



Article Type: Research Paper

Factors Causing Fraudulent Management of Village Funds During the COVID-19 Pandemic

Wahyu Manuhara Putra^{1*}, Mar'atussholichah Kurnia Sani¹, Adli Zuliansyah Putra^{2,3} and Budi Barata Kusuma Utami⁴



AFFILIATION:

¹Department of Accounting, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, Special Region of Yogyakarta, Indonesia

²Master of Accounting, Universitas Muhammadiyah Yogyakarta, Special Region of Yogyakarta, Indonesia

³Business and Sustainability Research Center, Universitas Muhammadiyah Yogyakarta, Indonesia

⁴Accounting Department, Faculty of Business and Economic, University of Ahmad Dahlan, Special Region of Yogyakarta, Indonesia

*CORRESPONDENCE:

wahyu_m@umy.ac.id

DOI: 10.18196/jai.v25i2.20092

CITATION:

Putra, W. M., Sani, M. K., Putra, A. Z., & Utami, B. B. K. (2024). Factors causing fraudulent management of village funds during the COVID-19 pandemic. *Journal of Accounting and Investment*, 25(2), 460-478.

ARTICLE HISTORY

Received:

30 Sep 2023

Revised:

16 Oct 2023

03 May 2024

Accepted:

24 May 2024



This work is licensed under a Creative Commons Attribution-Non-Commercial-No Derivatives 4.0 International License

JAI Website:



Abstract

Research aims: This study examines the factors that cause fraud in managing village funds during the COVID-19 pandemic, including financial pressure, supervision, rationalization, competence, apparatus position power, and transparency.

Design/Methodology/Approach: Four hundred and five respondents who were village officials in four provinces were involved based on the convenience sampling method. Respondents were given seven days to fill out the questionnaire, and then the data were analyzed using SEM-PLS.

Research findings: Several factors can lead to fraudulent management of village funds during the COVID-19 pandemic: financial pressure, rationalization, and position power. Meanwhile, transparency significantly negatively affects the fraudulent management of village funds during the COVID-19 pandemic.

Theoretical contribution/Originality: The research contributes to developing the fraud pentagon theory by presenting the arrogance dimension proxied using the power of position in the context of village government during the COVID-19 pandemic.

Practitioner/Policy implication: This research is expected to be an input for the village government in developing mechanisms that can prevent fraud in managing village funds using the dimensions in the fraud pentagon theory.

Research limitation/Implication: The scope of the research used is relatively small, only covering village governments from nine districts in four provinces in Indonesia. Thus, caution is needed in generalizing the results. Therefore, a wider population is needed.

Keywords: COVID-19 Pandemic; Fraud; Village Apparatus; Village Funds

Introduction

Act No. 6 of 2014 and Government Regulation No. 43 of 2014 are the basis for village governments to manage their households, including village financial management, to accelerate the development of village communities. These laws and regulations also provide access to many sources of income for village governments, including local own-source revenues (PAD), state budget allocations, part of local taxes or levies, village fund allocations, and others. The implications of village laws and regulations can be seen in the increasing average village fund revenue trend for two years. In 2018, the average receipt of village funds was IDR 800.4 million, and in 2019, the average receipt of village funds rose to IDR 933.9 million. Therefore, villages have the potential to manage significant financial funds, and their management must be ensured to be

accountable and far from irregularities.

On the other hand, the COVID-19 pandemic has had a significant impact on Indonesia's economy. COVID-19 has caused Indonesia to enter into an economic recession. Gross Domestic Product (GDP) growth has slumped to minus 3.49% in the third quarter of 2020 (Fauzia & Djumena, 2020). This phenomenon has caused village governments to refocus their funds on handling COVID-19. This manifests as village cash-intensive activities (PKTD) that focus on social and economic impact recovery programs during the COVID-19 pandemic (TNP2K, 2020).

Moreover, because of the vulnerability of cases of misappropriation of village funds, managing village funds continues to be a public concern. The Indonesia Corruption Watch (ICW) report reveals that most corruption cases committed by law enforcement officials occur in the village fund budget sector. In addition, from 2015 to 2020, there were 428 cases of fraud in managing village funds, involving 676 village officials (Guritno & Krisiandi, 2021). In addition, between 2015 and 2017, there were 106 cases of investigation, in which 101 village heads/officials were suspects, with a total potential state loss of 39.5 billion rupiahs (Dahlan et al., 2018). Furthermore, in the 2020-2021 period, there were 203 corruption cases involving 132 village heads and 50 village officials in 2020 and 61 village heads and 24 village officials in 2021 (Firdaus, 2021). The increasing trend of corruption cases in villages, which continues to increase yearly, indicates a lack of supervision, negative financial participation, and sometimes the competence of human assets in village financial administration.

According to agency theory, the fraudulent management of village funds occurs due to a conflict of interest between the village apparatus (agent) and the community (principal). As an agent, the village government has and fully controls more information regarding managing the village funds it receives. However, it needs to be followed by a strong monitoring mechanism that the community can carry out. The absence of solid supervision from the community makes the village government vulnerable to managing its finances away from the appropriation.

The fraud pentagon theory views that fraud can occur based on four things: pressure, opportunity, rationalization, competence, and arrogance (Marks, 2012). Financial and non-financial pressure can create pressure to commit fraud (Rahmatika et al., 2019; Putra, 2019; Abdullahi & Mansor, 2015; Rahmanti & Daljono, 2013). The opportunity factor for fraud can arise when an organization has a weakness in the internal control system, which causes ineffective supervision (Rahmatika et al., 2019; Wahyudi et al., 2021; Septriani & Handayani, 2018). The rationalization factor allows someone to commit fraud due to a strong moral urge to justify the fraud committed (Rahmatika et al., 2019; Abdullahi & Mansor, 2015; Wahyudi et al., 2021). The competency factor allows fraud to occur when someone has the ability and power to commit fraud. This ability and power can arise due to several things, such as the position held, the ability of individuals to exploit weaknesses in the existing control system, and the ability to hide fraud (Rahmatika et al., 2019; Abdullahi & Mansor, 2015; Septriani & Handayani, 2018). The arrogance factor to commit fraud will arise when someone consciously believes that

the existing control system in the organization cannot apply to him (Marks, 2012; Rahmatika et al., 2019).

