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RESEARCH ARTICLE

Impact of Fraud Risk Factors on Corporate Green Reputation: An Analysis Using the SCCORE Model

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ABSTRACT

A company's environmental reputation is now a critical metric of its overall performance, as sustainability and corporate social responsibility gain importance. However, there is a chance that financial statement fraud will erode public confidence and harm the company's standing. This study aims to investigate how a company's green reputation is affected by different aspects as described in the SCCORE model of financial statement fraud. With a sample of 20 companies, the study focuses on mining companies that are listed between 2018 and 2022 on the Indonesian Stock Exchange. Utilizing secondary data from annual reports that can be found on the Indonesia Stock Exchange website (www.idx.co.id), the study employs Smart PLS software to analyze the data. It finds that factors like CEO duality, ineffective oversight, political connections, leadership changes, and financial stability don't significantly affect the results.

1. INTRODUCTION

Corporate reputation is a very important asset in the mining industry, especially in Indonesia, which is known for its abundant natural resources. A good reputation can affect relationships with stakeholders, increase public trust, and facilitate access to resources and markets (Yusof et al., 2015) . A good corporate reputation is also related to compliance with environmental standards and corporate social responsibility (CSR), which are increasingly becoming major concerns among investors and the public (Garcia & Ewing, 2008) . Mining companies' financial reports often face challenges related to accuracy and transparency. Fraud in financial reports, such as manipulation of figures and tax avoidance, can harm investors and damage the company's reputation. Therefore, it is important to understand the factors that can influence the potential for fraud in financial reports, one of which is through the SCCORE model.

The SCCORE Model serves as a tool for identifying potential fraud in financial statements. It incorporates a range of indicators and variables that may suggest manipulation or inaccurate reporting (Vousinas, 2019). By employing this model, mining companies can evaluate and address the risk of fraud, thereby protecting their reputation.

Green corporate reputation refers to the image of a company as an entity committed to environmentally friendly and sustainable business practices (Papík & Papíková, 2020) . In the mining industry, green reputation can serve as a significant differentiation factor. Fraud in financial reporting can have a negative impact on a company's green reputation because it indicates a lack of transparency and non-compliance with environmental regulations and standards.

In Indonesia, the mining sector is one of the pillars of the economy, and issues related to green reputation are increasingly important given the environmental challenges faced. This study aims to explore how the determinants that influence the SCCORE fraud model can impact the green reputation of mining companies. By understanding this relationship, companies can be more proactive in managing their green reputation and ensuring that their financial statements are transparent and accurate.

Previous research by Taqi et al. (2024), Tickner & Button (2020), Suryani (2019), Ozcelik (2020), Sihombing & Rahardjo (2014), Lastanti et al. (2022), Zhang et al. (2022), and Achmad et al. (2022a) has primarily examined financial statement fraud through the Triangle, Diamond, and Hexagon models. In contrast, studies on green reputation by Saha et al. (2021), Abdelzaher & Newburry (2016), and Lin et al. (2011) have focused solely on carbon's environmental impact. This research is distinct as it applies the SCCORE model theory (Vousinas, 2019) to investigate financial statement fraud and its direct effects on a company's green reputation. The study analyzes mining companies listed on the Indonesian Stock Exchange for the period from 2018 to 2022

This study aims to: identify the main determinants that influence the SCCORE fraud model in the context of mining companies in Indonesia. analyze the impact of fraud in financial reporting on the company's green reputation. provide recommendations for mining companies to improve the transparency of financial reporting and strengthen their green reputation. With this background, the study is expected to provide valuable insights for mining companies' reputation management and encourage better practices in financial reporting and environmental responsibility.

2. LITERATURE REVIEW

Green reputation

Green reputation refers to the positive image or reputation that a company has in terms of environmentally friendly, sustainable and socially responsible practices (Xi et al., 2022) , including the company's efforts to reduce negative impacts on the environment, pay attention to workers' rights and contribute positively to society and the surrounding community. According to (Abdelzaher & Newburry, 2016) (Dyck et al., 2010) , corporate reputation is a company as a conscious actor and not only as a collective entity, but is expected to act as a coherent and social entity, so that stakeholders gain general trust as a company that pays attention to its best interests.

