



THE EFFECT OF THE FRAUD HEXAGON ELEMENT ON THE POTENTIAL FOR FRAUD IN VILLAGE FUND MANAGEMENT WITH RELIGIOSITY AS A MODERATING VARIABLE

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Abstract

This study aims to analyze the influence of the fraud hexagon elements on the potential for fraud in village fund management with religiosity as a moderating variable. A sample of 200 village officials in Trenggalek Regency was analyzed using PLS-SEM through SmartPLS 4.0. The results showed that the effectiveness of the internal control system and apparatus competence had a significant positive effect, while organizational culture and political connections had a significant negative effect. Compensation suitability and apparatus morality did not have a significant effect. Religiosity only moderated the relationship between the effectiveness of the internal control system and fraud, but did not moderate the relationship between compensation suitability, organizational culture, apparatus competence, apparatus morality, and political connections.

Keywords: Fraud, Fraud Hexagon Theory, Village Funds, Religiosity



INTRODUCTION

Village funds, as stipulated in Government Regulation of the Republic of Indonesia No. 8 of 2016, are funds sourced from the State Budget (APBN) and allocated to villages through the district/city Regional Budget (APBD). Properly targeted allocation of village funds is believed to be able to stimulate the village economy. Nurmalasari & Irawan Supriyadi (2021) stated that sound management of village funds has had a significant impact, including improving the economy and developing community businesses. Village funds were first disbursed in 2015 based on Law No. 6 of 2014 concerning Villages. Since then, village funds have experienced significant growth, from IDR 20.7 trillion for 74,093 villages in 2015 to IDR 71 trillion for 75,265 villages in 2024.

However, the large allocation of village funds does not align with the integrity of their management. According to a report by Indonesian Corruption Watch (ICW), village heads and village officials are the most frequent perpetrators in village fund corruption cases. The large annual village budget poses a risk of misuse by certain individuals, particularly village financial managers (Noya et al., 2023). *Fraud* is a deliberate act or negligence committed by an individual for personal gain (Rismayani et al., 2024). The Indonesian Corruption Watch (ICW) recorded 187 cases of village fund corruption in 2023, with state losses reaching IDR 162 billion, indicating that increases in village budget allocations are accompanied by an increase in corruption cases.

Table 1.

**Village Fund Amount and Corruption Eradication Trends Village Budget
2016-2023**

Information	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Village Funds (Rp Trillion)	46,98	60	60	70	71,19	72	68	70	71	589,17
Number of Corruption Cases	17	48	83	96	129	154	155	187	-	869
Number of Corruption Suspects	22	61	98	109	172	245	252	294	-	1.253
State Losses (Rp Billion)	40,1	10,4	19,4	36,5	50,1	233	381	162	-	932,5

Source: Ministry of Finance and ICW (2023)

Based on Table 1 above, there was a surge in the number of cases and suspects in 2023 compared to previous years. Going back to 2016, this increase has been consistent. It is highly likely that many corruption cases in the village sector remain unresolved by law enforcement (Indonesia Corruption Watch, 2024). In East Java Province, village fund corruption cases are a serious concern. ICW reported that East Java was the province with the highest number of village corruption cases in 2023, namely 64 cases with state losses of IDR 172 billion. Of all the regencies/cities in the province, only five regions did not experience



recorded village corruption cases: Blitar City, Blitar Regency, Banyuwangi, Magetan, and Pamekasan. One region with a significant upward trend in corruption cases is Trenggalek Regency. In 2024, the village fund allocation in this regency reached IDR 163 billion for 152 villages (Pamungkas, 2024). This increase in funds is in line with the surge in state loss recovery by the Trenggalek District Attorney's Office, from IDR 91 million in 2023 to IDR 439.6 million in 2024 (Suparni, 2024). Several cases that were successfully uncovered include corruption by the Village Head of Ngulan Wetan in 2022 amounting to IDR 80 million (Abidin, 2022), the Village Head and Treasurer of Ngulan Kulon in 2023 amounting to IDR 211 million (Chandra, 2023), and the Village Head of Melis and his staff in 2024 with alleged manipulation of the meeting hall construction budget of IDR 156 million (Muttaqin, 2024). This fact emphasizes the relevance of Trenggalek as the focus of the research location.