Although some studies have shown that the factors of pressure (Putra, 2019), opportunity (Septriani & Handayani, 2018), rationalization (Aini et al., 2017; Suwena, 2021), competence (Wonar et al., 2018; Atmadja & Saputra, 2017; Islamiyah et al., 2020; Widiyarta, 2017), and arrogance (Damayanti et al., 2018; Budiartini et al., 2019; Rahman, 2019) affect fraud, research in the context of village government still needs to be explored more deeply. The misappropriation of village funds is also a concern for research on what factors can cause fraud.

Based on the phenomenon described, research on the factors that cause fraud in managing village funds is interesting to study based on several factors. First, Dahlan et al. (2018), together with Indonesia Corruption Watch, uncovered that the most significant act of corruption occurred in the village fund sector. Second, this research is a replication of several previous studies that have explored the dimensions of opportunity, rationalization, competence, and pressure (Wonar et al., 2018; Putra, 2019; Islamiyah et al., 2020; Widiyarta, 2017) by presenting the variable of position power as a dimension of arrogance based on pentagon fraud theory in the context of village government.

Theoretically, this research contributes to the factors influencing the fraudulent management of village funds, especially in the context of village government and critical times, by presenting the context of COVID-19 based on the perspective of fraud pentagon theory. This research also has implications for village governments to develop the mechanisms needed to prevent fraud in the management of village funds by taking into account the dimensions of the fraud pentagon theory.

Literature Review and Hypotheses Development

Agency Theory

Agency theory was first proposed by Jensen and Meckling (1976). This theory explains the relationship between the agent and the principal. Agency theory is a contract between managers (agents) and shareholders (principals), where the principal hires other people (agents) to provide certain services on their behalf, which involves delegating decision-making authority. Conflicts between agents and principals can occur due to agent actions that are not in accordance with the principal's wishes, which raises agency costs (Eka & Latrini, 2018). In public sector organizations, this theory views the village apparatus as the agent's role and the village community as the principal. As a resource manager, the village apparatus knows and fully controls the information they manage.

In contrast, as a funder, the village government only knows the information based on what is reported by the village apparatus without knowing the actual circumstances in

the management process because it does not participate directly in its management. Of course, this tends to cause agents to commit fraudulent acts, such as opportunism, by prioritizing personal interests (agent self-interest) (Halim & Abdullah, 2006). Meanwhile, the principal also has the advantage of power to intervene in the agent's behavior. Therefore, both of them have personal interests that have the potential for conflict.

Fraud Pentagon Theory

There are several ways to detect fraud, including the fraud pentagon theory. Marks (2012) proposes the fraud pentagon theory as a refinement of the fraud triangle theory (Cressey, 1953) and fraud diamond (Wolfe & Hermanson, 2004). Initially, the fraud diamond provides an additional element to prevent and detect fraud; it is not enough to pay attention to the pressure, opportunity, and rationalization initiated by the fraud triangle theory (Cressey, 1953); it also needs to pay attention to the capability factor (Wolfe & Hermanson, 2004). However, Marks (2012) adds that there needs to be one additional element to prevent and detect fraud in a framework called fraud pentagon theory, namely arrogance as an attitude of superiority that causes a person to greedily act with the belief that internal control will not apply to him (Marks, 2012).

The Effect of Financial Pressure on Village Fund Financial Management Fraud

Regarding village fund management, agency theory assumes that one of the human traits is to prioritize personal interests as an agent, which may conflict with the interests of society as a stakeholder (Fathia & Indriani, 2022). This phenomenon occurs because village officials with a high expenditure level will feel financial pressure if their financial condition is deemed insufficient to meet their needs, so they take the initiative to commit fraud to overcome this. Higher pressure will have an impact on the potential for fraud to occur. This theory views village officials as agents who manage village funds and know and fully control the information they manage. In contrast, as the principal, the village community needs to learn this information because they do not participate directly in its management. Based on research conducted by Suwena (2021), it is known that financial pressure has a positive effect on fraud that occurs in companies.

In the context of the public sector in local government, Fitri and Nadirsyah (2020) revealed that financial pressure positively influences fraud in the procurement of goods and services in local government work units. In more detail in the context of villages and village governments, previous studies have also found that pressure has a positive effect on fraud in both the Village Credit Institution (PLD) and the village government (Suryandari et al., 2019; Aini et al., 2017; Putra, 2019). Pressure has a positive effect because the higher the pressure, primarily related to finance, the more it will make someone justify all means to be able to meet their needs, one of which is by committing fraud. Hence, the following hypothesis can be derived:

H₁: Financial pressure has a positive effect on fraud in managing village funds during the COVID-19 pandemic.

The Effect of Supervision on Village Fund Financial Management Fraud

The lack of community supervision in the management of village funds can be one of the factors that can lead to opportunities for fraud. This means that higher opportunities will result in greater opportunities to commit fraudulent acts and vice versa (Rohanisa & Bhilawa, 2022).

Abdullahi and Mansor (2015) argue that opportunities can be minimized by presenting a reliable internal control system. The presence of an internal control system is expected to suppress all possibilities for members of the organization to commit fraud because they feel that they are constantly being watched, so they cannot commit fraud freely. Several previous studies have shown that a strong and effective internal control system negatively affects the occurrence of fraud (Faisal, 2018; Sari et al., 2020; Eka & Latrini, 2018). Therefore, based on the explanation that has been described, the following hypothesis can be formulated:

H₂: Supervision negatively affects fraud in managing village funds during the COVID-19 pandemic.

The Effect of Rationalization on Village Fund Financial Management Fraud

The rationalization factor allows someone to commit fraud due to a strong moral urge to justify the fraud committed (Rahmatika et al., 2019; Abdullahi & Mansor, 2015; Wahyudi et al., 2021). This strong moral urge can arise if the organizational environment supports a person in justifying committing fraud (Pratiwi & Nurbaiti, 2018).

