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The Effect of Fraud Diamond Elements on the Potential of Village Fund Fraud, Blitar District, Indonesia

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Abstract:

This study aims to determine the effect of pressure, opportunity, rationalization, and capability on the potential of fraudulent village funds in Blitar Regency. This study uses primary data sources by distributing questionnaires to village heads and village officials in Blitar Regency who come from the Ponggok District, Kanigoro District, Nglegok District, and Srengat District. The sample used was 300 respondents who were selected using the cluster random sampling technique. The data analysis technique uses multiple linear regression with the SPSS 23 application program. The hypothesis in this study is that the fraud diamond element consisting of pressure, opportunity, rationalization and capability has a significant positive effect on the potential of village fund fraud. The test results show that pressure has no effect on the potential of village fund fraud, while opportunity, rationalization, and capability have a significant positive effect on the potential of village fund fraud.

Keywords: *Fraudtriangle, frauddiamond, pressure, opportunity, rationalization, capability*

1. Pendahuluan

The Government Regulation of the Republic of Indonesia Number 60 of 2014 concerning village funds, has been amended, namely PP No. 8 of 2016 concerning Village Funds Sourced from the State Revenue and Expenditure Budget and PP No. 22 of 2015 concerning Village Funds Sourced from the Regional Revenue and Expenditure Budget. The amendment to these regulations provides a clearer and more equitable arrangement of both the mechanism and the amount of allocation so that the benefits of village funds can be felt more. Village funds were first allocated in 2015 amounting to Rp. 20.7 trillion and continue to increase to reach Rp. 72 trillion in 2020 (Purnamasari, 2020). A large amount of budgeted village funds is a natural thing considering its main purpose is to implement village autonomy for the realization of development and welfare of village communities. However, the amount of village funds which is quite large and increases from year to year also makes it vulnerable to acts of corruption which results in the main function of village funds for development and the welfare of village communities not being achieved.

Year	Corruption Cases Number of Village Fund Corruption Cases
2015	17 Cases
2016	48 Cases
2017	98 Cases
2018	96 Cases
2019	46 Cases

Table 1: Number of Village Fund

Source: Indonesia Corruption Watch (2020)

Table 1 shows the number of village fund corruption cases each year, where the number of cases of Village fund corruption is one of the highest corruptions in Indonesia. Of the many corruption cases of village funds, one of the cases of corruption that was successfully revealed occurred in Blitar Regency. In 2019, an alleged corruption case of village funds and village fund allocation for 2018 was revealed in Blitar Regency. Of all village funds that were misused, several funds could not be accounted for so that the state suffered a loss of IDR 487 million (Hadi, 2019). These various cases of corruption in village funds have resulted in one of the main functions of village funds, namely for development, which has not been carried out properly. Even though based on the 2018 Blitar Regency DPRD recess report, the field of infrastructure development is still the most proposed by the community, starting from road construction, irrigation, road maintenance, and public road lighting (Chusna, 2018). With the many complaints from the public regarding infrastructure development, it proves that the main function of the village fund has not been achieved and one of the contributing factors is due to fraud in the management of village funds such as corruption.

Fraud is an act that is against the law carried out by internal and external parties in an organization intending to obtain personal or group benefits that can harm other parties (ACFE, 2016). One type of fraud that is very detrimental to other parties is corruption (Herbert et al., 2017). The Fraud Triangle put forward by Donald Cressey (1953) states that fraud is caused by three factors, namely pressure, opportunity, and rationalization. Pressure is a condition that encourages someone to cheat to be free from pressure. Besides, opportunity is also one of the factors causing the occurrence of fraudulent acts. Because the opportunity allows someone to more freely commit acts of fraud due to gaps in the organization.

In addition to pressure and opportunity, cheating is also influenced by rationalization factors that exist within a person. Rationalization is a thought from someone who justifies his actions. In this case, with the existence of rationalization, the perpetrator of the fraud considers that his action is the right thing. Wolfe & Hermanson (2004) also put forward the concept of Fraud Diamond which is a form of expansion of the Fraud Triangle by adding one element that causes fraud, namely capability. Capability is a person's traits and abilities that can support the act of cheating (Wolfe & Hermanson, 2004).

