Does Financial Reporting Quality Moderate Factors Affecting Fraud Tendency?
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Abstract

This research examines the influence of Narcissism, Board of Directors Bonus Scheme, Age, Gender and Term of Service with the moderating variable of Financial Reporting Quality on the tendency to commit fraud. Research respondents are CEOs of banks listed on the Indonesia Stock Exchange in 2015-2018 and the sampling technique uses the Purposive Sampling method. This study uses statistical regression analysis to see the effect of the independent variable on the dependent variable or the response to the moderating variable. The regression parameter test consists of the F test, to find out whether the independent variable has a simultaneous effect on the response variable or not. Then the t test, to test the effect of the independent variables one by one on the response variable. By using panel data regression modeling using an unweighted Fixed Effect Model and a weighted Fixed Effect Model, also using partial testing on the unweighted Fixed Effect model and the weighted Fixed Effect model. The results showed that panel data regression modeling using the unweighted Fixed Effect Model resulted in a significant simultaneous test, meaning that the variables of narcissism, directors’ bonus scheme, age, gender and tenure affect the tendency to commit fraud simultaneously. Partial testing on the unweighted Fixed Effect model shows that individually only the tenure of service variable affects the tendency to commit fraud. The Fixed Effect Model with weights produces significant simultaneous tests, meaning that simultaneously the variables of narcissism, directors’ bonus scheme, age, gender and years of service affect the tendency to commit fraud. And a partial test on the Fixed Effect model with weights shows that individually there are no independent variables that affect the tendency to commit fraud.

Keywords: Narcissism, Board of Directors Bonus Scheme, Age, Gender, Term of Service, Financial Reporting Quality, Tendency to commit fraud.

1. INTRODUCTION

The financial and banking sectors play an important role in financing economic development. So far, the banking sector has led to an increase in the rate of economic growth in various economies. This argument has been confirmed by many empirical studies around the world. Therefore, the theory of economic growth believes that financial institutions, especially banks, are considered as useful instruments to increase the productive capacity of the economy and an important internal source of funds for a country, especially at the birth stage of economic growth (Abusharbeh, 2017). The banking industry has an important role in the economy as an intermediary institution that channels public funds into investment in productive assets that will encourage real sector productivity, capital accumulation, and growth in aggregate output (OJK, 2015). Based on the Banking Performance Report issued by the OJK (2020), in general, the condition of banking operations in the second quarter of 2020 was classified as good, among others, reflected in well-managed risks supported by good governance. To strengthen the banking supervision function, OJK actively monitors bank compliance and develops methodologies and procedures for banking supervision. The report states that the operational risk of most commercial banks is moderate (3/5). According to the results of the examination, several things were found that could potentially lead to an increase in operational risk, including high employee turnover, fraud, human error, and weaknesses in Information Technology control.

Along with the development of the banking industry, criminals (fraudsters) always try to find and...
take advantage of bank weaknesses, both in compliance with regulations (compliance), established supervision, and bank internal procedures. Fraud is a growing problem today. The perpetrators who commit fraud are currently not only limited to the upper class, but many have touched the lower layers of employees. This is certainly one thing that we all need to be aware of and care about in the environment where we work. Association of Certified Fraud Examiners, 2016. According to the OJK Report (2020), generally the causes of alleged bank fraud/fraud stemming from internal banks such as weaknesses in internal supervision, lack of employee integrity, and weaknesses in banking system. In the framework of sound banking management, there are 3 (three) activities carried out, namely improving the financial condition of banks, implementing good bank governance, and implementing prudental principles. As an intermediary institution, banks must be able to maintain public trust in depositors to be managed by banks. Thus, the owner/manager of the bank must have high integrity and commitment and ability in managing and developing bank activities in order to create a healthy and efficient banking industry as well as individual banks. In addition, bank management requires human resources with high integrity, competence, and a good financial reputation.

Research results around the world show that the chief executive officer plays a very important role in running the company's operations well. This role is inseparable from the human characteristics of the CEO/President Director himself. Research conducted by (Almlund et al, 2011) states that the characteristics of the director greatly affect the performance of the company he leads. (Kaplan et al, 2017) found that directors who have high interpersonal skills tend to be able to bring the company they lead to better performance than directors who have low interpersonal skills. One of the problems that is often the cause of low interpersonal skill leader factors is narcissism (Gow et al, 2016), (Cragun et al, 2020) state that research on CEO narcissism is very important to study because it greatly influences the strategy carried out by CEOs in carrying out company operations. (Morf et al, 2011:57) state that the attitude of not caring about others is one of the characteristics that narcissists have low empathy for others. Narcissistic attitude of directors has an impact on decision-making strategies that tend to deviate, so that the potential for fraud will be greater for companies led by directors who have a narcissistic attitude.

One of the cases that occurred in 2018 was the arrest of the main director of PT. GIA when committing a violation of authority by carrying a Brompton bicycle on a Garuda Indonesia aircraft. The violation resulted in the removal of the director of PT. GIA from his position (OJK, 2018). In 2017 the Financial Services Authority (OJK) recorded the number of cases of irregularities in banking provisions (PKP) reaching 22 cases, of these cases, perpetrators who committed criminal acts reached 66 people. Based on the data, the perpetrators of these crimes were non-executive bank executives reaching 77% or 51 people, followed by 7 directors, 4 bank executive officers, 2 branch office heads, 1 commissioner, and 1 shareholder person. Indonesia's Fraud Survey conducted by ACFE in 2016 found that the most common fraud in Indonesia was corruption, with a percentage of 67%, misuse of State and Company Assets/Wealth with a percentage of 31% and 2% fraud in financial statements. It was also stated that the supervisor (Director)/Owner of the company ranks second for the position of fraud perpetrators with a percentage of 30.7%, after being in first place is occupied by the position of Manager with a percentage of 40.3%. The 2016 Fraud Indonesia survey found that the Financial and Banking Industry was the second most disadvantaged Industry in Indonesia with a percentage of 15.9% after the Government Industry with the status of BUMN (State Owned Enterprises) ranked first with a percentage of 58.8%.