Several previous studies have exhibited that rationalization has a positive effect on the occurrence of fraud (Suwena, 2021; Aini et al., 2017; Handayani et al., 2021). This is because the higher the rationalization of a person, the more justified the actions he does, so the occurrence of fraud will be higher. Thus, the following hypothesis can be derived:

H₃: Rationalization has a positive effect on fraud in the management of village funds during the COVID-19 pandemic.

The Effect of Competence on Village Fund Financial Management Fraud

The higher the authority/position a person has in an organization, without being supported by adequate competence, the more likely it is to cause fraud. This is because the higher a person's ability, the more that the individual is experienced and understands all the guidelines in his field, which can reduce or avoid errors and all risks that can be detrimental, including preventing fraud. In other words, the higher the competence possessed by the village apparatus, the lower the possibility of fraud in managing village funds. Research conducted by Wonar et al. (2018), Atmadja and

Saputra (2017), Islamiyah et al. (2020), and Widiyarta et al. (2018) concluded that the competence of the village apparatus has a significant adverse effect on the level of fraud in the management of village funds, which means that the higher the competence of the village apparatus, the higher the level of fraud prevention in fund management so that the possibility of fraud will also be lower. Competence has a negative effect because the higher the competence of the village apparatus, the more prevention efforts will increase, and the level of fraud in managing village funds will also be lower. As such, the hypothesis can be made as follows:

H₄: Competence has a negative effect on fraud in the management of village funds during the COVID-19 pandemic.

The Effect of Position Power on Village Fund Financial Management Fraud

The initial factors that result in the possibility of fraud, namely position and function in an organization, were stated by Abdullahi and Mansor (2015). A high position illustrates a higher attitude of superiority. Hence, a person with a high position tends to abuse the position occupied to steal resources in the organization for personal gain (self-interest). Research by Damayanti et al. (2018) found that corruption is a form of abuse of position to fulfill officials' personal interests. In addition, Irphani (2017) and Budiartini et al. (2019) stated that position in financial management significantly affects fraud. Gbegi and Adebisi (2013) also explained that managing officials who lack integrity affect fraud. Thus, village officials who believe that position is a source of income to fulfill their desires become the core of the misuse of village funds or fraud against village finances. The position of the village apparatus has a positive effect due to the belief of someone with a high position that when committing fraud, it will not be known by the wider community. This is what supports the occurrence of fraud. From that, the hypothesis that can be developed is as follows:

H₅: The position power of village apparatus has a positive effect on the fraud of village fund management during the COVID-19 pandemic.

The Effect of Transparency on Village Fund Financial Management Fraud

Efforts to avoid risks that village officials can carry out are a form of transparency towards the community as a principal. The village community certainly wants the village apparatus agent to realize good performance, and the performance of the village apparatus can be described from the village financial report. Therefore, village officials need transparency regarding village finances. Based on research conducted by Situmorang (2021), it is revealed that transparency has a negative effect on the management of village funds. Similar research was revealed by Erganda et al. (2021) that transparency has a significant negative effect on the management of village funds. A study carried out by Siswanto et al. (2017) states that budget transparency has a negative effect on the management of village funds because the better the

transparency, the better the management of village funds. Transparency has a negative effect since the more transparency of village officials and financial reports published by village officials, the more likely the occurrence of fraud will be avoided. This is because the wider community has known the openness of village financial reports, so they also know the utilization of the existing village fund allocation. For that reason, the following hypothesis can be created:

H₆: Transparency has a negative effect on fraud in the management of village funds during the COVID-19 pandemic.

Figure 1 is a research model in this study based on the hypothesis derivation that has been described.

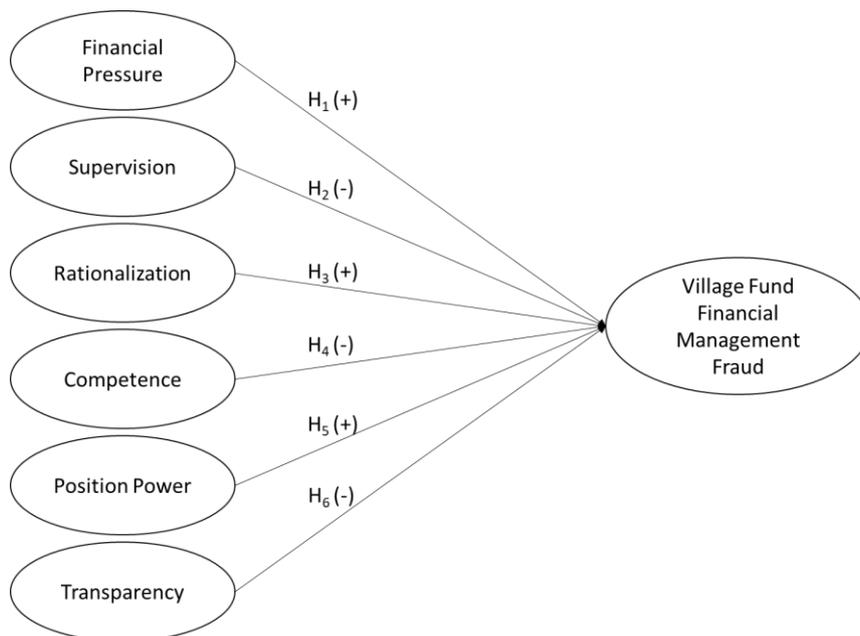


Figure 1 Research Model

Research Method

This research is primary research with a survey method involving village officials in several districts in four provinces, namely, Yogyakarta Special Region (Sleman, Bantul, and Kulonprogo Districts), Central Java Province (Kebumen, Wonosobo, Cilacap, and Magetan Districts), Bengkulu Province (Kaur District), and South Kalimantan Province (Tabalong District). The four provinces were selected so that the research results could be generalized with consideration of the diverse conditions of each province. The selection of the village apparatus as the unit of analysis was carried out with the consideration that these individuals are the ones who carry out the function of managing village funds in the implementation of village government functions.