This phenomenon demonstrates that *fraud* poses a real threat to village government. *Fraud* is influenced by various individual behavioral patterns and motivations (Mustika & Basuki, 2022). To detect and prevent it, experts have developed various theories, including Cressey's (1953) *fraud triangle*, which encompasses pressure, opportunity, and rationalization. Furthermore, Wolfe and Hermanson (2004) added the element of ability (*fraud diamond*), and Crowe Horwath (2011) added arrogance to the *fraud pentagon*. The most recent theory, the *fraud hexagon*, was developed by Georgios Vousinas, adding the element of collusion. The *fraud hexagon* theory encompasses six elements: pressure, opportunity, rationalization, ability, arrogance, and collusion. This theory is considered more comprehensive because collusion is considered the greatest cause of losses in *fraud* cases (Fadhilah Siregar et al., 2024). In this study, each element is represented through one variable: pressure (compensation suitability), opportunity (effectiveness of internal control system), rationalization (organizational culture), ability (competence of apparatus), arrogance (morality of apparatus), and collusion (political connections).

Several studies have shown inconsistent results regarding the influence of these elements on *fraud*. Desviana et al. (2020) stated that pressure, ability, and collusion influence *fraud*, while other elements do not. Conversely, Rosifa & Supriatna (2022) found that opportunity, ability, rationalization, and arrogance influence *fraud*, but pressure and collusion do not. This study also considered religiosity as a moderating variable. Some studies suggest that religiosity plays a role in reducing the tendency to commit *fraud* (Mita & Indraswarawati (2021); Suryandari & Pratama (2021)), while other studies show the opposite (Rizki et al.



(2023); Gunanti et al. (2024)). This inconsistency provides an important basis for reexamining the role of religiosity as a moderating variable.

LITERATURE REVIEW

Hexagon Fraud Theory

The fraud hexagon theory developed by Georgios Vousinas in 2019 is a refinement of previous theories, such as the fraud triangle by Cressey (1953), which includes the elements of pressure, opportunity, and rationalization. This theory was then developed into the fraud diamond by Wolfe and Hermanson (2004) by adding the element of ability, and the fraud pentagon by Crowe Howarth (2011) which added the element of arrogance. This theory was finally refined into the fraud hexagon by Vousinas by adding collusion as the sixth element. The fraud hexagon theory was chosen because its novelty can provide a broader scope of analysis of the factors that drive individuals to commit fraud. The six main elements in this theory include pressure, opportunity, rationalization, ability, arrogance, and collusion.

Village Fund Fraud

Fraud is an intentional and unlawful act for personal gain, one of which is through information manipulation (Suryandari & Pratama, 2021). This study highlights fraud in the management of village funds, which are funds from the State Budget (APBN) channeled through district/city APBDs to support development, governance, and village community empowerment (DJPb, 2021). As a form of fiscal decentralization, village funds aim to improve the welfare of village communities. However, in practice, the management of these funds is prone to irregularities, such as embezzlement, budget overruns, misuse of allocations, and fictitious projects.

Religiosity

Religiosity relates to an individual's level of devotion to understanding and practicing religious teachings in daily life. Religious values influence decision-making because they reflect a person's beliefs and internalization of religious teachings (Ahmed et al., 2022). Mita & Indraswarawati (2021) stated that the higher the level of religiosity, the lower the tendency to commit *fraud*. In this study, religiosity acts as a moderating variable that can strengthen or weaken the relationship between the independent and dependent variables. According to Glock & Stark (1965), religiosity consists of five dimensions: (1) ideological, namely belief in God and the supernatural; (2) ritualistic, related to the implementation of worship; (3) knowledge, indicating an understanding of

religious teachings; (4) experience, in the form of spiritual feelings and closeness to God; and (5) consequential, namely the application of religious values in social life. These five dimensions reflect the extent to which a person practices their beliefs holistically.

Framework of Thinking

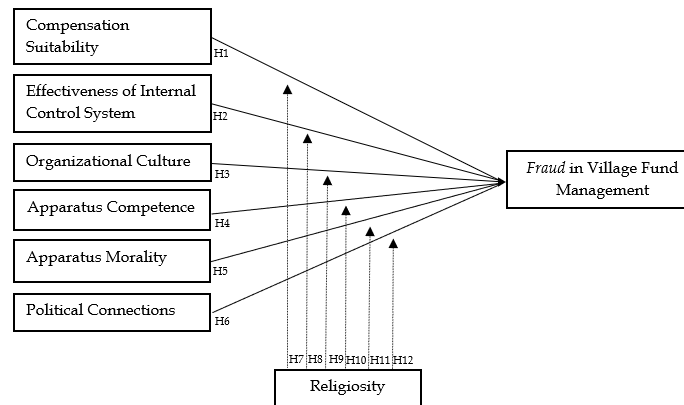


Figure 1.
Framework of Thinking

Hypothesis Development

- H1: Compensation suitability negatively impacts the potential for *fraud* in village fund management
- H2: The effectiveness of the internal control system negatively impacts the potential for *fraud* in village fund management
- H3: Organizational culture negatively impacts the potential for *fraud* in village fund management
- H4: Apparatus competence positively impacts the potential for *fraud* in village fund management
- H5: Apparatus morality negatively impacts the potential for *fraud* in village fund management
- H6: Political connections positively impact the potential for *fraud* in village fund management
- H7: Religiosity strengthens the negative impact of compensation suitability on the potential for *fraud* in village fund management
- H8: Religiosity strengthens the negative impact of internal control system effectiveness on the potential for *fraud* in village fund management
- H9: Religiosity strengthens the negative impact of organizational culture on the potential for *fraud* in village fund management



