



Examining social influence on asset misappropriation tendency

Hasni Yusrianti^{a,*}, Imam Ghozali^b, Siswandaru Kurniawan^c, Arista Hakiki^a

^a Faculty of Economics, Sriwijaya University, Palembang 30139, Indonesia

^b Graduate School, Faculty of Economics and Business, Diponegoro University, Semarang 50241, Indonesia

^c Faculty of Economics and Business, Universitas Terbuka, Semarang 50156, Indonesia

Article Info

Article history:

Received 7 June 2022

Revised 10 November 2022

Accepted 23 November 2022

Available online 15 September 2023

Keywords:

asset misappropriation tendency,
financial pressure,
opportunity,
peer influence,
rationalization

Abstract

The research aims to develop a model that examines social or situational factors that influence the tendency of asset misappropriation based on the theory of social learning and the Fraud Triangle in the government sector. The majority of the population were Indonesian government employees who worked in Indonesian cities and provinces. Using the Purposive Sampling method, a survey system was used with 371 government employees who work in the logistics, general services, and financial areas and have worked for more than two years. The Structural Equation Model (AMOS) was used to analyze the data. The findings show that opportunity, rationalization, financial pressure, and peer influence have a major effect on the misappropriation tendency of assets. Furthermore, peer influence and opportunity mediate rationalizations and the tendency of misappropriated assets; however, opportunity does not mediate the tendency of misappropriated assets based on financial pressure. This study has investigated the social impact and asset misappropriation tendency in the government sector and proves that social factors influence the tendency of asset misappropriation. It supports the fraud triangle and the social learning theory.

© 2023 Kasetsart University.

Introduction

Fraud is a complex aspect. It is associated with ethical, social, cultural, and environmental aspects, especially in preventing and detecting fraud (Krambia-Kapardis, 2016; Raval, 2018). Morality is a social phenomenon and not just an individual phenomenon (Jones et al., 1997). In deciding their degree of morality, people prefer to analyze

social signals. In addition, ethical behavior is not only a function of individual factors but also of behavior in a social context, so contextual or situational factors play an important role (Sitorus & Scott, 2008; Wells, 2004). In financial statement fraud and corruption, there is a lot of academic fraud research, but social fraud research is very restricted, especially research on asset misappropriation. Some global fraud studies have shown that the largest percentage of the type of fraud is asset misappropriation. (Association of Certified Fraud Examiners [ACFE] 2020), Global Study on Occupational Fraud and Abuse reported that 89 percent of fraud cases are asset

* Corresponding author.

E-mail address: hasniyusrianti@unsri.ac.id (H. Yusrianti).

misappropriation. Asset misappropriation schemes are the most common and least costly. Moreover, they also reported that most cases (86%) involving asset misappropriation are where an employee steals or improperly uses the resources of the business. But most of the time, these strategies lead to losses that are less than \$100,000 per case, on average.

Furthermore, the results of the ACFE Indonesia chapter survey in 2019 showed 239 cases of fraud with details of 167 (69.9%) corruption cases, 50 (20.9 percent) cases of misuse of state or company assets, and 22 (9.2%) cases of fraudulent financial statements (Association of Certified Fraud Examiners Indonesia, 2019). The total loss due to fraud was IDR 873 billion. In addition, high potential losses and a large number of cases were recorded in the 2019 and 2020 Audit Reports of Republic of Indonesia Audit Board and the Analysis of Audit Results in Indonesia (Republic of Indonesia Audit Board [BPK RI], 2021).

A famous theory of fraud is the Fraud Triangle (Cressey, 1953). It has been used for many years, but the complex sides of fraud are difficult to grasp. Earlier studies indicated that each of the factors strengthening fraud and its impacts could not be explained by the fraud triangle (Cohen et al., 2011; Kassem & Higson, 2012). Moreover, financial statement fraud and corruption receive more attention in fraud research, while asset misappropriation receives less attention. Significant cases of asset misappropriation were found at the federal, state, and municipal levels by (Norziaton et al., 2018). This is a big issue in the public sector and a regular occurrence in enterprises generally. Moreover, people steal from their employers for a variety of personal and professional reasons, including: ego, capability, pressure, and justification (Koomson et al., 2020).

Someone's behaviour or decision-making could be influenced by others. A variety of theoretical models in the ethical decision-making literature explain how facets of the social environment influence individuals in ethical decision-making (Trevino, 1986). In assessing their levels of morality, individuals prefer to analyze social signals such as peer behaviour. In addition, (Bandura, 1971) said that the actions of others affect individuals in a social sense. One social theory is the theory of social learning (Bandura, 1971). The concept of learning from others, which is an essential mechanism for improving one's actions, is a fundamental component of Social Learning Theory (SLT). Peer pressure was the most important factor in influencing dishonest actions (Malesky et al., 2022). Personality growth can be influenced by interactions with peers (Shan & Zölitz, 2022).

