

UNVEILING THE DYNAMICS: A COMPREHENSIVE ANALYSIS OF FACTORS SHAPING FRAUD INCIDENTS IN SOCIAL FUND ASSISTANCE PROGRAMS IN MALANG CITY

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ABSTRACT

Fraud is a fraud that is deliberately carried out so that it causes losses without the injured party realizing it and benefits the fraudster. Fraud generally occurs because of the pressure to commit fraud or the urge to take advantage of existing opportunities and the justification (generally accepted) for these actions (Arthana, 2019). This research was conducted to determine the factors of pressure, opportunity, and rationalization that affect the occurrence of COVID-19 social fund assistance fraud in the Malang City environment. The sample in this study consisted of active employees of regional work units in social services, districts, and villages of Malang City. The type of research in the preparation of this paper is correlational research. The analytical method used is Multiple Linear Regression with SPSS 26 Software For Windows. Based on the research and discussion that has been done, it can be concluded that pressure, opportunity, and rationalization have a positive and significant effect on the fraud of COVID-19 social fund assistance in the Malang City environment.

Keywords: Fraud, Social fund assistance, Pressure, Opportunity, and Rationalization

Introduction

Covid-19 is a virus that first appeared in Wuhan City, China in late 2019. The outbreak is increasingly widespread which can cause death. Meanwhile, in Indonesia, the Covid-19 case was indicated in early March 2020. In overcoming the outbreak, the Indonesian government is making every effort to be able to stop the spread of the covid -19 virus, starting from Large-Scale Social Restrictions (PSBB), Java-Bali Large-Scale Social Restrictions (PSBB), Enforcement of Micro-based Community Activity Restrictions (Micro PPKM), Enforcement of Emergency Community Activity Restrictions (PPKM), to Enforcement of Level 3-4 Community Activity Restrictions (PPKM), in addition to this, the Indonesian government also vaccinates the Indonesian

people and conducts education about the Covid-19 virus. The covid-19 virus also causes other impacts, especially in terms of the decline in the world economy.

The Indonesian finance minister, Sri Mulyani, said that the Covid-19 virus had negative implications for the domestic economy such as decreased consumption and purchasing power, decreased company performance, threats to the financial and banking sectors which had an impact on people who were looking for work, many employees were laid off, the state suffered huge losses to *fraud* (Fitriyani, 2021). Fraud is a *fraud* that is deliberately carried out so that it causes losses without the injured party realizing it and provides benefits for the fraudster. Fraud generally occurs because of the pressure to commit fraud or the urge to take advantage of existing opportunities and the justification (generally accepted) for these actions (Arthana, 2019). The fact is that from year to year, *fraud* in the financial sector has always been a topic of discussion among the public, both from Government Agencies (City Government Offices and Provincial Government Offices). However, although various cases of *fraud* have been revealed and the perpetrators have been processed through legal channels, there is no indication that this *fraud* will stop.

Alvianti (2008) revealed that corruption is a fraudulent practice in Indonesia. This symptom occurs including a combination of misuse of assets by officials and corruption. state employees based on the interests of state authority. This fraud is carried out by procuring fictitious transactions and the loss of state assets that are eliminated in the financial statements after being manipulated and supported by fake documents. Furthermore, the results of ACFE research (2014) stated that in January 2014, almost 70% of the total research of 524 people, 318 heads and deputy heads of regions were involved in corruption cases. Kumolo (2015) stated that several officials identified corruption in regional financial reporting starting from budget preparation, grants and social assistance spending, official travel spending, procurement of goods and services, local taxes and levies. As we know that the Indonesian government has made several efforts to deal with the economic downturn that occurred in Indonesia, one of which is by providing social assistance funds to people in need, such as basic food assistance, cash social assistance, village funds, free electricity, pre-employment cards, employee salary subsidies, direct cash assistance (BLT) for small micro businesses.

Social assistance is the provision of assistance in the form of money / goods from the Regional Government to individuals, families, groups and / or communities that are not continuous and selective in nature which aims to protect against possible social risks based on the Regulation of the Minister of Home Affairs (Permendagri) Number 32

of 2011. The purpose of the plan to provide this assistance program is to maintain people's purchasing power during the corona virus pandemic. And all of this assistance will be distributed to all regions in Indonesia, and target the affected residents directly or indirectly. In addition, the Covid- 19 social assistance fund is also expected to provide targeted solutions for the community, especially people who have a low economy due to the influence of the Covid-19 pandemic.

Especially in Indonesia, there are a lot of *frauds* that occur, one of which in this case is the covid-19 social assistance fund which should be channeled properly to people in need, but there are still people who take advantage of this only for their personal interests. Like the case that occurred in Malang City in August 2021, where there was a misuse of social assistance funds for the Family Hope Program (PKH) of IDR 450 million by village officials.