- H10: Religiosity weakens the positive impact of apparatus competence on the potential for *fraud* in village fund management
- H11: Religiosity strengthens the negative impact of apparatus morality on the potential for *fraud* in village fund management
- H12: Religiosity weakens the positive impact of political connections on the potential for *fraud* in village fund management village

RESEARCH METHOD

This study employed quantitative research with primary data as its source. In collecting data, this study employed a survey method with a questionnaire as the data collection technique. The questionnaire results were measured using a Likert Scale, and each respondent's answer alternative was scored from a maximum score of 5 to a minimum score of 1, namely Strongly Agree (SS), Agree (S), Neutral (N), Disagree (TS), and Strongly Disagree (STS).

The statements in the questionnaire were compiled based on indicators for each variable adopted or adapted from previous research and relevant sources. The *fraud* variable (Y) was measured based on the types of *fraud* according to ACFE (2016): financial statement *fraud*, asset misappropriation, and corruption. The compensation suitability variable (X1) was measured using financial and non-financial compensation indicators (Shintadevi, 2015). The internal control system effectiveness variable (X2) referred to the five elements of COSO (2013): control environment, risk assessment, information and communication, control activities, and monitoring. Organizational culture (X3) was measured using indicators according to Robbins & Timothy (2011): attention to detail, results orientation, individual orientation, team orientation, and aggressiveness. The statements were compiled by researchers based on their understanding of the indicators and research context, also referring to Desviana et al. (2020). The apparatus competency variable (X4) referred to Edison et al. (2016): knowledge, abilities, and attitudes, with adjustments from Desviana et al. (2020). Civil servant morality (X5) is referenced from Rosifa & Supriatna (2022), encompassing discipline, community engagement, and responsibility, based on Goodman Douglas & Ritzer (2011), with items developed by the researcher. Political connections (X6) are measured using Wang et al.'s (2017) indicators, namely political party involvement and election support. The religiosity variable (Z) refers to Glock & Stark (1965) through five dimensions: belief, practice, knowledge, experience, and consequences.



The population of this study was all village officials in Trenggalek Regency, East Java Province. The sample selection in this study used a purposive sampling technique with the respondent criteria being the village head, village secretary, head of financial affairs/village treasurer, head of general affairs, head of planning affairs, head of government section, head of welfare section, and head of service section. Then, the hypothesis testing in this study used the Partial Least Square Structural Equation Modeling (PLS-SEM) approach with the help of SmartPLS 4.0 software.

RESULTS AND DISCUSSION

Descriptive Analysis

Table 2.
Data Collection Results

Information	Amount	%
Questionnaires distributed	200	100%
Returned questionnaire	200	100%
Incompletely filled out questionnaire	0	0%
Eligible questionnaire	200	100%

Source: Processed Primary Data (2025)

Based on Table 2, it can be concluded that as many as 200 questionnaires (100%) were successfully returned and filled out completely by respondents, so that all of them met the requirements for analysis in this study.

Table 3.
Respondent Data

Respondent Criteria	Item	Amount	Percentage
Gender	Man	158	79%
	Woman	42	21%
Age	20-30 Years	25	12,5%
	31-40 Years	18	9%
	41-50 Years	64	32%
	> 51 Years	93	46,5%
Education	High School or Equivalent	116	58%
	Diploma	14	7%
	S1	68	34%
	S2	2	1%
Length of service	0-5 Years	26	13%
	6-10 Years	19	9,5%
	11-15 Years	52	26%
	> 15 Years	103	51,5%

Source: Processed Primary Data (2025)

Based on Table 3 above, the respondents in this study consisted of 158 men (79%) and 42 women (21%). In terms of age, the majority of respondents were