Convenience sampling was used to determine the research sample. With this technique, research sample data were collected directly by handing over questionnaires to the respondents to be filled in for seven days and then analyzed. A total of 405 questionnaires were returned and could be analyzed after the questionnaire was distributed during November-December 2021. The return of questionnaires from each district can be observed in Table 1.

Tabel 1 Questionnaire Distribution

District Name	Amount	%
Sleman	87	21
Bantul	30	7
Kulonprogo	63	16
Kebumen	30	7
Wonosobo	30	7
Cilacap	40	10
Magetan	50	12
Kaur	41	10
Tabalong	34	8
Total	405	100

This study has six independent variables: financial pressure, supervision, rationalization, competence, power of the village apparatus position, and transparency, and one dependent variable, namely fraud prevention. The operational definition of each variable can be seen in Table 2.

The questionnaire used a Likert scale of 1 to 5 to measure the statements, where one indicates "strongly disagree" and five represents "strongly agree." This pattern follows the measurement scale commonly used in Indonesia so that respondents can easily understand the questionnaire and provide responses. The data obtained were then analyzed using Structural Equation Modeling (SEM) analysis with the Partial Least Squares (PLS) approach. PLS is a soft modeling analysis that functions as a model design and confirms a theory. Ghozali (2008) explains that Partial Least Square (PLS) does not assume the data must use a particular scale measurement, which means that the sample used can be small (under 100 samples).

Table 2 Variable Operational Definitions

Variable	Operational Definitions	Source
Financial Pressure	The pressure arises from the threat to financial compensation due to failure to achieve financial performance targets.	Lokanan and Sharma (2018); Suryandari and Pratama (2021)
Supervision	The level of organizational effectiveness in restricting individuals from committing fraud through internal and external controls	Lokanan and Sharma (2018)
Rationalization	The mental process of justifying the despicable behavior committed	Lokanan and Sharma (2018)

Table 2 Variable Operational Definitions (Cont.)

Variable	Operational Definitions	Source
Competence	The ability of a person to create sophisticated fraud strategies that can secure the situation to gain benefits, then invite others to cooperate in acting.	Marks (2012)
Position Power	An attitude of superiority that causes a person to greedily act in the belief that internal controls will not apply to him or her	Marks (2012)
Transparency	Transparency is a form of openness in the delivery of information by the government to parties who need information related to public resource management activities.	Jannah et al. (2018)
Fraud	Illegal actions that acts of manipulation, concealment, or violation of trust can characterize	Wulandari et al. (2017)

Result and Discussion

Before the research data was analyzed, the questionnaire survey data was subjected to a CMV (Common Method Variance) test to ensure no bias occurred. This study conducted a bias test using Harman's single-factor test, referring to Podsakoff et al. (2003). The analysis results demonstrated a single factor value of 30.83% or less than 50%. Therefore, it can be concluded from this study that no significant bias could interfere with the validity of the research results.

The characteristics of respondents presented in this study include the level of education, gender, and length of work presented in Table 3.

Table 3 Respondents' Characteristics

Information	Total	%
Level of Education		
Elementary School	2	0.5
Junior High School	2	0.5
Senior High School	200	49.5
Diploma	14	3
Undergraduate	163	41
Master	2	0.5
No Answer	22	5
Total	405	100
Gender		
Female	131	32
Male	274	68
Total	405	100

Table 3 Respondents' Characteristics (Cont.)

Information	Total	%
Length of Work		
<5 years	58	14
5-10 years	100	25
>10 years	125	31
No Answer	122	30
Total	405	100

Based on Table 4, the descriptive statistical results of the seven research variables are known. The seven variables had a low minimum value. Meanwhile, the maximum value of the three variables is perfect. The mean (average) value of the seven variables was relatively high.

Furthermore, to test the proposed hypothesis, PLS analysis was carried out, consisting of two assessments, namely the outer model (validity and reliability) and the inner model.

Table 4 Descriptive Statistic Results

Variable	N	Min	Max	Mean	Std. Dev.
Financial Pressure	405	1	5	2.9	0.843
Supervision	405	2.2	5	3.7	0.462
Rationalization	405	1	5	2.5	0.737
Competence	405	2.2	5	3.9	0.465
Position Power	405	1	5	2.9	0.765
Transparency	405	2.4	5	4	0.470
Fraud	405	1	5	2.9	0.767

Validity and Reliability Test (Outer Model)

Before the data were analyzed, convergent validity, discriminant validity, and reliability tests were performed to ensure that the questionnaire was valid and reliable in measuring the variables under study. Convergent validity testing was done by evaluating the average variance extracted (AVE) value and the loading factor value of the questionnaire items (Hair et al., 2018). Table 5 displays that all questionnaire items met convergent validity, as they had an AVE value and a loading factor of more than 0.5 (Hair et al., 2018).

Table 5 Loading and AVE

Code	Questions	Loading
Financial Pressure (AVE = 0.534)		
TF2	The pressure on life needs must be allocated but not included in the budget.	0.685
TF3	Will not commit corruption of deal funds if income is sufficient	0.621
TF4	Village apparatus incentives that are not commensurate with responsibilities can encourage fraud.	0.863

Table 5 Loading and AVE (Cont.)

