

The Analysis of Fraud in Perspective of Fraud Pentagon Theory: An Empirical Study in Indonesia

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Abstract:

This study aims to delve into the primary causes of fraud, focusing on the fraud pentagon theory that encompasses all types of fraud in both the public and private sectors particularly in Indonesia. Using a qualitative phenomenological descriptive method, this study seeks to gain deep insights into individual subjective experiences, especially from the perspective of forensic auditors. These auditors are not only experts in investigating fraud but are also skilled in analyzing financial data, evaluating internal controls, and formulating recommendations based on their investigations. This research employs a semi-structured interview approach and involves 11 forensic auditors with CFE or CFrA certifications from both AUI of BPK and the ACFE Indonesian chapter. Through this analysis, the study offers a unique contribution to the literature by highlighting region-specific cultural and social dynamics, such as the profound reliance on religious-based justifications or political affiliations, adding complexity to the understanding of fraud in Indonesia.

Keywords: *Fraud, The Causes of Fraud, Fraud Pentagon Theory.*

Abstrak:

Penelitian ini bertujuan untuk menyelami penyebab utama penipuan, dengan fokus pada teori pentagon penipuan yang mencakup semua jenis penipuan di sektor publik dan swasta khususnya di Indonesia. Menggunakan metode deskriptif fenomenologi kualitatif, penelitian ini berupaya memperoleh wawasan mendalam tentang pengalaman subjektif individu, terutama dari perspektif auditor forensik. Auditor forensik ini bukan hanya ahli dalam menyelidiki fraud tetapi juga memiliki kemampuan dalam menganalisis data keuangan, mengevaluasi kontrol internal, dan merumuskan rekomendasi berdasarkan hasil investigasi mereka. Penelitian ini menggunakan pendekatan wawancara semi-struktur dan melibatkan 11 auditor forensik dengan sertifikasi CFE atau CFrA dari AUI BPK dan ACFE Indonesia chapter. Melalui hasil analisis, penelitian ini memberikan kontribusi unik pada literatur dengan menyoroti dinamika budaya dan sosial khas daerah, seperti ketergantungan yang mendalam pada justifikasi berbasis agama atau afiliasi politik yang menambah kerumitan dalam pemahaman tentang fraud di Indonesia.

Kata Kunci: *Fraud, Penyebab Fraud, Teori Fraud Pentagon.*

INTRODUCTION

Fraud is one of the most serious problems and challenges today (Abdurrachman & Suhartono, 2020). Fraud is a potential threat in the public and private sectors (Joseph et al., 2020). The word fraud is used to accommodate the type of financial scandal and intentional abuse with the main motive being to enrich themselves (ACFE, 2021a). Fraud is a general term and includes all various ways that human ingenuity creates to gain advantages over others, whether financial or non-financial, by means of false representations (Khadra & Delen, 2020; Maulidi & Ansell, 2020). ACFE classifies fraud as 3 classifications: corruption, assets misappropriation, and fraudulent statement. Each type has a subclass known as the fraud tree (ACFE, 2021b).

Fraud is behavior that is detrimental to both business and stakeholders (Ozcelik, 2020). Frauds' consequences are losses, directly or indirectly (Soehari et al., 2018). The impact of losses is even more worrisome due to the Information and Communication Technology (ICT) advancements facilitating more complex fraud, which is difficult to identify (Kemp et al., 2020). On the other hand, ICT can also be used as a precautionary tool in preventing and detecting fraud more easily (Donning et al., 2019).

The fraudster normally attempts to hide the fraud (AICPA, 2002; International Standard on Auditing (UK) 240, 2021). Organizations cannot be healthy and competitive if it cannot be detected. A good organization should have a fraud prevention strategy and effective risk management once a fraud attack occurs. Fraud detection enables decision-makers to develop appropriate strategies to reduce the impact of fraud (Al-Shabi, 2019).

Organizations cannot prevent systematic fraud unless they implement strategies and technologies that can automatically spotlight suspicious activity (Kristiyani & Hamidah, 2020). Technology development today requires fraud prevention and detection to be carried out by mixg technology and non-technology to balance the emergence of new ways to commit fraud (Halbouni et al., 2016).

Fraud eradication consists of prevention, detection, and investigation. Fraud is difficult to prove if there is no confession. The external audit is weak in fraud prevention (Mouamer et al., 2020). Meanwhile, internal audit is principally aimed at designing, implementing, and monitoring the internal control system so that it can be used more for fraud prevention and detection compared to external audit (Umar et al., 2019). This is because internal audit is a control mechanism within the organization, and the audit committee carries out a supervisory role to ensure the effectiveness of the internal audit function (Shamki & Alhajri, 2017). However, this fraud prevention and detection follow-up should be delegated to a specialist for investigation (Taylor, 2011).