Based on research conducted by Indonesia Corruption Watch, fraudulent acts such as corruption at the village level were mostly carried out by village heads and village officials. Several factors that triggered this action included the high need for funds to win village head elections or money politics and funds that were not managed transparently. The high cost of winning the village head election can lead to fraud because the village head tends to do everything, he can to return the funds that have been used, including through corruption to be free from financial pressure. Besides, village funds that are managed in a non-transparent manner can also create opportunities for fraud due to weak supervision due to the lack of openness of the village government to the management of village funds (Sarikin & Nareswari, 2020). Based on the above theories and phenomena, the authors are interested in implementing the fraud diamond element namely the pressure, opportunity, rationalization, and capability of the potential for village fund fraud as a research topic. The research instrument was adapted from the definition of the fraud diamond elements which was proposed by Wolfe & Hermanson (Wolfe & Hermanson, 2004) but adjusted to the conditions at the research location. Thus, the results obtained can reflect the real conditions.

2. Literature

2.1. Fraud Triangle

The fraud triangle theory was first put forward by Donald Cressey (Cressey, 1953), which explains the conditions or factors that cause someone to commit acts of fraud namely pressure, opportunity, and rationalization. Pressure can encourage a person to overcome the problems he is facing in various ways, including committing fraudulent acts to be free from the pressure he is experiencing, such as financial pressure. The existence of opportunities due to weak control and supervision can also trigger someone to commit fraudulent acts. Besides, a person can also rationalize fraudulent behavior to cause the fraudster to justify his actions because he thinks that it is something that is commonly done by everyone.

2.2. Fraud Diamond

Wolfe & Hermanson study (Wolfe & Hermanson, 2004) suggest that capability is a factor that can influence the occurrence of fraud. Fraud triangle concept which previously stated three factors that could influence the occurrence of fraudulent acts developed into four factors known as diamond fraud. The capability factor was created because of the belief that cheating will not occur if the perpetrator does not have the right abilities. The ability to circumvent existing controls and the ability to handle risks for their actions can turn opportunities into reality by fraudulent acts. However, it also depends on the personality of the person himself. If someone has a good personality, their abilities can be used to detect fraud (Jaffar et al., 2011).

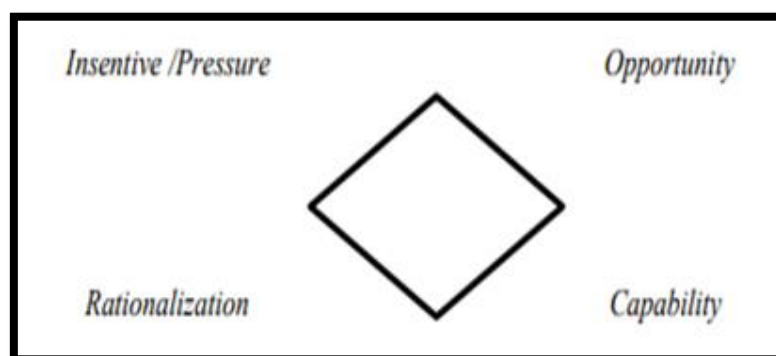


Figure 1: Fraud Diamond

Source: David T Wolfe and Dana R. Hermanson, 2004

Explanation of the elements of fraud:

2.2.1. Pressure

Pressure is a condition that encourages someone to commit fraud because they cannot solve problems or meet their needs so that they commit acts of fraud to be free from their existence. pressure, such as financial pressure (Wolfe & Hermanson, 2004).

2.2.2. Opportunities

Opportunities are the availability of opportunities that cause the perpetrators of fraud to freely carry out their actions (Wolfe & Hermanson, 2004). This opportunity arises because of a gap or weakness in an organization so that it is used by those who are able and aware of the situation because of the minimal possibility that fraud can be detected (ACFE, 2016).