Financial reporting fraud

According to Koomson et al., (2020) Supriatiningsih, (2022) *Fraud* in financial reports is an activity carried out intentionally or negligently in financial reporting so that the financial report does not comply with financial accounting standards, this negligence is material in nature so that it affects decisions taken by interested parties. Fraud in financial reports carried out by companies will harm all parties, shareholders, investors and other interested parties (Bumi; Supriatiningsih, 2023)

Fraud hexagon model

According to Vousinas (2019), the Hexagon fraud hypothesis explains the background of a fraudster. The SCCORE model, which consists of stimulation, capability, collusion, opportunity, rationalization, and ego, is a set of elements that can lead someone to commit fraud. This is how the SCCORE model is defined:

Stimulus

According to Tickner & Button (2020), differences between stated and real firm income and profits could lead to pressure or stimulation. Overwhelming pressure on management to meet predetermined financial goals, like sales objectives, can result in false financial reports, particularly if it lowers return on assets (ROA) (Chiraz Ben Ali, 2020). Furthermore, according to C. Skousen et al. (2008), return on investment (ROI) is widely utilized to assess managerial performance and decide on incentives and pay raises.

Capabilities

Ability is a crucial factor in the occurrence of fraud, reflecting both personal and professional competence. Siddiq et al. (2017) note that one potential driver of fraud is the rotation of directors, which may be a strategy for removing managers who might be aware of fraudulent activities within the company. Additionally, changing management often necessitates an adjustment period, which can lead to suboptimal performance (Suryani, 2019; Ozcelik, 2020).

Collusion

According to Vousinas (2019), collusion happens when two or more persons decide to work together to conduct a crime or fraud. Politicians with ties are the stand-in for cooperation. An entity typically benefits from having political connections (Rochmah Ika et al., 2021). In times of economic crises and other issues, the government provides support to companies who have political ties (Butje & Tjondro, 2014). Corporate perks resulting from political associations make borrowing easier, encourage borrowing more frequently, and put firms in financial jeopardy.

Opportunity

Ineffective monitoring is one proxy opportunity for fraud. Typically, having an independent board of directors ensures more objective and impartial oversight. However, if there is interference with the independence of these officials, the supervision may become compromised. An increase in the number of independent officers alone may not necessarily enhance control over organizational activities, potentially leading to greater opportunities for fraud related to financial reporting (Tiffani et al., 2015).

Rationalization

Rationalization involves justifying past mistakes or fraudulent activities and is often indicated by the replacement of a company's external auditors (Sahla & Ardianto, 2023). This change in auditors can be perceived as an attempt to eliminate evidence of fraud discovered by previous auditors (Drice & Nuryani, 2022). Additionally, hiring or rationalizing board members, management, or employees who facilitate fraudulent financial reporting and provide justifications for such actions is also a form of rationalization (Achmad et al., 2022b)..

Ego

Ego refers to the frequency and prominence of CEO-related content in company reports, such as descriptions, profiles, achievements, photos, or other repeated mentions of the CEO's accomplishments (Sihombing & Rahardjo, 2014). According to Seifzadeh et al. (2022), Lastanti et al. (2022), and Zhang et al. (2022), the CEO’s power can inflate their ego, leading them to believe that nothing, including internal control practices, can hinder their actions..

Hypothesis development

Financial stability with financial report fraud

The following is the relationship between financial report fraud and stability of finances: Fraudulent financial reporting is less common in mining businesses with better financial stability. A company's robust financial health, demonstrated by steady liquidity, solvency, and profitability, is indicative of its financial stability. Financial stability often lessens the pressures that frequently result in dishonest behavior within a corporation. Research by Supriatiningsih et al. (2022), Sinarti et al. (2019), and Haqq & Budiwitjaksono (2020) lends credence to this idea. This leads to the following formulation of the hypothesis:

H1: Financial stability has a negative effect on financial reporting fraud in mining companies.”

Change of director with financial report fraud

A change in directors could make financial reporting fraud more likely. A shift in the director's responsibilities could lead to instability, a reordering of managerial goals, or pressure to increase output rapidly, all of which could serve as stimulants for the fabrication of financial reports. The findings of Avortri & Agbanyo's study support this theory (2021). As a result, the hypothesis is presented as follows:

H2: Change of director has a positive effect on financial report fraud in mining companies."

Political connection with financial reporting fraud

Politically connected mining corporations may be more prone to financial reporting fraud. Political ties may offer advantages, protection, or access to resources that lower the likelihood that fraud will be discovered. On the other hand, businesses with political ties might experience increased pressure to perform well or live up to expectations, which could lead them to falsify financial reporting. Research findings from (Haqq & Budiwitjaksono, 2020) corroborate this. So, the following is how the hypothesis is put forth:

H3: Financial reporting fraud in mining businesses is positively impacted by political relationships.

