

# 2021\_Ramlah\_- \_Fraud\_Village\_Funds.pdf

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# Fraud Village Funds: Perspective Fraud Triangle Theory

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**Abstract:-** This study aims to analyze the direct and indirect effects of factors, pressure, opportunity, rationalization, on village fund fraud through intention to engage and local wisdom, this study uses quantitative research with Partial Least Square (PLS) analysis with a total of 340 respondents. The results showed that the triangle fraud consisting of pressure, opportunity, rationalization had a positive effect on village fund fraud through intention to engage, while local wisdom had a negative effect on village fund fraud.

**Keywords:-** Pressure, Opportunity, Rationalization, Intention To Engage, Local Wisdom, Fraud.

## I. INTRODUCTION

Fraud is all forms of fraudulent acts committed, whether it causes a large or small loss or profit to other parties, whether done openly or secretly, factors that trigger fraud are generic factors and individual factors, forms of fraud, among others corruption, mismanagement of company assets and fraudulent financial statements. According to the Fraud Triangle Theory (Cressey, 1953), there are three factors that describe the reasons why someone commits fraud, namely the existence of pressure, opportunity and rationalization factors. This is reinforced by the opinion (Vona, 2008) that fraud occurs because of rationalization, pressure, and opportunities.

Fraud shows that fraud only occurs when there is an opportunity, motivation, especially financial pressure and justification of fraud through a rationalization process (Cressey, 1953). Several studies have expanded this theory by modifying and adding elements of triangle fraud as the diamond fraud theory (Wolfe & Hermanson, 2004) adds the capability variable as one of the causes for individuals to commit fraud, then the pentagon fraud theory (Crowen, 2011) by adding arrogance variable as a trigger for fraud, as well as the scale fraud theory (Albrecht, 2012) which finds the triggers for fraud are pressure, opportunity and integrity, then Gone theory: Greed (greed), Opportunity (opportunity), need (need) and exposure (Bologna, 1993) is a factor that causes fraud, while others introduce more macro problems that cause fraud, such as social, cultural, industrial, group and organizational influences (Ramamoorti et al. 2008, Abdullah and Mansor, 2015, Skousen et al. 2018, Mr. Matt et al. 2019, Walukow et al. 2017).

Factors that can influence fraud are pressure, opportunity and rationalization in accordance with Cressey's Fraud Triangle theory (1953). Empirical evidence by Rabi'u and Noorhayati (2015), Albrecht (2012), Stalebrink and Sacco (2006), Rabi'u and Noorhayati (2015), Mat et al. (2019) and Skousen et al. (2018) the results of their research say that pressure is positively related to fraud. Where the pressure referred to is: human greed, lack of strength to face temptation, insufficient income to meet the needs of a reasonable life, urgent needs, a consumptive lifestyle, not wanting to work hard, lack of implemented religious teachings.

Local wisdom is a part of the culture of a society that cannot be separated from the community itself. Local wisdom as knowledge that is found by certain communities through a collection of experiences in trying and integrated with an understanding of the culture and circumstances of a place. Local wisdom is the values that apply to a society. The values that are believed to be true and become a reference in the daily behavior of the local community. The concept of local wisdom is in line with Geertz's theory, namely the concept of local wisdom is an entity that greatly determines human dignity in the community. Culture is a system of meanings and symbols that are structured, in the sense in which individuals define their world, express their feelings and provide judgments (Geertz, 1973).

Intention to Engage in Fraud is an intervening variable in this study. Even though there is pressure, opportunity and rationalization, there will be no fraud if there is no intention (individual internal factors), on the other hand, when there is an intention, even though there is pressure, opportunity and rationalization, fraud will occur.

In this study, the basis of the fraud theory used is the fraud triangle theory and the reason for using the fraud triangle theory is because it is still relevant to be used to detect fraud trends. This study aims to analyze the tendency of fraud or what factors cause fraud in the use of village funds (ADD) by village heads in South Sulawesi, using the triangle fraud theory (TTF) and with local wisdom and intention to engage fraud as intervening variables using the theory of planned behavior (TPB). It is hoped that this research can detect unethical acts (fraud) of village heads against the use of the village fund budget (ADD), so that it can be used as a reference or method in preventing fraud from an early age.

