Beneish M-Score model, while binary logistic regression is employed to analyze the relationship between the independent and dependent variables. The findings are expected to enrich the literature on Fraud Triangle Theory while providing practical implications for investors, auditors, regulators, and corporate management in improving fraud detection and strengthening corporate governance.

## THEORETICAL FRAMEWORK

### Agency Theory

Agency Theory introduced by Jensen and Meckling (1976), explains the contractual relationship between shareholders (principals) and managers (agents). In this relationship, managers are entrusted with operating the company on behalf of shareholders. However, differences in objectives and information asymmetry often create agency conflicts, where managers possess more information about the company's financial condition than shareholders. Such information asymmetry may encourage managers to manipulate financial reports to maximize personal benefits or maintain their reputation. Consequently, financial statement fraud becomes one of the potential outcomes of agency conflicts when effective monitoring mechanisms are absent.

### Fraud Triangle Theory

Fraud Triangle Theory was developed by Cressey (1953) and remains one of the most widely accepted frameworks for explaining fraudulent behavior. According to the theory, fraud occurs when three elements coexist: pressure**,** opportunity**,** and rationalization**.**

Pressure refers to financial or non-financial incentives that motivate individuals to commit fraud. Opportunity arises from weaknesses in internal control systems or ineffective corporate governance that allow fraudulent actions to occur. Rationalization represents the justification used by perpetrators to perceive fraudulent behavior as acceptable or necessary. These three components collectively explain why financial statement fraud may occur within an organization.

In this study, the Fraud Triangle elements are represented by financial stability (pressure), ineffective monitoring (opportunity), and audit opinion (rationalization).

**Financial Statement Fraud**

Financial statement fraud is defined as the intentional misrepresentation or omission of financial information to mislead users of financial statements and create a false impression of a company's financial condition. According to the Association of Certified Fraud Examiners (ACFE, 2024), financial statement fraud includes deliberate manipulation of accounting records, intentional misapplication of accounting principles, and omission of material information that affects stakeholders' decision-making.

Although financial statement fraud occurs less frequently than other types of occupational fraud, it often results in the greatest financial losses and significantly undermines public confidence in financial reporting. Therefore, detecting financial statement fraud has become an important concern for investors, auditors, regulators, and other stakeholders.

This study measures financial statement fraud using the Beneish M-Score, a widely recognized analytical model developed by Beneish (1999) to identify the likelihood of earnings manipulation based on financial statement indicators. Companies with an M-Score greater than −2.22 are classified as having indications of financial statement fraud, whereas companies with an M-Score of −2.22 or below are classified as non-fraudulent.

**Hypothesis Development**

**Financial Stability and Financial Statement Fraud**

Financial stability reflects a company's ability to maintain sustainable financial performance and stable asset growth. According to Fraud Triangle Theory, financial instability creates pressure on management to achieve expected financial performance, which may encourage managers to manipulate financial statements to maintain investors' confidence and meet stakeholders' expectations.

Previous empirical studies have produced inconsistent findings regarding the relationship between financial stability and financial statement fraud. Langsa et al. (2024) and Vidella and Afiah (2020) found that financial stability has a significant negative effect on financial statement fraud, indicating that companies with better financial stability are less likely to engage in fraudulent financial reporting. In contrast, Annisa and Kuntadi (2024), Sihombing and Nugroho (2022), Rahmawati and Pramesty (2024), Azizah et al. (2025), Anggarani et al. (2023), and Anista et al. (2025) reported a significant positive relationship, suggesting that companies experiencing pressure to maintain financial stability are more likely to manipulate financial statements.

These inconsistent findings indicate that the relationship between financial stability and financial statement fraud remains inconclusive, particularly in Indonesia's technology sector. Therefore, the first hypothesis is proposed as follows:

**H1: Financial stability significantly affects financial statement fraud.**

**Ineffective Monitoring and Financial Statement Fraud**

Ineffective monitoring represents weaknesses in corporate governance that reduce the effectiveness of supervision over management activities. Fraud Triangle Theory explains that weak oversight increases opportunities for managers to commit financial statement fraud because ineffective monitoring limits the ability of boards and independent commissioners to detect fraudulent behavior.