The results of research conducted by (Charles A et al, 2017) show that CEO narcissism has a positive effect on taking risks in acquiring companies. CEO narcissism is an over confidence in their own judgment and in their ability to profit, by taking risks and not paying attention to the law in their decisions. Jing Wang (2016), concluded that narcissism affects the CEO in fulfilling his ambition to overestimate his self-esteem in activities and in conversation. So they tend to overestimate their profit potential by taking high risks to pursue their goals. (Buyl et al, 2017) find that CEO Narcissism has a positive effect on bank policy, especially when compensation policies encourage risk taking.

And based on the explanation above, the researcher is interested in conducting research with the title The Effect of Narcissism, Board of Directors Bonus Schemes, Age, Gender and Years of Service on the Tendency to Fraud with Financial Reporting Quality as a Moderating Variable (Study on Banks listed on the Indonesia Stock Exchange in 2015-2018).

2. LITERATURE REVIEW
Reason Action Theory (Fishbein & Ajzen, 1975)
This theory is based on the cognitive belief system in individual humans. This theory is useful in evaluating behavior because it is able to test the management of self-cognitive in individuals, which is one of the determinants of behavior (Ajzen, 1991). In addition, this theory can explain, understand, and predict almost all human behavior and is not limited to certain behavioral domains (Ajzen et al, 1980). This theory can explain to its roots in identifying potential factors that might influence an individual's behavioral intention to report fraudulent financial statements.
According to this theory, individual behavior is determined by intentions which will eventually be manifested in behavior; in this case the subjective norm of the individual is the main construct. Individual attitudes/behaviors and individual subjective norms are functions of prominent normative beliefs. These two kinds of belief are the basis of reason action theory which then determines the intention of an action. The weakness of this theory is that it only applies to behavior that is not mandatory, meaning that the basic motivation to act is not because of obligation, but because of one's own will.

Diamond Fraud (Wolfe & Hermanson, 2004)
This theory explains that fraudulent actions must occur due to several factors that encourage it. There are four conditions that can affect the occurrence of fraud, namely: Pressure, Opportunity, Rationalization, and Capabilities. Organizations should care and be serious and capable of a process, procedure and control as well as governance that makes all personnel in the organization not have the opportunity to commit fraud and which can effectively detect fraud if this occurs. However, opportunity is closely related to one's integrity. If employees in the company have low integrity and the company does not implement strong internal controls so that it creates opportunities to commit fraud, the risk of fraud in the company will be higher, and vice versa (Priantara in Suciati, 2016).

Chief Executive Officer (CEO)
The CEO or Chief Executive Officer or Supreme Executive Officer is the highest level in the company (executive) or administrator who is given the responsibility to manage the entire organization. A CEO has a high level of responsibility compared to other jobs. A CEO is responsible for day-to-day operational tasks to the necessary actions in business steps (Aprillins, 2013). So the role of the CEO is very important, because the CEO is a leader who is responsible for the failure or success of a company. Operations, marketing, strategy, funding, corporate culture creation, human resources, workforce recruitment, layoffs, sales, public relations, and so on. All of these matters are generally handled by a CEO (Tiwi, 2017).

CEO Narcissism
According to Spencer A Rathus and Jeffrey S Nevid in their book Abnormal Psychology (2000), people who have narcissistic traits (narcissistic or narcissistic) view themselves in an exaggerated way. They love to brag and expect others to give them credit. Meanwhile, according to (Papu, 2002), explaining that narcissistic people will experience personality disorders; the personality disorder in question is narcissistic personality disorder or narcissistic personality disorder. This personality disorder is characterized by characteristics such as superior feelings that he is the most important, the most capable, the most unique, too excessive to be admired and praised, lacks empathy, arrogant and always feels that he deserves to be treated differently from others. From the description above, it can be concluded that narcissistic behavior is a behavior characterized by a tendency to view themselves in an exaggerated way, loves to brag about themselves and hopes that others will give praise, besides that they are embedded in the feeling of being the most capable, the most unique (different on their own) and feel special compared to others.

This study uses the size and prominence of CEO photos in the company's annual reports. Specifically, this study rates each CEO photo on a scale from (1) to (5) as follows:
1) The annual report does not contain a photo of the CEO.
2) CEO photographed with other executives.
3) The CEO was photographed alone and the photo took up less than half the page.
4) The CEO was photographed alone and the photo took up at least half the page, and the photo shared the page with text.
5) The CEO was photographed alone and the photo occupied the entire page.

The measure of narcissism is the size of the CEO photo index which is associated with the sense of superiority, elegance, and exploitation of the narcissist (Olsen and Stekelberg, 2015). Feelings of superiority can make narcissists feel that they deserve special treatment, are the exception to the rule, or are above the law (Exline et al. 2004). The higher the number of scales of the CEO photo size in the financial statements, the higher the level of CEO narcissism (Chatterjee and Hambrick, 2007).

Board of Directors Bonus Scheme
Bonus is an award given by the GMS (General Meeting of Shareholders) to members of the board of directors every year if the company earns a profit (Suryatingsih et al, 2007). (Watts, 1977), (Watts et al, 1978) & (Suryatingsih et al, 2007) state that bonus schemes create incentives for management to increase the present value of their bonus receipts. The essence of earnings management (Earnings Management) is the ability to "manipulate" the available options and take the right choice to be able to achieve the expected profit level (Belkaoui, 2007). A manager may earn a bonus based on net income, or according to a target increase in net income (Hansen et al, 2005).

So for this variable, the researcher will measure it using the ITRENDLB formula, which is based on the percentage of net income achieved in year t to net income in year t-1 (Suryatingsih, 2009), (Irpan, 2010).
The index value ranges from 0 (Percentage of Net Profit Growth 20%) to 100 (Percentage of Net Profit Growth 105%). And for 2015 net profit, it is obtained from the comparative balance sheet of the sample companies in the 2016 financial statements.

CEO Age

The diversity of ages shows that there are differences between members of one another, indicated by the age of the board is one type of board diversity measurement that has an influence on company value (Kristina et al., 2018). So that the age of the CEO is very influential on work performance and then has an impact on the value of the company. This is evidenced by research conducted by (Nomleni, 2016), (Hassan et al., 2016) showing that the age of the board of directors has a positive effect on firm value. In the Indonesian Fraud Survey conducted by ACFE in 2016, it was explained that average age of fraud perpetrators in Indonesia 36-45 years (47%), followed by 46-55 years. This age shows that perpetrators of fraud are in a very productive position and are usually in the top position.