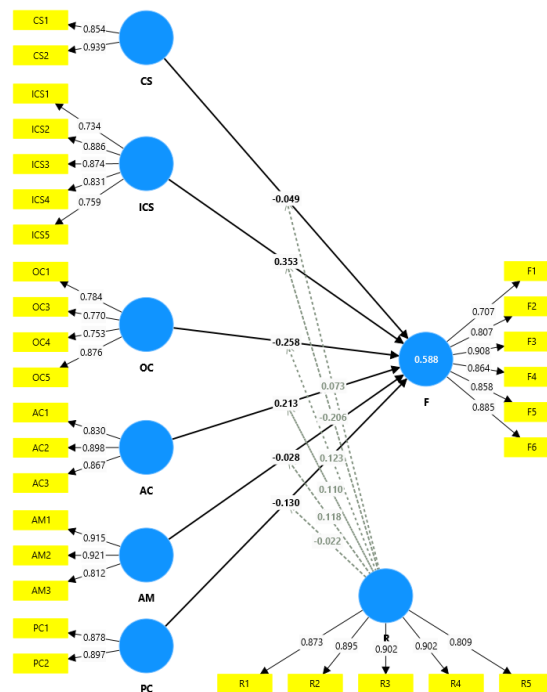
over 51 years old, namely 93 people (46.5%). In terms of educational background, the majority of respondents were high school graduates, namely 116 people (58%). Furthermore, based on length of service, the largest number of respondents were respondents with more than 15 years of service, namely 103 people (51.5%).

Evaluation of Measurement Model (Outer Model)

Convergent Validity

Convergent Validity has two value criteria that can be evaluated, namely using the loading factor value or the Average Variance Extracted (AVE) value.

Table 4.
Outer Loading Results



Source: SmartPLS Output

Based on Table 4 above, it can be concluded that all statement items have a loading factor value > 0.70 (Hair et al., 2019), thus all are considered valid. This indicates that the indicators used successfully measure the correlation between indicator scores and their constructs/variables, thus supporting the construct validity of the measurement model.



Table 5.
AVE Results

Variables	Average Variance Extracted (AVE)	Information
Compensation Suitability	0,805	Valid
Effectiveness of Internal Control System	0,671	Valid
Organizational Culture	0,635	Valid
Apparatus Competence	0,749	Valid
Apparatus Morality	0,782	Valid
Political Connections	0,788	Valid
Fraud	0,707	Valid
Religiosity	0,769	Valid

Source: SmartPLS Output

Based on Table 5 above, the Average Variance Extracted (AVE) value for each variable has a value > 0.5 Hair et al. (2019), meaning it is categorized as valid.

Discriminant Validity

Discriminant validity is used to ensure that each construct or variable in a measurement model truly represents a distinct concept and does not overlap. One way to measure discriminant validity is by using cross-loading values.

Table 6.
Cross Loading Results

Indicator	CS	ICS	OC	AC	AM	PC	F	R	Note.
CS1	0,854	0,422	-0,412	0,223	0,187	-0,104	0,291	0,176	Valid
CS2	0,939	0,537	-0,702	0,429	0,452	-0,055	0,440	0,230	Valid
ICS1	0,396	0,734	-0,483	0,529	0,522	-0,292	0,549	0,446	Valid
ICS2	0,455	0,886	-0,517	0,449	0,572	-0,152	0,586	0,344	Valid
ICS3	0,485	0,874	-0,519	0,426	0,560	-0,139	0,495	0,293	Valid
ICS4	0,470	0,831	-0,421	0,370	0,338	-0,191	0,478	0,269	Valid
ICS5	0,416	0,759	-0,455	0,311	0,442	-0,066	-0,425	-0,251	Valid
OC1	-0,554	-0,538	0,784	-0,399	-0,595	0,198	-0,476	-0,314	Valid
OC3	-0,699	-0,438	0,770	-0,470	-0,536	0,112	-0,442	-0,290	Valid
OC4	-0,374	-0,417	0,753	-0,410	-0,476	0,011	-0,498	-0,246	Valid
OC5	-0,467	-0,481	0,876	-0,557	-0,636	0,124	-0,527	-0,413	Valid
AC1	0,304	0,447	-0,469	0,830	0,601	-0,253	0,534	0,527	Valid
AC2	0,328	0,482	-0,578	0,898	0,706	-0,234	0,562	0,423	Valid
AC3	0,365	0,413	-0,447	0,867	0,572	-0,218	0,512	0,361	Valid
AM1	0,347	0,535	-0,651	0,702	0,915	-0,186	0,576	0,430	Valid
AM2	0,357	0,603	-0,614	0,662	0,921	-0,214	0,560	0,422	Valid
AM3	0,310	0,445	-0,612	0,545	0,812	-0,141	0,413	0,322	Valid
PC1	-0,075	-0,171	0,170	-0,285	-0,210	0,878	-0,263	-0,252	Valid
PC2	-0,072	-0,202	0,079	-0,201	-0,159	0,897	-0,284	-0,232	Valid
F1	0,344	0,427	-0,462	0,446	0,379	-0,228	0,707	0,263	Valid
F2	0,271	0,574	-0,459	0,446	0,476	-0,290	0,807	0,443	Valid
F3	0,390	0,550	-0,556	0,470	0,508	-0,304	0,908	0,344	Valid
F4	0,399	0,557	-0,541	0,546	0,491	-0,202	0,864	0,495	Valid
F5	0,326	0,527	-0,497	0,566	0,551	-0,296	0,858	0,345	Valid
F6	0,391	0,514	-0,565	0,621	0,565	-0,239	0,885	0,457	Valid
R1	0,205	0,292	-0,353	0,383	0,320	-0,235	0,357	0,873	Valid
R2	0,183	0,318	-0,323	0,446	0,390	-0,262	0,405	0,895	Valid
R3	0,213	0,402	-0,380	0,490	0,413	-0,302	0,454	0,902	Valid
R4	0,244	0,388	-0,355	0,494	0,433	-0,187	0,436	0,902	Valid
R5	0,164	0,333	-0,355	0,390	0,396	-0,202	0,397	0,809	Valid