## II. LITERATURE REVIEW AND FORMULATION OF HYPOTESIS

Fraud is an intentional act against the law, causing economic loss to the victim and / the perpetrator who benefits from the act he committed (Dorminey et al. 2012). The fraud triangle theory and the fraud diamond theory are theories that often used to explain the causes of fraud according to Dorminey et al. (2012). The fraud triangle theory framework is then used as the basis for auditors to conduct fraud risk assessments when conducting audit assignments as required by the audit standards, both the Public Accountant Examination Standards (SPAP) and the State Financial Audit Standards (SPKN). Pressure is identified as one of the factors that encourage individuals to commit illegal acts (Dellaportas, 2013), (Wolfe & Hermanson, 2004), (Cressey, 1953) identify holders of trust in the company, tend to betray their trust if the company is in financial difficulties and if trust holders make wrong business decisions. This is what creates the conditions that encourage fraud. SAS No. 99 identifies 4 types of pressures that drive fraud in financial reporting, namely financial stability, external pressure, the manager's personal financial situation, and financial targets (Skousen et al. 2011).

### ➤ Fraud Theory Triangle (FTT)

Donald R. Cressey studied at the University of Indiana at Sutherland and was the brightest student, at this teaching institution he took a doctorate in criminology and became interested in deceptive behavior. This interest led him to write his doctoral thesis. He conducted interviews with 250 prisoners who were convicted of committing fraud. The research results (Cressey, 1953) formulated a final hypothesis, which is now known as triangle fraud. This hypothesis assumes that: Trusted people become trust-breakers when they have financial problems and are aware that these problems can be resolved secretly by violating a position of financial trust, and can behave themselves in the situation. Fraud triangle, a fraud triangle that describes 3 conditions that cause asset misuse and fraud in financial statements. The components of the fraud triangle developed by Cressey (1953) are (1) Pressure; (2) Justification (Rationalize); and (3) Opportunity.

*H<sub>1</sub>: The pressure factor has a significant effect on the tendency of village fund fraud through local wisdom*

*H<sub>2</sub>: The Opportunity factor has a significant effect on the tendency of village fund fraud through local wisdom*

*H<sub>3</sub>: The rationalization factor has a significant effect on village fund fraud through local wisdom*

Mat et al. (2019) in his research showed that there was a positive influence between perceived pressure and perceived opportunities on employees' intentions for fraud. There are three factors that determine an individual's intention to perform a behavior, the theory of planned behavior. These factors are attitude toward behavior, subjective norms and perceived behavioral control (Ajzen,

2012). The more a student has an assessment that a behavior will give positive results, the student will tend to have a high intention to do a behavior. Based on the description above, the hypothesis proposed is:

*H<sub>4</sub>. The pressure factor has a significant effect on village fund fraud through intention to engage*

According to Aidafitri et al. (2014) revealed that evaluating the behavior of government officials in government institutions is an assessment of attitudes, subjective norms and controlled behavior that play an important role in understanding and affecting employee behavior related to unethical behavior. Fishbein and Ajzen (1975) define intention as the subjective probability that a person has to perform a certain behavior. The intention will remain a behavioral tendency until the right moment is made, which is done to change the intention into a behavior (Ajzen, 2005). Based on previous research, hypothesis 5 proposed is whether there is an influence between the pressure variable on village fund fraud through intention to engage.

*H<sub>5</sub>. The opportunity factor has a significant effect on village fund fraud through intention to engage*

Results of research conducted by Parianti (2016) found subjective norms had a positive effect on accounting students' intentions to disclose fraud (whistleblowing). The greater the social pressure from the respondent's environment to report violations, the greater the person's intention to report violations and vice versa. Perception of control over behavior has a positive effect on the intention of accounting students to do whistleblowing. Based on previous research, hypothesis 6 is whether there is an influence between the rationalization variable on village fund fraud through intention to engage. The hypothesis proposed is:

*H<sub>6</sub>. The rationalization factor has a significant effect on village fund fraud through intention to engage.*

## III. RESEARCH METHODS

This research was conducted in 340 villages that received village funding allocations in South Sulawesi with the consideration that these villages were representative enough to represent village heads in the South Sulawesi region. The population in this study were 2,255 people. The results of calculations using Slovin obtained a sample of 340 respondents.

This study uses quantitative data. The data sources in this study are primary data and secondary data. The data collection method used a questionnaire designed in the form of a closed questionnaire, the data measurement scale used in this study used a Likert scale. The data analysis method used in this study was descriptive analysis and inferential statistics, namely Structural Equation Modeling (SEM) using PLS software. (Partial Least Square).

**IV. DATA ANALYSIS**

➤ *Partial Least Square (PLS) Research Model Scheme*

This research model uses six constructs, namely pressure, opportunity, razzionalitation, local wisdom, intention to ingage and fraud of village funds. Evaluation the smartPLS model is carried out by evaluating the measurement model (outer model) and structural model (inner model).