In this study, the CEO's age is used in the company's annual report. Specifically, this study measures each CEO's age on a scale from (1) to (6) as follows:

1) CEO Aged 26 Years
2) CEO Aged 26 – 35 Years
3) CEO Aged 36 – 45 Years
4) CEO Aged 46 – 55 Years
5) CEO Aged 56 – 65 Years
6) CEO Aged > 66 Years

This indicates a change in the age trend in fraud, where currently productive age is more proficient in committing fraud due to social demands and personal ambition (Indonesia Fraud Survey by ACFE, 2016).

CEO Gender

Gender is an inherent trait of men and women which is shaped by social and cultural factors, so that it is born with some assumptions about the social and cultural roles of men or women, (Simamora, 2019). Men and women have differences in many aspects and characteristics that affect their behavior in the workplace (Aguiret et al., 2015). Research conducted by (Garba et al., 2014), (Dutta et al., 2007), & (Dwiharti, 2015) generally considers a relationship between gender board of directors or CEO gender and financial statement performance. However, (Ramadhani, 2015) expressed a different opinion, who said that there was no relationship between CEO gender and financial performance. Based on the 2016 Indonesian Fraud Survey conducted by ACFE, it was stated that 97% of fraud perpetrators in Indonesia were male. In MA data, 92% of the perpetrators or 1721 perpetrators of corruption were male. While the rest, 8% or 150 people are women.

And in this study using the CEO Gender measure as a measuring tool. The indicator variable is equal to one if the CEO is a woman and two if the CEO is a man (Charle H et al, 2015).

CEO Term

Working period is the length of time serving and working as a CEO in a company, in Koesindratmono (2011) defines tenure as the period or length of time a person works in an agency, office and so on. And the tenure of the main director has a positive effect on firm value (Hidayati, 2017). Based on the Indonesian Fraud Survey conducted by ACFE in 2016 explaining the tenure of the fraud perpetrators, the data and information explained that most of the fraud perpetrators had worked for more than 10 years (44%). And in this study using the size of the CEO tenure. Specifically, this study measures each CEO tenure on a scale from (1) to (4) as follows:

1) CEO With < 1 Year of Service
2) CEO with 1 – 5 Years of Service
3) CEO With 6 – 10 Years of Service
4) CEO With Term > 10 Years

This is because workers who have a longer working period already know the loopholes that can be used to commit fraud, in addition to the position occupied. Longer tenure tends to put a fraud perpetrator in a 'comfortable' position to commit fraud. The longer the working period can also cause the perpetrator to feel he has justification for what he did. And perpetrators with longer tenures may feel that they are not committing fraud because they think that what they are doing is reciprocal for their services or length of service to the company. So he considers what he did was reasonable (Indonesian Fraud Survey by ACFE, 2016).

Tendency to Fraud

The tendency to commit fraud / fraud in accounting can be interpreted as an attitude that tends, is encouraged, partial to deliberate actions to gain benefits both from outside and from within the organization (Wilopo, 2006). Accounting fraud itself is the desire to do everything to gain profits in a dishonest way such as covering up the truth, fraud, manipulation, cunning or deception which can be in the form of financial statement misstatements, asset misappropriation, and corruption (Anand et al, 2004), (Lei, 2009). Accounting fraud is the result of a lack of management accountability which increases the cost of management oversight for shareholders. And when agents and principals seek to maximize their own utility, and have different desires and motivations, agents do not always act as requested by the principal.
and will act against shareholders, therefore they will tend to commit accounting fraud (Hayati, 2013).

The variable in this study is earnings management. Copeland (1968:10) in (Utami, 2005) describes earnings management as, "Some ability to increase or decrease reported net income at will". This means that earnings management includes management's efforts to maximize, or minimize profits, including income smoothing in accordance with the wishes of management. In this study, the calculation of earnings management using special accruals (Specific Accruals), earnings management is proxied based on the ratio of accruals of working capital to sales. For working capital accruals data can be obtained directly from the cash flow statement of operating activities (Utami, 2005). The proxy model based on Specific Accruals is as follows:

\[
\text{Earnings Management} = \frac{\text{Working Capital Accruals (t)}}{\text{Sales Period (t)}}
\]

\[
\text{Accrual of Working Capital = ▲AL- ▲HL- ▲Cash}
\]

**Description:**

\( ▲\text{AL} = \text{Change in current assets in period t} \)

\( ▲\text{HL} = \text{Change in current liabilities in period t} \)

\( ▲\text{Cash} = \text{Change in cash and cash equivalents in period t} \)

**Financial Reporting Quality**

Financial reports as a form of providing financial data information for a certain period and communicated to internal parties and external parties of the company (Juliana et al, 2019). Financial statement information must be presented accurately; there is no material misstatement and follow Financial Accounting Standards. Stakeholders need financial statement information for their decision making. So it is necessary to present financial statement information with integrity. In this study, Financial Reporting Quality is a moderating variable.

According to (Sugiyono, 2015:39), Moderating Variables are variables that influence (strengthen and weaken) the relationship between the independent variable and the dependent variable. The moderating variable is the third variable that modifies the relationship between the dependent and independent variables (Sekaran et al, 2016). Moderating variables are also known as variables that are not affected by the independent variable. This variable examines the third variable that is present to change the relationship between the independent and dependent variables (Sekaran et al, 2016). In this study, the net profit was used as a measuring tool. The indicator variable is equal to one if net income increases, and two if net income decreases (Tang C et al, 2016).