Code	Questions	Loading
Supervision (AVE = 0.797)		
PE4	The community supervises village financial management through monitoring development and government administration.	0.926
PE5	Leaders directly routinely assess subordinates' performance in village financial management.	0.858
Competence (AVE = 0.504)		
K1	Village apparatus understands the role and function of village financial management.	0.500
K2	Village apparatus has carried out their duties by the functions of their positions.	0.704
K3	Village apparatus works based on position guidelines.	0.794
K4	Village apparatus has experience in carrying out duties in their positions.	0.733
K5	Village apparatus has experience in their position, which helps reduce errors.	0.780
Rationalization (AVE = 0.575)		
R1	Employees remain silent when other employees act detrimentally in the workplace.	0.841
R2	It is normal for employees to arrive late even with unclear reasons.	0.801
R3	Using office equipment for personal use is normal.	0.755
R4	It is normal for an employee to use an agency vehicle for personal use.	0.781
R5	It is normal for employees to want more than they are entitled to.	0.588
Position Power (AVE = 0.673)		
JA2	Village apparatus is free to determine work partners related to utilizing village funds.	0.648
JA4	The power of the village apparatus position allows employees to give orders according to their wishes.	0.962
Transparency (AVE = 0.603)		
T1	Public disclosure of budgets can increase transparency.	0.863
T2	Information provided to the public can increase budget transparency.	0.840
T3	Easy access to public documents on the budget	0.598
Fraud (AVE = 0.505)		
F1	Fraudulent behavior has tactics and can cover its fraud formally according to regulations made by the office, which sometimes have different substances.	0.830
F2	Coworkers are accustomed to giving additional wages to other officials, indicating fraud.	0.666
F3	Endorsements related to using village funds on behalf of or legalized by unauthorized parties do not indicate fraud.	0.759
F4	A delay in accountability that is not by the specified time is an indication of fraud.	0.694
F5	The use of village funds that are not by village activities or programs is an indication of fraud.	0.578

Table 6 Reliability and Discriminant Validity Test Results

Variables	Cronbach's Alfa	Composite Reliability	1	2	3	4	5	6	7
Financial Pressure	0.766	0.834	0.710						
Supervision	0.588	0.799	0.398	0.820					
Rationalization	0.752	0.833	-0.234	-0.163	0.710				
Competence	0.750	0.887	-0.166	-0.234	0.414	0.893			
Position Power	0.819	0.870	0.365	0.375	-0.265	-0.257	0.758		
Transparency	0.677	0.816	-0.288	-0.272	0.393	0.352	-0.213	0.776	
Fraud	0.587	0.771	0.325	0.273	-0.155	-0.032	0.270	-0.110	0.731

The results of discriminant validity and reliability can be seen in Table 6. Table 6 reveals that each variable had a higher correlation value to measure itself than other variables (Hair et al., 2018). Therefore, it can be concluded that the questionnaire used in this study met discriminant validity (Hair et al., 2018). Furthermore, Table 6 also exposes that all questionnaire items used could be declared reliable because Cronbach's alpha and composite reliability values were greater than 0.6 (Chin, 1998).

Hypotheses Test (Inner Model)

Table 7 uncovers that of the six hypotheses formulated, only four hypotheses were supported, namely H₁, H₃, and H₅, which means that financial pressure, rationalization, and position power had a positive effect on the fraudulent management of village funds during the COVID-19 pandemic. Meanwhile, transparency (H₆) could negatively influence the fraudulent management of village funds during the COVID-19 pandemic.

Table 7 Hypotheses Test Results

Hypotheses		Coef.	SD	T-values	P-values	Conclusion
Financial Pressure → Fraud	H1 (+)	0.184	0.048	3.808	0.000	Supported
Supervision → Fraud	H2 (-)	0.025	0.056	0.440	0.330	Not Supported
Rationalization → Fraud	H3 (+)	0.185	0.064	2.894	0.002	Supported
Competence → Fraud	H4 (-)	-0.067	0.059	1.134	0.129	Not Supported
Position Power → Fraud	H5 (+)	0.232	0.061	3.777	0.000	Supported
Transparency → Fraud	H6 (-)	-0.145	0.064	2.267	0.012	Supported

Discussion

The Effect of Financial Pressure on Village Fund Management Fraud

The results of this study indicate that financial pressure positively affected fraud in managing village funds during the COVID-19 pandemic (H_1 was supported). This aligns with the research of Suryandari et al. (2019), which revealed that pressure positively affects fraud. The results of this study are also in line with research conducted by Aini et al. (2017) and Putra (2019), where the results of their research state that pressure has a positive influence on fraud. The positive impact of pressure is that it leads individuals to justify any means necessary to satisfy their requirements, including the commission of fraud, as the pressure increases, particularly in the context of finance.

The Effect of Supervision on Village Fund Management Fraud

Supervision did not negatively affect village fund management fraud during the COVID-19 pandemic (H_2 was not supported). This result is different from the research of Sari et al. (2020), which revealed that internal control has a significant negative effect on the occurrence of fraud. The results of Eka and Latrini's (2018) research also demonstrate that internal control has a negative effect on fraud. Supervision has a negative effect because the better the supervision is carried out effectively, the more difficult fraud will occur.

The Effect of Rationalization on Village Fund Management Fraud

Rationalization positively affected fraud in managing village funds during the COVID-19 pandemic (H_3 was supported). Research on rationalization as one of the factors triggering fraud has been conducted by Suwena (2021), who found that rationalization has a positive effect on fraud. The same results were also obtained by Aini et al. (2017), revealing that rationalization has a positive effect on the occurrence of fraud. A study carried out by Handayani et al. (2021) also unveiled that rationalization has a significant positive effect on the occurrence of fraud. Rationalization has a positive effect because the higher the rationalization, the more justified a person will be in his actions, so the occurrence of fraud will be higher.

The Effect of Competence on Village Fund Management Fraud

Competence had no negative effect on fraud in managing village funds during the COVID-19 pandemic (H_4 was not supported). This is not in line with research conducted by Wonar et al. (2018), Atmadja and Saputra (2017), Islamiyah et al. (2020), and Widiyarta et al. (2017), which concluded that the competence of the apparatus has a significant negative effect on the level of fraud in the management of village funds, where the higher the competence of the village apparatus, the higher the level of fraud prevention in fund management so that the level of possibility of fraud will also be lower.

The Effect of Position Power on Village Fund Management Fraud

The power of the position of the village apparatus exerted a positive effect on fraud in managing village funds during the COVID-19 pandemic (H_5 was supported). This corroborates research by Irphani (2017) and Budiartini et al. (2019), which states that positions in financial management significantly affect fraud. In addition, Gbegi and Adebisi (2013) revealed that managing officials who lack integrity are affected by fraud. Thus, village officials who believe that position is a source of income to fulfill their desires become the core of the misuse of village funds or fraud against village finances. The power of the position of the village apparatus has a positive effect due to the belief of someone with a high position that when committing fraud, it will not be known by the wider community.