Cressey (1950) in Ahmadiana and Novita (2019) states that *Fraud* is identical to the *Fraud Triangle Theory* which explains that people or fraudsters commit acts of fraud and theft due to three things, namely: pressure, opportunity, and rationalization. *Pressure* can occur from within the organization and individual life. The pressure that causes a lot of fraud to occur is material needs such as money. *Opportunity* can occur if the rules and control systems in the organization are less effective, such as abuse of authority, lack of supervision, *internal control*. Hernandez and Groot (2007) in Arthana (2019) say that *rationalization* is a thought that justifies its actions as a reasonable behavior, which is morally acceptable in a normal society.

Literature Review

Basically *fraud* is *irregularities*, and *illegal* acts, committed by outsiders or within the company. *Fraud* is one type of error that is often found in accounting. According to the Indonesian Institute of Certified Public Accountants (IAPI), *fraud* is an act intentionally committed by one or more individuals in management or those responsible for governance, employees and third parties involving the use of deception that obtains an unfair or unlawful advantage. *Fraud* in its broadest definition is intentional misconduct that causes others to suffer loss, usually monetary loss. People generally think of lying as *fraud*, but legally lying is only one small element of actual fraud. *Fraud* is usually a lie to gain a certain advantage that causes someone to suffer a loss, but lying does not always cause harm to people (Oyedokun, 2016).

Social assistance according to the Minister of Finance Regulation Number 254/PMK.05/2015 concerning Social Assistance Expenditures at the Ministry of State / Institution is an expenditure in the form of money transfers, goods or services

provided by the Government to the poor or unable to protect the community from the possibility of social risks, improve economic capacity and / or community welfare. The provision of social assistance funds from the government to the community is guided by the Minister of Finance Regulation. Home Affairs Number 32 of 2012 concerning guidelines for granting grants and social assistance sourced from the Regional Budget (APBD).

Pressure is a motive for a person's behavior to commit fraud because it is triggered by a perceived urge (Arles, 2014). Every perpetrator must face some type of pressure to commit fraud. Perceived pressure is defined as the motivation that leads the perpetrator to engage in unethical behavior. This kind of pressure can occur to all parties at all levels of the organization and can occur for various reasons (Ruankaew, 2016).

Opportunity is a situation that allows someone to be able to take unjustified actions such as fraud. According to Montgomery *et al.* (2002) in Rukmawati (2011), an opportunity is an opportunity that causes the perpetrator to freely carry out his actions caused by weak internal control, indiscipline, weakness in accessing information, and the absence of an audit mechanism. The most prominent thing is in terms of internal control. Poor internal control will provide an opportunity for someone to commit fraud.

According to Skousen (2009) in Najahningrum (2013) rationalization is an important component in many frauds, rationalization causes fraudsters to seek justification for their actions. Rationalization is the part of the fraud triangle that is most difficult to measure. Rationalization is an important element in the occurrence of *fraud*, where the perpetrator seeks justification for his actions. Attitude or character is what causes one or more individuals to rationally commit fraud. *Fraud* perpetrators always seek rational justification to justify their actions. For those who are generally dishonest, it may be easier to rationalize fraud. For those with higher moral standards, it may not be as easy.

Research Method

Based on the type of data studied, this research can be categorized as quantitative research. Quantitative method is a method used by researchers who are focused on testing the theory by measuring the variables contained in the study using numbers and analyzing data using analytical procedures (Darmawan, 2018).

According to Indriantoro (2019: 26-27), *correlational research* is a type of research with problem characteristics in the form of a correlational relationship between two or more variables, and aims to determine whether or not there is a correlation between variables. Researchers can identify these facts or events as variables that are influenced (dependent variables) and investigate the variables that influence (independent variables).

The dependent variable in this study is social fund fraud, while the independent variables in this study are pressure, opportunity, and rationalization.

According to Sugiyono (2019: 126) population is a generalization area consisting of: objects / subjects that have certain quantities or characteristics set by researchers to be studied and conclusions drawn. The population of this research is the Regional Work Unit (SKPD) of Malang City. In this study using *purposive sampling* method, which is a sampling technique where the researcher relies on his own judgment when selecting members of the population to participate in the study. The respondents of this study were employees of the Regional Apparatus Work Unit (SKPD) of Malang City who were directly related to the covid-19 social fund assistance in Malang City. The criteria for respondents used in this study are active employees of the Regional Work Unit (SKPD) in the Social Service of Malang City in the special section of social assistance fund management, and active employees of the Regional Work Unit (SKPD) in the Districts and Villages of Malang City in the special section of social assistance fund management.