2.2.3. Rationalization

Rationalization is a thought in which the perpetrator of fraud seeks justification for his actions by making them an acceptable action. The perpetrator of fraud is always looking for an acceptable reason to justify his actions (Wolfe & Hermanson, 2004). Although initially there was no desire to commit fraud, with a certain mindset someone can justify his fraudulent actions (Abdullah & Mansor, 2017).

2.2.4. Capability

Capability is the nature and ability of a person who can change the opportunity for existing fraud to become a reality. Besides, the perpetrators of fraud also believe that they can avoid existing claims or legal proceedings if the fraudulent activity they have committed is financially detected (Wolfe & Hermanson, 2004).

2.3. Hypothesis

2.3.1. The Effect of Pressure on the Potential of Village Fund Fraud

Pressure is a condition that encourages someone to commit fraud because they cannot solve problems or meet their needs so that they commit acts of fraud to be free from any pressure (Wolfe & Hermanson, 2004). Pressure from within a person can be influenced by a person's financial condition, such as suitability related to salary or compensation for the performance he has done (Tsegba & Upaa, 2015). Village officials who have a lot of expenditure will feel pressure if the salary earned is deemed insufficient (Endahsari et al., 2020). The higher the pressure a person faces, the higher the tendency to commit fraudulent acts. Conversely, the less pressure someone is experiencing, the tendency to commit cheating will also decrease. This statement is supported by previous research conducted by Hormati&Pesudo(2019) and Endahsari et al., (Endahsari et al., 2020) prove that pressure affects the occurrence of fraud.

- H_1 : Pressure has a positive effect on the potential of village fund fraud

2.3.2. The Effect of Opportunities on the Potential of Village Fund Fraud

Opportunities can arise because of the opportunities for fraud action as a result of gaps or weaknesses in an organization (Wolfe & Hermanson, 2004). This can be used by those who are aware of this situation because it can minimize the possibility of fraud being detected (Suh et al., 2019). The cases of fraud that often occur in the management of village funds are due to weak supervision resulting from a lack of access to information or transparency from the village government in managing village funds. This causes a great opportunity that can be exploited by unscrupulous persons to commit acts of fraud. The high opportunity or opportunities that exist cause the tendency to commit fraudulent acts also to get higher. On the other hand, the lack of opportunities that exist causes the tendency to commit fraudulent acts to decrease. This statement is supported by previous research conducted by Suryandari et al., (2019) and Hormati&Pesudo(Hormati & Pesudo, 2019) which prove that opportunity affects the occurrence of fraud.

- H_2 : Opportunity has a positive effect on the potential of village fund fraud.

2.3.3. The Effect of Rationalization on the Potential of Village Fund Fraud

Rationalization is a thought in which the perpetrator of fraud seeks to justify his actions by making them an acceptable action (Wolfe & Hermanson, 2004). Some of the reasons that can be justified are: 'everyone commits the act of cheating' or 'feels that no one will be harmed for their actions'. Based on this justification, the perpetrators of fraud will justify their actions as fair actions before committing fraud (Ruankaew, 2016). In this case, the higher the rationalization that exists in a person, the higher the tendency to commit fraudulent acts. Conversely, if a person's rationalization of cheating is low, the tendency to commit fraudulent acts will also decrease. This statement is supported by previous research conducted by Aini et al (2017) and Endahsari et al., (Endahsari et al., 2020) which proves that rationalization affects the occurrence of fraud.

- H_3 : Rationalization has a positive effect on the potential of village fund fraud.