**3. Hypothesis**

**H1:** Narcissism affects the tendency to commit fraud.

**H2:** Bonus Scheme has an effect on the tendency to commit fraud.

**H3:** Age has an effect on the tendency to commit fraud.

**H4:** Gender has an effect on the tendency to commit fraud.

**H5:** Working period has an effect on the tendency to commit fraud.

Hypothesis if moderated by Financial Reporting Quality:

**H6:** Financial Reporting Quality moderates the effect of narcissism on tendency to commit fraud.

**H7:** Financial Reporting Quality moderates the effect of the Board of Directors' Bonus Scheme on Fraud Tendency.

**H8:** Financial Reporting Quality moderates the effect of age on the tendency to commit fraud.

**H9:** Financial Reporting Quality moderates the influence of gender on tendency to commit fraud.

**H10:** Financial Reporting Quality moderates the effect of tenure on tendency to commit fraud.

**4. RESEARCH METHODS**

**Population and Research Sample**

The population in this study is banking companies listed on the Indonesia Stock Exchange from 2015 to 2018. The sampling technique used in this study is based on the non-probability sampling method, which is a sampling technique that does not provide equal opportunities or opportunities for each element. Or members of the population to be selected as samples, using a purposive sampling approach.

**Analysis Method**

This study uses regression statistical analysis to see the effect of the independent variable on the dependent variable or the response to the moderating variable. The regression parameter test consists of the F test, to find out whether the independent variables have a simultaneous effect on the response variable or not. Then t test, to test the effect of each independent variable individually on the response variable. By using panel data regression modeling using an unweighted Fixed Effect Model and a weighted Fixed Effect Model, and also using partial testing on the unweighted Fixed Effect model and the weighted Fixed Effect model.

**5. RESULTS AND DISCUSSION**

Descriptive Statistics
Table 01: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>KEC</th>
<th>NAR</th>
<th>SKE</th>
<th>US</th>
<th>GEN</th>
<th>MK</th>
<th>FRQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>-0.000654</td>
<td>4.294118</td>
<td>0.540676</td>
<td>4.367467</td>
<td>1.926471</td>
<td>2.147059</td>
<td>1.235294</td>
</tr>
<tr>
<td>Median</td>
<td>-0.000610</td>
<td>4000000</td>
<td>0.129000</td>
<td>4000000</td>
<td>2000000</td>
<td>2000000</td>
<td>1.000000</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.006914</td>
<td>5.000000</td>
<td>17.51000</td>
<td>5.000000</td>
<td>2000000</td>
<td>4000000</td>
<td>2000000</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.005338</td>
<td>2000000</td>
<td>-23.19000</td>
<td>3,000000</td>
<td>1.000000</td>
<td>1.000000</td>
<td>1.000000</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.001505</td>
<td>0.754268</td>
<td>4.298808</td>
<td>0.644249</td>
<td>0.262944</td>
<td>0.796723</td>
<td>1.247336</td>
</tr>
<tr>
<td>Skewness</td>
<td>1.456915</td>
<td>-0.748573</td>
<td>-0.829428</td>
<td>-0.508930</td>
<td>-3.267930</td>
<td>0.624984</td>
<td>1.248075</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>12.21461</td>
<td>2.847394</td>
<td>19.77445</td>
<td>2.331484</td>
<td>11.67937</td>
<td>3.236348</td>
<td>2.557692</td>
</tr>
<tr>
<td>Sum</td>
<td>-0.044497</td>
<td>292.0000</td>
<td>36.76600</td>
<td>297.0000</td>
<td>131.0000</td>
<td>146.0000</td>
<td>84,000,000</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>0.000152</td>
<td>38.11765</td>
<td>1238,143</td>
<td>27.80882</td>
<td>4.632353</td>
<td>42,52941</td>
<td>12.23529</td>
</tr>
<tr>
<td>Observations</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td>68</td>
</tr>
</tbody>
</table>

Table 01 show that the average tendency to commit fraud is -0.000654 with a standard deviation of 0.0015. The smallest value on this dependent variable is -0.0055 and the largest is 0.0069. The independent variable narcissism seen from the photos in the annual report has an average value of 4.294. CEOs being photographed with other executives had the lowest frequency whereas CEOs being photographed alone and photos occupying the entire page had the highest frequency.

The average value of the board of director’s scheme variable is 0.5407 with a standard deviation of 4.2988. The largest value for this variable is 17.51 and the lowest is -23.19. Still in the same table, namely Table 4, the largest value for the age variable is 5 and the smallest is 3. Then for the variable period of service, it can be seen in table 4 that the average tenure of the respondent is 2.147, the smallest value for this variable is 1 and the largest is 4. For the moderating variable, Financial Reporting Quality has an average of 1.235, where the maximum value is 2 and the minimum is 1.

Table 02: Tabulation of Gender Variables

<table>
<thead>
<tr>
<th>Year</th>
<th>Gender</th>
<th>Female (1)</th>
<th>Boys (2)</th>
<th>Total Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1</td>
<td>16</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>2016</td>
<td>1</td>
<td>16</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
<td>16</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>2018</td>
<td>1</td>
<td>16</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>68</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on Table 02, the frequency of CEOs with male gender is more than female CEOs. Every year there are 16 male CEOs, while only 1 female CEO.

Estimation & Selection of Panel Data Regression Model

The selection of the panel data regression model is intended to obtain an appropriate model to estimate the relationship between independent variables and the tendency to commit fraud. The model in the panel regression is Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). There are several tests to select the appropriate panel regression model, first to choose CEM or FEM using the Chow test, to select FEM or REM using the Hausman test. Then the Lagrange Multiplier (LM) is a test to find out whether the REM or CEM model is more suitable for use in panel regression testing (Gujarati et al, 2015), (Wati, 2018). The following is the output of the CEM, FEM and REM models.

Common Effect Model Output
Fixed Effect Model Output

Method: Least Squares Panel  
Date: 10/18/21 Time: 14:13  
Sample: 2015 2018  
Periods included: 4  
Cross-sections included: 17  