Ineffective monitoring with financial report fraud

Ineffective monitoring systems can create vulnerabilities that allow financial reporting fraud to go undetected. Deficiencies in internal controls, audits, or reporting procedures can diminish a company's capability to identify and prevent fraudulent activities. When monitoring systems are inadequate, the risk of financial reporting fraud is heightened, as employees or managers may perceive a greater chance of committing fraud without facing repercussions or detection. This is supported by the findings of Lokanan (2019). Therefore, the hypothesis is formulated as follows:

H4: Ineffective monitoring has a positive effect on financial reporting fraud in mining companies."

Rationalization with financial report fraud

When individuals in mining companies exhibit a high level of rationalization, they are more prone to engaging in financial reporting fraud. Elevated rationalization allows individuals to better justify their unethical or illegal behaviors, increasing the likelihood of committing fraud. This is supported by research findings from Avortri & Agbanyo (2021), Koomson et al. (2020), and Lokanan (2019). Therefore, the hypothesis is formulated as follows:

H5: Rationalization positively influences financial reporting fraud in mining companies.

CEO duality with financial report fraud

Mining companies where one individual holds both the CEO and Chairman of the Board of Commissioners positions face a higher risk of financial reporting fraud. This concentration of power can weaken oversight and create greater opportunities for fraudulent activities. The relationship between CEO duality and financial reporting fraud, as well as its impact on the company's green reputation, is supported by research from Koomson et al. (2020), Salehi et al. (2021), Achmad et al. (2022a), and Lokanan (2019). Therefore, the hypothesis is formulated as follows:

H6: CEO duality positively impacts financial reporting fraud in mining companies.

Financial report fraud with green reputation

Companies that have a strong green reputation, meaning they have a positive image in terms of environmental and sustainability concerns, are less likely to engage in financial reporting fraud. This is because a commitment to social responsibility and environmental ethics can reflect a corporate culture that is more supportive of integrity and transparency. This is supported by research results from (Rukmana, 2018) . So the hypothesis is formulated as follows:

H7: Financial report fraud has a positive effect on green reputation in mining companies

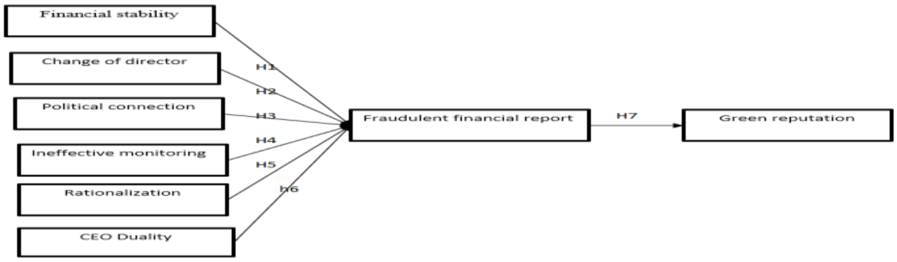

Figure 1: Framework
Source: author's data processing

3. RESEARCH METHODS

With a sample size of 40 businesses, this study focuses on mining industry companies listed in Indonesia between 2018 and 2022. The Indonesia Stock Exchange website (www.idx.co.id) provides annual reports from which the secondary data were collected. To choose the companies for the study, a purposive sampling technique is used.

1. Mining firms that listed on the Indonesia Stock Exchange between 2018 and 2022.
2. Businesses that released audited financial accounts in consecutive years, from 2018 to 2022.
3. For the research variables from 2018 to 2022, all accessible data is available.

Measurement of variables

Table 1: Indicator variables

Variables	Source	Indicator	Scale
Financial stability	Skousen et al., (2009)	Achange = Total assets t-total assets t-1 / Total assets t	Ratio
Political connections	By Sari & Nugroho, 2020	During the research period, a code of 1 indicates a political connection, while a code of 0 denotes no political connection.	Nominal
Change of Director	(Khamainy et al., 2022)	A code of 1 signifies a change in the company's directors, and 0 indicates no change.	Nominal
Ineffective monitoring	(Surjaatmaja, 2018)	BDout = number of independent commissioners / Number of commissioners	Ratio
Change of Audit	(Diansari & Wijaya, 2019)	A code of 1 is assigned if the company changes auditors, whereas a code of 0 is given if the company does not change auditors.	Nominal
CEO of Duality	(Simon, 2015)	coded as 1, and if the company does not practice CEO duality and is coded as '0' otherwise	Nominal
Intervening Financial Report Fraud	(Aviantara, 2023)	Beneish M-Score	Ratio
Dependent Reputation	(Uzliawati et al, 2023)	BR = Closing Price	Ratio

Source: author's data processing

The study utilizes financial reports from mining companies listed on the Indonesian stock index from 2018 to 2022. This data was sourced from the official Indonesian Stock Exchange website, www.BEI.co.id. The independent variable in this research is the SCCORE model (Achmad et al., 2022a), and financial reporting fraud is assessed using the Beneish M-Score (Rostami & Rezaei, 2022). Green reputation is evaluated based on stock price movements, as stock price can serve as a valuable indicator of a company's reputation by reflecting its performance, investor perceptions, and the impact of news or issues related to the company (Uzliawati et al., 2023).

