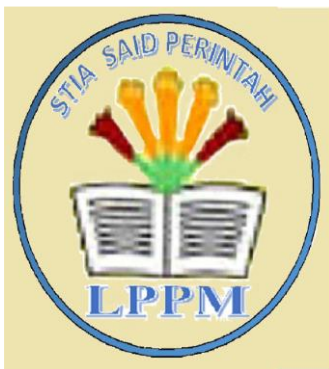

Public Policy: Jurnal Aplikasi Kebijakan Publik dan Bisnis

Personal Values in Village Fund Fraud Prevention

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LPPM STIA Said Perintah

Volume 5, No. 2, September 2024

<https://stia-saidperintah.e-journal.id/ppi>

Received; 2024 - 08 - 06

Accepted; 2024 - 08 - 20

Published; 2024 - 08 - 22



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Abstract

The increase of the village fund over the years, on the one hand - creates many opportunities for the village governments to improve their quality of life. However, on the other hand, it could lead to misuse and, to some extent, it is committed to fraud in the management process. Fraud is an unlawful act that causes many losses and benefits the perpetrator. Fraud may occur in both the private and public sectors (government). This research aims to empirically test the influence of Idealism and Morality on Fraud Prevention in Village Fund Financial Management. By using the Simple Random Sampling technique, the study is participated by Village Government Administrators and Village Consultative Councils in Teluk Ambon District as the population with the samples consisted of Village Government Administrators and Village Consultative Bodies from 6 (six) Villages in the Teluk Ambon District area. The research found that morality ($p=0.008$) and idealism ($p=0.000$) positively prevent fraud in village fund management. The result confirmed that when people have knowledge, understanding, and idealism, as well as personal values such as morals and ethics, they tend to avoid fraud. The research recommends conducting an experiment that focuses on groups to collect data to reduce internal validity problems. It may also examine other variables that can explain a more significant influence on fraud prevention.

Keywords : Morality, Idealism, Fraud Prevention

Introduction

The government has introduced the Village Fund policy to promote the economy and improve the welfare of rural communities. A village fund is defined as the budget allocation provided by the central government to villages. The budget mainly comes from the State Budget (APBN) based on the Regulation of the Republic of Indonesia Number 8 of 2016. Each village has to take certain actions to ensure that they manage the fund by following the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 113 of 2014 on Financial Management for Village Fund. The measures are planning, implementation, management, reporting, and accountability processes.

The annual increase in the allocation of village funds also creates opportunities for village governments to engage in fraud in their management processes. Fraud is an illegal act that causes loss to the organization and benefits the perpetrator. Fraud can occur in private companies and the public sector (government). Government agencies often commit fraud to enrich themselves by abusing their positions, both at central and regional levels (Qorirah and Syofyan, 2024).

In Indonesia, fraud in the management of village funds has also increased as the annual allocation of these funds has increased. Indonesia Corruption Watch (ICW) has reported that corruption cases in Indonesia have increased each year, with a significant number involving regional government officials, including those managing village funds (www.antikorupsi.org/id). In Maluku province, several village heads and officials who manage village funds have been implicated in embezzlement cases in recent years. For example, the head of Haruku village in Central Maluku and his treasurer were found guilty of corruption, causing a financial loss to the state of IDR 434,000,000 (www.maluku.bpk.go.id). In addition, the head of Tulehu village was sentenced to 7 years in prison for embezzling IDR 5 million in village funds (www.ambon.tribunnews.com). In light of these cases of mismanagement, it is necessary to anticipate and implement fraud prevention factors in the management of village funds. Fraud prevention involves anticipating and taking action to avoid parties who lie, extort, steal, plagiarise, collude, manipulate, and deceive others by violating existing laws to enrich a group or themselves (Taufik and Nasir, 2020).

Fraud is less likely to occur if individuals have the knowledge, understanding, and willingness to apply personal values such as morality and ethics appropriately in their professional conduct. The personal values examined in this study are morality and idealistic ethics. Ethics is the main objective of professional attitudes about the values and morals that form the basis of ethics.

Ethics are the primary goal of professional attitudes related to values and morals, which form the basis of ethics (Frasto Biyanto, 2018).

Morality is crucial to the prevention of fraud. Morality consists of values and norms that guide individuals in regulating themselves. The higher an individual's morality, the more they strive to avoid fraud. Higher levels of moral reasoning are associated with a lower likelihood of committing fraud (Suarniti and Ratna Sari, 2020). In research, Suhartono, Astrina, and Majid, (2023) individual morality serves as a moderating variable that strengthens the relationship between employee competence and fraud tendencies, while in research Korompis, Saerang, and Morasa, (2018) morality has a negative effect on fraud tendencies.

