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The Fraud Gone Model and Political Connection – Distribution Approach

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Abstract

Purpose: This research aims to analyze the influence of greed, opportunity, need, exposes on fraudulence financial reporting by using the distribution of political connections as a moderating variable. **Research design, data, methodology:** Using data collected from 180 respondents who were leaders involved in financial reports in state-owned companies and manufacturing companies in South Sulawesi, Indonesia. Data analysis using SEM PLS. **Results:** The results of this research show that greed, opportunity, need, exposes, political connections have a significant positive effect on fraudulence financial reporting. Political connection is able to moderate greed, need, exposes to fraudulence financial reporting. Furthermore, political connections are unable to moderate the opportunity for fraudulence financial reporting in company. **Conclusion:** Greed, opportunities, needs, exposes can influence someone to carry out financial fraud reporting in the company because of internal or external factors that cause someone to commit fraud. Every perpetrator of fraud should be subject to punishment or sanctions if proven to have committed fraud. Political connections can influence fraudulent financial reporting due to the potential for intervention and political pressure that can affect the integrity of financial reporting. Political connections are able to moderate greed, need, exposes against fraudulent financial reporting.

Keywords: Fraudulence Financial Reporting, Gone Model, Political Connection

JEL Classification Code: G32, H83, M42, M48

1. Introduction

Fraud is an action carried out intentionally or through negligence, with the aim of gaining profit through deceptive practices, and carried out by an individual or group that harms another party. (West & Bhattacharya, 2016; Kagias et al., 2022). Fraud is a serious threat to organizational continuity (Quraini & Rimawati, 2018; Cîrstea, 2014). According to research results from the Association of Certified Fraud Examiners (ACFE) (2020), Every year an average of around 5% of an organization's revenue becomes victims of fraud. Fraud incidents can occur in various types of organizations, including governments, companies and profit-oriented organizations. In 2003, the Association of Certified Fraud Examiners also revealed that the biggest type of fraud was fraud in financial reporting (Achyarsyah

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& Rani, 2020; Vousinas, 2019). The public is no stranger to cases of fraud in financial reporting (Kirkos et al., 2007; Ozcelik, 2020). Fraudulent financial reporting can also occur in companies whose shares are listed on the Stock Exchange, which can ultimately cause losses and business failure. One example is a case of fraud that occurred in a State-Owned Enterprise (BUMN) company is a form of business entity established by the government with the main aim of acting as an agent in carrying out government functions, especially those related to economic development. However, ironically, many BUMN employees are involved in cases of violations related to financial reports. This incident is detrimental to various parties, especiallythe welfare of society. Cases of financial reporting violations often occur in developing countries which have weak legal systems and lack of awareness of the principles of good governance, so their integrity is often questioned (Kusumawardhani, 2013; Skousen et al., 2009; Roszkowska, 2021).

The case in Indonesia regarding financial reporting occurred in a state-owned company, PT. Garuda Indonesia, Tbk. This incident began when Garuda Indonesia announced their 2018 financial results to the Indonesian Stock Exchange, which showed a net profit of US$809 thousand. This figure is in stark contrast to the company's performance in 2017, which experienced a loss of US$216.58 million. This incident was suspicious because there was a refusal to sign the 2018 financial report by two of the company's independent commissioners who refused to sign the report because they felt there were irregularities in the financial report. (Alvionika & Meiranto, 2021).

Apart from cases of fraudulent financial reporting in state-owned companies, similar incidents occurred in the manufacturing sector. The reason for choosing the manufacturing sector is because companies in this sector have a high level of vulnerability to fraud in financial reporting, as revealed in research by Nurhayati et al. (2022). This factor can be explained by the nature of the manufacturing company's business which involves the process of transforming raw materials into finished products. In this context, the measurement and disclosure of financial information becomes more complex because a large number of accounting items are involved. Apart from that, manufacturing company financial reports contain various important data such as recording financial report accounts such as assets, cash flow, sales, and so on. The existence of these accounts provides greater opportunities for company management to commit fraudulent acts, as revealed in research by Citra et al. (2022) and Sudirman (2023).

In the case of financial reporting involving manufacturing companies such as PT. Kimia Farma (KAEF) in 2001, found that the net profit in their financial statements was excessive and contained manipulation. Initially, the net profit was reported at IDR 132 billion, but after checking, it turned out that it was actually only IDR 99.56 billion, with a difference of around IDR 32.44 billion. A similar thing also happened in the case of a multinational food company, namely PT. Tiga Pilar Sejahtera Food (AISA) in 2017. After restating the previous financial report which was suspected of being manipulated, it was revealed that this company actually experienced a net loss of Rp. 5.32 trillion, whereas previously they reported a net profit of Rp. 551.9 billion. This means there is an excess of reports reaching Rp. 4.68 trillion.