4. ANALYSIS RESULTS AND DISCUSSION

Analysis results

Descriptive statistics

Table 2: Results of descriptive statistical tests

	N	Mean	Median	Min	Max	Standard deviation	Excess kurtosis	Skewness
MScore	200	17,876	-6.083	- 368,425	1,704,336	200,389	52,604	6.625
AP	200	7,911	9.131	-9,622	33,779	5,668	6,640	0.527
OBD	200	1,366	0.5	0	70,000	6,913	99.110	9.934
Rat	200	2,633	-0.862	-78,192	364,874	39,438	72,352	7,836
PC	200	0.1	0	0	1,000	0.3	5,439	2,707
CEO	200	0.1	0	0	1,000	0.3	5,439	2,707
CD	200	0.67	1,000	0	1,000	0.47	-1,491	-0.734
GR	200	916,839	1,058,000	0	3,105,000	943.248	-1.258	0.35

Source: Smart PLS data processing results

The MScore (Y) has a min value of -368.425 and a max value of 1,704.336, with an average (mean) of 17.876 and a standard deviation of 200.389, as per the descriptive data presented in Table 4.1. With an average (mean) of 7.911 and a standard deviation of 5.668, the AP values vary from a min of -9.622 to a max of 33.779. The average (mean) for OBD is 1.366, with a standard deviation of 6.913, and a range of 0.0 to 70.0. The Rat values have a standard deviation of 39.438 and an average (mean) of 2.633, ranging from -78.192 to 364.874. With an average (mean) of 0.10 and a standard deviation of 0.30, the min and max PC values are 0.00 and 1.00, respectively.

F test statistic

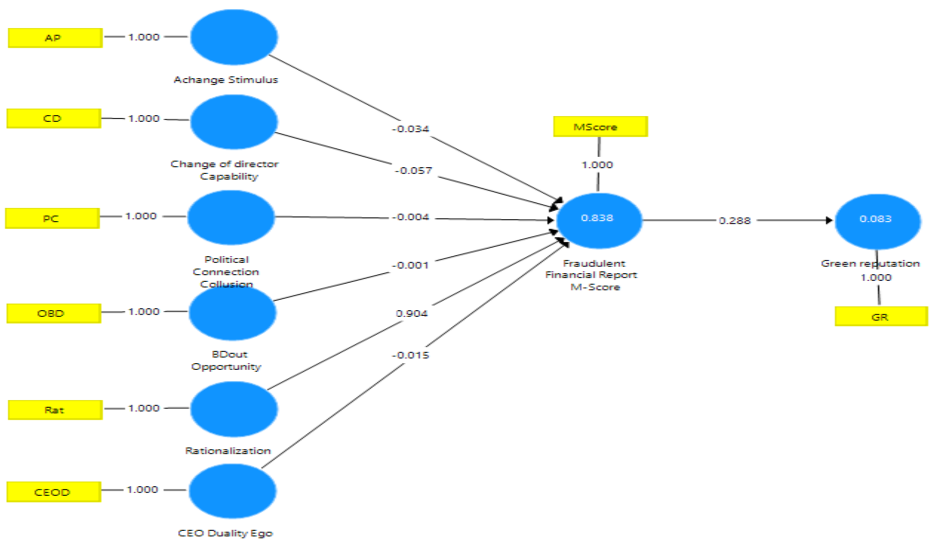

Figure 2: Beta coefficient
Source: Smart PLS data processing results

The estimated change in the dependent variable (y) resulting from a one-unit change in the predictor variable (x), while holding all other predictors fixed, is represented by the beta coefficient, as seen in the graphic above. It shows the direction (positive or negative) and strength of each predictor variable's association with each dependent variable.