The Effect of Transparency on Village Fund Management Fraud

Transparency had a negative effect on fraud in the management of village funds during the COVID-19 pandemic, supporting H_6 . This agrees with research conducted by Situmorang (2021), which disclosed that transparency has a negative effect on the fraudulent management of village funds. Similar research was also revealed by Erganda et al. (2021) that transparency has a significant negative effect on the fraudulent management of village funds. Research conducted by Siswanto et al. (2017) states that budget transparency has a negative effect on the fraudulent management of village funds because the better the transparency is, the better the management of village funds will be. Transparency has a negative effect because the more transparency of the village apparatus and its published financial reports, the more likely the occurrence of fraud will be avoided due to the emergence of a sense of supervision by the community. Therefore, mechanisms that require transparency in managing village funds must be presented so that the community can openly control the management of village funds, the implementation of which is mandated by the village government.

Conclusion

This study examines the factors that are thought to cause fraud in managing village funds during the COVID-19 pandemic. The results exhibited that several factors positively affected the fraudulent management of village funds during the COVID-19 pandemic, including financial pressure, rationalization, and position power. Meanwhile, transparency exerted a negative effect on fraud in the management of village funds during the COVID-19 pandemic. The results of this study provide helpful input for village governments in Indonesia to increase control over village officials involved in managing village funds, especially during critical/pandemic times.

This research is not free from limitations. First, the scope of the research used was relatively small, only covering village governments from nine districts in four provinces in Indonesia. Thus, caution is needed in generalizing the research results. Therefore, future research can use broader sample coverage to obtain better results and provide a

more comprehensive picture of the problems studied. Secondly, because this research only departed from a survey design with statistical hypothesis testing, the depth of exposure to the findings may be considered less in-depth. For future research, other approaches like experiments, observations, or interviews can be employed.

References

- Abdullah, S., & Halim, A. (2006). Studi atas belanja modal pada anggaran pemerintah daerah dalam hubungannya dengan belanja pemeliharaan dan sumber pendapatan. *Jurnal Akuntansi Pemerintah*, 2(2), 17-32.
- Abdullahi, R., & Mansor, N. (2015). Fraud Triangle Theory and Fraud Diamond Theory. Understanding the Convergent and Divergent For Future Research. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 5(4).
- Aini, N., Prayudi, M. A., & Diatmika, P. G. (2017). Pengaruh Perspektif Fraud Diamond Terhadap Kecenderungan Terjadinya Kecurangan (Fraud) Dalam Pengelolaan Keuangan Desa (Studi Empiris Pada Desa Di Kabupaten Lombok Timur). *E-Jurnal Akuntansi Universitas Pendidikan Ganesha*, 8(2), 1–13.
<https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/14583>.
- Atmadja, A. T., & Saputra, A. K. (2017). Pencegahan fraud dalam pengelolaan Keuangan Desa. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 12(1), 7-16.
- Budiartini, K., Dewi, G. A. R. S., & Herawati, N. T. (2019). Faktor-Faktor Yang Mempengaruhi Terjadinya Fraud Diamond (Studi Empiris Pada Bank 99Perkreditan Rakyat (BPR) Kabupaten Buleleng). *Jurnal Ilmiah Mahasiswa Akuntansi*, 10(2), 113–123.
<https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/20500>
- Chin, W. W. (1998). The partial least squares approach to structural equation modeling. *Modern methods for business research*, 295(2), 295-336.
- Cressey, D. R. (1953). *Other people's money; a study of the social psychology of embezzlement*. Free Press
- Dahlan A., Sunaryanto, A., Sjarfina, A., Primayogha, E., Arief, F.H.A., Ramadhana, K., Abid, L. (2018). *Modul Desa: Pengorganisasian Warga Desa untuk Memantau Pelayanan Publik dan Keuangan Desa*. Indonesia Corruption Watch.
<https://www.antikorupsi.org/sites/default/files/dokumen/Modul%20Desa.pdf>
- Damayanti, R., Rahman, F., & Haboddin, M. (2018). Menggali Pemahaman Pelajar Tentang Korupsi. *Gorontalo Journal of Government and Political Studies*, 1(2).
<https://doi.org/10.32662/gjgops.v1i2.340>
- Erganda, I. S., Marota, R., & Ilmiyono, A. F. (2021). Pengaruh transparansi dan akuntabilitas terhadap pengelolaan keuangan desa studi pada 13 desa di kecamatan sukaraja kabupaten bogor. *Jurnal Online Mahasiswa (JOM) Bidang Akuntansi*, 8(2).
<https://jom.unpak.ac.id/index.php/akuntansi/article/view/1637>
- Faisal, A. A. (2018). Pencegahan dan deteksi kasus korupsi pada sektor publik dengan fraud triangle. *Jurnal Ekonomi, Bisnis, Dan Akuntansi*, 20(4).
- Fathia, J., & Indriani, M. (2022). Pengaruh sistem keuangan desa terhadap pencegahan kecurangan (fraud) pengelolaan dana desa dengan moralitas individu sebagai pemoderasi (studi di Desa Kabupaten/Kota Provinsi Aceh). In *Proceeding of National Conference on Accounting & Finance*, 455-468.
<https://journal.uin.ac.id/NCAF/article/view/22321>
- Fauzia, M., & Djumena, E. (2020). *Indonesia Resmi Resesi, Ekonomi Kuartal III-2020 Minus 3,49 Persen*. Kompas.com.