Fraud eradication in Indonesia has been carried out for a long time, such as the establishment of the KPK, BPK audits, BPKP audits, inspectorate audits, etc. There are also rules for preventing the prosecution of fraud (Elda, 2019; Pane, 2017). However, fraud cases in Indonesia are still happening. In 2019, there were 239 fraud cases with a total loss of 873.430 IDR million with details of the cases, which can be seen in Table 1.

Table 1. The Percentages of Fraud Cases

Case Classification	Percentage
Corruption	64%
Asset Misappropriation	28.9%
Fraudulent Statement	9.2%
Amount	100%

Source: (ACFE, 2022)

Fraudster can be carried out internally and externally (Daurrohmah, 2018). Fraudsters from internal are committed by employees, management, and owners (Omar et al., 2016). Most fraudster are done by employees at 31.8%, but the highest loss from fraud came from owner ranging from Rp 500 million to Rp 10 billion (ACFE, 2020). Meanwhile, external fraudsters can be committed by vendors, customers, external auditors, and so on.

There are many causes about why someone is committed to fraud. Cressey (1953) proposed the first theory about the causes of fraud, which states that opportunity, pressure, and rationalization were the causes of fraud. It is called the fraud triangle theory. Then, Wolfe & Hermanson (2004) developed the causes of fraud, called the fraud diamond theory. Marks (2012) developed the fraud diamond theory to be the fraud pentagon theory.

An individual's ability to commit fraud is determined by the individual's knowledge, experience, and honesty (Ozcelik, 2020). One of the characteristics of fraud is the intention of the fraudster. Lack of understanding about fraudulent behaviour, low morality, opportunities, lifestyle and pressure are some of them (Akomea-Frimpong et al., 2016; Morales et al., 2014; Omar et al., 2016). Motivation also can be the cause of fraud (Free & Murphy, 2015), but it is often influenced by situational and external variables (Maulidi & Ansell, 2020). Rationalisation is still the most important factor that causes fraud (Cressey, 1953; Marks, 2012; Maulidi & Ansell, 2020; Utami et al., 2019; Wolfe & Hermanson, 2004).

It is necessary to know the causes of fraud to be able to combat all types of fraud. Over the past few years, numerous studies in Indonesia have delved into the causes of fraud using the fraud pentagon theory. Prominent among these are works by Farmashinta & Yudowati (2019), Haqq & Budiwitjaksono (2020), Jaya & Poerwono (2019), Kurnia et al. (2020), Situngkir & Triyanto (2020). As highlighted by the aforementioned research, a common thread in these studies is a significant emphasis on financial reports, with a predilection for quantitative methodologies. Specifically, between 2013 and 2018, research on financial statement fraud across various sectors in Indonesia underscores the importance of the fraud Pentagon as an instrumental tool in fraud detection. However, the impact of individual variables within this pentagon can differ significantly based on the industry sector and the timeframe under consideration. Notably, elements like 'financial stability' and 'change in auditor' have manifested a noteworthy influence in certain settings, whereas others might display inconsistency or lack relevance altogether.

Financial fraud has become a significant issue in various parts of the world, including Indonesia. While many studies have focused on the fraud pentagon theory in the context of financial statement fraud, research encompassing all types of fraud using this theory remains scarce. Even though efforts to eradicate fraud are ongoing, the prevalence of fraud in Indonesia is still alarming. Addressing this issue, researchers aim to delve into the primary causes of fraud, focusing on the fraud pentagon theory that encompasses all types of fraud, both in the public and private sectors. As an approach, the phenomenological qualitative method in this research aims to achieve in-depth insights into individual subjective experiences, particularly from the vantage point of forensic auditors. These auditors are experts in investigating fraud and adept at analyzing financial data, evaluating internal controls, and formulating recommendations based on their investigative outcomes. By examining this unique perspective, the study seeks to enhance the understanding of the underlying causes of fraud, hoping to devise effective strategies for its prevention in the future.