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.004688</td>
<td>0.003942</td>
<td>1.189109</td>
<td>0.2412</td>
</tr>
<tr>
<td>NAR</td>
<td>0.001194</td>
<td>0.000744</td>
<td>1.606043</td>
<td>0.1159</td>
</tr>
<tr>
<td>SKE</td>
<td>0.000134</td>
<td>0.001799</td>
<td>0.747730</td>
<td>0.4589</td>
</tr>
<tr>
<td>US</td>
<td>-0.000414</td>
<td>0.001004</td>
<td>-0.411683</td>
<td>0.6827</td>
</tr>
<tr>
<td>GEN</td>
<td>-0.002172</td>
<td>0.003012</td>
<td>-0.721134</td>
<td>0.4749</td>
</tr>
<tr>
<td>MK</td>
<td>-0.001603</td>
<td>0.000826</td>
<td>-1.942077</td>
<td>0.0590</td>
</tr>
<tr>
<td>FRQ*NAR</td>
<td>-0.001207</td>
<td>0.000466</td>
<td>-2.591659</td>
<td>0.0132</td>
</tr>
<tr>
<td>FRQ*SKE</td>
<td>-0.000101</td>
<td>0.000108</td>
<td>-0.937411</td>
<td>0.3540</td>
</tr>
<tr>
<td>FRQ*US</td>
<td>0.000601</td>
<td>0.000560</td>
<td>1.072453</td>
<td>0.2898</td>
</tr>
<tr>
<td>FRQ*GEN</td>
<td>0.000565</td>
<td>0.001721</td>
<td>0.328283</td>
<td>0.7444</td>
</tr>
<tr>
<td>FRQ*MK</td>
<td>0.000259</td>
<td>0.000528</td>
<td>0.490712</td>
<td>0.6262</td>
</tr>
</tbody>
</table>

Effects Specification  
Cross-section fixed (dummy variables)  

| R-squared | 0.681138 | Mean dependent var | -0.000654 |
| Adjusted R-squared | 0.478934 | SD dependent var | 0.001505 |
| SE of regression | 0.001087 | Akaike info criterion | -10.53250 |
| Sum squared resid | 4.84E-05 | Schwarz criterion | -9.642226 |
| Likelihood logs | 384.7990 | Hannan-Quinn Criter. | -10.17431 |
| F-statistics | 3.368556 | Durbin-Watson stat | 2.952675 |
| Prob(F-statistic) | 0.000252 |  | |

Random Effect Model Output

Dependent Variable: KEC  
Method: Panel EGLS (Cross-section random effects)  
Date: 10/18/21 Time: 14:18  
Sample: 2015 2018  
Periods included: 4  
Cross-sections included: 17  

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.005971</td>
<td>0.002338</td>
<td>2.553680</td>
<td>0.0134</td>
</tr>
<tr>
<td>NAR</td>
<td>0.000515</td>
<td>0.000646</td>
<td>0.798227</td>
<td>0.4281</td>
</tr>
<tr>
<td>SKE</td>
<td>0.000153</td>
<td>0.000133</td>
<td>1.149415</td>
<td>0.2552</td>
</tr>
<tr>
<td>US</td>
<td>-0.001262</td>
<td>0.000774</td>
<td>-1.630528</td>
<td>0.1085</td>
</tr>
</tbody>
</table>
1) **Chow test**

To choose the right model for estimating panel data between the Common Effect and Fixed Effect models, the Chow test is used. The Chow test uses the F test statistic in determining decision making. If the probability value is less than 5%, the Fixed Effect Model is selected and followed by the Hausman test, but if the probability value is greater than 5%, the model chosen is the Common Effect Model. The following are the results of the Chow test:

<table>
<thead>
<tr>
<th>Table 06: Chow Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redundant Fixed Effects Tests</td>
</tr>
<tr>
<td>Test cross-section fixed effects</td>
</tr>
<tr>
<td>Cross-section F</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
</tr>
</tbody>
</table>

Based on table 06 the resulting probability value is smaller than 0.05 so the model chosen is the Fixed Effect Model. Then proceed with the Hausman test.

2) **Hausman test**

Based on the Chow test above, it is found that the more appropriate model to use is the Fixed Effect Model, so it is necessary to carry out further testing with the Hausman test. The purpose of the Hausman test is to determine which model is more appropriate between the Fixed Effect model and the Random Effect model. If the probability value is less than 5%, the Fixed Effect Model is selected, if the value is larger, the Random Effect Model is selected. The following are the results of the Hausman test.

<table>
<thead>
<tr>
<th>Table 07: Hausman’s Test Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlated Random Effects - Hausman Test</td>
</tr>
<tr>
<td>Test cross-section random effects</td>
</tr>
<tr>
<td>Random cross-section</td>
</tr>
</tbody>
</table>

The probability value shown in table 07 above is 0.0081, this value is smaller than significance level of 5% or 0.05 so it can be concluded that the Fixed Effect model used selected means that the Fixed Effect Model is more accurate in estimating the relationship between independent variables and the tendency to commit fraud.

**Assumption Test**

To fulfill the BLUE (Best Linear Unbiased Estimation) assumption, the minimum classical assumption test that must be done for the selected Fixed Effect model is Multicollinearity, Autocorrelation and Heteroscedasticity (Ekananda M, 2016).

1) **Multicollinearity Test**
The next test is the multicollinearity test, which aims to determine whether the independent variables have a linear relationship. Multicollinearity testing on independent variables refers to the correlation value between variables. The following is the result of multicollinearity testing.

And in table 08 shows that the correlation between the independent variables is less than 0.80 so it can be concluded that the model is free from multicollinearity problems.

<table>
<thead>
<tr>
<th>KEC</th>
<th>NAR</th>
<th>SKE</th>
<th>US</th>
<th>GEN</th>
<th>MK</th>
<th>FRQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>KEC</td>
<td>0.00253825</td>
<td>0.07404387</td>
<td>-0.3104654</td>
<td>-0.0754967</td>
<td>-0.2317312</td>
<td>-0.0293235</td>
</tr>
<tr>
<td>NAR</td>
<td>0.00253825</td>
<td>0.06860713</td>
<td>0.08130350</td>
<td>0.41168985</td>
<td>-0.1227220</td>
<td>-0.0789912</td>
</tr>
<tr>
<td>SKE</td>
<td>0.07404387</td>
<td>0.06860713</td>
<td>-0.2111856</td>
<td>-0.2053870</td>
<td>0.00546573</td>
<td>-0.2345396</td>
</tr>
<tr>
<td>US</td>
<td>-0.3104654</td>
<td>0.08130350</td>
<td>-0.2111856</td>
<td>0.25006693</td>
<td>0.06756350</td>
<td>-0.1020475</td>
</tr>
<tr>
<td>GEN</td>
<td>-0.0754967</td>
<td>-0.2053870</td>
<td>-0.2111856</td>
<td>0.25006693</td>
<td>0.25006693</td>
<td>0.15626907</td>
</tr>
<tr>
<td>MK</td>
<td>-0.2317312</td>
<td>-0.1227220</td>
<td>-0.2111856</td>
<td>0.25006693</td>
<td>0.25006693</td>
<td>0.15626907</td>
</tr>
<tr>
<td>FRQ</td>
<td>-0.0293235</td>
<td>-0.0789912</td>
<td>-0.0293235</td>
<td>-0.0789912</td>
<td>0.11604106</td>
<td>0.11604106</td>
</tr>
</tbody>
</table>

2) Autocorrelation Test

The autocorrelation test is intended to identify a correlation between the observed data in the form of time series and cross section, because panel data is characterized by time series and cross section, the autocorrelation test is ignored on data like this (Ekananda M, 2016).