➤ *Testing the Measurement Model (Outer Model)*

➤ *Convergent Validity Test*

The rule of thumb that is commonly used to assess convergent validity is the loading factor value > 0.7 for confirmatory research and the loading factor value is between 0.6-0.7 for exploratory research and the AVE value must be greater than 0.5 (Sholih & Ratmono, 2013: 16). Even for early stage research, the loading factor value of 0.5 - 0.6 is considered sufficient (Chin 1988 & Ghozali & Latan, 2015: 74). The next step is to evaluate the outer model through 3 criteria, namely convergent validity, discriminant validity and composite reliability. convergent validity test results before eliminating indicators X1.9, 0.697; Z1.44, 0.687. Based on the table above, it is known that the values of all construct indicators have met the validity requirements, namely values above 0.7. However, there are two indicators that have a loading factor of less than 0.7, namely X1.9, 0.697; and Z1.44, 0.687; so the researcher decided to exclude two indicators from the model because they could not be used in hypothesis testing. Then the researcher re-tested the convergent validity, all indicators were said to be valid with a loading factor value above 0.7.

In addition to observing the cross loading value, discriminant validity can also be determined through other methods, namely by looking at the average variant extracted (AVE) value for each indicator, it requires the value to be > 0.5 for a good.

➤ *Model Average Variant Extracted (AVE)*

Konstruk	AVE
Pressure (X1)	0.586
Opportunity (X2)	0.604
Razzionalitation (X3)	0.612
Lokal Wisdom (Z1)	0.633
Intention to ingage (Z2)	0.835
Fraud dana desa (Y)	0.675

Data Source: 2020

Based on the data presented in the table above, it is known that the AVE value of the variables Pressure, Opportunity, Razzionalitation, Local Wisdom, Intention to Ingage, and Fraud of village funds > 0.5. Thus it can be stated that each variable has good discriminant validity.

➤ *Composite Reliability*

The last evaluation on the outer model is reliable. A construct is declared reliable if it has a composite reliability value above 0.70. From the SmartPLS output, all constructs have a composite reliability value above 0.70. So it can be concluded that the construct has good reliability.

➤ *Composite Reliability*

Variabel Laten	Composite Reliability
Pressure (X1)	0.933
Opportunity (X2)	0.938
Razzionalitation (X3)	0.949
Lokal Wisdom (Z1)	0.962
Intention to ingage (Z2)	0.953
Fraud dana desa (Y)	0.935

Data Source: 2020

Based on the data presentation in the table above, it can be seen that the composite reliability value of all research variables is > 0.7. These results indicate that each construct has met composite reliability so it can be concluded that the entire construct has a high level of reliability.

➤ *Cronbach Alpha*

The reliability test with the composite reliability above can be strengthened by using the Cronbach alpha value. A variable can be declared reliable or more Cronbach alpha if it has a Cronbach alpha value > 0.7. The following is the cronbach alpha value of each variable:

➤ *Cronbach Alpha*

Variabel Laten	Cronbach's Alpha
Pressure (X1)	0.921
Opportunity (X2)	0.927
Razzionalitation (X3)	0.942
Lokal Wisdom (Z1)	0.958
Intention to Ingage (Z2)	0.934
Fraud Dana Desa (Y)	0.918

Data Source: 2020

Based on the data presentation above, it can be seen that the Cronbach alpha value of each research variable is > 0.7. Thus these results indicate that each research variable has met the requirements for the Cronbach alpha value, so it can be concluded that all variables have a high level of reliability.

➤ *Structural Model Testing (Inner Model)*

In the inner model section, we will see the relationship between latent variables and latent variables. This research will explain the results of the goodness of fit test and hypothesis testing.

➤ R Square

Testing of the structural model (inner model) is carried out to measure the degree of variation in exogenous construct change against endogenous constructs (Jogiyanto, 2011: 72). The structural model in PLS evaluated using R-square (R2) for endogenous variables. Chin stated that the R2 result of 0.67 and above for endogenous latent variables in the structural model indicates that the effect of exogenous variables (which influence) on endogenous variables (which are influenced) is in the good category. Meanwhile, if the result is 0.33 - 0.67, it is in the medium category, and if the result is 0.19 - 0.33 it is in the weak category. The following is the R Square value of each endogenous construct:

➤ Nilai R Square

Konstruk	R Square
Lokal Wisdom	0.628
Intention to Ingage	0.663
Fraud Dana Desa	0.758

Data source 2020 Smart-PLS 2.0.M3

The table above shows that the R square in the Local Wisdom construct is 0.628 or 62.8%. This means that the exogenous variables Pressure, Opportunity, and Razionalita contributed 62.8% to the Local Wisdom construct, while the remaining 37.2% was influenced by other variables not examined in this study.