RESEARCH METHOD

Adopting the qualitative approach described by Creswell & Poth (2017), this research utilized the descriptive phenomenology method. While phenomenology focused on

capturing the intricate nuances of phenomena occurring within Indonesia, the descriptive aspect emphasized the analysis of these findings. The principal subjects of this study were forensic auditors who hold either a CFE or CFrA certification. Further refining the selection, participants were chosen based on their experience in managing fraud cases, both within investigatory and litigation realms. The reason for this specific selection was rooted in the auditors' frontline experience, offering them a direct interaction and analysis of fraud mechanisms and their subsequent implications. Data collection techniques in this study used semi-structured interviews and surveys (Kuncoro, 2018).

The respondents of this research are forensic auditors who have CFE or CFrA certification from either the Investigative Unit Auditors (AUI) of the Audit Board of the Republic of Indonesia (BPK) and the Association of Certified Fraud Examiners (ACFE) Indonesia chapter. Informants also have experience conducting forensic audits/investigations in both the public and private sectors. The data were collected through 11 semi-structured interviews with different informants in each interview.

Table 2. Socio-demographic Characteristics of the Respondents

Name	Gender	Last Education	Professional Certificate	Number of Cases
Informant A	Male	Master's Degree	CFE	> 10
Informant B	Male	Bachelor's Degree	CFrA	7 - 10
Informant C	Male	Bachelor's Degree	CFrA	7 - 10
Informant D	Male	Bachelor's Degree	CFrA	7 - 10
Informant E	Female	Master's Degree	CFrA	> 10
Informant F	Female	Master's Degree	CFrA	4 - 6
Informant G	Male	Doctoral Degree	CFE	> 10
Informant H	Male	Master's Degree	CFE	> 10
Informant I	Male	Master's Degree	CFE	> 10
Informant J	Male	Professional Education	CFE	> 10
Informant K	Male	Master's Degree	CFE	> 10

Source: The Processed Primary Data (2021)

Before being analyzed, the data from the interviews were transcribed verbatim. The data analysis process was divided into three stages, according to Miles et al. (2014): first, data reduction was conducted by simplifying, abstracting, and grouping data to identify critical information. Second, data presentation involved organizing the reduced data into a more structured format such as tables or graphs. Lastly, interpretations and conclusions were formulated based on the presented data, ensuring consistency, validity, and reliability of findings. Each stage was crucial to gain a deep understanding of the data and derive relevant insights from the interview results. In qualitative research, the primary data analysis is conducted by researchers, and they often employ NVivo software as a tool to aid in this process (Elo et al., 2014). NVivo amplifies the efficiency, depth, and rigor of the qualitative analysis, facilitating researchers in deeply exploring their data, identifying patterns and themes with enhanced effectiveness, and presenting their findings comprehensively and visually captivatingly.

RESULT AND DISCUSSION

Marks (2012) mentioned that pressure, opportunity, competence, arrogance, and rationalization are the causes of fraud.

Pressure

Pressure is the condition that most trigger a crime, including fraud (ACFE, 2020). Fraud occurred starting from the intention of the fraudster mentioned by informant H,

“The pressure is actually the intention. Even though there are opportunities for example, even though I am a director at a state-owned enterprise (SOE), there are actually many opportunities. Because we don't have any pressure, my intentions are not to be malicious or, in other words, real integrity, strong integrity, didn't be tempted.”

Pressure can come from internal or external (Daurrohmah & Urumsah, 2021). Internal pressure can be in the form of financial needs. The pressure of the need can usually lead to fraud, as stated by informant J,

“If the motive is relatively the same, yes, usually it is financial (financial interest) because there is a need.”

Needs can come from family needs, as mentioned by informant I,

“The family problem is meant if it's the pressure come from maybe his wife, the demands on him, or his parents or parent in-laws ask him to give happiness in a material form, that's a lot of pressure like that in Indonesia.”

It could also be due to financial issues such as debt, as mentioned by F informant,

“If you look at the motive, there is a debt factor pressure.”

External pressure can be in the form of pressure from the work environment and social environment (Nawawi & Salin, 2018; Zuberi & Mzenzi, 2019). Leaders can be pressured and lead to fraud. This was mentioned by the informant K,

“An employee like that is mostly pressured by his leader, so he does everything in his power to manipulate to collect all kinds of funds.”

Business pressures and performance pressures are one of the drivers of fraud in Indonesia, as stated by informant G,

“That's the most. This is it, yes, including business pressure or performance pressure, right?”

The pressure that comes from outside, apart from family, business demands, performance demands, and leader, then social networks can also encourage fraud as mentioned by informant H,

“Yes, from my experience, ladies and gentlemen, the next factor is that there are actually 2 factors, the first is what kind of relationship is a social network. Social networks, for example, can be regional, can be ethnic, yes, it can be anything. Oh he's in the same area as me, Okay, appoint him as the director of SOEs, or he's from the same area with me so I used to be an official in the government like that.”