Moreover, as one's morals and self-control improve, the value of friends who engage in criminal activity declines (Hirtenlehner et al., 2022). There is no research-related peer influence on asset misappropriation.

Research on asset misappropriation is limited to our best understanding, so it was possible to consider the first research to examine social impact and asset misappropriation. To a large extent, a person's actions are influenced by their social environment. Researching the role of social influences on fraudulent conduct is crucial. Social factors are important in influencing a person's behavior. How social factors influence someone's behavior in fraud is a very important issue to research. This study develops a model that examines social or situational elements based on the idea of social learning and the fraud triangle that influences asset misappropriation tendencies in the government sector. In this regard, one of the primary goals of this research is to analyze the role of opportunity and peer influence in mediating the relationship between financial pressure and the rationalization of asset misappropriation tendency.

Literature Review

Asset Misappropriation & Fraud Triangle

Misappropriation of a company's or another party's assets or properties is known as asset misappropriation, as per Association of Certified Fraud Examiners [ACFE], (2016). Asset Misappropriation includes conditions under which people engage in fraud and misuse of organizational resources to rob or misuse. Employees typically misappropriate assets in very tiny and intangible amounts, and misappropriation of assets is generally capable of concealing mistreatment that is difficult to detect (Karim et al., 2015). Several experts have been listed as property misappropriation schemes. Money theft and non-cash theft can be classified as a misappropriation of assets schemes. A more complex and detailed fraud taxonomy has been developed by (Wells & Gill, 2007).

One of the fraud theories is the Fraud Triangle by Donald Cressey. Cressey made three hypotheses on trust abuses: (1) a financial problem that is non-shareable; (2) awareness of some firms in the workplace and trust abuses; and (3) the ability to adjust one's self-concept so that it is not an illegal activity. The Triangle of Fraud has three elements, which are opportunity, perceived pressure, and rationalization.

Peer Influence and Social Learning Theory

Peer Influence is proposed based on a modeling concept in Social Learning Theory (SLT). The concept of learning from others is a central component of the theory of social learning, which is an integral method for changing one's behavior. SLT proposes that an individual can learn acceptable and/or unacceptable common behavior by observing the other's behaviour (Bandura & Walters, 1977). The main concept of SLT is Reinforcement, Self-efficacy, and Modelling. Modelling is a way of disseminating the principles of social meaning, actions, and attitudes (Weaver et al., 2005).

SLT gives a straightforward example of how unethical peer behavior impacts the unethical behavior of the participant. The influence of peers is described as the degree to which peers affect people's attitudes, thoughts, and behaviour (Bristol & Mangleburg, 2005). A variety of theoretical models in the ethical decision-making literature explain how facets of the social environment influence individuals in ethical decision-making (Trevino, 1986) (e.g., Trevino, 1986). Ethical decision-making does not take place in a vacuum; morality is a social phenomenon and not just an individual phenomenon (Jones et al., 1997). In determining their own levels of morality, individuals tend to examine social signals such as peer behavior.

Hypothesis Development

Rationalization and the Tendency of Asset Misappropriation

Rationalization is a major driving aspect of fraud and has been addressed by several other researchers. Rationalization is an essential motive for fraud conduct, in accordance with comments such as Cressey (1953); Wells (2007); Yusrianti et al. (2020). People steal from their employers for a variety of personal and professional reasons, one of which is rationalization (Koomson et al., 2020). Krambia-Kapardis (2016) also focused on the way white criminals explain their actions by saying that they are morally responsible people who were forced to do something wrong. Rationalization has a considerable positive influence on falsified financial statements, according to Yusrianti et al. (2020). However, a favorable rationalization for asset misappropriation has no effect at all (Ramadlan & Yuliana, 2020). The research is still inconsistent and limited; thus, the relationship between rationalization and asset misappropriation still needs to be examined further. This is formalized as "rationalization has positively affected the tendency to misappropriate assets" (H1).

Financial Pressure and the Tendency of Asset Misappropriation

Earlier research has shown that fraud is influenced by financial pressure. The Fraud Triangle Theory (Cressey, 1953) said that stress causes an individual's inner drive to commit fraud. Other investigators have reported that the primary causes of fraud are financial considerations. The biggest risk of someone committing fraud is a financial problem. According to (Zimbelman et al., 2014), financial pressures to commit fraud are the most common type; prior research found that approximately 95 percent of fraud involves a financial incentive for engaging in wrongdoing. Moreover, fraud, according to (Kassem & Higson, 2012), might be triggered by pressure, rationalization, or simply opportunity. Kranacher et al. (2011) suggested money as a source of fraud in the MICE theory.