Fraud cases do not only occur in Indonesia, but cases of fraudulence financial reporting are also shocking in the world. When world economic turmoil was rocked by a major financial crisis in the United States. The case stems from the bankruptcy of Enron, a large energy company, manipulating financial reports, displaying revenues of USD 600 million and hiding debts of up to USD 1.2 billion. Furthermore, there was a scandalous case at Lehman Brothers which was involved in SIV (Structure Investment Vehicle) practices which were actually fictitious. Citigroup was also hit with massive losses of USD 50 billion. It didn't stop there, Xerox was also caught in a scandal of inflated profits of up to USD1.4 billion, followed by scandals in several other companies. All these events triggered a protracted economic crisis. (Annisa Sayyid, 2013).

The large number of cases of fraudulent financial reporting that occur is the reason for researchers to conduct research related to fraud theory. This research examines Fraudulence financial reporting by referring to the GONE theory in the scope of BUMN and Manufacturing Companies which is still rarely found. Research conducted by Julianti and Harti (2020), and Anisatul and Ahmad (2018) said that greed, opportunity, need, exposes influence fraud. The factors of greed, opportunity, need, and low penalties influence someone to commit financial fraud reporting. Different from research conducted by Isgiyata and Budiyoni (2018) said that greed, opportunity, need, exposes, have no effect on Fraudulence financial reporting.

Furthermore, this research adds that the distribution of political connections can influence financial report fraud that occurs in companies. Politicians or government officials who have close ties to companies or entities that must prepare financial reports may have a personal interest in influencing the reports to appear more favorable or to hide true weaknesses. So unhealthy power tends to produce individuals who are oriented towards personal opportunities, without considering the negative consequences of the actions, policies and decisions they make which are certainly detrimental to the company. Therefore, using the distribution of political connections in this research can provide input regarding the importance for organizations to build a culture of integrity, implement strong internal controls, and have strict sanctions to protect honesty and trust in financial reporting. These efforts can help reduce the risk of fraudulence financial reportingulence and maintain transparency and accountability in financial reporting.

Furthermore, Wang et al. (2017), Glancy and Yadav (2011), and Power (2013) states that political ties have a positive impact on fraudulent financial reporting. Politically connected companies often benefit from the government. In their efforts to confuse investors and provide benefits to certain parties, these companies may engage in fraudulent accounting practices. Compared with companies that do not have political connections, companies that are involved in political connections are more likely to engage in dishonest financial reporting. Furthermore, Isgiyata and Budiyoni (2018) and Tuankotta (2010) Changes in views regarding the idealism of a leader have led to the emergence of a government management system dominated by the drive to gain power, which ultimately gives rise to unethical practices such as fraudulent financial reporting in companies.

The inconsistency of several previous studies was the reason researchers conducted this research. The novelty of this research is adding the distribution of political connection variables as a moderating variable for fraudulent financial reporting. As well as using variables with different measurements from previous research and adding different samples to meet the criteria in this research. The reason for choosing state-owned and manufacturing companies as research objects is because empirically and the phenomenon of fraud cases that often occur are listed on the Indonesian Stock Exchange, namely in state-owned and manufacturing companies.

2. Literature Review

2.1. Gone Theory

Gone Theory, which was developed by Bologna in 1999, is a theory regarding the factors that encourage fraud. This theory identifies four main aspects that influence the possibility of fraud, namely: 1) Greed refers to an individual's drive to always get as much as possible. This is closely related to a person's morals, where an excessive desire for profit can lead to fraudulent actions. 2) Opportunity refers to situations or conditions that can arise at any time. This factor really depends on a person's position or position in the organization. The higher a person's position, the greater the opportunity to commit fraudulent acts. 3) Need can be a driving force for fraudulent actions when someone faces pressure or urgent needs. The urge to fulfill this need can encourage someone to look for cheating methods as a shortcut. 4) Disclosure is related to the risk of punishment or consequences for fraud perpetrators. If fraudulent acts are uncovered within the company and the penalties or sanctions given are weak or not frightening, then there is a possibility that similar acts will be repeated.