According to Forsyth Efran and Ethika, (2020) idealism is an ethical orientation that refers to the extent to which a person believes that the consequences of their actions can occur without violating moral values. A person with a high level of idealistic ethics views deviant actions as unacceptable and intolerable. An idealistic person will avoid actions that could harm others and will take firm action against unethical or harmful incidents. Research on the impact of idealism on fraud prevention has not yet been conducted; idealism has been studied more about ethical sensitivity and behavior. Based on the above issues and the research gap compared to previous studies, this research aims to empirically test the impact of idealism and morality on fraud prevention in village fund management.

Theoretical Framework and Research Hypothesis Development

Theory of Planned Behavior

The Theory of Planned Behaviour is an extension of the Theory of Reasoned Action (TRA). TRA, developed by Icek Ajzen and Martin Fishbein in Bangun, Suhara, and Husin, (2023) grew out of earlier research starting with attitude theory, which studied attitudes and behaviors. TRA was developed because of the limited success of studies examining the relationship between attitudes and behavior. TRA posits that people act deliberately, taking into account available information and implicitly and explicitly weighing the implications of their actions. TRA explains that a person's intention to perform (or not to perform) behavior is a direct determinant of that behavior.

Cognitive Theory of Moral Development

Kohlberg developed a theory of moral reasoning that focuses on the cognitive processes that individuals use to make decisions about right and wrong. Kohlberg's theory, (1971) in Ibda,

(2023) an extension of Dewey's theory, states that personal values are acquired through a process of thinking and reasoning. Significant events help individuals develop their moral capacities, which can be observed through their conflicts and opinions when interacting with individuals of higher moral standards.

Ethical Theory

According to Forsyth (Efran and Ethika 2020), ethical theory provides a framework that allows individuals to determine the correctness of moral decisions. Based on ethical theory, the moral choices made by individuals can be reasoned and logically justified. An ethical theory helps people to make moral decisions and to justify those decisions.

Idealism

Idealism is an attitude that considers correct or proper actions to result in desired consequences or outcomes (Forsyth, 1992, as cited in Efran, 2020). An idealistic individual holds the principle that harming others is something that can always be avoided, and they will refrain from actions that lead to negative consequences. When faced with two choices, both of which would negatively impact others, an idealistic person will choose the option that causes the least harm to others.

Morality

According to Junia, as cited in Faridatul, (2022), morality refers to the good and bad attitudes possessed by an individual. Morality arises when a person acts out of awareness of their duties and responsibilities, rather than seeking to gain personal benefit from their actions. This statement can be interpreted to mean that an individual's morality is reflected in their behavior or attitude, where they act selflessly without expecting any return.

Fraud Prevention

Fraud prevention refers to actions that can be taken to deter individuals from lying, plagiarizing, stealing, extorting, manipulating, colluding, and deceiving others for the purpose of self-enrichment or enriching others/groups through unlawful means (Taufik and Nasir, 2020). There are two key factors in preventing fraud: creating a culture of honesty, transparency, and assistance, and eliminating opportunities for fraudulent behavior.

The Impact of Idealism on Fraud Prevention

Idealism is an attitude that believes that correct actions will lead to desired outcomes. An idealistic person adheres strictly to universal moral rules, avoids actions that could harm others,

and ensures that actions do not lead to negative consequences. Village fund managers who are idealistic are more likely to prevent inappropriate financial management practices.

H₁: Idealism Positively Affects Fraud Prevention.

The Impact of Morality on Fraud Prevention

Individuals with lower levels of moral reasoning are more likely to engage in actions that benefit themselves and avoid legal sanctions. Morality refers to an individual's attitudes and behaviors. Higher levels of moral reasoning make individuals more likely to do the right thing. Conversely, lower levels of moral reasoning increase the likelihood of unethical behavior and fraudulent tendencies. Islamiyah, Made, and Sari, (2020) state that individuals who uphold strong moral values can avoid engaging in fraud because those who prioritize morality are more likely to adhere to prevailing norms by ethical principles. On the other hand, individuals who do not uphold moral values are more likely to make decisions based on their desires, disregarding obligations and regulations that should be followed. By instilling morality in each individual, it is expected that fraud can be prevented.

H₂: Morality Positively Affects Fraud Prevention.

Research Method

This research is explanatory and explains the relationships between variables through hypothesis testing. Data collection methods include 1) Literature review: conducted to obtain information related to the research topic. 2) Questionnaire: consisting of prepared written questions and statements with direct response options in the form of closed or open-ended questions.