Pressure has a positive but insignificant influence on asset misappropriation (Ramadlan & Yuliana, 2020). People steal from their employers for a variety of personal and professional reasons, one of which is pressure (Koomson et al., 2020). Financial stress, living a lavish lifestyle, easy access to fraudulent opportunities, and an inability to recognize or resist the temptation to commit fraud are all contributors (Setiawan et al., 2022). Some studies have indicated that the higher the pressure perceived or felt by individuals, the greater the likelihood of those individuals committing fraud. It is hypothesized that there is a positive impact between financial pressure and the tendency to misappropriate assets (H2).

Peer influence and the tendency of asset misappropriation

Ramamoorti (2008) identified behavioral factors as being at the root of the fraud problem. Fraud is a social phenomenon, and fraud has many aspects (Krambia-Kapardis, 2016). Previous research has suggested that peer influence has an effect on unethical behavior and fraud (Bandura & Walters, 1977; Fallon, 2007). The Social Learning Theory was used to understand the link between peer pressure and asset misappropriation.

Research on peer influence on individual decision-making has conceptualized quite diverse results. Based on the social learning theory, (Fallon, 2007) stated that unethical peer behavior observed positively affects the learning behavior, which positively affects the behavior of unethical observers. The statement said that peers play an important role in making ethical decisions, but that this is often overlooked. Peer pressure is the most important factor in influencing dishonest actions (Malesky et al., 2022). Personality growth can be influenced by interactions with peers (Shan & Zölitz, 2022). As one's

morals and self-control get better, it becomes less important to have friends who do bad things (Hirtenlehner et al., 2022).

Many studies have linked peer influence to unethical behavior, but research on its relationship to fraud has been limited. The question of whether unethical behavior is contagious, whether cheating, stealing, and dishonesty are contagious for organizations and cultures, is critical to the organization and society. Individually unethical behavior will stimulate the occurrence of fraudulent behavior, including asset misappropriation. This idea is suggested because peer influence has a big effect on the tendency to steal (H3).

Opportunity and Asset Misappropriation Tendency Relationship

The previous study demonstrated the opportunity to influence fraud. Opportunity, according to (Cressey, 1953), was one of the fraud elements, and the following researchers agreed. As opportunity arose, deception flourished as well (Cohen et al., 2011). Some of these studies have found that fraud can be caused by a lack of internal controls. Internal control issues are one factor that might lead to asset misappropriation.

A factor that can contribute to asset theft is poor internal control (Ab Majid et al., 2014). Poor internal controls, inadequate supervision, and inadequate task separation can create opportunities for fraud. When the potential for fraud or asset misappropriation is high, internal controls tend to be flimsy (Koomson et al., 2020). Opportunity is viewed as individual perceptions of control weaknesses and perceptions that the probability of detecting fraud is very limited (Dorminey et al., 2012). The opportunity makes asset theft much more likely (Yusrianti et al., 2020).

It is important for a company to have an efficient internal control system and to set regulations regarding fraud activities with the ultimate goal of preventing future cases of fraud like one that has recently occurred at the company (Ghani et al., 2021). Easy access to fraudulent opportunities and an inability to recognize or resist the temptation to commit fraud are all contributors (Setiawan et al., 2022). This theory (H4) says that opportunity makes it more likely that someone will steal something.

Peer Influence, Rationalization, and Asset Misappropriation Tendency Relationship

Prior research has found that a variety of elements, including not just human traits but also situational and

organizational factors as well as complex phenomena in context, can all contribute to fraud (Krambia-Kapardis, 2016). Referring to the Social Learning Theory (Bandura & Walters, 1977), one's actions would be better than before with the influence of surrounding friends. (Murphy & Dacin, 2011) suggested that there are many ways to commit fraud: before committing fraud, there is an awareness gap, significant situational effects, and reasoning along with moral intuition.

Peer pressure was the most important factor in influencing dishonest actions (Malesky et al., 2022). As one's morals and self-control improve, the value of friends who engage in criminal activity declines (Hirtenlehner et al., 2022). Personality growth can be influenced by interactions with peers (Shan & Zölit, 2022). The combination of peer influence and their rationalization could make someone tend to do unethical behavior. The power of peers may mediate the rationalization of the misappropriation of assets by others. As a result of peer power, anyone who commits an act of asset theft will be stronger. This idea is stated as "peer influence acts as a mediator between rationalization and the tendency to steal assets" (H3a).

Asset Misappropriation Tendency, Financial Pressure, Rationalization, and Opportunity

Prior research has found that deception may be induced for many reasons, including human characteristics, situational and structural factors, and the dynamic phenomena of contextual elements (Krambia-Kapadis, 2016; Wells, 2007). Furthermore, (Kassem & Higson, 2012) believed that coercion, rationalization, or opportunity alone could cause fraud. It is argued that each component of fraud, including justification and opportunity, has a connection. A lack of knowledge, major environmental circumstances, logic, and moral intuition all contribute to the path to fraud (Murphy & Dacin, 2011). Wahyudi et al. (2021) said that individual morality and internal control mechanisms are good ways to keep village fund fraud from happening.