Source: SmartPLS Output

Based on Table 6 above, the cross-loading value for each indicator is higher for its own latent variable than for the other variables, and each variable has a value > 0.70 , indicating good discriminant validity (Hair et al., 2019). Therefore, the discriminant validity test in this study can be declared valid.

**Construct Reliability**

Construct reliability can be analyzed using one of two methods: Cronbach's Alpha and Composite Reliability. Both methods are used to test the reliability of indicators within a variable.

Table 7.
Cronbach's Alpha and Composite Reliability Values

Variables	Cronbach's Alpha	Composite Reliability	Information
Compensation Suitability	0,767	0,861	Reliabel
Effectiveness of Internal Control System	0,876	0,883	Reliabel
Organizational Culture	0,807	0,811	Reliabel
Apparatus Competence	0,832	0,834	Reliabel
Apparatus Morality	0,861	0,887	Reliabel
Political Connections	0,731	0,734	Reliabel
Fraud	0,916	0,921	Reliabel
Religiosity	0,925	0,929	Reliabel

Source: SmartPLS Output

Based on Table 7 above, the Cronbach's Alpha and Composite Reliability values are > 0.70 Hair et al. (2019), so all variables have good reliability.

Evaluation of Structural Model (Inner Model)**R-Square (R2)**

The R-Square in PLS-SEM measures how well the latent variables in the model can explain the variability of the latent endogenous variables. The R-Square value indicates the overall predictive power of the model. R-Square values are 0.75 (strong), 0.50 (moderate), and 0.25 (weak) (Hair et al., 2019). The R-Square values in this analysis are as follows.

Table 8.
R-Square Results

	R-square	R-Square adjusted
Fraud	0,588	0,559

Source: SmartPLS Output

Based on table 8 above, it shows that the R-Square value is 0.588, which means that all exogenous variables and moderating variables influence the endogenous variables by 58.8% which is categorized as moderate influence and the remaining 41.2% is influenced by other factors outside this research model.



Hypothesis Testing

Table 9.
Path Coefficients

Variables	Original Sample	T Statistic	P value	Note.
Compensation Suitability -> Fraud	-0,049	0,608	0,272	Rejected
Effectiveness of Internal Control System -> Fraud	0,353	4,289	0,000	Accepted
Organizational Culture -> Fraud	-0,258	2,567	0,005	Accepted
Apparatus Competence -> Fraud	0,213	2,284	0,011	Accepted
Apparatus Morality -> Fraud	-0,028	0,271	0,393	Rejected
Political Connections -> Fraud	-0,130	2,080	0,019	Accepted
Religiosity x Compensation Suitability -> Fraud	0,073	0,723	0,235	Rejected
Religiosity x Effectiveness of Internal Control System -> Fraud	-0,206	1,716	0,043	Accepted
Religiosity x Organizational Culture -> Fraud	0,123	0,820	0,206	Rejected
Religiosity x Apparatus Competence -> Fraud	0,110	1,092	0,138	Rejected
Religiosity x Apparatus Morality -> Fraud	0,118	0,926	0,177	Rejected
Religiosity x Political Connections -> Fraud	-0,022	0,300	0,382	Rejected

Source: SmartPLS Output

Hypothesis testing was conducted through analysis of the Path Coefficients values presented in Table 9 to determine the direction of the relationship between variables, and using a Bootstrapping procedure to determine the level of significance of the influence between variables. In this test, the hypothesis is declared accepted if the t-statistic value is > 1.65 (one-tailed) and the p-value is < 0.05 .

The Influence of Compensation Suitability on *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was -0.049, with a t-statistic of 0.608 (< 1.65), and a p-value of 0.272 (> 0.05). This indicates that H1 is rejected. This means that compensation suitability does not significantly influence the potential for *fraud* in village fund management. Although the direction of the relationship between compensation suitability and *fraud* is in accordance with the *fraud hexagon theory* that appropriate compensation can reduce the pressure that drives individuals to commit *fraud*, this effect is not statistically significant. Therefore, the results of this study cannot be used as



empirical evidence to support this theory. This weak significance indicates that compensation suitability may not be the main factor creating pressure in the context of village fund management, or there may be other factors that are more influential and have not been fully captured in this research model.