3) Heteroscedasticity Test

Of the 3 models in panel data regression, there are 2 models, namely the Common Effect Model (CEM) and the Fixed Effect Model (FEM) which allow for the occurrence of osscedasticity problems, while the Random Effect Model (REM) does not. The thing that causes the possibility of heteroscedasticity in both models is because the approach used is Ordinary Least Square (OLS) while REM uses generalize Least Square (GLS).

To find out whether CEM and FEM have heteroscedasticity, compare the model with weights and without weights (Nurlaela Wati, 2020). Based on the selection test, the FEM model is the chosen model so that to detect the presence of heteroscedasticity, it is by presenting FEM with weighted and unweighted.

Table 09 is a summary of the results of the comparison of 2 models, namely the Unweighted Fixed Effect Model and the Weighted Fixed Effect Model, which were previously shown in Table 03 and Table 04.

The following is a Fixed Effect model with weights:

Table 09 Weighted Fixed Effect Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.006106</td>
<td>0.003948</td>
<td>1.546506</td>
<td>0.1297</td>
</tr>
<tr>
<td>NAR</td>
<td>0.000593</td>
<td>0.000336</td>
<td>1.761829</td>
<td>0.0856</td>
</tr>
<tr>
<td>SKE</td>
<td>0.000114</td>
<td>8.28E-05</td>
<td>1.380373</td>
<td>0.1750</td>
</tr>
<tr>
<td>US</td>
<td>-0.000791</td>
<td>0.000490</td>
<td>-1.612566</td>
<td>0.1145</td>
</tr>
<tr>
<td>GEN</td>
<td>-0.001993</td>
<td>0.002296</td>
<td>-0.868412</td>
<td>0.3902</td>
</tr>
<tr>
<td>MK</td>
<td>-0.000743</td>
<td>0.000524</td>
<td>-1.418637</td>
<td>0.1636</td>
</tr>
<tr>
<td>FRQ*NAR</td>
<td>-0.000667</td>
<td>0.000234</td>
<td>-2.849885</td>
<td>0.0068</td>
</tr>
<tr>
<td>FRQ*SKE</td>
<td>-9.63E-05</td>
<td>5.11E-05</td>
<td>-1.884928</td>
<td>0.0665</td>
</tr>
<tr>
<td>FRQ*US</td>
<td>0.000533</td>
<td>0.000242</td>
<td>2.204125</td>
<td>0.0332</td>
</tr>
<tr>
<td>FRQ*GEN</td>
<td>-4.31E-05</td>
<td>0.000698</td>
<td>-0.61812</td>
<td>0.9510</td>
</tr>
<tr>
<td>FRQ*MK</td>
<td>0.000111</td>
<td>0.000308</td>
<td>0.362346</td>
<td>0.7190</td>
</tr>
</tbody>
</table>

Effects Specification

Cross-section fixed (dummy variables)

<table>
<thead>
<tr>
<th>Weighted Statistics</th>
<th>R-squared</th>
<th>Mean dependent var</th>
<th>Adjusted R-squared</th>
<th>SD dependent var</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.799356</td>
<td>-0.001177</td>
<td>0.672118</td>
<td>0.001879</td>
</tr>
</tbody>
</table>
Based on Table 10, it can be seen that all three have the same conclusion, namely each excels in 2 components, and then the analysis will be carried out on both models.

6. Hypothesis Test

Coefficient of Determination Test (R2)

Testing the coefficient of determination aims to see how big the percentage of the diversity of the dependent variable can be explained by the independent variable. This can be seen from the value of $R^2$. The greater the value of $R^2$, the greater the diversity of the variables. The tendency to commit fraud is explained by the variables of narcissism, bonus scheme, age, gender and tenure. Table 10 shows that the $R^2$ value in the Fixed Effect model without weighting is 0.47, meaning that the independent variable is narcissism. The board of directors bonus scheme, age, gender, years of service can explain the diversity of variables tend to commit fraud by 47% and 53% are influenced by other variables not included in the model. While the coefficient of determination in the Fixed Effect model with weighting is 0.67. This means that the independent variable used in this study can explain the variable tendency to commit fraud by 67%. It can be seen that the coefficient of determination in the weighted Fixed Effect model is higher than the unweighted Fixed Effect model.

Before doing the modeling with the unweighted and weighted Fixed Effect Model, it is necessary to do simultaneous and partial testing, in the following we will discuss the simultaneous test and partial test for the unweighted Fixed Effect model.

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Unweighted Fixed Effect Model</th>
<th>Weighted Fixed Effect Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistics t probability</td>
<td>1 variables &lt; 0.05</td>
<td>0 variables &lt; 0.05</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.47</td>
<td>0.67</td>
</tr>
<tr>
<td>F-Statistic Probability</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Fraud Trend Modeling with Fixed Effect Model without Weighting

1) Simultaneous Test of Fixed Effect Model without Weighting

This study uses regression statistical analysis to see the effect of the independent variable, namely narcissism, directors’ bonus scheme, age and gender years of service on the dependent variable or response, namely the tendency to commit fraud. The regression parameter test consists of the F test, to find out whether the independent variables have a simultaneous effect on the response variable or not. Then test, to test the effect of each independent variable individually on the response variable. The decision-making criteria for rejecting $H_0$ for the F test is if the calculated F value is greater than F table or the sig value is less than the 5% significance level. Based on table 04, the probability value is < 5% or 0.05, so rejecting $H_0$ means that the variables of narcissism, directors' bonus scheme, age, gender and years of service together or simultaneously affect the tendency to commit fraud.