Empirical evidence regarding ineffective monitoring also remains inconsistent. Rahmawati et al. (2020) reported that ineffective monitoring significantly affects financial statement fraud, indicating that weak governance increases the opportunity for fraudulent reporting. Conversely, Langsa et al. (2024), Rahmawati and Pramesty (2024), Anggarani et al. (2023), and Anista et al. (2025) found that ineffective monitoring does not significantly influence financial statement fraud. Meanwhile, Annisa and Kuntadi (2024) and Wahyutomo and Marsono (2024) found a significant negative relationship, suggesting that stronger monitoring mechanisms reduce the likelihood of fraudulent financial reporting.

The inconsistent empirical findings indicate that the effectiveness of monitoring mechanisms may vary across industries and corporate governance structures. Therefore, further investigation is needed, particularly within technology companies listed on the Indonesia Stock Exchange.

**H2: Ineffective monitoring significantly affects financial statement fraud.**

### Audit Opinion and Financial Statement Fraud

Audit opinion reflects an independent auditor's assessment of whether a company's financial statements are fairly presented in accordance with applicable accounting standards. In this study, audit opinion is used as a proxy for the rationalization element of the Fraud Triangle, as management may perceive that obtaining an unqualified audit opinion legitimizes the credibility of financial reporting.

Previous studies have also reported inconsistent findings regarding the influence of audit opinion on financial statement fraud. Sihombing and Nugroho (2022) found that audit opinion has a significant positive effect on financial statement fraud. In contrast, Langsa et al. (2024) reported that audit opinion does not significantly affect fraudulent financial reporting. These differences suggest that audit opinion alone may not always reflect the presence or absence of financial statement fraud, particularly in industries where most companies consistently receive unqualified audit opinions.

Given these inconsistent findings, further examination is necessary to determine whether audit opinion influences financial statement fraud in Indonesian technology companies.

**H3: Audit opinion significantly affects financial statement fraud.**

## METHOD

This study employed a quantitative research approach to examine the effect of the Fraud Triangle on financial statement fraud. The research utilized secondary data obtained from the annual reports and audited financial statements of technology companies listed on the Indonesia Stock Exchange (IDX). The observation period covered four fiscal years, from 2021 to 2024.

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The population consisted of all technology companies listed on the Indonesia Stock Exchange during the observation period. The sample was selected using purposive sampling based on the following criteria: (1) technology companies consistently listed on the IDX during 2021–2024; (2) companies that published complete audited annual financial statements for the fiscal years ending December 31; and (3) companies with complete financial data required to calculate all research variables. Based on these criteria, the final sample consisted of 26 companies, resulting in 104 firm year observations.

Financial statement fraud was measured using the Beneish M-Score model developed by Beneish (1999). Companies with an M-Score greater than −2.22 were classified as indicating financial statement fraud (coded as 1), whereas companies with an M-Score equal to or below −2.22 were classified as non-fraudulent (coded as 0).

The independent variables were derived from the Fraud Triangle Theory. The pressure element was proxied by financial stability, measured using the Asset Change (ACHANGE) ratio. The opportunity element was represented by ineffective monitoring, measured by the proportion of independent commissioners (BDOUT). The rationalization element was proxied by audit opinion, measured using a dummy variable, where companies receiving an unqualified audit opinion were coded as 1, while companies receiving other audit opinions were coded as 0.