According to a prior study, the Fraud Triangle was unable to describe both the intensity of each component and the fraud (Cohen et al., 2011). Kassem and Higson (2012) said that fraud can be caused by rationalization, pressure, or chance alone. Organizational influence as an external influence and an individual's internal influence will constitute a combination that may lead to asset misappropriation. In this case, organizations with weak internal controls will put pressure on and try to explain away someone who abuses assets. The rationalization and

financial pressure that exist within a person will increase with the opportunity for asset abuse.

It is important for a company to have an efficient internal control system and to set regulations regarding fraud activities with the ultimate goal of preventing future cases of fraud like one that has recently occurred at the company (Ghani et al., 2021). When the potential for fraud or asset misappropriation is high, internal controls tend to be flimsy (Koomson et al., 2020). Easy access to fraudulent opportunities and an inability to recognize or resist the temptation to commit fraud are all contributors (Setiawan et al., 2022). Thus, opportunity as an external influence will increase the occurrence of asset abuse if the organization has weak internal controls.

Organizations that are weak in internal control will trigger pressure and rationalization from someone who causes asset abuse. Opportunity is an important focus in triggering asset abuse, as it can mediate the rationalization of one’s deception and financial pressure. After the impact of opportunity, someone commits a greater act of asset misuse. Also, the effects of opportunity will make asset abuse more likely to happen after the effects of opportunity. The greater the power of opportunity, the greater the link between asset misappropriation and rationalization, and the greater the link between financial pressure and the risk of asset misappropriation. It suggests that rationalization of the misappropriated asset tendency is mediated by opportunity (hypothesis H4a), and financial pressure and the misappropriated asset tendency are mediated by opportunity (hypothesis H4b).

These hypotheses are shown in the research model in Figure 1.

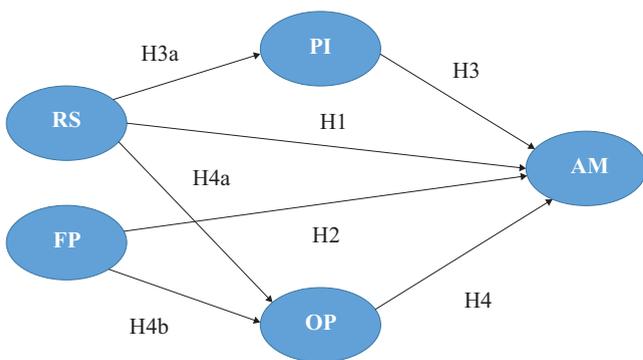


Figure 1 Research model

Methodology

Population and Sample

Public officials working in Indonesian municipalities and regencies are the population of this research. A purposive sampling approach was the sample selection approach based on the criteria (Table 1). The total population is unknown, so the determination of the number of samples is based on the minimum sample size in SEM which is 100–200 for the maximum likelihood (ML) estimation technique (Hair et al., 2010). About 900 questionnaires were distributed, but only 371 could be processed further.

Table 1 Purposive Sampling Criteria

Sample Criteria
Public officials working in the Logistics, General Services, and Financial areas
(1) Public officials working in selected municipalities and regencies that have received BPK-RI Non-WTP opinions in the last three years. <i>(BPK-RI= the Republic of Indonesia Audit Board)</i>
Public Officials working for more than two years.

Data Collection and Analysis

Direct surveys, postal mail surveys, and internet surveys were used to obtain data. Nine hundred questionnaires with a 2-stage distribution were distributed. After selection based on some criteria and data assumptions, there were only 371 returned questionnaires that were processed later. This study examined used the AMOS covariance-based Structural Equation Model (SEM).

Variable Measurements

This questionnaire consisted of questions or cases that use a 7-point scale measurement with a rank of highly unfair or with a scale of never to always. The variables in this study are described below. *Asset Misappropriation Tendency (AM)*: Asset misappropriation tendency is the tendency of the misuse or theft of a company’s or other party’s assets or properties. The questionnaires included nine cases developed by Ab Majid et al. (2015); Karim et al. (2015). It assessed the likelihood of asset misappropriation (including skimming, non-cash asset misuse, charges, a mark-up of expenditure, non-cash asset theft, unapproved funds, misuse of expenditure, and excess compensation).