2.3.4. The Effect of Capability on the Potential of Village Fund Fraud

Capability is the nature and ability of a person who can change the opportunity for existing fraud to become a reality. This ability makes the perpetrator of fraud believe that the act of cheating will not be known by others and can avoid legal prosecution (Wolfe & Hermanson, 2004). Someone who can understand the weaknesses of the organization's supervisory system will use it to commit fraudulent acts. Village officials who can understand weaknesses in internal control and supervision can take advantage of this to commit fraud. The higher a person's ability, the easier it is to commit fraudulent acts, which causes an increase in fraudulent acts that occur. Conversely, a person's low abilities also make it

more difficult to penetrate the weaknesses that exist in the organization, which causes the low level of fraud that occurs. This statement is supported by previous research conducted by Hormati&Pesudo(Hormati & Pesudo, 2019) and Endahsari et al., (Endahsari et al., 2020) which prove that capability influence the occurrence of fraud.

- H₄: Capability has a positive effect on the potential of village fund fraud.

3. Research Method

3.1. Types and Sources of Data

This study uses primary data obtained from distributing questionnaires to village heads and village officials who came from the sub-districts with the largest population, namely Ponggok District, Kanigoro District, Nglegok District, and Srengat District. The four sub-districts were chosen because the larger the population, the more village funds received, so the higher the potential for fraud to occur. Measurement of variables using a Likert scale interval 1 to 5. Starting from a score of 5 for the category strongly disagree and a score of 1 for the category strongly agree.

3.2. Population and Sample

The population used in this study was 2,129 Village Heads and Village Officials in Blitar Regency. The sample selection in this study uses a probability sampling method, namely cluster random sampling technique. Researchers divided the population into separate groups based on the district area to obtain a sample size of 300 respondents who was determined by cluster random sampling technique.

3.3. Analysis

The regression analysis model used in this study is a multiple linear regression model which is presented as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Description:

Y	= Potential Fraud
α	= Constant
β_1-4	= Coefficient
X ₁	= Pressure
X ₂	= Opportunity
X ₃	= Rationalization
X ₄	= Capability
e	= Error or <i>error term</i>

3.4. Operational Definition Variables

3.4.1. Independent Variables

3.4.1.1. Pressure (X₁)

Pressure is a condition that encourages someone to commit fraud because they cannot solve problems or meet their needs so that they commit fraudulent activities to be released from pressure (Wolfe & Hermanson, 2004). The pressure that is often experienced by a person is financial pressure due to economic demands or a lifestyle that is beyond one's means (Endahsari et al., 2020). Pressure indicators used are: financial pressure, pressure due to lifestyle beyond one's means.

3.4.1.2. Opportunity (X₂)

Opportunity is the availability of opportunities that can be used by the perpetrator of a fraud to act(Wolfe & Hermanson, 2004). This opportunity arises because of gaps in the organization such as weaknesses in internal control, lack of access to information, and weak law enforcement(ACFE, 2016). Opportunity indicators are the weakness of the internal control system, insufficient access to information, weak prosecution of perpetrators.

3.4.1.3. Rationalization (X₃)

Rationalization is a thought in which the fraudster seeks justification for his actions by making them acceptable (Wolfe & Hermanson, 2004). Several factors cause a person to justify his act of cheating, namely because everyone around him is doing it so that it is considered as something that is usually done and feels that no one is harmed by his actions (ACFE, 2016). Rationalization indicators are: fraud and other bad actions are commonplace, feeling that no one is harmed by the actions committed.

3.4.1.4. Capability (X₄)

Capability is the nature and ability of a person who can turn the chance of cheating into a reality. With this ability, a person can easily commit fraud and believe that his actions will not be known by others (Wolfe & Hermanson, 2004). Capability indicators are ability and confidence.

3.5. Dependent Variable

3.5.1. Potential Fraud (Y)

Fraud is all actions that are against the law that can occur due to the misuse of assets and misstatement in the presentation of financial statements that can be carried out by internal parties in an organization to obtain personal or group benefits (ACFE, 2016). Indicators of potential fraud are misuse of village funds and tendency to misrepresent.