Result

The results of research conducted by distributing questionnaires to respondents, the respondents were obtained as follows:

No	Description	Total	Percentage
1	Questionnaire	45	100,00%
2	Questionnaires not	0	0,00%
3	Questionnaire returned	45	100,00%
4	Ineligible	0	0,00%
5	Questionnaires that are ready to be processed in	45	100,00%

Source: Primary data processed, 2022

The results of table show that 45 questionnaires were distributed with a percentage of 100%, no questionnaires were not returned, so that 45 questionnaires returned with a percentage of 100% and all questionnaires were eligible so that 45 questionnaires were ready to be processed in the study.

Descriptive Statistical Test Results

In this study, descriptive statistics are useful for obtaining information about research variables. The results of descriptive statistics on this research variable are:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Y	45	1,80	5,00	3,6444	,74454
X1	45	1,10	5,00	3,6000	,70130

X2	45	2,20	5,00	3,6667	,74833
X3	45	1,33	5,00	3,6660	,91362
Valid N (listwise)	45				

Source: Primary Data Processed, 2022

Based on table, the minimum value is 1.80 for the Social Fund Assistance *Fraud* variable (Y) and 5.00 for the maximum value, with a mean value of 3.6444 and a standard deviation value of 0.74454. The Pressure Variable (X1) obtained a minimum value of 1.10 and 5.00 for the maximum value, with a mean value of 3.6000 and a standard deviation value of 0.70130. The Opportunity Variable (X2) obtained a minimum value of 2.20 and 5.00 for the maximum value, with a mean value of 3.6667 and a standard deviation value of 0.74833. And the Rationalization variable (X3) obtained a minimum value of 1.33 and 5.00 for the maximum value, with a mean value of 3.6660 and a standard deviation value of 0.91362.

Normality Test Results

The function of the Normality Test is to test a regression model, whether the confounding variables (residuals) have normality or not, the residual value must follow a normal distribution. Normality testing in this study used the *Kolmogorov-Smirnov* Test. This test requires that the significant value of the *Kolmogorov-Smirnov* test must be greater than 0.05. The results of the normality test in this study are as follows:

Normality Test Result

Y		X1	X2	X3
N		45	45	45
Normal Parameters a,b	Mean	3,7150	3,6000	3,6667
	Std. Deviation	,73154	,70130	,74833
Most Differences	Extreme Absolute	,121	,129	,089
	Positive	,075	,084	,089
	Negative	-,121	-,129	-,082
Test Statistic		,121	,129	,089
Asymp. Sig. (2-tailed)		,142 ^c	,056 ^c	,200 ^{c,a}

Source: Primary data processed, 2022

Based on table above, it can be concluded that the normality value can be seen from the *Asym.Sig (2-tailed)* of each variable, while the conclusion of the normality value is as follows:

1. Social Fund Assistance *Fraud* Variable (Y) value *Asym. Sig (2-tailed)* value of 0.142 is greater than 0.05 so it can be said that the data is normally distributed
2. Pressure variable (X1) value *Asym. Sig (2-tailed)* value of 0.056 is greater than 0.05 so it can be said that the data is normally distributed.
3. Opportunity (X2) value *Asym. Sig (2-tailed)* value of 0.200 is greater than 0.05 so it can be said that the data is normally distributed.
4. Rationalization variable (X3) value *Asym. Sig (2-tailed)* value of 0.159 is greater than 0.05 so it can be said that the data is normally distributed.

F Test Result

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	21,793	3	7,264	114,642	,000 ⁰
Residuals	2,598	41	,063		
Total	24,391	44			

Source: Primary Data Processed, 2022

When viewed in table, the F test result is 114.642 with a significant level of 0.000. So that the significant value of $0.000 < 0.05$, it shows that simultaneously there is a significant influence between the variables of Pressure, Opportunity, and Rationalization on Social Fund Aid *Fraud*, thus H1 is accepted.

Coefficient of Determination

The results of the determination test (*Adjusted R Square*) are as follows:

Determination Coefficient Test Results

Model R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,945 ^a ,893	,886	,25173

Source: Primary Data Processed, 2022

The results of the coefficient of determination can be seen by looking at table where the *Adjusted R Squared* value is 0.886, which means that the independent variables Pressure, Opportunity, and Rationalization have an influence of 88.6% on the dependent variable, namely Social Fund Aid *Fraud*. Meanwhile, 11.4% is influenced by other variables not used in the study.

Partial Test

Unstandardized Coefficients				Standardized Coefficients Beta	t	Sig.
Model		B	Std. Error			
1	(Constant)	,210	,223		,945	,350
	X1	,164	,076	,154	2,160	,037
	X2	,138	,063	,139	2,211	,033
	X3	,638	,050	,783	12,666	,000

Source: Primary Data Processed, 2022

Discussion

The discussion section of research results contains research findings with existing literature or theories. Shows that research findings are novelty or new contributions to the body of knowledge/science.