Peer Influence (PI): The influence of peers is described as the degree to which peers affect people's attitudes, thoughts, and behavior. The questionnaire is adapted to 6 statements from Steinberg and Monahan, 2007. It assessed the influence of peers (to satisfy friends, do wrong as one thought, differing opinions, as suggested by friends, easily change a mind, change a friend's way of respect). Opportunity is a circumstance or situation that causes unethical acts to be committed or covered up by others (Cressey, 1953). Furthermore, *Perceived Opportunity (PO)* is a perception of a circumstance or situation that causes unethical acts to be committed or covered up by others. The questionnaire consisted of seven (Sitorus & Scott, 2008) statements (clear responsibility and authority, authorization and support based on facts, periodic physical checks, efficient surveillance, accurate property records, monitoring and evaluation, supervisory abilities).

Financial Pressure (FP): Financial pressure is a financial-related pressure or circumstance where, as a moral force, a person feels the need to commit fraud or pressure that affects desires or thoughts. Extracted from (Zimbelman et al., 2014) statements, it is measured by 6 questionnaires (unexpected financial needs, unpaid debts, and loans, personal financial loss, the number of products as a sign of achievement, impressing people with things). Moreover, *Rationalization (RS)* is a personal excuse for fraud perpetrators' behavior. The survey includes seven (Sitorus & Scott, 2008) statements on measured rationalization (kindness motives, temporary borrowing, low salary, interest sacrifice, and office merit).

Results

Descriptive of Respondent Profile

Table 2 shows that the financial sector had the greatest number of respondents (31 percent) based on their field of

Table 2 Profile of Respondents

	Characteristics	Frequency	Percentage
- Field of Work	Financial	145	39%
	Public Service Logistics	145	39%
		88	24%
- Length time of Work	> 5–10th	109	29%
	> 10–20th	120	32%
	2–5 y	89	24%
	> 20th	53	14%
- Age (years)	> 25–30 = 59 (16%)	< 25 = 25 (7%)	7%
	> 30–35 = 94 (25%)	> 35–40 = 52(14%)	14%
	> 40–50 = 92 (25%)	> 50 th = 49 (13%)	13%
- Area/Island	Java	24/196	53%
	Kalimantan	4/19	5%
	Sumatra	27/119	37%
	Sulawesi & Others	9/37	10%

Source: Processed data.

work. In terms of employment duration, those who worked for 10–20 years accounted for 32 percent of the total, while those who worked for more than 20 years accounted for only 14 percent. Female respondents comprised 56 percent of all respondents. With 196 (53 percent) respondents, Java had the highest number of samples with 24 regencies and cities. The Eastern Area of Indonesia had the smallest sample size with only four regencies and 12 respondents.

Confirmatory Factor Analysis

The modified model's goodness of fit meets all of the requirements (RMSEA, CFI, CMIN/DF, TLI, AGFI, GFI) and has a loading factor greater than 0.5 (Hair et al., 2010). A fit model was generated as a consequence of the measurement model's confirmatory factor analysis.

Tests for Reliability, Validity, and Data Assumption

Table 3 shows that all constructs have reliability values (CR) of more than 0.9 and variance extracted of more than 0.5 (Hair et al., 2010). It is reasonable to conclude that all indicators in the measurement model represent latent variables with good reliability and validity. The data indicated that it had multivariate normality, there was no multivariate outlier, and the covariance matrix was non-singular. It means that data can be analyzed further.

Table 3 Result of Reliability & Validity Test

	Variable	AVE	√AVE	CR
Endogenous	AM	0.749	0.866	0.980
	PI	0.532	0.729	0.934
	OP	0.595	0.771	0.945
Exogenous	FP	0.753	0.868	0.966
	RS	0.694	0.833	0.968

Source: Processed Data.

Structural Model Test (Goodness of Fit)

A good model fit may be shown in the quality of the fit in the structural model. With a probability of 0.000, GFI of 0.846, and AGFI of 0.821, three evaluation outcomes were at a marginal level. The fit conditions were met as CFI 0.951, TLI 0.946, and RMSEA 0.056 as they were more than the cut-off value (Hair et al., 2010). The structural model is shown in Figure 2.

Causality Test Hypothesis

The structural model describes the causality of the suggested hypotheses. Table 4 presents a summary of the results of the research. Many hypotheses are shown to be significant, as seen in Table 4, but there was no significant relationship between financial pressure and opportunity