The population for this research is the Village Government Organizers and Village Consultative Bodies in the Teluk Ambon district. The sample in this study comprises Village Government Officials and members of Village Consultative Bodies, totaling 60 individuals from six (6) villages within the Teluk Ambon District. Sampling is done using simple random sampling, where samples are selected randomly.

Operational definitions explain the variables used in the scientific study. For this study, the operational definitions are as follows: Idealism is an ethical orientation that refers to the extent to which a person believes that actions can have consequences without violating moral values. This variable is measured using 10 questions (Delmiyetti, Mawarni, and Syafei, 2022) on a Likert scale from 1 to 5, with higher scores indicating higher levels of idealism. Morality is a positive

value held by an individual that distinguishes between right and wrong. This variable is measured using 10 questions (Taufik and Nasir, 2020) on a Likert scale from 1 to 5. Fraud prevention includes activities and policies to eliminate or reduce the causes of fraud. This variable is measured using 8 questions according to Kadek Widyarta in Putri and Prasiwi, (2021) on a Likert scale from 1 to 5.

This study uses multiple regression analysis to test the effects of the independent variables (Idealism and Morality) on the dependent variable (Fraud Prevention). The model equation used is:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

Y ; Fraud Prevention

a ; Constanta

β ; Regression Coefficient

X_1 ; Idealism

X_2 ; Morality

e ; Error

Results and Discussion

Validity and Reliability Tests

Validity Test

The purpose of validity testing is to measure whether a questionnaire is valid. In this research, validity is tested using Pearson's correlation. An indicator is considered valid if the correlation between each indicator gives a significant result. Based on Pearson's correlation calculations, the results are as follows:

Results of Data Validity Test

Variable	Correlation Range	Sig	Result
Idealism	0,714**-0,832**	0,000	Valid
Morality	0,687**-0,796**	0,000	Valid
Fraud Prevention	0,486**-0,700**	0,000	Valid

Note: Correlation at a significance level of 0.01

Source: Research data processing results, (2024)

The validity test results shown in the table above indicate that the validity test using correlation (Pearson correlation) between the scores of each question item and the total score

shows positive correlations, with each variable's correlation exceeding the minimum threshold of 0.30 and a significance level of 0.000, which is less than 0.01 (Imam Ghozali, 2021). This result concludes that the questions used to measure the variables of idealism, morality and the dependent variable of fraud prevention are valid.

Reliability Test

The purpose of the reliability test is to measure the consistency of statements over time. The results of the reliability test using Cronbach's Alpha are as follows:

Results of Data Reliability Test

Variable	Cronbach alpha	Result
Idealism	0,777	Reliable
Morality	0,780	Reliable
Fraud Prevention	0,761	Reliable

Source: Research data processing results, (2024)

Based on the results of the reliability test shown in the table above, the instruments used to measure the variables of idealism, morality, and the dependent variable of fraud prevention are considered reliable as they have a Cronbach's Alpha value greater than 0.60 (Imam Ghozali, 2021).

Classical Assumption Test

Normality Test Results

A good regression model should have a normally distributed or near-normally distributed data set. The normality test used is the non-parametric statistical test, the One-Sample Kolmogorov-Smirnov Test. The significance value indicates that the residuals are normally distributed if the Asymp. Sig (2-tailed) value in the One-Sample Kolmogorov-Smirnov Test is greater than 0.05 (Imam Ghozali, 2021).

Result of Normally Test (KS-Model)

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		60
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	,68783882
Most Extreme Differences	Absolute	,133
	Positive	,133
	Negative	-,119
Kolmogorov-Smirnov Z		1,061
Asymp. Sig. (2-tailed)		,210
a. Test distribution is Normal.		
b. Calculated from data.		

Source: Research data processing results, (2024)

The results of the Kolmogorov-Smirnov test in the table above show a value of 1.061 with a significance probability level of 0.210. Since the significance value of the Kolmogorov-Smirnov test on the unstandardized residuals is 0.210, which is greater than $\alpha = 0.05$, this indicates that the data used is normally distributed. In other words, the regression model employed meets the assumption of normality.

Multicollinearity Test Results

The purpose of the multicollinearity test is to determine whether there is any correlation among the independent variables in the regression model. Multicollinearity in the data can be assessed by examining the VIF (Variance Inflation Factor) and tolerance values. The tolerance value measures the variability of the selected independent variable that is not explained by the other independent variables. Therefore, a low tolerance value corresponds to a high VIF value (since $VIF = 1/\text{tolerance}$). The commonly used cutoff values to indicate the presence of multicollinearity are a tolerance value < 0.10 or a VIF value > 10 (Imam Ghozali, 2021).