4. Results and Discussions

4.1. Data Description

This research is a type of quantitative research using primary data. Data were collected by distributing questionnaires directly to respondents. Respondents in this study were the Village Heads and Village Officials consisting of the Village Secretary, the Head of Financial Affairs, the Finance Staff, the Head of Planning Affairs, the Head of the Service Section, and the Head of the Welfare Section. The village head and village officials are in charge of managing village funds from planning to implementation. The village heads and village officials come from 4 sub-districts in Blitar Regency with the largest population, namely Ponggok District, Kanigoro District, Nglegok District, and Srengat District. The distribution process for data collection was carried out for 26 days, starting from 17 February 2021 to 14 March 2021.

4.2. Descriptive Statistics

Model	Minimum	Maximum	Mean	Std. Deviation
Pressure	13.00	20.00	17.3067	1,60036
Opportunity	31.00	40.00	36.0367	2.15813
Rationalization	14.00	20.00	18.0200	1.38298
Capability	18.00	25.00	22.6900	1.85437
Potential Of Fraud	14.00	20.00	18.2400	1.41270

Table 2: Descriptive Statistics

The results of the measurement of the pressure variable, the minimum answer of the respondent is 13.00 and the maximum is 20.00 with an average answer of 17.30 and a standard deviation of 1,60. For the opportunity variable, the minimum answer for respondents is 31.00 and the maximum answer is 40.00 with an average answer of 36.03 and a standard deviation of 2.15. For the rationalization variable, the minimum answer of the respondent is 14.00 and the maximum is 20.00 with an average answer of 18.02 and a standard deviation of 1.38. The capability variable, the minimum answer for respondents is 18.00 and the maximum is 25.00 with an average answer of 22.69 and a standard deviation of 1.85. The variable for potential fraud, the respondent's drinking answer is 14.00 and the maximum is 20.00 with an average answer of 18.24 and a standard deviation of 1.41.

4.3. Data Quality Test Results

The data quality test was carried out by testing the validity and reliability tests. The research instrument is said to be valid if the significance value is less than 0.05 and $r_{count} > r_{table}$. Furthermore, the research instrument is said to be reliable if the Cronbach Alpha is greater than 0.60. The results of the validity test indicate that the instrument used in this study has met the requirements so that it can be declared valid. While the results of the reliability test of the instruments used in this study also met the requirements so that they could be declared reliable.

4.4. Classical Assumption Test Results

The classical assumption tests used in this study are the normality test, multicollinearity test, and heteroscedasticity test. Based on the normality test in this study, shows that the data results are normally distributed. The multicollinearity test in this study also shows that it has met the requirements for the tolerance value and VIF, while the heteroscedasticity test results show that there is no heteroscedasticity in the regression model used.

4.5. Testing Hypotheses

The coefficient of determination (R^2) has a value between 0 to 1 which state that the higher the value obtained, it shows that the information provided by the independent variable has a high prediction of the dependent variable.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,421 ^a	0,177	0,166	1,29011

Table 3: Coefficient of Determination

Based on the coefficient test results presented in table 3, it shows that the Adjusted R Square value is 0.166, which indicates that the dependent variable for potential fraud can be explained by 16.6% by independent variables consisting of pressure, opportunity, rationalization, and capabilities, while the remaining 83.4% is explained by other variables.

4.5.1. F Test

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	105.725	4	26.431	15.880	.000 ^b
	Residual	490.995	295	1.664		
	Total	596.720	299			

Table 4: F Test

F test was conducted to determine the effect of independent variables simultaneously, or together with criteria dependent variable effect if the significance value <0.05 or $F_{\text{count}} > F_{\text{table}}$. Based on table 4, shows the value of $F = 15,880$ and it is significant at the 0,000 level. So $F_{\text{count}} > F_{\text{table}}$ that is $15,880 > 2,402$ (sig. 0,000 $< 0,05$). This shows that pressure, opportunity, rationalization, and capability have a simultaneous influence on the potential for village fund fraud.

4.5.2. T-Test

T-test was carried out to partially test the effect of the independent variables on the dependent variable. In the t-test, it can be said to have an effect if $t_{\text{count}} > t_{\text{table}}$ or the sig value < 0.05 and the $t_{\text{value,table}}$ at 0.05 are 1.968.