The operational definitions of the research variables are presented in Table.

| Variable | Proxy | Measurement |
|---|---|---|
| Financial Statement Fraud (Y) | Beneish M-Score | 1 = M-Score > −2.22 (fraud indication); 0 = M-Score ≤ −2.22 |
| Financial Stability ($X_1$) | ACHANGE | $\frac{\text{total asset}_t - \text{total asset } t_{-1}}{\text{total asset}_t - 1}$ |
| Ineffective Monitoring ($X_2$) | BDOUT | $\frac{\text{Number of Independent Commissioners}}{\text{Total of Commisioners}}$ |
| Audit Opinion ($X_3$) | AUDREPORT | 1 = Unqualified Opinion; 0 = Other Audit Opinions |

Since the dependent variable is binary, this study employed binary logistic regression to examine the relationship between the independent variables and financial statement fraud.

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Logistic regression is appropriate because it estimates the probability of the occurrence of a binary outcome without requiring the assumption of normally distributed residuals.

The logistic regression model is expressed as follows:

$$\text{Ln}\left(\frac{P}{1-P}\right) = \beta0 + \beta1\ \text{ACHANGE} + \beta2\ \text{BDOUT} + \beta3\ \text{AUDREPORT} + e$$

Where :

| | |
|---|---|
| P | = Probability of financial statement fraud |
| β0 | = Constant |
| β1, β2, β3 | = Regression Coefficients |
| ACHANGE | = financial stability proxy |
| BDOUT | = ineffective monitoring proxy |
| AUDREPORT | = audit opinion proxy |
| e | = error |

The data were analyzed using IBM SPSS Statistics version 22. The analytical procedures included descriptive statistics, Overall Model Fit (−2 Log Likelihood), Omnibus Test of Model Coefficients, Hosmer and Lemeshow Goodness-of-Fit Test, Nagelkerke R Square, Classification Accuracy, and Wald tests to evaluate the proposed hypothesis.

## RESULT

A total of 26 technology companies listed on the Indonesia Stock Exchange (IDX) satisfied the sampling criteria. Observations were conducted over the 2021–2024 period, resulting in 104 firm year observations included in the empirical analysis.

### Descriptive Statistics

| Variable | Measurement | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Financial Statement Fraud | Dummy | 0.000 | 1.000 | 0.462 | 0.501 |
| Financial Stability (ACHANGE) | Ratio | -0.999 | 68.958 | 0.896 | 6.822 |
| Ineffective Monitoring (BDOUT) | Ratio | 0.250 | 1.000 | 0.449 | 0.145 |
| Audit Opinion (AUDREPORT) | Dummy | 0.000 | 1.000 | 0.644 | 0.481 |

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The descriptive statistics indicate that 46.2% of the observations were classified as companies with indications of financial statement fraud, while 53.8% were categorized as non-fraudulent based on the Beneish M-Score. Financial stability exhibits the largest dispersion among the independent variables, indicating considerable differences in asset growth across technology companies. The average proportion of independent commissioners is 44.9%, suggesting that corporate governance structures are relatively similar among the sampled firms. In addition, 64.4% of the observations received an unqualified audit opinion.

**Logistic Regression Results**

The logistic regression model was estimated to examine the influence of financial stability, ineffective monitoring, and audit opinion on financial statement fraud. Prior to hypothesis testing, several model fit tests were conducted to assess the adequacy of the regression model.

| Indicator | Result | Interpretation |
|---|---|---|
| Number of observations | 104 | Firm-year observations |
| −2 Log Likelihood (Block 0) | 143.559 | Initial model |
| −2 Log Likelihood (Block 1) | 130.272 | Model improved |
| Omnibus Test (Sig.) | 0.004 | Model is statistically significant |
| Hosmer–Lemeshow Test (Sig.) | 0.907 | Good model fit |
| Nagelkerke R Square | 0.160 | Model explains 16.0% of the variation |
| Classification Accuracy | 67.3% | Acceptable predictive accuracy |

The decrease in the −2 Log Likelihood value from 143.559 to 130.272 indicates that the inclusion of the independent variables improves the model fit. Furthermore, the Omnibus Test is statistically significant ($p = 0.004$), suggesting that the regression model performs better than the null model. The Hosmer–Lemeshow test produces a significance value of 0.907, indicating that the estimated model adequately fits the observed data. The Nagelkerke R Square of 0.160 implies that the independent variables explain approximately 16.0% of the variation in financial statement fraud, while the remaining 84.0% is attributable to other factors not included in this study. Finally, the classification accuracy of 67.3% indicates that the model correctly predicts approximately two-thirds of the observations.