2) Fixed Effect Model Partial Test without Weighting

The next step is to do a partial or one-on-one test with a t-test statistic. The hypothesis for the t-test is that $H_0$ the independent variable does not affect the dependent variable, while $H_1$ the independent variable affects the dependent variable. If the regression coefficient > 0 then it means that the independent variable affects the dependent variable positively, but if the regression coefficient < 0 means that the independent variable has a negative effect on the dependent variable. Decision making rejects $H_0$ that is if the $|t|$statistical value $> t$ table or probability value $< 0.05$. Based on t table 04, it can be seen that only the narcissism variable with the Financial Reporting Quality moderating variable has a probability value of $<0.05$ so it can be concluded that the Financial Reporting Quality variable can strengthen or weaken the influence of narcissism on the tendency to commit fraud.

3) Unweighted Panel Data Regression Model

Regression models that can be formed from table 04 are as follows:

\[ Y = 0.005 - 0.001NAR + 0.001SKE - 0.0004US - 0.002GEN - 0.001MK - 0.001FRQ*NAR - 0.0001FRQ*SKE + 0.0006FRQ*US + 0.0006FRQ*GEN + 0.0003FRQ*MK + \varepsilon \]

The intercept value shown in the multiple linear regression models above is 0.006 which means that if the independent variable narcissism, directors' bonus scheme, age, gender and years of service together or simultaneously affect the tendency to commit fraud.
bonus scheme, age, gender, years of service is zero, then tendency to commit fraud will increase by 0.005.

**Modeling with Weighted Fixed Effect Model**

1) **Simultaneous Test of Weighted Fixed Effect Model**

Based on Table 09 the probability value for the F test is 0.000 where the value is less than the 5% significance level so it can be concluded that the variable narcissism, the board of director’s scheme, age, gender, years of service and each independent variable with moderating variables affect the tendency to commit fraud together.

2) **Fixed Effect Model Partial Test with Weighted**

Furthermore, a partial test will be carried out to see whether each variable affects the tendency to commit fraud individually. Based on table 09, there are 2 variables that have a probability value less than the 5% significance level, namely the narcissism variable with the Financial Reporting Quality moderating variable and the age variable with the Financial Reporting Quality moderating variable.

3) **Weighted Panel Data Regression Model**

Based on Table 09, a panel data regression model can be formed with the following weighting:

\[ Y = 0.006 + 0.00058NAR + 0.0001SKE - 0.0008US - 0.0002GEN - 0.0007MK - 0.0001FRQ*SKE + 0.0005FRQ*US - 0.000004FRQ*GEN + 0.0001FRQ*MK + e \]

The regression model above has an intercept value of 0.0074, which means that if the independent variable narcissism, directors’ bonus scheme, age, gender, years of service is zero, the tendency to commit fraud will increase by 0.006.

**DISCUSSION**

1) **The Effect of Narcissism on the Tendency to Fraud**

The regression model shows that narcissism has a negative effect on the tendency to commit fraud with a regression coefficient of 0.001, meaning that if narcissism increases by one unit, the tendency to commit fraud will increase by 0.001 with assumption that other variables are zero. However, the probability value for the narcissism variable is 0.12; this value is greater than the specified significance level of 5% or 0.05 so the decision is rejecting \( H_1 \) which means that the narcissism variable has no significant effect on the tendency to commit fraud.

2) **The Effect of the Board of Directors Bonus Scheme on the Tendency to Fraud**

The regression coefficient for the board of director’s bonus scheme is 0.00013 meaning that if the board of director’s bonus scheme increases by one unit, the tendency to commit fraud will increase by 0.000013. This variable has a probability value of 0.46 > 0.05, it gives a conclusion to reject \( H_3 \), meaning that the bonus scheme variable does not affect the tendency to commit fraud.

3) **The Effect of Age on the Tendency to Fraud**

The age variable has a regression coefficient of -0.0004, meaning that age has a negative effect on the tendency to commit fraud, where with an increase of one unit in the age variable; the tendency to commit fraud will decrease by 0.0004 units as long as other variables do not increase or decrease. The probability value for the age variable is 0.68 > 0.05, it means that \( H_2 \) is rejected or the tendency to commit fraud is not significantly affected by the age variable.

4) **The Effect of Gender on Tendency to Fraud**

The regression coefficient for the gender variable is -0.0022, the negative sign means that the gender variable has a negative effect on the tendency to commit fraud. If other variables in the model are assumed to be zero, the tendency to commit fraud will decrease by 0.0022 if the gender variable increases by one unit. The t-value of the gender variable is -0.72 smaller than the t-value with a probability value of 0.47. So the conclusion is that \( H_4 \) rejects means that the influence of gender on the tendency to commit fraud is not significant.

5) **The Effect of Working Period on the Tendency to Fraud**

The regression coefficient for the variable period of service is -0.0016, which means that the longer the tenure, the tendency to commit fraud will decrease. If the other variables are zero, the tendency to commit fraud will decrease by 0.0016 units for every one unit increase in the service period variable. Based on the t-test statistics shown in Table 04, it was found that the tenure of service variable had no significant effect on the tendency of a CEO to commit fraud. This can be seen from the t-count value of -1.94 <2 which is the t-table value so that \( H_5 \) is rejected.

6) **Financial Reporting Quality Moderates the Effect of Narcissism on Tendency to Fraud**

The probability value obtained is 0.01 where the value is greater than the 5% significance level so that \( H_6 \) is accepted. This means that the financial reporting quality variable can weaken or strengthen the relationship between narcissism and the tendency to commit fraud. The regression coefficient for this variable is -0.001 which means that financial reporting quality weakens the relationship between narcissism and the tendency to commit fraud.

7) **Financial Reporting Quality Moderates the Effect of Bonus Schemes on Tendency to Fraud**
The regression coefficient obtained is -0.0001 with a t-statistical value of -0.94 and a probability value of 0.35. And from these two values, H7 is rejected, meaning that financial reporting quality cannot weaken or strengthen the relationship between the bonus scheme of directors and the tendency to commit fraud.