2.2. Greed

Greed is a tendency to always want to have more, without ever feeling enough with what one already has. This is an attitude that may exist in every individual. When someone engages in fraudulent acts, it is often driven by dissatisfaction with the results they have obtained, and the belief that they are entitled to a share of the profits earned by the company. This can encourage them to commit fraud in financial reporting (Asha & KR, 2021; Munirah & Nurkhin, 2018).

2.2. Opportunities

Opportunities to commit fraud arise when the control system is not strong enough, which can be exploited by fraudsters. Companies that do not have effective internal controls will provide great opportunities for fraud perpetrators. However, with effective internal control, opportunities for perpetrators to commit fraud within the company can be reduced or even eliminated.

2.4. Need

Needs are a mental attitude that always wants more, and needs always want to increase. Each individual has greater desires, which can be the trigger for dishonest behavior, and to fulfill these desires, a person may do anything, even if it involves dishonest actions at work.

2.5. Exposes

Disclosure is the action or consequence faced by someone who commits a fraudulent act when the action is revealed. Artantri et al. (2016) states that disclosing fraud will not necessarily prevent repeated fraud, whether by the same person or others. Therefore, every perpetrator of fraud should be given sanctions if they are proven to have committed an offense or violated the rules (Ozcelik, 2020).

2.6. Political Connection

Politically connected companies are companies that in some way have ties to the world of politics or are trying to get closer to politicians or the government. Political connections have the potential to influence fraud in financial reporting because there may be conflicts of interest, interference, and political pressure that can damage integrity and transparency in financial reports (Hung et al., 2012; Leuz & Oberholzer, 2006). Politicians or government officials who have close ties to companies or entities that must prepare financial reports may have a personal interest in influencing the reports to appear more favorable or to hide true weaknesses.

2.7. Fraudulence Financial Reporting

Fraudulence financial reporting can be explained as the act of presenting financial reports in a significantly incorrect manner that harms those who use the reports (Novitasari & Chariri, 2019; Roszkowska, 2021). Losses arising from this fraud can be financial or non-financial. Dishonest financial reports reduce trust in financial information, which can result in inappropriate decision making by users of financial reports. Wang et al. (2017) shows that there are several methods for creating false financial information, such as manipulating, falsifying, or changing documents and accounting records to prepare inaccurate financial reports. In this context, the perpetrator of fraud deliberately violates guidelines regarding amounts, disclosures, or presentation methods which leads to the presentation of false financial statements (Cressey, 2017; Dorminey et al., 2012; Glancy & Yadav, 2011).

2.8. Hypothesis Development

People who commit fraud have different motivations. Greed theory states that there are 4 elements to fraud, namely: greeds, opportunity, needs, exposes. Meanwhile, the endogenous variables are fraudulent financial reporting and political connections as moderating variables. Based on this explanation, the hypothesis proposed in this research is as follows:

H1: Greed has a significant effect on fraudulence financial reporting

Greed or greed is the first factor mentioned in the gone theory as the cause of fraud. The greed factor makes a person blind to his actions, justifying any means to fulfill his material desires (Isgiyata & Budiyoni, 2018), so that the higher a person's level of greed, the higher the potential for carrying out fraudulence financial reporting.

H2: Opportunity has a significant effect on Fraudulence financial reporting

Opportunity is the first factor mentioned in the gone theory as a cause of fraud. Opportunity is a factor in the occurrence of fraud (Albrecht et al., 2015). Opportunity has a significant influence on fraud. Therefore, the higher the opportunity to commit fraud, the higher the potential for someone to carry out fraudulence financial reporting.

H3: Needs have a significant effect on Fraudulence financial reporting

Related to the need faktor, it is the third factor in the occurrence of fraud according to the gone theory (Bologne, 1993), Everyone has additional needs that can be a driving force for fraud and to fulfill these needs people will do anything to fulfill their needs even if they have to commit fraud. though. The higher a person's level of need, the higher the potential for someone to carry out fraudulence financial reporting (Talib, 2021).

H4: Disclosure has a significant effect on fraudulence financial reporting

Low penalties (Exposes) are things related to the actions or consequences faced by the perpetrator of fraud if the perpetrator is found to have committed fraud. Munirah and Nurkhin (2018) said in their research thatLow penalties (Exposes) do not guarantee that the fraud will not be repeated either by the same perpetrator or by other perpetrators. The lower the level of punishment, the higher the potential for someone to commit fraudulence financial reporting.