The R square value for the Intention to Ingage construct is 0.673 or 67.3%. It can be interpreted that the exogenous variables Pressure, Opportunity, and Razionalita contributed 67.3% to the Intention to Ingage construct, while the remaining 32.7% was influenced by other constructs not examined in this study.

The R square value for the fraud construct was 0.758 or 75.8%. It can be interpreted that the variables Pressure, Opportunity, Razionalitation, Local Wisdom, and Intention to Ingage contributed 75.8% to the Fraud construct, while the remaining 24.2% were influenced by other constructs not examined in this study.

In addition to seeing the R square value, the feasibility of the inner model can be done by using predictive relevance (Q square). The calculation formula for Q square is as follows:

$$\begin{aligned}
 Q^2 &= 1 - (1 - R1^2)(1 - R1^2) \\
 &= 1 - (1 - 0.628)(1 - 0.673)(1 - 0.751) \\
 &= 1 - (0.628) \times (0.663) \times (0.758) \\
 &= 0.684396088
 \end{aligned}$$

Based on the results of the above calculations, the Q2 value of 0.684396088 or 68.43% illustrates that the research model has a perspective of relevance. This research model can explain the data variant of 68.43% while the rest is explained by other variables.

➤ Hypothesis test

Hypothesis testing for each path of influence between latent variables is done by using the t test. There are two types of influence being tested, namely (1) direct effect and (2) indirect effect. The level of significance in hypothesis testing is measured using the path coefficient value parameter (Abdillah& Hartono, 2015). This test looks at the path coefficient estimate and the t-statistic value with significance at  $\alpha = 5\%$ . If the t-statistic value is higher than 1.64 for the one-tailed hypothesis, then the hypothesis is accepted. This shows that the exogenous variables, Pressure, Opportunity, Razionalitation, Local Wisdom, and Intention to Ingage, affect the changes that occur in the endogenous construct, namely fraud. Conversely, if the t-statistic value is less than 1.64, the hypothesis is rejected. This means that the exogenous construct, Pressure, Opportunity, Razionalitation, Local Wisdom, and Intention to Ingage, do not affect the changes that occur in the endogenous construct, namely fraud.

➤ Direct Influence

Direct effect is the effect that is directly measured from one construct to another. There are seven direct effects that can be tested in this study which are shown in the following table. Nilai Path Coefficient

Hipotesis	Original Sample	T-Statistics	P Values	Decision	
H1	Pressure -->Praud	0.267	3.246	0.001	Diterima
H2	Opportunity-->Praud	0.234	2.455	0.007	Diterima
H3	Razional -->Praud	0.060	0.595	0.276	Ditolak
H4	Pressure -->Lok_Wis	0.013	0.147	0.441	rejected
H5	Opportunity-->Lok_Wis	0.400	3.593	0.000	accepted
H6	Razional-->Lok_Wis	0.452	5.097	0.000	accepted
H7	Pressure --> Intention	0.257	3.506	0.000	accepted
H8	Opportunity--> Intention	0.177	2.313	0.011	accepted
H9	Razional --> Intention	0.526	6.954	0.000	accepted
H10	Lok_Wis -->Praud	-0.176	2.116	0.017	accepted
H11	Intention -->Praud	0.580	5.617	0.000	accepted