Result of Multicollinearity Test

		Coefficients	
Model		Collinearity Statistics	
		Tolerance	VIF
1	Idealism	.824	1.241
	Morality	.839	1.192

a. Dependent Variable: Fraud Prevention

Source: Research data processing results, (2024)

The multicollinearity test results table indicates that the independent variables used are free from multicollinearity, as the obtained tolerance values are above 0.10 and the VIF values are below 10. This means that there is no correlation among the independent variables. Therefore, it can be concluded that there is no multicollinearity issue in the regression model.

Heteroscedasticity Test Results

The heteroscedasticity test aims to determine whether there is a variance inequality of the residuals from one observation to another in a regression model. The researcher employed the Glejser test for this purpose. This test is conducted by regressing the absolute values of the residuals. If the independent variables statistically significantly affect the dependent variable, it indicates the presence of heteroscedasticity (Imam Ghozali, 2021)

Glejser Test

Model	Coefficients			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	1.103	1.203		.916	.364
1 Idealisme	.138	.093	-.238	1.477	.146
Moralitas	.094	.059	.256	1.590	.119

a. Dependent Variable: Abs_res

Source: Research data processing results, (2024)

The table above shows that the independent variables do not statistically significantly affect the absolute residual values (Abs-Res), as indicated by their significance probabilities being above the 5% confidence level (> 0.05). Therefore, it can be concluded that the regression model in this study does not exhibit heteroscedasticity.

Hypothesis Testing

Hypothesis testing involves the statistical validation of any hypotheses raised in this research. The statistical method used for hypothesis testing is multiple regression. The results of the hypothesis testing are shown in the table below:

Results of Hypothesis Test

Model	Coefficients ^a			T	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	3.736	4.154		.899	.372
1 Idealism	.388	.096	.475	4.059	.000
Morality	.320	.117	.321	2.741	.008

a. Dependent Variable: Fraud Prevention

Source: Research data processing results, (2024)

Hypothesis 1 (H₁): Idealism has a positive effect on fraud prevention. The test results show that the idealism variable has a t-value of 4.059 with a significance value of 0.000. Since the significance value of 0.000 is less than 0.05, H₁, which states that there is a positive effect of idealism on fraud prevention, is accepted.

Hypothesis 2 (H₂): Morality has a positive effect on fraud prevention. The test results show that the morality variable has a t-value of 2.741 with a significance value of 0.008. Since the significance value of 0.008 is less than 0.05, H₂, which states that there is a positive effect of morality on fraud prevention, is accepted.

Discussion

The Impact of Morality on Fraud Prevention

The results of this hypothesis test indicate that morality affects fraud prevention. This finding is consistent with the research by Suarniti and Ratna Sari, (2020) and Suhartono, Astrina, and Majid, (2023) which shows that the level of individual moral reasoning influences accounting fraud. However, this study does not support the research by Korompis, Saerang, and Morasa, (2018) which shows that morality has a negative effect on fraud. Individuals with high moral standards are more likely to prevent fraud because they adhere to ethical principles and rules. In contrast, individuals with low moral standards are more likely to make decisions based on personal preferences or desires that may benefit themselves and disregard rules or obligations.

The Impact of Idealism on Fraud Prevention

The results of this hypothesis test show that idealism affects fraud prevention. Higher levels of idealism are associated with a greater tendency to prevent fraud. This result supports existing theories. The theory is that people with high levels of idealism are more likely to recognize ethical issues and make decisions based on established guidelines or rules, leading to more ethical

behavior and a greater likelihood of preventing fraud. Idealism refers to the extent to which a person believes that the consequences of their actions can occur without violating moral values. In other words, idealism is an ethical orientation characterized by a person's concern for the welfare of others and an effort to avoid harming others.

Conclusion

Based on the results and discussion outlined above, the conclusions are as follows: Hypothesis 1 is accepted, indicating that morality positively influences fraud prevention. Individuals with high moral standards are more capable of preventing fraud because they adhere to ethical principles and rules. Hypothesis 2 is also accepted, demonstrating that idealism has a positive effect on fraud prevention. Higher levels of idealism are associated with a greater tendency to prevent fraud. Future research should consider conducting experiments using direct interviews with focused groups to collect data, thereby addressing potential weaknesses related to internal validity. Additionally, increasing the sample size and including other variables not covered in this study may provide a more comprehensive understanding of the factors influencing fraud prevention.

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