H5: Political connections have a significant effect on fraudulence financial reporting

Political connections can influence fraudulent financial reporting because of potential conflicts of interest, intervention and political pressure which can affect the integrity and transparency of financial reporting (Purwoto, 2011). Politicians or government officials who have close ties to companies or entities that must prepare financial reports may have a personal interest in influencing the reports to appear more favorable or to hide true weaknesses. This can cause a conflict of interest that is detrimental to shareholders, creditors or the public. Strong political connections can open the door for politicians or government officials to influence the process of preparing, auditing, or evaluating financial statements (Li et al., 2008). This kind of intervention can lead to a relaxation of accounting standards, ignoring legal provisions, or manipulation of financial data for certain political interests. Study of Wang et al. (2017) said that political connections have a significant influence on Fraudulence financial reporting. Strong political connections can influence the process of monitoring and law enforcement against violations in financial reports. This can lead to a lack of firm action against fraudulent practices or financial crimes, thus stimulating the continuation of dishonest behavior.

H6: Greed has a significant effect on fraudulence financial reporting, moderated by political connections

Greed often refers to a strong drive for financial gain without regard for ethics. Fraudulence financial reporting is carried out with the aim of improving the appearance of company performance in the eyes of investors and other stakeholders. This may involve manipulation of earnings, recognition of fictitious assets or liabilities, or other techniques that present incorrect information about the Company's financial health (Albrecht et al., 2015).

Political connections can play an important role in moderating the effect of greed on fraudulence financial reporting. Companies with strong political connections may have better access to resources, protection from regulatory scrutiny, or even protection from potential legal consequences. Politically connected companies may feel “safer” to commit fraud because they believe they will be protected from punishment. On the other hand, political connections may pressure companies to maintain a good image in the eyes of the public, thereby reducing incentives to commit fraud. In order to draw firm conclusions about the relationship between greed, fraudulent financial reporting, and the moderating role of political connections, empirical studies are needed. In many cases, greed and political connections can create an environment that makes it easier for fraud to occur. Therefore, increasing transparency and accountability, as well as ensuring the separation of powers between business and politics, are important steps in preventing fraud.

H7: Opportunity has a significant effect on fraudulence financial reporting, moderated by political connections

Opportunity refers to a situation or condition that allows a person or entity to carry out fraudulent financial reporting without being detected. This can occur if weak internal controls or gaps in the financial reporting process allow manipulation or inaccurate presentation of information. Political connections refer to the relationships or networks that a person or entity has with political parties or government officials.

Political connections can give an individual or company access to certain favors or advantages in a business or financial environment. Fraudulence financial reporting occurs when false or misleading financial information is presented in a company's financial reports. This may involve manipulating numbers, omitting important information, or presenting false information to deceive stakeholders. Political connections can moderate the relationship between the opportunity to commit financial fraud reporting. The existence of political connections can reduce the risk of detection or punishment related to fraudulent financial reporting. For example, through political intervention, individuals or companies with strong political connections can avoid further investigation or harsh punitive measures. This can make them feel braver to commit fraud. However, it is important to remember that fraudulent financial reporting is illegal and can have serious consequences, both in terms of reputation and penalties. Honest business practices and integrity in financial reporting are critical to maintaining financial sustainability and trust in a company.

H8: Needs have a significant effect on fraudulence financial reporting, moderated by political connections

Need refers to financial pressure or economic motivation that can encourage individuals or organizations to carry out unethical or illegal actions, such as fraudulent financial reporting. This need may arise due to difficult financial conditions, performance targets that are difficult to achieve, or other factors that create pressure to manipulate financial reports to create a better picture. Political connections can serve as a protective or motivating factor for fraud. On the one hand, companies with political connections may have easier access to resources or be able to avoid some forms of oversight, so they may feel freer to commit fraud without fear of being sanctioned. On the other hand, Political connections can also serve as a tool to ensure that a company is not involved in fraud, as there are more eyes watching and the reputation of the politician or party involved may be at stake. If political connections moderate the relationship between financial reporting needs and fraud, then there are important implications for regulators, auditors and other stakeholders. They need to be more careful in monitoring companies with strong political connections, especially in situations where there is financial pressure. In the current global context, where transparency and accountability are becoming increasingly important, understanding the factors that influence fraudulence financial reporting and how political connections can play a role in this context is very important.

H9: Punishment (exposes) has a significant effect on fraudulence financial reporting, moderated by political connections

Punishment (exposes) is the action or consequence faced by the perpetrator of fraud if the perpetrator is proven to have committed fraud (Isgiyata & Budiyoni, 2018). The weaker the punishment, the higher the potential for someone to commit fraud in the company. Political connections refer to the relationships an individual or company has with political parties or government officials. Political connections can influence how an entity is treated by the government, especially in terms of regulation, oversight, and law enforcement.