8) Financial Reporting Quality Moderates the Effect of Age on Tendency to Fraud

Based on table 04 the coefficient value obtained is 0.0006 and the probability value is 0.29. The probability value obtained is greater than the 5% significance level, so it can be concluded that financial reporting quality cannot strengthen or weaken the relationship between age and the tendency to commit fraud.

9) Financial Reporting Quality Moderates the Effect of Gender on Tendency to Fraud

The regression coefficient for the gender variable with the moderating variable is 0.0006 with a statistical t-value of 0.32, this value is smaller than the t-table value, so the decision is to reject H9. So it can be concluded that the existence of a moderating variable of financial reporting quality cannot strengthen or weaken the relationship between the age variable and the tendency to commit fraud.

10) Financial Reporting Quality Moderates the Effect of Working Period on Tendency to Fraud

The regression coefficient for the variable of tenure with the moderating variable of financial reporting quality is 0.0002. Based on table 04, the probability value is 0.63, the value is greater than the 0.05 significance level, so the decision is to reject H10. It can be concluded that the interaction of moderating variables and tenure does not significantly influence the tendency to commit fraud.

Hypothesis testing Tendency to commit fraud Fixed Effect model by weighting:

1) The Effect of Narcissism on the Tendency to Fraud

The regression coefficient for the narcissism variable is 0.0006, meaning that the narcissism variable negatively affects the tendency to commit fraud. If the narcissism variable increases by 1 unit, it will increase the tendency to commit fraud by 0.006. However, based on the t-test statistic, the probability value for the narcissism variable is 80.06 > 0.05, which means that the narcissism variable does not significantly affect the tendency to commit fraud.

2) The Effect of the Board of Directors Bonus Scheme on the Tendency to Fraud

Table 09 shows the regression coefficient for the board of directors scheme is -0.0001, it means that if the other variables are zero and the board of director’s scheme variable increases by 1 unit, it will reduce the tendency to commit fraud by 0.0001. The t-statistical value for the board of directors scheme variable is 1.38 < 2, so that the decision taken is to reject H2, meaning that the board of directors scheme variable does not significantly affect the tendency to commit fraud.

3) The Effect of Age on the Tendency to Fraud

Based on table 09 the regression coefficient for the age variable is -0.0008, meaning that the tendency to commit fraud will decrease by 0.0008 if the age variable increases by 1 unit. However, the age variable does not affect the tendency to commit fraud because H3 is rejected, it can be seen from the probability value of the age variable of 0.11 which is greater than the 5% significance level.

4) The Effect of Gender on the Tendency to Fraud

The gender variable has a regression coefficient of -0.002, meaning that the gender variable negatively affects the tendency to commit fraud. However, based on the partial test, the statistical t value of the gender variable is 0.39 < 2, meaning H4 is rejected, it means that the gender variable does not significantly affect the tendency to commit fraud.

5) The Effect of Working Period on the Tendency to Fraud

The regression coefficient of the tenure of service variable is -0.0007, meaning that the variable of tenure affects the tendency to commit fraud negatively. Each increase in one unit of service period will reduce the tendency to commit fraud by 0.0007. The probability value for the gender variable is 0.16 > 0.05, so reject H5 so that it can be concluded that tenure does not affect the tendency to commit fraud at a significance level of 5%.

6) Financial Reporting Quality Moderates the Effect of Narcissism on Tendency to Fraud

The regression coefficient for the interaction of the narcissism variable and the Financial Reporting Quality moderating variable was obtained at -0.0007, meaning that Financial Reporting Quality negatively affected the tendency to commit fraud. The resulting probability value is 0.007 < 0.05 so H6 is accepted, meaning that Financial Reporting Quality weakens the relationship between narcissism and the tendency to commit fraud.

7) Financial Reporting Quality Moderates the Effect of Bonus Schemes on Tendency to Fraud

Table 09 gets a regression coefficient of 0.00001 where the probability value of the interaction of the board of directors bonus scheme with the Financial Reporting Quality variable is 0.07 > 0.05 and the absolute value of t statistic is smaller than Table = 2, so reject H7 means bonus scheme interaction directors with the Financial Reporting Quality variable does not affect the tendency to commit fraud.
8) Financial Reporting Quality Moderates the Effect of Age on Tendency to Fraud

The interaction between the age variable and Financial Reporting Quality shows a regression coefficient of 0.0005. However, the probability value is greater than the specified significance level, which is 0.03, then the decision is to reject Hₐ, meaning that financial reporting quality cannot strengthen or weaken the relationship between age and the tendency to commit fraud.

9) Financial Reporting Quality Moderates the Effect of Gender on Tendency to Fraud

Table 09 shows the regression coefficient obtained is -0.00044. The statistical t value and the probability value for the interaction of the gender variable with the moderating variable shown in table 14 resulted in a decision to reject Hₐ, this is because the t statistic value is -0.06 < 2 and the probability value is 0.95 > 0.05. So it can be concluded that financial reporting quality cannot moderate gender relations with the tendency to commit fraud.

10) Financial Reporting Quality Moderates the Effect of Working Period on Tendency to Fraud

The results of the analysis show that Financial Reporting Quality moderates the effect of tenure on the tendency to commit fraud positively, with a regression coefficient of 0.0001. However, based on the probability value obtained, namely 0.72 > 0.05, the decision was taken to reject Hₐ, meaning that Financial Reporting Quality cannot strengthen or weaken the relationship between tenure and the tendency to commit fraud.

8. CONCLUSION

Based on the results of research and discussion, conclusions are drawn, namely:

1) Panel data regression modeling using the unweighted Fixed Effect Model resulted in a significant simultaneous test, meaning that the variables of narcissism, directors' bonus scheme, age, gender and tenure affect the tendency to commit fraud simultaneously.

2) Partial testing of the unweighted Fixed Effect model shows that individually only the tenure of service variable affects the tendency to commit fraud.

3) The Fixed Effect Model with weights produces significant simultaneous tests, meaning that simultaneously the variables of narcissism, directors' bonus scheme, age, gender and years of service affect the tendency to commit fraud.

4) Partial testing on the Fixed Effect model with weights shows that individually there are no independent variables that affect the tendency to commit fraud.

REFERENCES


- Wang, J. (2016). The role of CEO personality in company management: examining how CEO narcissism influences and is influenced by individual and organizational characteristics.