Although the effect was not significant, the negative direction of the relationship found still suggests a tendency for appropriate compensation to reduce the potential for *fraud* in village fund management. This means that when officials perceive the compensation they receive as fair and commensurate with their responsibilities, the tendency to commit *fraud* tends to decrease. However, in this study, this effect was not significant or had a weak level of significance. This weak level of significance could be due to the possibility that compensation is not the primary determinant of fraudulent intentions or actions. Furthermore, the rejection of this hypothesis could also be influenced by differences in respondents' perceptions of their level of satisfaction with the compensation received, leading to data inconsistencies and weakening the strength of the relationship between the variables. This finding aligns with research by Rosifa & Supriatna (2022), which stated that compensation suitability has a negative direction of influence on *fraud*, but was not proven to be significant.

The Influence of the Effectiveness of the Internal Control System on *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was 0.353, with a t-statistic of 4.289 (>1.65), and a p-value of 0.000 (<0.05). Therefore, it can be concluded that H2 is accepted. This means that the effectiveness of the internal control system has a significant positive effect on *fraud* in village fund management. These results indicate that the higher the effectiveness of the internal control system, the greater the potential for *fraud*. This positive relationship contradicts the theoretical assumptions underlying the variable and thus does not support the *fraud hexagon theory*. This suggests that the existence of an internal control system deemed effective does not necessarily automatically reduce the potential for *fraud*, depending on the quality of implementation and compliance with applicable procedures.

This situation may occur because the existing internal controls have not been implemented comprehensively and effectively, or perhaps there are still weaknesses in the monitoring process. In other words, the implemented internal control system is only administrative in nature and is not accompanied by actual implementation in the field. This finding aligns with research by Sari et al. (2019) and Mulyanto et al. (2021) stated that internal control variables have a significant



positive effect on the potential for village fund *fraud*, indicating that internal controls are being followed effectively, enabling village officials to operate responsibly. However, the potential for village fund *fraud* continues to increase.

The Influence of Organizational Culture on *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was -0.258, with a t-statistic of 2.567 (>1.65), and a p-value of 0.005 (<0.05). Therefore, it can be concluded that H3 is accepted. This means that organizational culture has a significant negative effect on *fraud* in village fund management. The direction of this negative relationship indicates that the better the organizational culture implemented, the lower the potential for *fraud*. These results align with and support the *fraud hexagon theory*, providing evidence that a strong organizational culture can suppress individuals' tendencies to commit *fraud*.

The findings of this study align with those of Sri et al. (2020) and Basri et al. (2021), which found that organizational culture has a significant influence in reducing the tendency to commit *fraud*. These results demonstrate that village governments in Trenggalek Regency have implemented a sound organizational culture system. This is reflected in the actual practice in several villages that routinely publish banners and infographics on the realization of the Village Budget (APBDes) and the annual budget plan in public areas as a form of transparency and accountability to the community (Sidomulyo Village Government, 2024). This practice aligns with the principles of organizational culture that uphold the values of ethics, openness, and responsibility. A strong organizational culture can create a work environment that keeps village officials away from fraudulent acts in carrying out their duties. Furthermore, a strong organizational culture also raises awareness that *fraud* not only harms the institution but also undermines public trust in village government. Therefore, strengthening organizational culture is a strategic step in creating clean and accountable village financial governance.

The Influence of Apparatus Competence on the Potential for *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was 0.213, with a t-statistic of 2.284 (>1.65), and a p-value of 0.011 (<0.05). Therefore, H4 can be accepted. This means that village apparatus competence has a significant positive effect on *fraud* in village fund management. The direction of this positive relationship indicates that the higher the level of competence possessed by village apparatus, the greater the potential for *fraud*. This finding supports the *fraud hexagon theory*, as it suggests that certain abilities or expertise



possessed by apparatus can be misused to manipulate the system, exploit oversight gaps, and evade *fraud* detection.

The findings of this study align with those of Suryandari & Pratama (2021) and Rosifa & Supriatna (2022), which suggest that competence has a significant positive effect on the potential for *fraud*. Increasing village apparatus competence in managing village funds can actually open up opportunities for *fraud*. Competent officials are usually trusted to hold strategic positions, but according to Putra & Rahayu (2019), positions can encourage deviant behavior. This is reinforced by Indonesia Corruption Watch (2024), which noted that village heads were the third-highest perpetrators of corruption, with 214 suspects in 2023. High competence is expected to encourage village officials to recognize that their qualities are useful for better village fund management and not exploit them for activities that will harm the village government and the community.