T Statistic test

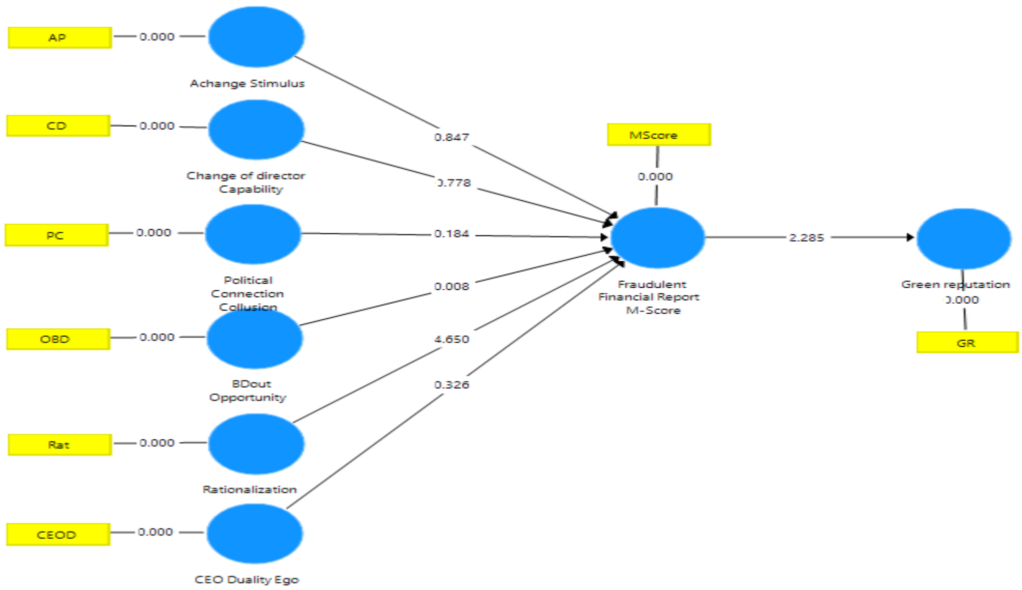

Figure 3: T Statistics

Source: Smart PLS data processing results

Based on the T Statistics image above, it shows that:

With a coefficient of 0.847 and t-statistics of 2.285, the change stimulus and the fraudulent financial report M-Score do not show a significant negative association. The relationship's significance cannot be directly determined in the absence of t-statistics for green reputation; nevertheless, if the t-statistic value is known and substantial, the same interpretation holds true.

Change of director Capability with a coefficient of 0.778 and t-statistics of 2.285 indicates that there is a significant and positive relationship between stimulus and Fraudulent Financial Report M-Score. Without t-statistics for green reputation, the significance of this relationship cannot be directly assessed, but the same interpretation applies if the t-statistics value is known and significant.

Political Connection Collusion 0.184 and t-statistics 2.285 indicate that although the impact of stimulus changes on the M-Score is relatively small, the effect is still statistically significant. That is, changes in stimulus tend to affect the Fraudulent Financial Report M-Score. Without information on the t-statistics for green reputation, the significance of this relationship cannot be directly assessed. However, if the t-statistics are known and are below the critical value, then the relationship is likely insignificant.

BDout Opportunity 0.008 and t-statistic 2.285 indicate that although the impact of stimulus changes on M-Score is relatively small, the effect is still statistically significant. This means that changes in stimulus tend to affect Fraudulent Financial Report M-Score. Without information on t-statistics for green reputation, the significance of this relationship cannot be directly assessed. However, if the t-statistic is known and is below the critical value, then the relationship is likely not significant.

Rationalization 4.650 and t-statistics 2.285 indicate that although the impact of stimulus changes on the M-Score is relatively large, the effect is still statistically significant. This means that changes in stimulus tend to affect the Fraudulent Financial Report M-Score. Without information on the t-statistics for green reputation, the significance of this relationship cannot be directly assessed. However, if the t-statistics are known and are below the critical value, then the relationship is likely not significant.

The CEO Duality Ego of 0.326 and the t-statistics of 2.285 show that, despite the relatively tiny influence of stimulus alterations on the M-Score, the effect is statistically significant. This indicates that the Fraudulent Financial Report M-Score is typically impacted by changes in stimulus. It is impossible to determine the importance of this association without knowledge of the green reputation t-statistics. However, the association is probably not significant if the known t-statistics are below the crucial value.

Table 4: Results of structural model testing

	R Square	R Square Adjusted
Fraudulent Financial Report	0.838	0.827
Green reputation	0.083	0.074

Source: smart PLS output

The independent variables in the regression model provide an explanation for the interpretation of the fake financial report in R Square. The regression model in this instance can account for 83.8% of the variation in fake financial reporting, as indicated by the R Square of 0.838. This demonstrates how effective the model is in explaining the majority of the variation in the data.