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**Hypothesis Testing**

| Hypothesis | Variable | B | Wald | Sig. | Exp(B) | Decision |
|---|---|---|---|---|---|---|
| H1 | Financial Stability | 1.366 | 6.083 | **0.014** | 3.921 | Supported |
| H2 | Ineffective Monitoring | -1.641 | 1.098 | 0.295 | 0.194 | Not Supported |
| H3 | Audit Opinion | -0.013 | 0.001 | 0.976 | 0.987 | Not Supported |

The estimated logistic regression model is expressed as follows:

$$\text{Ln}\left(\frac{P}{1-P}\right) = 0{,}374 + 1{,}366 \text{ ACHANGE} - 1{,}641 \text{ BDOUT} - 0{,}013 \text{ AUDREPORT} + e$$

The regression results reveal that financial stability has a positive and statistically significant effect on financial statement fraud (B = 1.366; p = 0.014), indicating that H1 is supported. Meanwhile, ineffective monitoring (p = 0.295) and audit opinion (p = 0.976) do not significantly affect financial statement fraud. Therefore, H2 and H3 are not supported.

## DISCUSSION

### The Effect of Financial Stability on Financial Statement Fraud

The results indicate that financial stability has a positive and statistically significant effect on financial statement fraud. This finding suggests that changes in a company's financial stability increase the likelihood of financial statement manipulation among technology companies listed on the Indonesia Stock Exchange. Within the context of the Fraud Triangle Theory, financial stability represents the pressure element that motivates management to maintain favorable financial performance. When companies experience fluctuations in asset growth or financial instability, management may face increasing pressure from investors and other stakeholders to demonstrate sustainable performance. As a result, managers may be more inclined to manipulate financial statements to present a stronger financial position.

From the perspective of Agency Theory, this finding reflects the existence of information asymmetry between managers and shareholders. Managers possess more comprehensive information regarding the company's financial condition than external stakeholders. Consequently, managers may exploit this informational advantage by presenting financial statements that appear more favorable to protect their reputation, maintain investor confidence, or achieve organizational performance targets.

This result is consistent with the findings of Annisa and Kuntadi (2024), Sihombing and Nugroho (2022), Rahmawati and Pramesty (2024), Azizah et al. (2025), Anggarani et al. (2023), and Anista et al. (2025), which reported that financial stability significantly affects financial statement fraud. These studies suggest that companies facing pressure to maintain stable financial conditions are more likely to engage in earnings manipulation or fraudulent financial reporting.

The findings imply that investors and auditors should pay greater attention to companies experiencing substantial fluctuations in total assets, as such conditions may indicate increased pressure on management and a higher risk of fraudulent financial reporting.

**The Effect of Ineffective Monitoring on Financial Statement Fraud**

The empirical results show that ineffective monitoring does not have a statistically significant effect on financial statement fraud. This finding indicates that the proportion of independent commissioners does not necessarily influence the occurrence of financial statement fraud in technology companies.

According to the Fraud Triangle Theory, ineffective monitoring represents the **opportunity** element that enables fraudulent behavior. However, the insignificant result suggests that the presence of independent commissioners alone may not adequately reflect the effectiveness of corporate governance. Although companies comply with regulations regarding the appointment of independent commissioners, these commissioners may have limited authority, information, or involvement in supervising managerial decision-making. Consequently, formal compliance with governance requirements does not always translate into effective oversight.

This finding is also consistent with Agency Theory, which argues that governance mechanisms are intended to reduce agency conflicts. Nevertheless, agency problems may persist when monitoring mechanisms function only as regulatory compliance rather than as effective supervisory instruments. Therefore, the existence of independent commissioners alone may be insufficient to prevent financial statement fraud.