Punishment (Exposes) effect on fraudulence financial reporting is moderated by political connections. The effect of punishment on fraudulence financial reporting will not only depend on how serious the violation is, but will also be influenced by whether the individual or company has strong political connections. In this case, political connections can moderate disclosure of perpetrators of fraudulence financial reporting that occurs in the company.

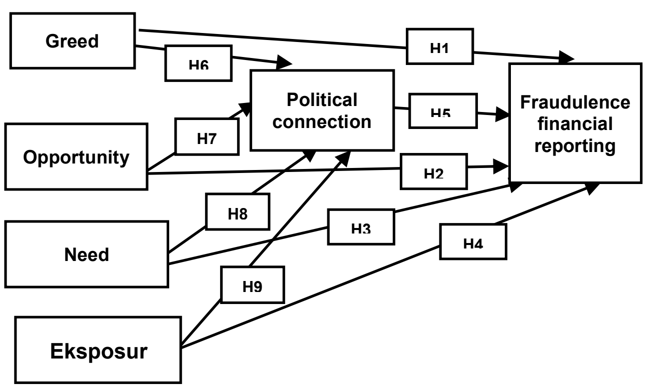

Figure 1: Research Model

3. Research Methods

3.1. Data Types and Sources

The type of data in this research is quantitative descriptive data. The data source is based on responses given by the subject in writing which are sourced from primary data obtained by researchers directly from answers to questionnaires that have been answered by all respondents which are measured using a Likert scale, namely a scale of 1-5. Variable measurement analysis is as follows:

a) Greed indicators (X1) are: 1) Lifestyle, 2) Personal financial pressure, 3) No effective supervision, 4) Pressure from superiors or external parties, 5) Reputation and career.
b) Opportunity Indicators (X2) are: 1) Lack of Internal Oversight, 2) Low Transparency, 3) Financial Pressure, 4) Unethical Organizational Culture
c) Need indicators (X3) are: 1) Achievement Pressure, 2) Material Needs, 3) Environmental Influence, 4) Need to be accepted in the Social Environment, 5) Low Moral Integrity.
d) Exposes Indicators (X4) are: 1) Internal and External Audits, 2) Legal Sanctions, 3) Internal Sanctions, 4) Increased Supervision and Control, 5) Education and Training
e) Fraudulence financial reporting (Y) indicators are: 1) Mismatch between Income and Cash Flow, 2) Excess Debt, 3) Consistent Profit Levels, 4) Reduced Transparency,5) Inadequate Inspections and Audits
f) Political connection (Z) indicators are: Level of Protection, 2) Profitable Investment Projects, 3) Unclear Business Relationships, 4) Political Interests in Financial Performance, 5) Non-conformity with Accounting Principles

3.2. Population and Sample

The population of this research is all leaders of BUMN and Manufacturing Companies consisting of 10 cities in South Sulawesi, Indonesia. The number of samples was 180. Analysis of this research data used SEM PLS software (Smart PLS version.3). The companies sampled in this research are as follows: 1. Bni 2. Mandiri, 3. Btn, 4. Bri, 5. Pegadaian, 6. PLN, 7. PT. Indofarma, 8. Kimia Farma, 9. PT. Indonesian Harbor (Pelindo), 10. PT. Garuda Indonesia, 11. Pertamina, 12. PT. Semen Indonesia, 13. PT. Waskita Karya, 14. PT. Pos Indonesia, 15. PT. Telkompos Indonesia, 16. PT. Indofood, 17. Gudang Garam, 18. Unilever Indonesia.

4. Results and Discussion

4.1. Statistical Results

To analyze the data in this research using SEM PLS. This research analyzes greeds, opportunity, needs, exposes, political connection towards financial fraud reporting in South Sulawesi Indonesia. The SEM PLS test results show that the convergence is valid for all indicators as indicated by the value (y) > : 0.5. Then the data can be analyzed further. Based on the results of the questionnaire obtained from the respondents' answers, a validity test was then carried out with the results of the AVE (Average Variance Extracted) value for each variable having to be more than 0.5 so it was said to be valid. Next, a validity test of the measurement model was also carried out to test the reliability of the construct. The reliability test was carried out by looking at the Cronbach alpha and composite reliability values. The condition for the construct reliability value is Cronbach's alpha and the composite reliability value must be more than 0.7 (Sarstedt et al., 2017).