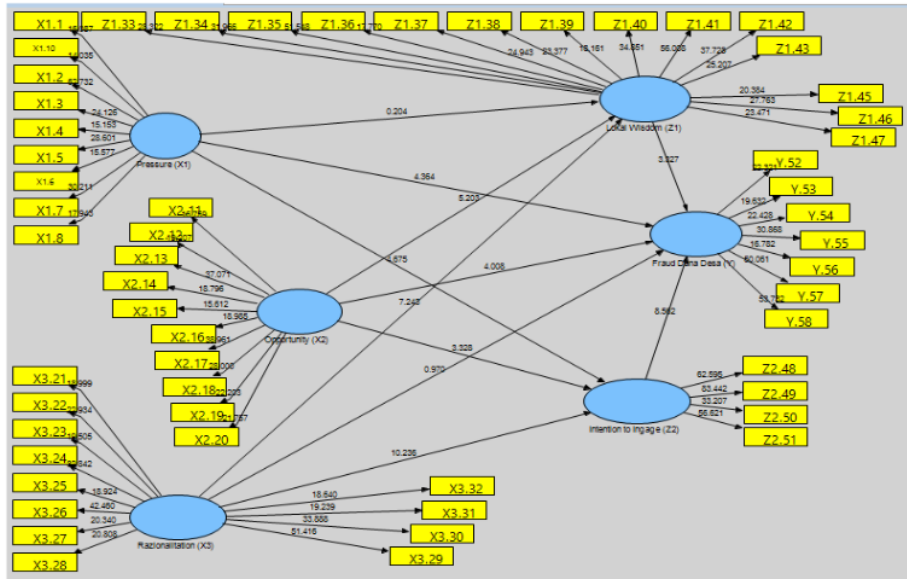
Source: Primary data 2020 (smart-PLS 0.2)

Information: Pressure, Opportunity, Razionalitation, Local Wisdom (Local Wisdom), Intention to Ingage (Intention), Praud (Cheating).

The table above shows the test results using the SmartPLS data processing program. There are eleven hypotheses (H1 – H11) of direct effects tested in this study.

As shown in the table, two direct effect hypotheses were rejected, the t statistical value (t value <1.64) at 5% alpha level with positive coefficient values of 0.060 and 0.013. Graphically, the structural model test results are presented in full in the following Figure.

➤ HypothesisEffect Testing Results



Data source 2020 (smartPLS 0.2).

Based on the Table and Figure above, it can be concluded that the results of testing the direct effect hypothesis are as follows:

- Hypothesis 1. states that the Pressure construct has a positive effect on Praud Dana Desa. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.267, and the t-statistic value of 3.246 is greater than ( $> 1.64$ ). So it can be concluded that Pressure (X1) affects Praud Dana Desa (Y). Based on these results it can be said that hypothesis 1 is accepted.
- Hypothesis 2. states that the Opportunity construct has a positive effect on Praud Dana Desa. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.234, and the t-statistic value of 2.455 is greater than ( $> 1.64$ ). So it can be concluded that Opportunity (X2) affects Praud Dana Desa (Y). Based on these results it can be said that hypothesis 2 is accepted.
- Hypothesis 3. states that the Razionalitation construct has a positive effect on Praud Dana Desa. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.060, and the t-statistic value of 0.595 is smaller than ( $< 1.64$ ). So it can be concluded that Razionalitation (X3) has no effect on Praud Dana Desa (Y). Based on these results it can be said that hypothesis 3 is rejected.
- Hypothesis 4. states that the Pressure construct has a positive effect on local wisdom. Based on table 5.11, it

can be seen that the beta value ( $\beta$ ) shows a positive value of 0.013, and the t-statistic value of 0.147 is smaller than ( $< 1.64$ ). So it can be concluded that the Pressure (X3) construct has no effect on Local Wisdom (Z1). Based on these results it can be said that hypothesis 4 is rejected.

- Hypothesis 5. states that the Opportunity construct has a positive effect on local wisdom. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.400, and the t-statistic value of 3.593 is greater than ( $> 1.64$ ). So it can be concluded that the construct of Opportunity (X5) affects Local Wisdom (Z1). Based on these results it can be said that hypothesis 5 is accepted.
- Hypothesis 6. states that the Razionalitation construct has a positive effect on local wisdom. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.452, and the t-statistic value of 5.097 is greater than ( $> 1.64$ ). So it can be concluded that the Razionalitation construct (X6) affects Local Wisdom (Z1). Based on these results it can be said that hypothesis 6 is accepted.
- Hypothesis 7. states that the construct Pressure has a positive effect on Intention to Ingage. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.257, and the t-statistic value of 5.506 is greater than ( $> 1.64$ ). So it can be concluded that the construct Pressure (X7) affects Intention to Ingage (Z2).

Based on these results it can be said that hypothesis 7 is accepted.