An adaptation of R Square that takes the number of independent variables in the model into account is called R Square Adjusted. This number gives a more realistic image, particularly when the model has a large number of independent variables. With a result of 0.827, it indicates that the model can still account for roughly 82.7% of the variation in false financial reporting even after controlling for the number of variables. The slight variation between R Square and R Square Adjusted suggests that there is no discernible overfitting when more variables are included. High R Square and Adjusted R Square values, on the other hand, show that the M-Score-calculating regression model is fairly accurate at predicting the likelihood of fraudulent financial reporting. Regarding Green

Hypothesis

Table 4: Hypothesis test results

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial stability → Fraudulent Financial Report	-0.034	-0.037	0.041	0.847	**0.397**
Change of director → Fraudulent Financial Report	-0.057	-0.067	0.074	0.778	**0.437**
Political Connection → Fraudulent Financial Report	-0.004	-0.012	0.022	0.184	**0.854**
Ineffective monitoring → Fraudulent Financial Report	-0.001	0.027	0.069	0.008	**0.993**
Rationalization → Fraudulent Financial Report	0.904	0.844	0.194	4,650	**0.000**
CEO Duality → Fraudulent Financial Report	-0.015	-0.025	0.045	0.326	**0.744**
Fraudulent Financial Report M-Score → Green reputation	0.288	0.264	0.126	2.285	**0.023**

Source: smart PLS output

Interpretation:

Financial Stability → Fraudulent Financial Report: The coefficient for the impact of financial stability on the M-Score is relatively small and not statistically significant ($p > 0.05$), suggesting that financial stability may not significantly influence the level of fraud in financial reporting.

Change of Director → Fraudulent Financial Report: The coefficient related to changes in director capability is also small and not statistically significant ($p > 0.05$), indicating that changes in director capability do not significantly affect fraudulent financial reporting.

Political Connection → Fraudulent Financial Report: Both political connection and collusion exhibit very small coefficients and are not statistically significant ($p > 0.05$). This implies that political connections or collusion do not play a significant role in fraudulent financial reporting.

Ineffective Monitoring → Fraudulent Financial Report: Ineffective monitoring also shows a very small coefficient and is not statistically significant ($p > 0.05$), demonstrating that ineffective monitoring does not significantly impact fraudulent financial reporting.
Rationalization → Fraudulent Financial Report: The coefficient for rationalization is both highly statistically significant ($p < 0.05$) and relatively large, indicating that rationalization has a significant effect on fraudulent financial reporting. In other words, rationalization is a key factor in explaining fraudulent financial reports.
CEO Duality → Fraudulent Financial Report: The coefficient for CEO duality ego is small and not statistically significant ($p > 0.05$), suggesting that the ego associated with CEO duality does not have a significant impact on fraudulent financial reporting.
Fraudulent Financial Report → Green Reputation: The positive coefficient is statistically significant, indicating a notable relationship between fraudulent financial reporting and green reputation. Practically, this means that companies with higher levels of fraudulent financial reporting are more likely to have a strong green reputation.

DISCUSSION

The influence of financial stability on fraud in financial reporting.

The study's findings reveal that financial stability does not significantly impact the level of fraud in financial reports. A company's financial stability alone does not guarantee that its financial statements are free from fraudulent activities. Even financially stable companies may engage in fraud to meet investor expectations or secure tax advantages. Fraud is often driven by various external or internal pressures that are not necessarily linked to financial stability. Mining companies, despite being financially stable, might still experience pressure to outperform their actual performance, particularly in highly competitive sectors. Pressure to sustain or enhance stock prices, meet profit goals, or secure new contracts can lead management to manipulate financial statements, even when the company is otherwise stable. These findings align with the research of Diansari & Wijaya (2019), Daniel TH Manurung (2015), and Avortri & Agbanyo (2021), but contrast with the conclusions of Supriatiningsih et al. (2022), Sinarti et al. (2019), and Haqq & Budiwitjaksono (2020), which suggest that financial stability does influence financial report fraud.

The effect of change of director on fraud in financial reports.