Table 1: Measurement Model Validity and Reliability

Variable	Average Variance Extracted (AVE)	Composite Reliability
Greed	0.752	0.843
Opportunity	0.856	0.828
Need	0.654	0.803
Exposes	0.789	0.921
Political Connection	0.864	0.852
Fraudulence financial Reporting	0.853	0.835

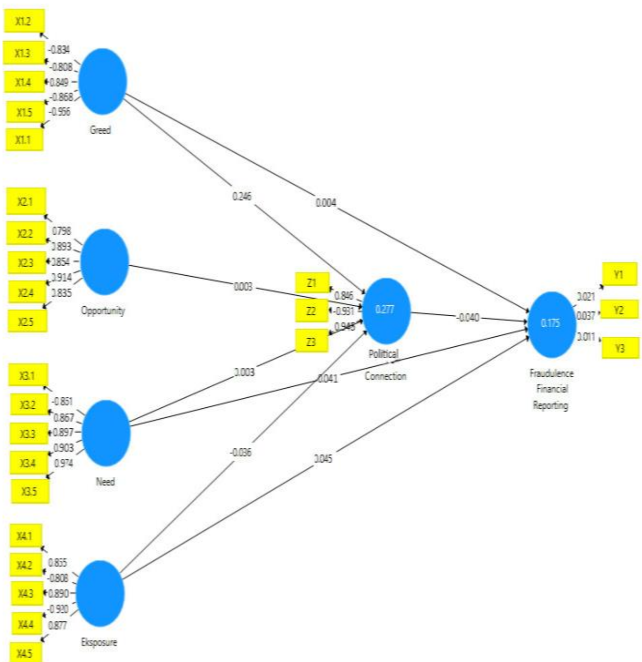

Figure 2: SEM model using Partial Least Squares

4.2. Hypothesis Testing Results

The hypothesis was tested using SEM-PLS through an inner model test. In this case, statistical tests are carried out by considering the significant level of path coefficients between influential latent variables.

Table 2: Direct Effect

Variable	T Statistic	P value	Result
Greed ➔ Fraudulence Financial Reporting	1.994	0.004	Accepted
Opportunity ➔ Fraudulence Financ Reporting	1.986	0.001	Accepted
Need ➔ Fraudulence Financial Reporting	2.013	0.003	Accepted
Exposes ➔Fraudulence Financial Reporting	1.997	0.041	Accepted
Political connection ➔ Fraudulence Financial Reporting	2.171	0.000	Accepted

Hypothesis testing in Table 2 shows that Greed has a significant positive effect on Fraudulence financial reporting with a statistical T value of 1.994 and a sig value. P-Value 0.004 < 0.05 So H1 is accepted.

Furthermore, the test results show that opportunity has a significant positive effect on fraudulence financial reporting with a statistical T value of 1.986 and a sig value. P-Value 0.001 < 0.05 So H2 is accepted.

The test results show that need has a significant positive effect on Fraudulence financial reporting with a statistical T value of 2.013 and a sig value. P-Value 0.003 < 0.05 So H3 is accepted.

Exposes has a positive and significant effect on Fraudulence financial reporting with a statistical T value of 1.997 and a sig value. P-Value 0.041 < 0.05 So H4 is accepted.

The test results show that political connections have a significant positive effect on fraudulence financial reporting with a statistical T value of 2.171 and a sig. P-Value 0.000 < 0.05 So H5 is accepted.

Table 3: Indirect Effect

Variable	T Statistic	P Value	Result
Political connection ➔ Greed ➔ Fraudulence Financial Reporting	1.994	0.001	Accepted
Political connection ➔ Opportunity ➔ Fraudulence Financial Reporting	1.756	0.173	Rejected
Political connection ➔ Need ➔ Fraudulence Financial Reporting	2.615	0.003	Accepted
Political connection ➔ Exposes ➔ Fraudulence Financial Reporting	1.975	0.012	Accepted

Hypothesis testing in Table 3 shows that Political connections are able to moderate greed towards fraudulence financial reporting. The result has a significant effect on the sig value. P-Value 0.001 < 0.05 So H6 is accepted. Political connections are unable to moderate the opportunity for fraudulence financial reportingulence. The result not significant with the sig value. P-Value 0.173 > 0.05 So H7 is rejected. Political connections are able to moderate the need for fraudulence financial reporting. The resulthas a significant effect on the sig value. P-Value 0.003 < 0.05 So H8 is accepted. Political connections are able to moderate exposes to fraudulent financial reporting. The results have a significant effect with a statistical T value of 1.875 and a sig value. P-Value 0.012 < 0.05 then H9 is accepted.