The results support the findings of Langsa et al. (2024), Rahmawati and Pramesty (2024), Anggarani et al. (2023), and Anista et al. (2025), which concluded that ineffective monitoring does not significantly influence financial statement fraud. These studies indicate that other governance mechanisms, such as audit committee effectiveness, internal audit quality, ownership structure, or board expertise, may play a more important role in preventing fraudulent financial reporting.

**The Effect of Audit Opinion on Financial Statement Fraud**

The results further indicate that audit opinion does not have a statistically significant effect on financial statement fraud. This finding suggests that the type of audit opinion received by a company cannot be used as a reliable indicator of fraudulent financial reporting within the technology sector.

Within the Fraud Triangle Theory, audit opinion is employed as a proxy for the **rationalization** element. However, obtaining an unqualified audit opinion does not necessarily guarantee the absence of financial statement fraud. External auditors provide reasonable assurance that financial statements are free from material misstatement, but they do not guarantee that all fraudulent activities will be detected. Consequently, companies may still receive an unqualified opinion despite the existence of financial statement manipulation that is difficult to identify during the audit process.

From the Agency Theory perspective, external audits help reduce information asymmetry between management and shareholders. Nevertheless, the effectiveness of an audit opinion as a monitoring mechanism depends on audit quality, audit procedures, and the availability of sufficient audit evidence. Therefore, audit opinion alone may not adequately explain the occurrence of financial statement fraud.

This finding is consistent with Langsa et al. (2024), who reported that audit opinion does not significantly affect financial statement fraud. One possible explanation is that most public companies listed on the Indonesia Stock Exchange consistently receive unqualified audit opinions, resulting in limited variation in the audit opinion variable. Consequently, audit opinion provides limited explanatory power in predicting financial statement fraud among technology companies.

Overall, these findings suggest that financial statement fraud is more strongly associated with managerial pressure than with governance or audit-related factors. This implies that maintaining sustainable financial performance and reducing excessive performance pressure are essential for minimizing the risk of fraudulent financial reporting in technology companies.

## CONCLUSION

This study examined the effect of the Fraud Triangle elements, represented by financial stability, ineffective monitoring, and audit opinion, on financial statement fraud among technology companies listed on the Indonesia Stock Exchange during the 2021–2024 period. Using binary logistic regression on 104 firm-year observations, the findings reveal that financial stability has a significant positive effect on financial statement fraud. In contrast, ineffective monitoring and audit opinion do not have significant effects on financial statement fraud. These findings suggest that managerial pressure arising from changes in financial conditions plays a more important role in influencing fraudulent financial reporting than governance and audit-related factors.

The findings contribute to the literature on Fraud Triangle Theory by providing empirical evidence from the Indonesian technology sector, which has received relatively limited attention in previous studies. The results indicate that the pressure element of the Fraud Triangle is a stronger predictor of financial statement fraud than the opportunity and rationalization elements within the research context. This study also enriches the empirical literature by employing the Beneish M-Score as a proxy for financial statement fraud and binary logistic regression to examine the relationships among the research variables.

From a practical perspective, investors, auditors, and regulators should pay greater attention to companies experiencing substantial changes in financial stability, as these conditions may increase the risk of financial statement fraud. Furthermore, companies are expected to strengthen internal governance mechanisms and improve the effectiveness of oversight to reduce opportunities for fraudulent financial reporting, despite the insignificant effect identified in this study.

This study has several limitations. First, the research focused exclusively on technology companies listed on the Indonesia Stock Exchange, limiting the generalizability of the findings to other industries. Second, the study examined only three proxies representing the Fraud Triangle, while other determinants of financial statement fraud were not included in the research model. Third, financial statement fraud was measured solely using the Beneish M-Score, which may not capture all forms of fraudulent financial reporting. Therefore, future studies are encouraged to include broader industry coverage, incorporate additional explanatory variables derived from other fraud theories, and employ alternative fraud detection models to obtain more comprehensive evidence.

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