Just like social networks, political connections and high political costs in Indonesia can be a driving force for fraud, as stated by informants H and K:

“...so, what we are most wary of is actually corruption in the strategic sector, ladies and gentlemen, at the strategic level, the strategic level is the highest leadership of a company or state-owned enterprise, which is influenced by elements that are outside the organization, such as members of the DPR, political parties, and so on. It's so hard.” (Informant H)

“Because he is a politician, as you know, he also has to have an unquote quote, maybe, pressure to raise money for a deposit to his party or for his constituents. Indeed, our political costs are very high, both my experience handling cases and stories from friends or relatives who are politicians like that. Therefore, for the executive, the legislature and even the judiciary, it all costs money.” (Informant K)

Based on the phenomena, pressure is a primary driver of fraud, both internally and externally. According to various informants, internal pressure often stems from financial needs such as debt or family demands. External pressure can come from the work environment, leadership, performance demands, or social and political networks. In the context of Indonesia, political connections and high political costs become significant factors for fraud, especially at the leadership levels of companies or state-owned enterprises.

To prevent fraud, efforts are needed to alleviate these pressures based on their root causes, such as internal pressure caused by needs that can be prevented by fulfilling those needs. If the need was fulfilled but still committed fraud, that is called greed (Bologna, 1993). External pressure caused by the work environment can be prevented by creating a good work environment and managing conflict management in the work environment (Wicaksono & Urumsah, 2016).

Opportunity

Opportunity is a condition that opens the way for people who commit fraud (Rustiarini et al., 2019). Fraudsters in committing fraud must have the opportunity, as explained by informant H,

“The fraudster must fulfil the elements of the Fraud Triangle, one of which is an opportunity. The opportunity is because he has the authority.”

Fraud can occur when there is a gap, and even if there is no gap, the gap will be created so that fraud can be carried out as stated by informant H,

“If someone really intends then have the authority, other opportunities can be made up like that.”

A strong internal control system will make small opportunities for fraud (Adinda & Ikhsan, 2015; Erbuga, 2020; Pristiyanti, 2012). Informant I also corroborated this with the statement,

“Opportunity may be two natures, because his internal control system is weak or because he created the opportunity.” Informant J added that there must be control, *“Yes. The thing called ‘control’, you have it too.”*

There is also the experience of informant F related to technology, which aims to make it easier, but because the control system is low, it actually encourages fraud,

“There were some weaknesses in the system that might actually have been designed for flexibility, right? But this can be used to make his name. Maybe you've heard of mask credits.”

The opinion is the same as informant G's that knowing the weaknesses of the system because they have been working in that place for a long time can be the cause of the fraud, *“When someone has worked for a long time, they already know their system weaknesses and business processes, they can become vulnerabilities, yes, the temptation that occurs for fraud is that they are invited to work together.”*

Organizations usually already have rules that can prevent fraud, but sometimes some rules can be made according to the stakeholders mentioned by informant D,

“if in certain companies there are already guidelines for the procurement of goods and services. The only problem is that sometimes there are guidelines that do not fully refer to higher regulations, in this case, those issued by the ministry. Therefore, because this guideline for the procurement of goods and services is an area that can be regulated in quotes by the officials or directors.”

Informant G also stated,

“In most incidents, the procedure is there, the mechanism is also there, but when there is carelessness and negligence, there is an opportunity, fraud can occur.”

There are also cases where they were suddenly given the authority and then used the opportunity to commit fraud, as stated by informant H,

“There is also 'aji mumpung.' As long as he has the opportunity, he will make the best of it.”

Leaders who are out of control can be a driver of fraud (Pramudita, 2013; Zulkarnain, 2013). As mentioned by informant G,

“As a leader, one of them functions as a coach, the leader is not just collecting results. Now, when the employee doesn't get it, then he despairs, it can become rationalism, pressure too, and the opportunity is there, that's because he knows very well on the field and he sees that his leader has lost control, so that's an opportunity for him.” Leaders must continue to control the employee because over-trust can also encourage fraud, as stated by informant I, *“Actually he has no urgent financial need at all, then he just Over-Trust maybe yes to his subordinates earlier.”*

Opportunity, as evident from research findings, frequently serves as a gateway to fraud. Strong internal controls substantially reduce the risk of fraud. However, intentional gaps or system vulnerabilities can magnify the threat. The adaptability of technology, while meant to simplify operations, can be manipulated if system flaws exist. Particularly, long-standing employees, familiar with the system's intricacies, can discern and capitalize on these vulnerabilities. Even when organizations implement anti-fraud measures, they might not always be in sync with overarching regulations, creating a leeway for unethical actions. A leader's inadequate oversight or over-reliance on their team can exacerbate the chances of fraud.