Model	t	Sig
1 (Constant)	2,653	0,008
Pressure	0,114	0,909
Opportunity	4,537	0,000
Rationalization	4,624	0,000
Capability	3,075	0,002

Table 5: Partial Test (t test)

For variable pressure, the value of t_{count} is 0,114 and the value of sig is 0,909. This shows that the pressure variable does not affect on the potential variable for village fund fraud, so the first hypothesis (H1) is rejected. For variable opportunity, t_{count} was 4.537 and sig is 0,000. This shows that the opportunity variable has a significant positive effect on the potential of fraud, so that the second hypothesis (H2) is accepted. For rationalization variable, t_{count} is 4,624 and sig is 0,000. This shows that the rationalization variable has a significant positive effect on the potential fraud variable so that the third hypothesis (H3) is accepted. For variable capability, t_{count} is 3,075 and sig is 0.002. This shows that the capability variable has a significant positive effect on the potential fraud variable so that the fourth hypothesis (H4) is accepted.

5. Discussions

5.1. The Effect of Pressure on the Potential of Village Fund Fraud

Based on the regression test that has been carried out, the results show that pressure has a significance value of more than 0.05, which is 0.909, so it can be concluded that H1 is rejected or pressure does not affect on the potential of fraudulent village funds in Blitar Regency. The results of this study are not in line with the fraud diamond theory which states that the pressure a person feels, such as economic or financial pressure, can encourage that person to commit fraudulent acts. According to Hormati & Pesudo (Hormati & Pesudo, 2019), someone who feels satisfied with what is obtained both financially and non-financially and does not feel burdened or pressured by the burdens they bear, tends not to commit acts of fraud. The simple lifestyle of the village community has made village officials feel that the salary they earn is sufficient. Village communities tend to have low expenditure because they use the land, they have to plant various staple crops. Besides, the majority of rural communities are still shopping for their needs at traditional markets, which are much cheaper. Therefore, rural communities tend to spend less than urban communities (Yunita, 2018). In this variable, the lifestyle stress indicator has a mean amounting to 8.83 from the maximum value of 10.00 and the financial pressure indicator has a mean of 8.47 from the maximum value of 10.00. This shows that financial pressure is the least influential indicator compared to pressure due to a lifestyle beyond one's means. The results of this study are relevant to research conducted by Hormati & Pesudo (Hormati & Pesudo, 2019) proves that the pressure a person faces has no effect on the occurrence of fraud.

5.2. The Effect of Opportunities on the Potential of Village Fund Fraud

Based on the regression test that has been carried out, the results show that the opportunity has a significance value of less than 0.05, which is 0.00 with a positive coefficient, so it can be concluded that H2 is accepted or opportunity has a significant positive effect on the potential for village fund fraud in Blitar Regency. The higher the chance there is, the higher the possibility for someone to commit acts of cheating. The results of this study are in line with the fraud diamond theory which states that perpetrators of fraud always have the opportunity to commit fraudulent acts so that these actions cannot be detected. One of the opportunities that fraud perpetrators can take advantage of is weaknesses in the organization's internal control such as weak supervision. The existence of weaknesses in such supervision can cause the perpetrator of a fraud to have greater or more freedom of opportunity to commit fraudulent acts so that they are not detected. In the opportunity variable, the weakness indicator of the internal control system has a mean of 17.78 from the

maximum value of 20.00, the indicator of inadequate access to information has a mean of 9.09 from the maximum value of 10.00 and the indicator of weak prosecution of perpetrators has a mean equal to 9.15 from the maximum value of 10.00. This shows that the indicators of weakness in the internal control system have the greatest influence on the potential for village fund fraud. If the village government organization has a good internal control system, it can minimize the opportunity for village officials to commit fraudulent acts. The results of this study are relevant to research conducted by Suryandari et al., (Suryandari et al., 2019) and Hormati & Pesudo (Hormati & Pesudo, 2019) which states that the more opportunities there are, the more it can increase the occurrence of fraud.