Conclusion

The Effect of Pressure on Social Fund Aid Fraud

The Pressure variable (X1) has a t count of 2.160 with a significance value of 0.037 < 0.05 indicating that H1a is accepted, so it can be seen that the Pressure variable (X1) has a significant positive effect on Social Fund Aid Fraud (Y). From these results, it means that Social Fund Aid Fraud can be influenced by pressure because pressure can occur from within the organization, as well as individual life. Ramamooti (2008) states that the factors of fraud are caused by the psychological condition of the perpetrator. The pressure that causes a lot of fraud to occur is material needs such as money. This is in line with what is revealed by Nisa (2021) which states that high pressure will affect the occurrence of Fraud, so that in this study it can be stated that if the pressure increases, it will increase the potential for Fraud in social fund assistance, while if the pressure received is low, it will minimize the occurrence of Fraud in social fund assistance in the city of Malang. This study supports Nisa's research (2021) which states that the Pressure variable has a significant effect on Social Fund Aid Fraud.

The Effect of Opportunity on Social Fund Aid Fraud

The Opportunity variable (X2) has a t count of 2.211 with a significance value of 0.033 < 0.05, indicating that H1b is accepted, so it can be seen that Opportunity (X2) has a significant POSITIVE effect on Social Fund Aid Fraud (Y). From the results obtained, it explains that the Opportunity variable can affect the occurrence of Social Fund Aid Fraud, the opportunity itself can occur if the rules and control systems in the organization

are less effective, such as abuse of authority, lack of supervision, *internal control*. Good and effective internal control will close opportunities for fraud. As the theory conveyed by Montgomery *et al.* (2002) in Rukmawati (2011), opportunity is an opportunity that causes the perpetrator to freely carry out his actions caused by weak internal control, indiscipline, weakness in accessing information, and the absence of an audit mechanism. This is in line with the research revealed by Nisa (2021) which states that high opportunities will affect the occurrence of *Fraud*, so that in this study it can be stated that if the opportunities obtained increase, it will increase the potential for *Fraud* in social fund assistance, while if the opportunities obtained are few, it will minimize the occurrence of *Fraud* in social fund assistance in the city of Malang. This research supports Nisa's research (2021) which states that the Opportunity variable has a significant effect on Social Fund Aid *Fraud*.

The Effect of Opportunity on Social Fund Aid *Fraud*

The Opportunity variable (X2) has a t count of 2.211 with a significance value of $0.033 < 0.05$, indicating that H1b is accepted, so it can be seen that Opportunity (X2) has a significant POSITIVE effect on Social Fund Aid *Fraud* (Y). From the results obtained, it explains that the Opportunity variable can affect the occurrence of Social Fund Aid *Fraud*, the opportunity itself can occur if the rules and control systems in the organization are less effective, such as abuse of authority, lack of supervision, *internal control*. Good and effective internal control will close opportunities for fraud. As the theory conveyed by Montgomery *et al.* (2002) in Rukmawati (2011), opportunity is an opportunity that causes the perpetrator to freely carry out his actions caused by weak internal control, indiscipline, weakness in accessing information, and the absence of an audit mechanism. This is in line with the research revealed by Nisa (2021) which states that high opportunities will affect the occurrence of *Fraud*, so that in this study it can be stated that if the opportunities obtained increase, it will increase the potential for *Fraud* in social fund assistance, while if the opportunities obtained are few, it will minimize the occurrence of *Fraud* in social fund assistance in the city of Malang. This research supports Nisa's research (2021) which states that the Opportunity variable has a significant effect on Social Fund Aid *Fraud*.

The Effect of Rationalization on Social Fund Aid *Fraud*

The Rationalization variable (X3) has a t count of 12.666 with a significance value of $0.000 < 0.05$, indicating that H1c is accepted so that it can be seen that Rationalization (X3) has a significant POSITIVE effect on Social Fund Aid *Fraud* (Y). From these results, it means that *Rationalization* can affect the occurrence of Social

Fund Aid *Fraud*, this is because Rationalization according to Hernandez and Groot (2007) in Arthana (2019) says that rationalization is a thought that justifies its actions as a reasonable behavior, which is morally acceptable in a normal society. Cheating in accounting is an illegal act related to unethical behavior. This is in line with the research revealed by Nisa (2021) which states that rationalization will affect the occurrence of *Fraud*, so that in this study it can be stated that if a person's rationalization is higher, it will increase the potential for *Fraud* in social fund assistance, while if a person's thinking about his unnatural actions is low. This will minimize the occurrence of social fund assistance *fraud* in the city of Malang. This research supports Nisa's research (2021) which states that the Rationalization variable has a significant effect on Social Fund Aid *Fraud*.

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