8. Hypothesis 8. states that the Opportunity construct has a positive effect on Intention to Ingage. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.177, and the t-statistic value of 2.313 is greater than ( $> 1.64$ ). So it can be concluded that the construct of Opportunity (X8) affects Intention to Ingage (Z2). Based on these results it can be said that hypothesis 8 is accepted.
9. Hypothesis 9. states that the Razionalitation construct has a positive effect on Intention to Ingage. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.526, and the t-statistic value of 6.954 is greater than ( $> 1.64$ ). So it can be concluded that the Razionalitation construct (X9) has an effect on Intention to Ingage (Z2). Based on these results it can be said that hypothesis 9 is accepted.
10. Hypothesis 10. states that the construct of Local Wisdom has a negative effect on Praud Dana Desa. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a negative value of -0.176, and the t-statistic value of 2.116 is greater than ( $> 1.64$ ). So it can be concluded that the construct of Local Wisdom (X10) has an effect on Praud Dana Desa (Z2). Based on these results it can be said that hypothesis 10 is accepted.
11. Hypothesis 11. states that the construct of Intention to Ingage has a positive effect on Praud Dana Desa. Based on table 5.11, it can be seen that the beta value ( $\beta$ ) shows a negative value of 0.580, and the t-statistic value of 5.617 is greater than ( $> 1.64$ ). So it can be

concluded that the construct of Intention to Ingage (X11) affects Praud Dana Desa (Z2). Based on these results it can be said that hypothesis 10 is accepted.

➤ *Effects of Mediation Effects*

The indirect effect is the effect measured by one latent variable Pressure (X1), Opportunity (X2), Razionalitation (X3) on the Praud Dana Desa (Y) variable construct through the local mediator variable Wisdom (Z1) and Intention to ingage (Z2), namely Local Wisdom and Intention. In testing the mediation effect, the output of the significant test parameters can be seen in the total effect table. If the t-statistic value of the Local Wisdom (Z1) and Intention to ingage (Z2) variables is less than 1.64, the mediation variable fails to mediate the effect of the latent variables Pressure (X1), Opportunity (X2), Razionalitation (X3), and Local Wisdom (Z1) and Intention to ingage (Z2) on the Praud Dana Desa latent variable (Y). Conversely, if the t-statistic value of the latent local endogenous variable Wisdom (Z1) and Intention to ingage is more than 1.64 then the mediating variable is successful in mediating the influence of the exogenous latent variables Pressure (X1), Opportunity (X2), and Razionalitation (X3) on latency Praud Dana Desa variable (Y). There are six indirect effects tested in this study, but H12 was rejected because statistically the t value of 0.436 was smaller than the t statistical value ( $t < 1.64$ ). The following is the total indirect effect value with the influence of mediation in this study:

➤ *Indirect Effect Between Variables*

Influence	Original Sample	T-Statistics	P Values	Decision
H12 X1 → Z1 → Y	-0.007	0.436	0.332	rejected
H13 X2 → Z1 → Y	-0.071	1.814	0.035	accepted
H14 X3 → Z1 → Y	-0.087	1.981	0.024	accepted
H15 X1 → Z2 → Y	0.153	3.036	0.001	accepted
H16 X2 → Z2 → Y	0.099	1.840	0.033	accepted
H17 X3 → Z2 → Y	0.030	3.827	0.000	accepted

Data Source: 2020 smart-PLS 03

Information: X1 (Pressure), X2 (Opportunity), X3 (Razionalitation), Z1 (Local Wisdom), Z2 (Intention to ingage), Y (Fraud Dana Desa).

First, hypothesis 12 (H12) states that Pressure (X1) has a negative effect on Praud Dana Desa (Y) through Local Wisdom (Z1). The test results show that the t-statistic value of this variable shows insignificant results, which is 0.436 smaller than ( $< 1.64$ ). Based on table 5.12, it can be seen that the beta value ( $\beta$ ) shows a negative value of -0.007. So it can be concluded that Local Wisdom (Z1) as an intervening variable weakens the influence of Pressure (X1) on Praud Dana Desa (Y), but based on the results of statistical tests it can be concluded that hypothesis twelve is rejected, which shows the t statistical value of 0.436 is smaller than the value. ( $t < 1.64$ ).

Second, hypothesis 13 (H13) states Opportunity (X2) has a negative effect on Village Fund Praud (Y) through Local Wisdom (Z1). The test results show that the t-statistic value of this variable shows significant results, which is 1.814 greater than ( $> 1.64$ ). Based on table 5.12, it can be seen that the beta value ( $\beta$ ) shows a negative value of -0.071. So it can be concluded that Local Wisdom (Z1) as an intervening variable weakens the influence of Opportunity (X2) on Praud Dana Desa (Y), but based on the results of statistical tests it can be concluded that the thirteenth hypothesis is accepted which shows the t statistical value of 1.814 is greater than the value ( $t > 1.64$ ).