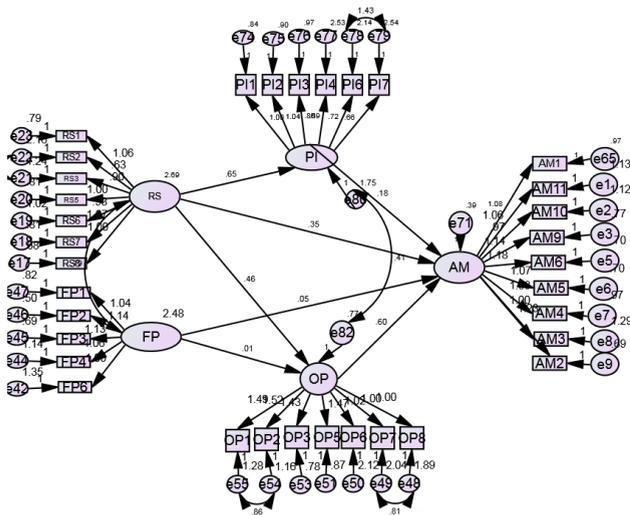


Figure 2 Structural Model

Table 4 Causality Hypothesis Test

Hypothesis	Relationship	Estimate	C.R.	SE	p	Result
H3a	PI <--- RS	0.65	12.407	0.052	***	Accepted
H4a	OP <--- RS	0.455	10.14	0.045	***	Accepted
H4b	OP <--- FP	0.007	0.224	0.032	0.823	Rejected
H1	AM <--- RS	0.351	8.662	0.041	***	Accepted
H2	AM <--- FP	0.053	2.004	0.026	0.045	Accepted
H3	AM <--- PI	0.177	5.041	0.035	***	Accepted
H4	AM <--- OP	0.597	8.747	0.068	***	Accepted

Source: Processed data.

Table 5 Table Mediation Relationship of Indirect and Direct effects

Relationship	Direct Effect with mediation	Direct Eff. Without mediation	Indirect Effect	Total Effect	p value (Sobel Test)
AM ← PI <--- RS	0.351***	0.372***	0.115	0.4661	.00000276
AM ← OP <--- RS	0.351***	0.372***	0.272	0.6226	.0000

Source: Processed data.

(H4b). Five (5) significant hypotheses at $p < .01$ and one significant hypothesis at $p < .05$ percent were present.

Analysis of Mediation Relationships' Direct and Indirect Effects

Only two hypotheses in the mediation effect can be examined. The second hypothesis (H4b) failed to match the criteria. Table 4 shows the findings of direct and indirect mediation. According to Table 5, the direct connection is 0.351 after the mediation of Opportunity and Peer Influence has a $p < .01$.

The two mediation effects on rationalization and the tendency of asset misappropriation were significant in the Sobel test. Nevertheless, the relationship between financial pressure and opportunity (H4b) does not match the mediation criteria, so it cannot be tested in a mediation relationship.

Discussion

Rationalization and Asset Misappropriation Tendency

Rationalization had a significant impact on the likelihood of asset misappropriation, with coefficients of .351 at $p < .01$ (H1). This suggests that government personnel are significantly influenced by the rationalizations they engage in for the misuse of assets. Government policymakers should keep in mind that the more rationalization is practiced, the greater the chance of asset theft. It is supported by the Fraud Triangle Theory, which has demonstrated that rationalization has a significant effect on fraud. Furthermore, in order to avoid being prosecuted, a person should justify dishonesty (Krambia-Kapardis, 2016; Zimbelman et al., 2014).

This also fits with what (Koomson et al., 2020) says about how people steal from their employers for both personal and professional reasons, one of which is to make themselves feel better. This study might suggest that rationalization is an essential motive for fraud conduct, in accordance with comments such as (Cressey, 1953; Krambia-Kapardis, 2016; Wells, 2004). Rationalization is important because it allows white-collar criminals to consider themselves as morally responsible people who are exclusively motivated by ethical principles.

Government policymakers should keep in mind that the more rationalization is practiced, the greater the chance of asset misappropriation. It is very important for the government to make appropriate regulations to encourage the prevention of asset misappropriation. Creating a culture of honesty and encouraging employee integrity are important practises in the office environment to minimize rationalization of the misappropriation of assets.

Financial Pressure and Asset Misappropriation Tendency

The outcome of the estimated parameter with a coefficient of .053 and a probability of $p < .05$, $p = .045$. revealed a substantial influence of financial pressure on the tendency of asset misappropriation. This supports the hypothesis (H2) that financial pressure has a major influence on the likelihood of misappropriating assets, which is supported by substantial evidence. This suggests that government employees are significantly more likely to abuse assets due to the financial pressure. The more financial pressure is used, the more likely it is that assets will be taken without permission.

This backs up Cressey's Fraud Triangle (1953), which stated that financial pressure causes the urge or pressure to commit fraud. It also fits with what (Zimbelman et al., 2014) found, which is that financial pressure is the most common way that fraud is committed under pressure. This finding is also in line with the statement that financial difficulties are the most common reason for someone to commit fraud. (Albrecht et al., 2008) said that financial trouble is the biggest financial pressure on someone who cheats, while (Kranacher et al., 2011) theory of MICE says that cash is one of the things that lead to fraud.