4.3. Discussion

Greed affects fraudulence financial reporting. Based on the research results, H1 is accepted. So the results of this study support the gone theory which says that someone commits fraud because of greed. This is in line with research conducted by Julianti and Harti, (2020), and Anisatul and Ahmad (2018) said that greed influences fraudulence financial reporting. Greed is the nature or disposition of someone who always feels like they don't have enough. A person who commits fraud is based on a feeling of dissatisfaction with the results obtained and feels that he has a share in the profits obtained from the company, thus encouraging the perpetrator to carry out financial fraud reporting in the company.

Opportunities influence fraudulence financial reporting. Based on the research results, H2 is accepted. So the results of this research support the gone theory which says that someone commits fraud because of the opportunity factor. This is in line with research conducted by Julianti and Harti (2020), and Anisatul and Ahmad (2018) said that opportunity influences Fraudulence financial reporting. Opportunity is a condition of a weak control system that is exploited by perpetrators to commit fraud. Companies that do not have effective internal controls have wide open opportunities to commit fraud. However, effective internal control will reduce or eliminate the opportunity for perpetrators to commit fraud in the company.

Needs influence Fraudulence financial reporting. Based on the research results, H3 is accepted. So the results of this research support the gone theory which says that someone commits fraud because of necessity. This is in line with research conducted by Julianti and Harti (2020), and Anisatul and Ahmad (2018) said that needs influence Fraudulence financial reporting. Need is a mental attitude that is never enough. Everyone has additional needs that can be a driving force for fraud and to fulfill these needs people will do anything to fulfill their needs even though they have to carry out Fraudulence financial reporting in the company.

Exposes low penalties have an effect on fraudulence financial reporting. Based on the research results, H4 is accepted. So the results of this research support the gone theory which says that someone commits fraud because of the exposes factor. This is in line with research conducted by Julianti and Harti, (2020), and Anisatul and Ahmad (2018) said that exposes affect fraudulence financial reporting. Exposes are the action or consequence faced by the perpetrator of fraud if the perpetrator is found to have committed fraud. Artantri et al. (2016) Disclosure of a fraud does not guarantee that the fraud will not be repeated again, either by the same perpetrator or by other perpetrators. So, every perpetrator of fraud should be subject to sanctions if someone is proven to have committed fraud or violated the rules (Ozcelik, 2020).

Political connections influence on Fraudulence financial reporting. Based on the research results, H5 is accepted. So the results of this research support the gone theory which says that someone commits fraud because of political connection factors. This is in line with research conducted by Julianti and Harti, (2020), and Anisatul and Ahmad (2018) said that political connections influence fraudulence financial reporting. Political connections can influence fraudulent financial reporting because of potential conflicts of interest, intervention and political pressure which can affect the integrity and transparency of financial reporting (Awang & Ismail, 2018). Politicians or government officials who have close ties to companies or entities that must prepare financial reports may have a personal interest in influencing the reports to appear more favorable or to hide true weaknesses.

Political connection able to moderate greed, need, exposes of Fraudulence financial reporting. This is in line with research from Wang et al. (2017), Glancy and Yadav (2011), and Power (2013) states that political ties have a positive impact on fraudulent financial reporting. Politically connected companies often benefit from the government. In their efforts to confuse investors and provide benefits to certain parties, these companies may engage in fraudulent accounting practices. Compared with companies that do not have political connections, companies that are involved in political connections are more likely to engage in dishonest financial reporting. Political connections are able to moderate greed towards Fraudulence financial reporting in companies because political connections can provide protection for individuals or companies involved in Fraudulence financial reporting. Political connections often provide easier access to the information and resources needed to manipulate financial reports. They can use their political influence to influence audit processes, regulations, or even changes in accounting practices that benefit the company. Furthermore, political connections are able to moderate the need for Fraudulence financial reporting. Need is a mental attitude that is never enough. Everyone has additional needs that can be a driving force for fraud and to fulfill these needs people will do anything to fulfill their needs even though they have to carry out Fraudulence financial reporting in the company. Political connections can moderate exposes or light sanctions against fraudulent financial reporting in companies because the legal system and law enforcement may not be effective in dealing with financial violations involving large companies or influential individuals. This could lead to a situation where political connections could influence the legal outcome. Political connections can moderate exposes or light sanctions against fraudulent financial reporting in companies because the legal system and law enforcement may not be effective in dealing with financial violations involving large companies or influential individuals. This could lead to a situation where political connections could influence the legal outcome. Political connections can moderate exposes or light sanctions against fraudulent financial reporting in companies because the legal system and law enforcement may not be effective in dealing with financial violations involving large companies or influential individuals. This could lead to a situation where political connections could influence the legal outcome.