The Influence of Civil Servant Morality on the Potential for *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was -0.028, with a t-statistic of 0.271 (<1.65), and a p-value of 0.393 (>0.05). Therefore, it can be concluded that H5 is rejected. This means that the morality of village officials does not significantly influence *fraud* in village fund management. The negative direction of the relationship does indicate that the higher a person's morality, the lower the potential for *fraud*. However, because this effect is not statistically significant, this finding cannot be used as empirical evidence to support the *fraud hexagon theory*. This discrepancy indicates that morality, although conceptually considered capable of suppressing *fraud*, has not been proven in practice to be a determining factor in encouraging or preventing *fraud*.

To further understand why morality does not significantly influence the potential for *fraud*, it is necessary to examine the possible gap between believed moral values and actual behavior in the field. One reason could be that the moral values understood by village officials are not always implemented in their daily lives, especially when they are under work pressure or in an unsupportive environment. In such situations, decisions are often more influenced by on-the-ground conditions, such as weak supervision, a work culture that allows for deviations, or pressure from superiors, than by moral principles. Another possibility that needs to be considered is the presence of bias in the questionnaire, such as tailored answers to appear favorable, so that the collected data does not fully reflect the true moral condition of village officials. This weakness could affect the validity of the results and explain why no significant relationship was



found. These results also suggest that in reality, other factors have a greater influence on *fraud*. This contrasts with the research of Hadi et al. (2021), which stated that individual morality has a negative and significant effect on the tendency to commit *fraud* in village financial management. This means that the lower the level of morality of village officials, the higher the likelihood of *fraud*.

The Influence of Political Connections on the Potential for *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was -0.130, with a t-statistic of 2.080 (>1.65), and a p-value of 0.019 (<0.05). Therefore, it can be concluded that H6 is accepted. This means that political connections have a significant negative effect on *fraud* in village fund management. The direction of this negative relationship indicates that the stronger the political connections held by village officials, the lower the potential for *fraud*. This finding contradicts the assumption that political connections can increase the opportunity for abuse of power. Therefore, these results do not support the *fraud hexagon theory*, which identifies such relationships as a trigger for *fraud*.

The reduced potential for *fraud* among officials with political connections can be explained by greater social burdens and moral responsibility. Individuals with close ties to political figures or government institutions may feel the need to maintain their image and reputation, both for themselves and for related parties. Therefore, they are more cautious in making decisions, including those related to village fund management. Furthermore, greater public attention to politically connected figures may encourage officials to comply more closely with regulations to avoid negative attention. These findings differ from those of Wang et al. (2017) and Matangkin (2018), which found that political connections had a significant positive effect on *fraud*.

The Influence of Religiosity in Moderating the Suitability of Compensation to *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was 0.073, with a t-statistic of 0.723 (<1.65), and a p-value of 0.235 (>0.05). Therefore, it can be concluded that H7 is rejected. This means that compensation suitability, moderated by religiosity, does not significantly influence fraudulent village fund management. The results of this study indicate that the level of religiosity of village officials is not strong enough to strengthen the impact of perceived appropriate compensation in influencing fraudulent behavior. This may occur because personal or ritualistic religiosity does not necessarily translate into moral awareness that encourages ethical behavior in the workplace. In



addition, existing compensation systems such as salaries or benefits may be perceived as adequate, so religiosity does not significantly strengthen the feeling of 'sufficiency' that prevents someone from committing *fraud*. The findings of this study are in line with the research of Gunanti et al. (2024) who stated that religiosity does not strengthen the effect of compensation in reducing *fraud*.

The Influence of Religiosity in Moderating the Effectiveness of Internal Control Systems on *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was -0.206, with a t-statistic of 1.716 (> 1.65), and a p-value of 0.043 (< 0.05). Therefore, it can be concluded that H8 is accepted. This means that religiosity plays a significant moderator in the relationship between the effectiveness of the internal control system and *fraud* in village fund management. The results of this study indicate that when village officials have high religiosity, the effectiveness of the internal control system becomes more impactful in suppressing fraudulent intentions and actions. High religiosity strengthens the moral awareness and responsibility of the officials, so that control systems such as procedures, supervision, and audits work more optimally in reducing the opportunity for misappropriation of village funds. The results of this study are in line with the findings of Refina Sari & Yusmanianti (2024) who stated that the effectiveness of internal control and religiosity can increase the effectiveness of *fraud* prevention. It can be concluded that the higher the compliance with rules and supervision, and the higher the faith (religiosity), the lower the level of *fraud* in village fund management.