The results of the analysis prove that change of director the ability of directors does not have a significant effect on financial statement fraud. The ability or competence of a director does not always reflect their integrity or ethics in managing financial statements. Although a director may have high skills and experience, they may not always have the commitment to transparency or ethics needed to prevent fraud. Fraud often involves a conscious decision to violate ethical standards, which cannot be fully predicted by looking at technical or managerial abilities alone. Fraud in financial statements is influenced by various factors other than the ability of directors, such as pressure to meet profit targets, corporate culture, incentive structures, and weaknesses in internal control systems. Although changes in directors can affect company dynamics, these other factors may have a more significant impact on the likelihood of fraud. The results of this study are supported by (Achmad et al., 2022a) (Rengganis et al., 2019) (Chang & Sun, 2016) but the research results from (Avortri & Agbanyo, 2021) stated that change of director has an effect on financial report fraud.

The influence of political connections on fraud in financial reports.

Political Connection Collusion that political connections or collusion do not contribute significantly to the M-Score. Political connections or collusion may not always have a direct effect on fraudulent financial reporting practices. Although political connections can provide certain benefits, such as access to contracts or regulatory protection, not all companies with strong political connections engage in fraud. Political connections are more likely to influence other aspects of a company's operations, such as regulations and policies, than to directly influence fraudulent financial reporting. In some cases, strict oversight and regulation by government authorities and regulatory agencies may limit the potential for fraud, even if political connections exist. If a mining company is under strict oversight and there is strong law enforcement, the effect of political connections on fraud may be less significant. Strict compliance with financial reporting standards may reduce the incentive to commit fraud.

Mining companies that have strong internal control systems, transparency policies, and strict audit processes may be able to mitigate the effects of political ties. Effective internal control systems and anti-fraud policies can reduce the likelihood of fraud, even if the company has close political ties. Not all political ties are the same. The strength and type of political ties can vary significantly, and not all political ties directly influence decisions related to financial reporting. Indirect or insignificant political ties may not significantly influence fraudulent practices. The results of this study are in line with (Haqq & Budiwitjaksono, 2020)

The effect of ineffective monitoring on fraud in financial reports.

The results of the analysis show that ineffective monitoring has no significant effect on financial statement fraud. If a mining company does not have an effective internal control system, this can create opportunities for fraud. Inadequate internal control means that there is no sufficient mechanism to detect or prevent financial statement manipulation. The lack of internal audit, financial control, and verification procedures can reduce the company's ability to identify and address fraud. Weak or inadequate internal controls in supervision can lead to fraud. For example, if a mining company does not implement strict policies and procedures in financial recording and reporting, the opportunity to manipulate financial statements increases. Unclear or poorly implemented policies provide loopholes for fraudulent actions. Ineffective supervision is often accompanied by a lack of transparency and accountability in financial management. When transparency in financial reporting and decision-making processes is low, the risk of fraud increases because it is difficult to monitor and evaluate financial activities. Weak accountability also means that individuals who commit fraud may not feel threatened by the possibility of sanctions or punishment. The results of this study are supported by (Achmad et al., 2022a) (Daniel TH Manurung, 2015) (Wulandari & Maulana, 2022) but the research results from (Supriatiningsih, 2022) show that ineffective monitoring has an effect on financial report fraud.

The effect of rationalization on fraud in financial reporting.

Rationalization shows that rationalization has a significant influence on financial statement fraud. Rationalization allows individuals to justify their fraudulent actions by creating reasons or justifications that make them feel the actions are acceptable. In the context of a mining company, individuals may feel that they are entitled to manipulate financial statements for reasons such as feeling underappreciated, receiving inadequate compensation, or thinking that the company “owes” them. In the often highly competitive mining industry, the pressure to meet performance targets and financial expectations can be intense. If employees or managers feel that they cannot achieve these targets through honest means, they may rationalize fraud as a necessary means to achieve these goals. This rationalization often becomes an excuse for individuals to commit fraud in financial statements. A corporate culture that does not emphasize ethics and integrity can increase the rationalization of fraud. If the corporate culture in a mining company focuses more on the end result and less on how the result is achieved, employees may be more likely to rationalize fraudulent behavior. A culture that accepts or even encourages aggressive behavior in achieving results can make the rationalization of fraud more common. The results of this study are supported by (Avortri & Agbanyo, 2021) (Koomson et al., 2020) but the research results from (Lastanti et al., 2022) (Indarti & Siregara, 2018) that rationalization has no effect on financial report fraud.

The influence of CEO duality on fraud in financial reporting.