Meanwhile, the next result is that political connections are unable to moderate the opportunity for fraudulence financial reporting in the Company. Even though opportunities are wide open, political connections are not able to moderate fraudulence financial reporting in the Company. If it is revealed that political connections are used to moderate fraudulent financial reporting, this could damage the reputation of the company and government involved. In the long term, a bad reputation can have a negative impact on stock value, customer trust, and business relationships.

5. Conclusion

This research aims to test the effect the existence of greed, opportunity, need, exposes to fraudulence financial reporting in companies and testing the influence of political connections as a moderation of greed, opportunity, need, exposes to fraudulence financial reporting. The findings of this research: greed, opportunity, need, exposes influence fraudulence financial reporting in companies. Greed has a significant positive effect on Fraudulence financial reporting. This shows that someone commits fraud because they are not satisfied with the results obtained and feel they have a share in the profits obtained from the company so they want to get more results than other people, thus encouraging the perpetrator to carry out financial fraud reporting which is detrimental to the Company.

Opportunity has a significant positive effect on Fraudulence financial reporting. Opportunities to commit fraud often arise when a company's internal control system is inadequate. Leaders who have great access and authority over various aspects of the company's finances can take advantage of weaknesses in this system to change or hide true information. Needs have a significant positive effect on Fraudulence financial reporting. Need is a mental attitude that is never enough. Everyone has additional needs that can be a driving force for fraud and to fulfill these needs people will do anything to fulfill their needs even though they have to carry out Fraudulence financial reporting in the company. Exposes or light punishment does not guarantee that this fraud will not happen again, either by the same perpetrator or by other perpetrators. So, every perpetrator of fraud should be subject to sanctions if someone is proven to have committed fraud or violated the rules.

Furthermore, this research adds that the distribution of political connections can influence financial report fraud that occurs in companies. Politicians or government officials who have close ties to companies or entities that must prepare financial reports may have a personal interest in influencing the reports to appear more favorable or to hide true weaknesses. So unhealthy power tends to produce individuals who are oriented towards personal opportunities, without considering the negative consequences of the actions, policies and decisions they make which are certainly detrimental to the company. Therefore, using the distribution of political connections in this research can provide input regarding the importance for organizations to build a culture of integrity, implement strong internal controls, and have strict sanctions to protect honesty and trust in financial reporting. These efforts can help reduce the risk of fraudulence financial reporting and maintain transparency and accountability in financial reporting.

Furthermore, political connections are able to moderate greed, need, low penalties for fraudulence financial reporting in the Company. Everyone has additional needs that can be a driving force for fraud and to fulfill these needs people will do anything to fulfill their needs even though they have to carry out Fraudulence financial reporting in the company. Political connections are able to moderate exposes or light sanctions for fraudulence financial reporting in companies because a person or company with strong political connections can have influence and protection from the authorities or regulators. Furthermore, political connections are unable to moderate the opportunity for fraudulent financial statements. Even though the opportunity was wide open, political connections were unable to moderate fraudulence financial reporting in the Company. If it is revealed that political connections are used to moderate fraudulent financial reporting, this could damage the reputation of the company and government involved.

6. Research Implications

In theory, this research provides empirical evidence that the presence of greed, opportunity, need, exposes or low penalties can influence fraudulence financial reportingulence in companies. Furthermore, this research adds that the distribution of political connections can influence financial report fraud that occurs in companies. Politicians or government officials who have close ties to companies or entities that must prepare financial reports may have a personal interest in influencing the reports to appear more favorable or to hide true weaknesses. Therefore, using the distribution of political connections in this research can provide input regarding the importance for organizations to build a culture of integrity, implement strong internal controls, and have strict sanctions to protect honesty and trust in financial reporting. These efforts can help reduce the risk of fraudulence financial reportingulence and maintain transparency and accountability in financial reporting.

Practically, this research helps companies to further improve company control, especially in overcoming fraudulence financial reportingulence based on the existence of the gone theory, so that the possibility of fraudulence financial reportingulence can be overcome as early as possible.

7. Research Limitations

The measurement of political connection in this study can only be measured implicitly from several respondents. This measurement is not yet able to measure the existence of political connections that are behind the company's activities and have a big influence on the company and its influence in the annual report. Apart from quantitative methods, it would be better to conduct research using qualitative methods or Mix Methods. Because there are other things that can explain the influence of political connections on the company, namely through in-depth interviews.

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