- <https://money.kompas.com/read/2020/11/05/111828826/indonesia-resmi-resesi-ekonomi-kuartal-iii-2020-minus-349-persen?page=all>
- Firdaus, H. (2021). *Ratusan Kepala Desa Terjerat Korupsi, KPK Inisiasi Desa Antikorupsi*. Kompas.id. <https://www.kompas.id/baca/nusantara/2021/12/01/ratusan-kepala-des-a-terjerat-korupsi-kpk-inisiasi-des-a-antikorupsi>
- Fitri, F., & Nadirsyah, N. (2020). Pengaruh Tekanan (Pressure), Kesempatan (Opportunity), Rasionalisasi (Rationalization), Dan Kapabilitas (Capability) Terhadap Kecurangan Pengadaan Barang/Jasa Di Pemerintahan Aceh Dengan Pemoderasi Budaya Etis Organisasi. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi*, 5(1), 69–84. <https://jim.usk.ac.id/EKA/article/view/15437>
- Gbegi, D. ., & Adebisi, J. F. (2013). The New Fraud Diamond Model- How Can It Help Forensic Accountants in Fraud Investigation in Nigeria? *European Journal of Accounting Auditing and Fiancé Research* 1(4). 129-138. https://www.researchgate.net/profile/Daniel-Orsaa/publication/291128436_The_new_fraud_diamond_model_-_how_can_it_help_forensic_accountants_in_fraud_investigation_in_Nigeria/links/61d9fa97da5d105e552b6b3a/The-new-fraud-diamond-model-how-can-it-help-forensic-accountants-in-fraud-investigation-in-Nigeria.pdf
- Ghozali, I. (2008). *Structural Equation Modelling Edisi II*. Universitas Diponegoro,
- Guritno, T., & Krisiandi. (2021). *ICW: Perangkat Desa Dominasi Terdakwa Kasus Korupsi, Dana Desa Perlu Diawasi Ketat*. Kompas.com. <https://nasional.kompas.com/read/2021/03/22/18093371/icw-perangkat-des-a-dominasi-terdakwa-kasus-korupsi-dana-des-a-perlu-diawasi>.
- Hair, J, F., Siegfried, G, Marko, S, & Christian, R. (2018) *Advanced Issued in Partial Least Squares Structural Equation Model*. United States of Amerika: SAGE Publications.
- Handayani, R., Sutarjo, A., & Yani, M. (2021). Pengaruh Pressure , Opportunity dan Rationalization (Fraud Triangle) terhadap Financial Statement Fraud (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2013-2017). *Pareso Jurnal*, 3(3), 683–694.
- Irphani, A. (2017). *Pengaruh Tekanan, Keefektifan Sistem Pengendalian Internal, Perilaku Tidak Etis, dan Jabatan dalam Pengelola Keuangan Terhadap Fraud (Studi pada Satuan Kerja Perangkat Daerah Kota Metro.)* Thesis. Universitas Lampung.
- Islamiyah, F., Made, A., & Sari, A. R. (2020). Pengaruh kompetensi aparaturn desa, moralitas, sistem pengendalian internal, dan whistleblowing terhadap pencegahan fraud dalam pengelolaan dana desa di Kecamatan Wajak. *Jurnal Riset Mahasiswa Akuntansi*, 8(1). <https://doi.org/10.21067/jrma.v8i1.4452>.
- Jannah, R., Handajani, L., & Firmansyah, M. (2018). The influence of human resources, use of information technology and public participation to the transparency and accountability of village financial management. *International Journal of Scientific Research and Management (IJSRM)*, 6(05), 373-385.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Finance Economics*, 3(4), 305-360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Lokanan, M., & Sharma, S. (2018). A fraud triangle analysis of the LIBOR fraud. *Journal of Forensic & Investigative Accounting*, 10(2), 187-212.
- Marks, J, (2012). *The Mind Behind The Fraudsters Crime: Key Behavioral And Environmental Elements*. Crowe Howarth LLP (Presentation).
- Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y. & Podsakoff, N. P. (2003). Common method biases in behavioral research: a critical review of the literature and recommended

- remedies. *Journal of applied psychology*, 88(5), 879-903.
<https://psycnet.apa.org/doi/10.1037/0021-9010.88.5.879>
- Pratiwi, N. R., & Nurbaiti, A. (2018). Analisis Fraud Pentagon Dalam Mendeteksi Kecurangan Laporan Keuangan Dengan Metode F-Score Model (Studi Empiris Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia (BEI) PERIODE 2012-2016). *eProceedings of Management*, 5(3).
- Putra, I. P. A. P. E., & Latrini, M. Y. (2018). Pengaruh Pengendalian Internal, Budaya Organisasi, dan Moralitas pada Kecenderungan Kecurangan (Fraud) di LPD se-Kabupaten Gianyar. *E-Jurnal Akuntansi Universitas Udayana*, 25(3), 2155-2184.
<https://doi.org/10.24843/eja.2018.v25.i03.p20>
- Putra, A, K. (2019). Pengaruh Transparansi, Akuntabilitas Dan Peran Perangkat Desa Terhadap Pengelolaan Keuangan Desa (Studi Pada Desa se-Kecamatan Wates Kabupaten Kulon Progo). *Skripsi*. Program Studi Akuntansi Fakultas Ekonomi Dan Bisnis. Universitas Muhammadiyah Magelang.
- Rahman, A. A. (2019). Analisis faktor-faktor yang mempengaruhi kecurangan laporan keuangan dalam perspektif fraud pentagon. *JAF (Journal of Accounting and Finance)*, 3(2), 34-44. <https://doi.org/10.25124/jaf.v3i2.2229>
- Rahmanti, M. M., & Daljono. (2013). Pendeteksian kecurangan laporan keuangan melalui faktor risiko tekanan dan peluang (studi kasus pada perusahaan yang mendapat sanksi dari bapepam periode 2002-2006). *Diponegoro Journal Of Accounting* 2(2), 1-12.
- Rahmatika, D. N., Kartikasari, M. D., Indriasih, D., Sari, I. A., & Mulia, A. (2019). Detection of Fraudulent Financial Statement; Can Perspective of Fraud Diamond Theory be applied to Property, Real Estate, and Building Construction Companies in Indonesia?. *European Journal of Business and Management Research*, 4(6).
[10.24018/ejbmr.2019.4.6.139](https://doi.org/10.24018/ejbmr.2019.4.6.139)
- Rohanisa, D., & Bhilawa, L. (2022). Pengaruh Elemen Fraud Diamond Terhadap Potensi Kecurangan Pengelolaan Dana Desa. *Gorontalo Accounting Journal*, 5(2), 160-173.
<https://doi.org/10.32662/gaj.v5i2.2158>
- Sari, R. P., Mulyani, C. S., & Budiarto, D. S. (2020). Pentingnya Pengendalian Internal Untuk Meningkatkan Transparansi Dan Akuntabilitas Pengelolaan Keuangan Daerah. *Jurnal Riset Akuntansi Mercu Buana*, 6(1), 1. <https://doi.org/10.26486/jramb.v6i1.697>.
- Septriani, Y., & Handayani, D. (2018). Mendeteksi kecurangan laporan keuangan dengan analisis fraud pentagon. *Jurnal Akuntansi, Keuangan Dan Bisnis*, 11(1), 11–23.
<https://jurnal.pcr.ac.id/index.php/jakb/article/view/1701>
- Siswanto, S., Hafizrianda, Y., & Antoh, A. (2017). Pengaruh Transparansi Kebijakan Publik terhadap Pengetahuan Dewan Tentang Anggaran dengan Partisipasi Masyarakat sebagai Variabel Moderasi. *Jurnal Kajian Ekonomi dan Keuangan Daerah*, 1(2).
<https://core.ac.uk/reader/229203810>
- Situmorang, D. R. (2021). Faktor-Faktor Yang Mempengaruhi Pengelolaan Dana Desa Untuk Mewujudkan Good Governance. *Methodika: Jurnal Akuntansi dan Keuangan Methodist*, 5(1), 15-23. <https://doi.org/10.46880/jsika.Vol5No1.pp15-23>
- Suryandari, E., & Pratama, L. V. (2021). Determinan fraud dana desa: Pengujian elemen fraud hexagon, Machiavellian, dan love of money. *Reviu Akuntansi Dan Bisnis Indonesia*, 5(1), 55-78.
- Suryandari, N. P. E., Wayhuni, M.A., & Julianto, I. P. (2019). Pengaruh Tekanan, Kesempatan, Rasionalisasi (Triangle) dan Efektivitas Penerapan Pengendalian Internal Terhadap Tindak Kecurangan (Fraud)(Studi pada LPD Se-Kecamatan Negara). *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 10(1).
<https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/20563>