The Influence of Religiosity in Moderating Organizational Culture on *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was 0.123, with a t-statistic of 0.820 (< 1.65), and a p-value of 0.206 (> 0.05). Therefore, it can be concluded that H9 is rejected. This means that organizational culture, moderated by religiosity, does not significantly influence *fraud* in village fund management. This finding aligns with the findings of Abrori et al. (2023) who stated that organizational culture does not moderate the effect of religiosity on *fraud* prevention. This means that although religiosity is related to ethical awareness, organizational culture does not strengthen or weaken religiosity in suppressing *fraud*. Religiosity may be normative and not reflected in daily practice, especially if religious values and organizational norms are not synchronized in concrete actions. The combined effect of these two variables is not strong enough to reduce *fraud*.

**The Influence of Religiosity in Moderating the Competence of Apparatus on Fraud in Village Fund Management**

Based on the results of the path coefficient test, the original sample value was 0.110, with a t-statistic of 1.092 (<1.65), and a p-value of 0.138 (>0.05). Therefore, it can be concluded that H10 is rejected. This means that the competence of village officials, moderated by religiosity, does not have a significant effect on fraudulent village fund management. The results of this study indicate that although village officials have adequate skills and high levels of faith, the combination of the two has not significantly influenced the prevention of fraudulent practices in the field. One possible cause is the inconsistency between the moral principles believed individually and the reality faced in the daily work context. In village government management, the abilities of officials tend to be more directed at technical and administrative aspects. On the other hand, religiosity is personal and normative. If both are not accompanied by an organizational environment that upholds ethics, adequate oversight mechanisms, and exemplary leadership, their influence on reducing deviant behavior will be less effective. The results of this study are in line with the research of Charim et al. (2023) who stated that religiosity does not moderate the relationship between apparatus competence and efforts to prevent village fund fraud.

The Influence of Religiosity in Moderating the Morality of Apparatus on Fraud in Village Fund Management

Based on the results of the path coefficient test, the original sample value was 0.118, with a t-statistic of 0.926 (<1.65), and a p-value of 0.177 (>0.05). Therefore, it can be concluded that H11 is rejected. This means that the morality of village officials, moderated by religiosity, does not significantly influence fraud in village fund management. The results of this study indicate that although village officials have a fairly good level of morality and a high level of religiosity, both have not shown a significant effect in reducing the potential for fraud in village fund management. This means that beliefs in personal moral and religious values are not fully reflected in concrete actions in the work environment. Even though someone has a high moral orientation and religiosity, their decision-making is more influenced by the situation and work environment they face, rather than by personal moral principles. In addition, symbolic or ritualistic religiosity can also be a reason why these values do not have a significant impact. Religiosity that isn't accompanied by strong internalization of ethical and spiritual values will struggle to act as a buffer against the temptation to commit fraud or abuse of authority. This finding is supported by research by Mita &



Indraswarawati (2021), which found that morality and religiosity have no significant effect on *fraud*.

The Influence of Religiosity in Moderating Political Connections on *Fraud* in Village Fund Management

Based on the results of the path coefficient test, the original sample value was -0.022, with a t-statistic of 0.300 (<1.65), and a p-value of 0.382 (>0.05). Therefore, it can be concluded that H12 is rejected. This means that political connections, moderated by religiosity, do not significantly influence *fraud* in village fund management. The results of this study indicate that despite high levels of religiosity among village officials, this has not been able to significantly suppress the negative influence of political connections on the potential for *fraud* in village fund management. In other words, personally held religious values cannot necessarily weaken the impact of political connections held by village officials. In such conditions, the influence of religiosity can be marginalized by practical political interests, especially when religious values are not strongly internalized in work behavior and existing organizational culture. This finding is in line with research by Hasnindiaz & Widodo (2024) which states that religiosity is unable to moderate the influence of political connections on village fund *fraud*.

CONCLUSION

Based on the research results, it can be concluded that the effectiveness of the internal control system and employee competence have a significant positive effect, while organizational culture and political connections have a significant negative effect. Compensation suitability and employee morality do not have a significant effect. Religiosity only moderates the relationship between internal control system effectiveness and *fraud*, but does not moderate the relationship between compensation suitability, organizational culture, employee competence, employee morality, and political connections.

Based on the conclusions presented above, this study has several limitations, as follows: First, some items in the questionnaire can sometimes introduce bias, as their formulation needs to be adjusted to the conditions and characteristics of the respondents. Second, data collection through written questionnaires can also influence the research results, as respondents' perceptions do not necessarily reflect the actual situation and may differ from data obtained through interviews. Therefore, the following suggestions are proposed for further research: First, use a larger sample size; Second, extend the research period; Third, strengthen the data through interviews or observation methods to improve



understanding of respondents' answers, so that the results obtained are more accurate and targeted.

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