This is also supported by (Ramadhan & Yuliana, 2020) finding that implied pressure has a positive but insignificant influence on asset misappropriation. People steal from their employers for a variety of personal and professional reasons, one of which is pressure (Koomson et al., 2020). Setiawan et al. (2022) also said that financial

stress, living a lavish lifestyle, having easy access to fraud opportunities, and not being able to recognize or resist the urge to commit fraud are all factors. The more financial pressure is used, the more likely it is that assets will be taken without permission. It is very important for the government to make appropriate policies to encourage the prevention of asset misappropriation, encouraging honesty and a simple way of life among employees to reduce financial pressure on fraud in the office and keep costs down.

Peer Influence and Asset Misappropriation Tendency

With a coefficient of .177 and a significance level of at $p < .01$, the testing showed that peer pressure had a big effect on theft of property. This suggests that government personnel are highly influenced to abuse assets by bad peer influence. When there is a lot of peer pressure at work, it is more likely that money or other valuables will be stolen. The hypothesis (H3) that peer influence has an impact on asset theft has solid evidence to back it up.

This finding supports Albert Bandura's Social Learning Theory, which contends that individuals in a social context are influenced by the behavior of others. According to (Fallon, 2007), unethical peer conduct has a significant impact on learning behavior, which in turn positively affects the behavior of unethical observers. This study was in line with O'Fallon's (2007) argument that unethical peer behavior observed positively will influence the learning of these behaviors, which will positively affect the observer's unethical behavior.

This also supports the idea that peer pressure is the most important factor in influencing dishonest actions (Malesky et al., 2022). As one's morals and self-control improve, the value of friends who engage in criminal activity declines (Hirtenlehner et al., 2022). Personality growth can be influenced by interactions with peers (Shan & Zölitz, 2022). Moreover, it is also in line with the statement that fraud is a social phenomenon, and that fraud has many aspects (Krambia-Kapardis, 2016; Raval, 2018). The subject of whether unethical behavior, like cheating, stealing, and lying is contagious is crucial to business and society.

When there is a lot of peer pressure at work, it is more likely that money or other valuables will be stolen. This indicates how social influence is a factor that needs to be considered in making government policies. To minimize bad peer influence on fraud, leaders could encourage employee integrity and create a healthy relationship among employees. Such will improve the ethical climate in the office environment.

Opportunity and Asset Misappropriation Tendency

According to the findings of this research, opportunity has a substantial impact on the tendency of asset misappropriation (H4). It has a probability at $p < .01$ and a coefficient of .597. This indicates that the opportunities in the office environment reflected in the lack of good internal control greatly influence assets abuse. The more opportunities there are in the office, the more likely it is that someone will steal something. Such reaffirms the Fraud Triangle Theory. One of the elements that influence fraud is opportunity. As the number of changes increased, the amount of fraud increased as well (Cohen et al., 2011).

This is also in line with the statement that internal control deficiencies can lead to asset misappropriation (Ab Majid et al., 2010). Fraud can also be caused by poor internal controls, a lack of surveillance, and a lack of job separation (Dorminey et al., 2012; Yusrianti et al., 2020). Opportunity is the way a person thinks about control weaknesses and how likely it is that fraud will not be found out.

This is also supported by Koomson et al. (2020), that when the potential for fraud or asset misappropriation is high, internal controls tend to be flimsy. An efficient internal control system and set regulations regarding fraud activities, with the ultimate goal of preventing future cases of fraud like one that has recently occurred at a company are necessary (Ghani et al., 2021). Easy access to fraudulent opportunities and an inability to recognize or resist the temptation to commit fraud are all contributors (Setiawan et al., 2022). This study backs up what other studies have found, which is that weaknesses in the control system make it harder to find fraud. The more opportunities there are in the office, the more likely it is that someone will steal something. It is critical for the government to develop appropriate systems and procedures to encourage asset misappropriation fraud prevention, eliminating opportunities for fraud by identifying procedures and systems that have the potential for employees to misappropriate assets in the office environment.

The Relationship between Peer Influence, Rationalization, and Asset Misappropriation Tendency

Rationalization and Peer Influence were shown to directly relate to an asset misappropriation tendency. After being adjusted by the mediating influence of peer influence, the connection between rationalization (RS) and the tendency of asset misappropriation coefficients had $p < .01$ (PI). It has a total impact of 0.466 and an indirect impact of 0.115. With a $p < .01$, $p = .00000276$ in the Sobel test, there is also a significant mediating effect. Such supports hypothesis H3a.

When an employee rationalizes his actions and is influenced by unfavorable colleagues, the chances of asset misappropriation increase. The impact of a peer mediates a person's justification of the asset misappropriation tendency. It supports Albert Bandura's Social Learning Theory (SLT), which contends that individuals in a social context are influenced by the behavior of others. The tendency to take things that didn't belong to them was affected by rationalizations that were influenced by peer pressure, which is a social factor.