5.3. The Effect of Rationalization on the Potential of Village Fund Fraud

Based on the regression test that has been carried out, the results show that rationalization has a significance value of less than 0.05, namely 0.00 with a positive coefficient value, so it can be concluded that H3 is accepted or rationalization has a significant positive effect on the potential for village fund fraud in Blitar Regency. The higher the level of one's rationalization, the higher the possibility of someone committing acts of cheating. The results of this study are in line with the fraud diamond theory which states that perpetrators of fraud tend to seek justification for their fraudulent acts so that they consider their actions to be correct and natural. Factors that can affect a person's rationalization based on the average answers of respondents can be seen from the indicators of cheating and other bad actions which are usually done having a mean equal to 9.19 from the maximum value of 10.00. Meanwhile, the indicator feels that there is nothing harmed by the action taken has a mean of 8.82 from the maximum value of 10.00. This shows that the indicators of fraud and other bad actions that are commonly carried out have the highest influence on the potential for village fund fraud. If village officials are accustomed to committing acts of fraud and other bad actions, whether small or large, then this can cause someone to justify cheating because it is something people around them usually do. The results of this study are relevant to research conducted by Aini et al (Aini et al., 2017), Peprah (2018), and Endahsari et al., (Endahsari et al., 2020) which states that a person who commits an act of fraud tends to think rationally by looking for reasons to justify his action.

5.4. The Effect of Capability on the Potential of Village Fund Fraud

Based on the regression test that has been carried out, the results show that capability has a significance value of less than 0.05, which is 0.02 with a positive t, so it can be concluded that H4 is accepted or capability has a significant positive effect on the potential for village fund fraud in Blitar Regency. The higher a person's capability, the higher the possibility for someone to commit acts of cheating. The results of this study are in line with the fraud diamond theory which states that the perpetrator of fraud can turn the chance of fraud into a reality because of his ability. A person who can understand the gaps in an organization or can influence others can easily manifest the fraudulent actions he will commit. Besides, someone must also have high confidence to turn the existing chances of cheating into a reality. In this study, based on the answers from the respondents, it can be seen that the ability indicator has a *mean* of 13.56 from a maximum value of 15.00 and the confidence indicator has a mean of 9.13 from a maximum value of 10.00. This shows that ability is the indicator that most influences the potential for village fund fraud. Village heads or village officials who can understand gaps in the organization such as weaknesses in internal control, the easier it is for them to commit fraudulent acts so that they are not detected. The results of this study are relevant to research conducted by Hormati & Pesudo (Hormati & Pesudo, 2019) and Endahsari et al., (Endahsari et al., 2020) state that capability affects the occurrence of fraud.

6. Conclusions

Based on the results of the analysis regarding the effect of the potential for village fund fraud using four variables, namely pressure, opportunity, rationalization, and capability based on the fraud diamond theory, it can be concluded that only the pressure variable does not affect the potential for village fund fraud in Blitar Regency. The pressure variable does not affect because village officials do not consider financial problems to be heavy so they do not feel any pressure. This is due to the simple lifestyle that the village community lives, which causes them to feel fulfilled both financially and non-financially so that village officials are free from any pressure. Meanwhile, the variables of opportunity, rationalization, and capability have a significant positive effect on the potential for village fund fraud in Blitar Regency. The higher the opportunities, rationalizations, and capabilities, the higher the potential for fraudulent village funds.

Suggestions for further research are to use political pressure to be a proxy for pressure and to expand the sample coverage in urban areas that have a different lifestyle than district areas. Political pressure can be in the form of an obligation for individuals to give a certain amount of money for the benefit of the party, organization, or group that has supported it. Expanding the reach in urban areas is expected to give different results due to different situations. For the village government, the results of this study can be used as a reference in formulating village financial management policies, especially village funds so that they can run well and effectively and avoid fraudulent acts such as corruption.

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