Third, hypothesis 14 (H14) states that Razionalitation (X3) has a negative effect on Praud Dana Desa (Y) through Local Wisdom (Z1). The test results show that the t-statistic value of this variable shows significant results, which is 1.981 greater than ( $> 1.64$ ). Based on table 5.12, it can be seen that the beta value ( $\beta$ ) shows a negative value of -

0.087. So it can be concluded that Local Wisdom (Z1) as an intervening variable weakens the effect of Rationalization (X3) on Praud Dana Desa (Y), but based on the results of statistical tests it can be concluded that the fourteenth hypothesis is accepted which shows the t statistical value of 1.981 is greater than the value ( $t > 1.64$ ).

Fourth, hypothesis 15 (H15) states that Pressure (X1) has a positive effect on Pr<sup>7</sup>village funds (Y) through Intentiontoingage (Z2). The test results show that the t-statistic value of this variable shows significant results, which is 3036 greater than ( $> 1.64$ ). Based on table 5.12 it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.153. So it can be concluded that Intention to ingage (Z2) strengthens the positive influence of Pressure (X1) on Praud Dana Desa (Y), based on the results of statistical tests it can be concluded that the fifteenth hypothesis is accepted which shows the t statistical value of 3.036 is greater than the value ( $t > 1.64$ ).

Fifth, hypothesis 16 (H16) states Opportunity (X2) has a positive effect on Pr<sup>7</sup>village funds (Y) through Intention to ingage (Z2). The test results show that the t-statistic value of this variable shows significant results, which is 1,840 greater than ( $> 1.64$ ). Based on table 5.12, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.099. So it can be concluded that Intention to ingage (Z2) strengthens the positive influence of Opportunity (X2) on Praud Dana Desa (Y), based on the results of statistical tests it can be concluded that the sixteenth hypothesis is accepted which shows the t statistical value of 1,840 is greater than the value ( $t > 1.64$ ).

Sixth, hypothesis 17 (H17) states that Razionalitation (X3) has a positive effect on Pr<sup>7</sup>village funds (Y) through Intention to ingage (Z2). The test results show that the t-statistic value of this variable shows significant results, which is 3,827 greater than ( $> 1.64$ ). Based on table 5.12, it can be seen that the beta value ( $\beta$ ) shows a positive value of 0.030. So it can be concluded that Intention to ingage (Z2) strengthens the positive effect of Razionalitation (X3) on Praud Dana Desa (Y). Based on the results of statistical tests it can be concluded that the seventeenth hypothesis is accepted which shows the t statistical value of 3,827 is greater than the value ( $t > 1.64$ ).

## V. DISCUSSION

Hypothesis testing for each path of influence between latent variables is done by using the t test. There are two types of influence being tested, namely (1) direct effect and (2) indirect effect. The level of significance in hypothesis testing is measured using the path coefficient value parameter (Abdillah& Hartono, 2015).

1. Hypothesis 1 (H1): Effect of Pressure(Pressure) on Fraud village funds.

The results of hypothesis testing for the pressure variable indicate that pressure has a significant positive effect on village fund fraud. According to the fraud pentagon found by Crowe (2011), it was explained that there

is one element that triggers fraud, namely pressure. In this study, the pressure referred to is related to financial needs.

2. Hypothesis 2 (H2): The opportunity effect on Praud Village Fund.

The second hypothesis in this study is Opportunity has an effect on Praud Dana Desa. Opportunity is a situation where there is an opportunity to allow fraud to occur. These opportunities arise as a result of weak internal control of an organization, lack of supervision, or abuse of authority. The opening of this opportunity can also make individuals and groups who previously did not have a motive to commit fraud. The absence of effective controls can provide opportunities for village officials to commit acts of fraud.

3. Hypothesis 3 (H3): The Effect of Rationalization on Village Fund Praud (Village Fund Fraud).

The results of hypothesis test for the rationalization variable show that rationalization has a significant positive effect on fraud in village funds. Novianti and Annisa (2018) state that rationalization means that someone can be trusted, even if the person concerned commits an act of fraud, it will be seen not because of his intention but because of a system or environmental error that caused fraud to occur so that the party who committed the fraud felt he had not done anything wrong.

4. Hypothesis 4 (H4): The Effect of Pressure on Local Wisdom.

The fourth hypothesis in this study is Pressure on Local Wisdom has an effect on Local Wisdom.

Local wisdom can be used as a tool to mitigate the risk of fraud if the philosophy is well respected and implemented. So far, the local wisdom values in South Sulawesi have been routinely implemented, however, the existing local wisdom has not yet been fully imbued with the management of village funds. This can be seen when people in South Sulawesi implement local wisdom as only a tradition that must be carried out every year, but in practice the community does not understand the philosophy and values contained.