It's of paramount importance for organizations to robustly reinforce their internal controls, spanning both tech-driven and traditional systems (Yan et al., 2020), and to staunchly comply with all regulations and guidelines (Albrecht et al., 2019). By doing so, opportunities for fraud can be significantly curtailed, ensuring a holistic protective framework against fraudulent activities.

Competency

Competence is the ability to override internal control and develop strategies to hide and control social situations for personal gain (Cushman, 2019). Fraud is usually carried out by people who have the ability or competence. This was mentioned by informant J:

"Ya, with competence, yes. With competence, maybe the one who graduated from high school is not a fraud, maybe just sorry for the thief. A thief is a thief, but not a Fraudster. If a Fraudster is usually educated, right? Someone used to say he was a white-collar criminal, right? That means it's not a blue-collar, it's not a blue-collar, it's a white-collar." (Informant J)

One form of ability is power. Fraudsters with a high level of loss are usually carried out by people who have high authority and power, mentioned by informant G,

"Well, if the loss is big, it's just a high official, huh?" This was also corroborated by the statement of informant A, *"If I remember that it was the defendant who ended up being the suspect and the convict, it's the end because the decision has been made, it's the president director or the highest level of the organization in this case."*

Technological developments force businesses to digitalize, so the ability of information technology can not only prevent fraud, but it can also be the cause of fraudsters committing fraud, as mentioned by informant K,

"We can also use IT as well as possible to prevent fraud, but on the other hand for fraudsters, this is a tool to commit fraud." This proves that having IT skills is one of the competencies to commit fraud (Macailao, 2020).

Competence is often associated with an individual's ability to commit fraud. Competence includes overriding internal controls and developing strategies for personal gain. Fraudsters typically have an educational background and are often termed "white-collar criminals." Individuals with high authority positions tend to cause greater losses. In the digital era, information technology skills are not only used for prevention but also by fraudsters as a tool. While competence is crucial, integrity and honesty are also vital; even honest individuals can be tempted to commit fraud if pressured by superiors.

Arrogance

Arrogance is an attitude of superiority or greed that believes that internal control does not apply to him (Marks, 2012). An unequal lifestyle with income can encourage fraud which is called greed. Greed, as mentioned several times by several informants, can be a driving force for fraud, one of which is mentioned by informants I and J.

"People who are corrupt because they need it, their remuneration must be increased, but if people with high remuneration are still corrupt, it means they are greedy." (Informant I)

“What I said earlier, even though what was obtained from the organization was enough, it was enough, It could be sufficient, it was sufficient for the standard of living of employees, but sometimes there are still things that are lacking, yes, Greedy or not, his life is living beyond his means, so He life is above the existing standard.” (Informant J)

Every way is sometimes done by fraudsters in order to have full control of a place so that later they can commit fraud. This was explained by informant I:

“Like the case of MD, ma'am, that's why she doesn't want to be promoted, she doesn't want to rotate, she doesn't want to take leave, so she maintains her position, she is very dominant so that other people don't enter her domain. She's not even willing to get promoted, but she's in full control there.” (Informant I)

Prestige arrogance can also encourage fraud, as stated by informant H,

“That's right, the arrogance of the prestige of the good name of the reputation, right?.”

Narcissistic people may be more likely to commit fraud due to their personality traits and motivations (Vousinas, 2019). Narcissism is characterized by a grandiose sense of self-importance, a lack of empathy for others, and a desire for admiration and attention. These traits can lead narcissistic individuals to engage in unethical and fraudulent behaviors in order to satisfy their desire for entitlement, dominance, and pride (Mohamed et al., 2021). Their heightened sensitivity to criticism and failure amplifies their likelihood to commit fraud as a means to maintain a perceived superior image and evade negative outcomes.

Arrogance, too, plays a pivotal role in fraudulent conduct. Extravagant lifestyles and insatiable greed, even among high earners, have been pointed out as significant contributors to such malpractices. The urge to uphold a certain prestige or reputation sometimes acts as a catalyst for fraudulent activities. Some go to the extent of holding onto certain organizational positions to ease their deceptive operations.