CEO Duality has no significant impact on financial statement fraud. Mining companies in Indonesia may have strong and effective internal control systems, which may offset the potential risk of CEO Duality. Good internal control systems, rigorous internal audits, and transparent reporting processes can mitigate the risk of fraud, regardless of who holds the dual position. If a mining company has a strong ethical culture and commitment to integrity, then CEO Duality may not have a significant impact on fraud. A corporate culture that emphasizes transparency, accountability, and regulatory compliance may mitigate the potential for fraud that may arise from concentration of power. External oversight, such as audits by independent auditors and oversight by regulatory authorities, can play an important role in detecting and preventing fraud. If external oversight in mining companies is sufficiently stringent and effective, then the risks associated with CEO Duality may be mitigated. An effective and independent audit committee can provide additional oversight of financial activities and reporting. If the audit committee has sufficient power and independence to monitor the financial statements and conduct the audit diligently, then the CEO of Duality may not have significant influence over the fraud. If the CEO who also serves as Chairman has high experience and integrity, and if the decisions made are based on good and transparent managerial practices, then CEO Duality may not increase the risk of fraud. The competence and ethics of the individual in the position can reduce the potential negative impact of CEO Duality. The rules and regulations in Indonesia are designed to reduce the potential risk of fraud, including the risk related to CEO Duality is POJK Number 33/POJK.04/2014. Strict regulations on financial reporting and corporate governance can help prevent fraud, so CEO Duality may not have a significant impact. The results of this study are supported by (Rukmana, 2018) (Koomson et al., 2020) (Salehi et al., 2021) (Achmad et al., 2022a) while (Koomson et al., 2020) (Salehi et al., 2021) (Achmad et al., 2022a) that arrogance has an effect on financial report fraud

The impact of financial reporting fraud on green reputation

The results of the analysis state that financial statement fraud affects Green Reputation. Mining companies often face challenges in maintaining a balance between financial performance and environmental performance. Fraud in financial statements can reflect management's inability to manage important aspects of the company's operations, including environmental responsibility. If a company engages in financial fraud, this could indicate that they may also be dishonest or transparent in their environmental reporting. Stakeholders such as investors, local communities, and regulators tend to associate transparency and integrity of financial statements with how a company handles social and environmental responsibility. If a company engages in financial statement fraud, stakeholder trust in the company may decrease, including their trust in the company's commitment to environmental responsibility. This can damage the company's green reputation that has been built. Financial statement fraud often indicates that a company does not adhere to high ethical standards. This can include how the company handles their social and environmental responsibilities. If a company is not transparent in its financial statements, this could reflect that they may also not be transparent in their environmental efforts, thus damaging their green reputation. This is in accordance with the results of research from (Rukmana, 2018) .

5. CONCLUSION AND LIMITATION

Conclusion

Financial stability, changes in directors, political connections, ineffective monitoring, and CEO duality do not significantly influence the level of fraud in financial reporting. This indicates that, while these factors are important for corporate governance and stability, they do not directly affect the likelihood of financial reporting fraud in mining companies in Indonesia. Factors like financial stability and director changes may lack the strength or relevance needed to prompt fraud compared to other factors that more directly impact managerial behavior. In contrast, rationalization significantly affects financial reporting fraud. This implies that the way individuals or managers justify or rationalize their actions plays a crucial role in their decision to engage in financial manipulation. Rationalization enables them to create justifications that make fraudulent behavior seem acceptable, despite its inherent unethics.

Furthermore, financial reporting fraud directly affects a company’s green reputation. When a company engages in financial reporting fraud, it damages public and stakeholder trust in the company’s integrity and transparency. This trust also includes the company’s commitment to environmental responsibility, which impacts their green reputation. Environmental reputation, which is built on claims of sustainable practices and responsibility, can be severely compromised if a company engages in financial fraud, suggesting that corporate integrity in financial reporting is key to maintaining a good environmental reputation.

6. LIMITATIONS

The data used in the model may not always be complete, accurate, or up-to-date. Data limitations can affect the results of the analysis, especially if the available data on financial reporting fraud and environmental reputation do not reflect the full reality of the company. Some data related to financial reporting fraud or environmental impact may be difficult to access for privacy or confidentiality reasons, limiting the ability to conduct a comprehensive analysis.

Green reputation is often subjective and can vary depending on stakeholder perceptions and the assessment methodology used. The absence of a standard in measuring green reputation can affect the consistency of the results. The various criteria or indicators used to assess green reputation may not always be in line with the aspects measured in the fraud model, which can make it difficult to directly link financial statement fraud to the impact on environmental reputation.
Statistical models used to determine the relationship between financial statement fraud and green reputation may rely on assumptions that do not always hold in the context of mining companies in Indonesia. These assumptions may include linearity, independence, and data distributions that may not always be accurate. The model may not account for all relevant variables, such as external factors or variables that may affect both financial statement fraud and green reputation. Variables not included in the model may affect the results of the analysis.

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