5. Hypothesis 5 (H5): Effect of Opportunity on Local Wisdom.

The fifth hypothesis in this study is Opportunity has an effect on Local Wisdom. One of the things that can be used to strengthen the control of village fund management in South Sulawesi is local wisdom. Good financial management is the management of obtaining funds and using these funds efficiently (Shaferi and Handayani, 2014). Good financial management, namely managing in accordance with the rules set by the government. However, at present this government regulation is no longer a binding rule for government officials but only a paper rule and is not implemented in any government agency, especially the Village Office. Therefore, a Bugis Makassar philosophy is needed to control every management action that will be carried out by village government officials.

#### 6. Hypothesis 6 (H6): The Effect of Rationalization on Local Wisdom.

The sixth hypothesis in this study is that rationalization has an effect on local wisdom. Rationalization is self-justification or wrong reason for a wrong behavior. This should be the concern of local governments so that the rationalization of fraud cannot be justified. When an act of fraud has been detected, usually the perpetrator will provide rational reasons as a form of self-defense.

#### 7. Hypothesis 7 (H7): Effect of Pressure on Intention to Engage.

The fifth hypothesis in this study is that pressure has an effect on Intention to Engage. By adopting the theory of planned behavior, this study develops a rationalization factor, namely the Pressure variable which is mediated by intention to engage fraud, to adopt the Pressure variable related to the motivation of a person or individual who encourages them to seek opportunities to commit fraud, as stated by Ajzen (1991) that the Pressure variable first affects behavior through intent (intent to engage).

#### 8. Hypothesis 8 (H8): Effect of Opportunity on Intention to Engage

Based on the results of research conducted in the village of South Sulawesi, there is the potential for fraud in the village financial management process. The potential for cheating can arise due to the opportunity factor. The potential factor for fraud is related to the obligation of PTPKD to commit fraud, and that no party is disadvantaged in committing negligence and justifying mistakes that often occur.

#### 9. Hypothesis 9 (H9): The Effect of Rationalization on Intention to Engage.

Rationalization is a process in which an employee mentally determines that fraudulent behavior is the right attitude, given that the company can absorb the consequences of this action or that no shareholder or stakeholder will be materially affected by the implementation of fraud (Machado & Gartner, 2018).

#### 10. Hypothesis 10 (H10): The Effect of Local Wisdom on Fraud.

In the fraud triangle, which was first created by Cressey (1953), there are three factors that cause accounting fraud, namely, pressure, opportunity, rationalization, and local wisdom as mitigating fraud risk. Life and science as well as various life strategies carried out by people who live in a certain place in responding to various problems faced in fulfilling their needs (Fajarini, 2014).

#### 11. Hypothesis 11 (H11): The effect of intention to engage on Fraud.

Intention according to Corsini (2002) is a decision to act in a certain way, or an urge to take an action, whether consciously or not. Ajzen (2005) intention is an antecedent of an apparent behavior. Intention can accurately predict various behavioral trends. Based on the theory of planned behavior, intention is a function of the three main determinants, first is the personal factor of the individual,

second is how the social influence is, and the third is related to the control the individual has (Ajzen, 2005).

## VI. CONCLUSION

In general, the management of village funds in South Sulawesi province has followed the flow of village fund management required in Permendagri No.20 of 2018. As for implementation at each stage there are risks of fraud, such as the interests of certain groups, regulations and rules applies so as to result in a conflict of interest, a negative impression from the community, manipulating evidence of village development transactions that are not in accordance with the RAB and RKPDes, TPK from the community is deemed unable to carry out their duties optimally, manipulation of data in SISKEUDES and tight deadlines at the end of the village fund budget year which require the village treasurer to carry out administration at home, abuse of authority by village officials. Although in every risk there is already a form of control to be able to reduce and manage these risks, it is felt that local wisdom can also be used as a means of mitigating the risk of fraud if it is carried out well. However, what has happened in many villages in South Sulawesi, local wisdom has so far only been imbued as a hereditary tradition without further taking on deeper values or philosophies in the implementation of village fund management.

## LIMITATIONS AND SUGESSTIONS

The main method for collecting data in this study is a questionnaire. The variables measured in this study are sensitive matters, in general, it is difficult to fully express through questions. The limitations of the data collection methods used are recognized as having an impact on the limitations of the data and the meaning of the data collected. It is hoped that further researchers will continuously carry out replication of research on village fund fraud, thus research in the field of fraud will be wider and have high generalizability.

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