When narcissism and arrogance converge, these traits create a potent mix of motivations pushing individuals towards deceitful actions. The consistent theme is the pursuit of personal gain, dominance, and maintaining a facade, making such individuals highly susceptible to unethical and fraudulent tendencies.

Rationalization

Rationalization occurs when a person has performed an action and then builds beliefs and desires that will make him rational. Then, people often adjust their own beliefs and desires to conform with those made up. Therefore, rationalization is not just justification for the fraudster's actions, but it is the real reason behind the action (Rustiarini et al., 2019). There are several rationalizations commonly used by fraudsters in cases in Indonesia. Religious rationalization can be used to justify fraudulent acts by referring to the gifts as 'kerohiman' money, as stated by informant I,

“it's real there is a term that I heard real from him is this is 'kerohiman' money.”

Informant J also mentioned that he had the following experiences with religious rationalization:

“Ya, that's rationalization, yes, like it's not haram, is it?.” (Informant J)

In line with religious rationalization, giving is indeed widely used by fraudsters to rationalize their actions. This was stated by informant J,

“Sometimes it's like, 'We have prepared this, sir. This is the marketing fee.' That's also a rationalization: 'We have budgeted for the marketing fee, so it's okay, so it is legal.'”

Informant J also stated that there was a rationalization of pressure from a leader, the rationalization that the leader also committed fraud and feelings of injustice were carried out by fraudsters as follows:

“I said that the pressure came from their leader, but their leader also did it. Others do too, so I do, why not, yes, the others can be richer than me.” (Informant J)

Economics can be used to rationalize acts of fraud, and fraudsters feel entitled to get it. As stated by informant K,

“Sometimes one of the officials even had a kind of double bookkeeping, so if he did a mark-up, he collected the money, he would use it for investment, not for his family. Investing to buy land, to make gas stations, he said, for investment, he said it was from excess. His salaries are to be brought to his family, so he said that he did it for the investment, right? he feels he has the right to get it.”

The rationalization by stating that there is a request from others, whether it is only used as an excuse or indeed because there is pressure from others, is explained by informant I in two statements:

“Bribery is a mode of corruption that is considered the highest based on Komisi Pemberantasan Korupsi (KPK) records. As the briber, the businessmen, on average, what I see are those who have internal interests because they want to win the tender, for example, or they want to have a very good network. Even if in court, sometimes they defend themselves with 'I was asked for money'.” (Informant I)

“The leader doesn't always mean the bureaucrat. I said earlier that for political parties, there are cases such as many individual ministers and also individual members of the council they have to donate to their party if the congress was coming. That's a lot of it the congress was coming. Party X is like that; several public officials have been affected by corruption cases, and if they are asked, later they may also be sought in the media, 'I have to donate so much, I was asked for money for party development, I was asked to raise the party', yes, they said.” (Informant I)

Several perpetrators usually have more than one justification, and no one cannot be sure which rationalization is the most salient (Shepherd & Button, 2018). Rationalization is a process in which a person justifies their actions by creating beliefs and desires that align with those actions. In Indonesia, many fraudsters use various reasons to rationalize their actions. Some common rationalizations include referring to religion by considering the money from fraud as a 'blessing', feeling that there is pressure from leaders or that their leaders also commit similar actions, feeling an injustice, viewing their actions as legitimate in an economic context, or reasoning that there is a request from others. In many cases, fraudsters may have several reasons used concurrently to justify their actions. However, this rationalization process plays a significant role in justifying fraudulent actions in Indonesia.

CONCLUSION

This study provides an in-depth perspective on the various causes of fraud in Indonesia through the lens of the fraud pentagon theory, with pressure, opportunity, competency, arrogance, and rationalization as the primary drivers. The depth of this analysis is enhanced by leveraging the perspective of forensic auditors, offering a unique contribution to the literature by highlighting the region-specific cultural and social dynamics, such as the profound reliance on religious-based justifications or political affiliations, adding a layer of complexity in understanding fraud within this context. However, as a qualitative research focused on Indonesia, generalizing the findings to other contexts might be limited.

Although this research offers valuable insights, its limitations include the subjective nature of the data and potential constraints on generalization. Nevertheless, suggestions like strengthening internal controls, continuous ethics education, and the development of robust whistleblower programs indicate the path toward fraud mitigation in Indonesia. Understanding and addressing the factors contributing to fraud is vital for establishing a safer and more ethical business environment.

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