Putra, Sani, Putra & Utami

Factors Causing Fraudulent Management of Village Funds During the COVID-19 Pandemic

- Suwena, K. R. (2021). Tekanan, Kesempatan, dan Rasionalisasi Pemicu Tindakan Kecurangan (Fraud) pada Perusahaan. *Jurnal Ilmiah Akuntansi*, 6(1), 102. <https://doi.org/10.23887/jia.v6i1.31540>
- TNP2K. (2020). *Ringkasan Kebijakan Pengutamaan Penggunaan Dana Desa: Padat Karya tunai pencegahan Covid-19*. Tim Nasional Percepatan Penanggulangan Kemiskinan. <https://www.tnp2k.go.id/download/23818PB%20PengutamaanPKTDFINAL.pdf>
- Wahyudi, S., Achmad, T., & Pamungkas, I. D. (2021). Village apparatus competence, individual morality, internal control system and whistleblowing system on village fund fraud. *WSEAS Transactions on Environment and Development*, 17(6), 672-684. <https://wseas.com/journals/articles.php?id=362>
- Widiyarta, K., Herawati, N. T., Ak, S. E., & Atmadja, A. T. (2017). Pengaruh kompetensi aparatur, budaya organisasi, whistleblowing dan sistem pengendalian internal terhadap pencegahan fraud dalam pengelolaan dana desa (Studi empiris pada pemerintah desa di Kabupaten Buleleng). *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 8(2). <https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/13930>
- Wonar, K., Falah, S., & Pangayow, B. J. (2018). Pengaruh kompetensi aparatur desa, ketaatan pelaporan keuangan dan sistem pengendalian intern terhadap pencegahan fraud dengan moral sensitivity sebagai variabel moderasi. *Jurnal Akuntansi, Audit, Dan Aset*, 1(2), 63-89. <https://ejournal.uncen.ac.id/index.php/AAA/article/view/1916>
- Wolfe, D. T., & Hermanson, D. R. (2004). The fraud diamond: Considering the four elements of fraud. *The CPA Journal*, 38-42.
- Wulandari, A. F., Wijayanti, A., & Samrotun, Y. C. (2017). Persepsi Pegawai Bagian Keuangan Dinas Kabupaten Sragen Terhadap Faktor Penyebab Terjadinya Fraud Di Sektor Pemerintahan. *Seminar Nasional INEACO – 2017*.
-

About the Authors

Wahyu Manuhara Putra (W.M.P.) is a lecturer from Department of Accounting, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, Indonesia. His research interests cover auditing, financial accounting, and information system; email address: wahyu.m@umy.ac.id

Mar'atussholichah Kurnia Sani (M.K.S) is a student from Department of Accounting, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, Indonesia; email address: mskurniasani08@gmail.com

Adli Zuliansyah Putra (A.Z.P.) is a student from Master of Accounting, Universitas Muhammadiyah Yogyakarta, Indonesia and an assistant in Business and Sustainability Research Center, Universitas Muhammadiyah Yogyakarta, Indonesia; email address: a.zuliansyah.psc22@mail.umy.ac.id

Budi Barata Kusuma Utami (B.B.K.U) is a lecturer from Department of Accounting, Universitas Ahmad Dahlan, Indonesia. His research interest cover internal control system and financial government; email address: budi.utami@act.uad.ac.id

Putra, Sani, Putra & Utami

Factors Causing Fraudulent Management of Village Funds During the COVID-19 Pandemic

Author Contributions

Conceptualisation, W.M.A.; Methodology, W.M.P.; Investigation, W.M.P.; Analysis, W.M.P., M.K.S., A.Z.P., and B.B.K.U.; Original draft preparation, M.K.S., and A.Z.P.; Review and editing, W.M.P.; Visualization, A.Z.P.; Supervision, B.B.K.U.

Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.



© 2024 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC-BY-NC-ND 4.0) license (<http://creativecommons.org/licenses/by/4.0/>).