Referring to the Social Learning Theory, one's actions would be better than before with the influence of surrounding friends. This is in line with (Malesky et al., 2022) assertion that peer pressure was the most important factor in influencing dishonest actions. As one's morals and self-control improve, the value of friends who engage in criminal activity declines (Hirtenlehner et al., 2022).

This study's findings suggested that there is a substantial link between situational factors and an asset misappropriation tendency. It supports the previous study that claimed a range of circumstances can lead to fraud. Individual elements, as well as situational and organizational elements, as well as context with complex phenomena, are all considered (Wells, 2004) (Krambia-Kapadis, 2016; Wells, 2007). Fraud is generated by rationalization, which is influenced by personality and environment.

When an employee rationalizes his actions and is influenced by unfavorable colleagues, the chances of asset misappropriation increase. This indicates how social influence is a factor that needs to be considered in making government policies. It is very important for the government to make appropriate policies to encourage the prevention of asset misappropriation. To minimize bad peer influence and rationalization of fraud, encouraging employee integrity and creating a healthy relationship among employees are important practises that can minimize asset misappropriation.

Relationship of Opportunity, Rationalization, and Asset misappropriation Tendency

With a coefficient of 0.351 and a significance level of $p < .01$, opportunity (OP) mediated the link between asset misappropriation tendency and rationalization (H4b). It also has a .272 coefficient of indirect impact and a .623 overall impact. The Sobel test has a $p < .01$. It shows that there is a strong mediating effect, so H4a is supported. If the government doesn't have good internal controls or if an employee can find a way to rationalize stealing money or property, it will happen more often.

It is possible to explain that each factor of the Fraud Triangle is strongly affected, as has been criticized by the former researcher (Cohen et al., 2011; Kassem & Higson, 2012). Fraud can be committed via reasoning, coercion, or just by chance, according to (Kassem & Higson, 2012). The findings reveal that situational and individual factors have a considerable impact (Krambia-Kapardis, 2016; Wahyudi et al., 2021; Wells, 2004). Anyone who commits asset misappropriation is more likely to reap the benefits of the opportunity.

It is also supported by (Setiawan et al., 2022), who implied easy access to fraudulent opportunities and an inability to recognize or resist the temptation to commit fraud are all contributors. Thus, the influence of opportunity will mediate the occurrence of asset misappropriation when an employee rationalizes his actions. Opportunity outcomes mediate the rationalization of one's deception. It supports hypothesis H4a. It is very important to create appropriate systems and procedures to encourage the prevention of asset misappropriation. Improving the ethical climate in the government office environment and eliminating opportunities for fraud by identifying weak procedures and systems will improve the management control system and minimize asset misappropriation.

Relationship of Opportunity, Financial pressure, and Asset misappropriation tendency

With a coefficient of 0.053 and at $p < .05$, $p = .045$, this study discovered that financial pressure has a significant effect on the tendency of asset misappropriation (H2). However, the financial pressure and opportunity relationship showed a statistically insignificant relationship with a parameter coefficient of 0.007 and a $p > .05$, $p = .823$ (H4b). This does not satisfy the (Baron & Kenny, 1986) based mediation relationship procedures. There is no evidence to accept hypothesis H4B. Thus, the existence of financial pressure alone is sufficient to lead to asset misappropriation. The influence of opportunity will not so much mediate the occurrence of asset abuse when an employee has financial pressure.

It is impossible to explain that each factor of the Fraud Triangle is strongly affected, as has been criticized by the former researcher (Cohen et al., 2011; Kassem & Higson, 2012). Fraud can be committed via reasoning, coercion, or just by chance, according to (Kassem & Higson, 2012). It does also not support that situational and individual factors have a considerable impact (Krambia-Kapardis, 2016; Wahyudi et al., 2021; Wells, 2004). Anyone who commits asset misappropriation is more likely to reap the benefits of the opportunity.

This is supported by Kranacher et al. (2011); Zimelman et al. (2014), financial pressures to commit fraud are the most common type; prior research found that approximately 95 percent of fraud involves a financial incentive for engaging in wrongdoing. Money is very important factor of fraud. However, this is not in line with (Koomson et al., 2020), who stated that when the potential for fraud or asset misappropriation is high, internal controls tend to be flimsy. It is also not supported by (Setiawan et al., 2022), who implied easy access to fraudulent opportunities and an inability to recognize or resist the temptation to commit fraud are all contributors.

The magnitude of the opportunity indicated by poor control is not strong enough to increase the occurrence of fraud because financial pressure alone is a very important factor in misappropriating assets. This conclusion could not take into account how serious each part of the Fraud Triangle was. The statement that opportunity mediates financial pressure and the tendency to steal assets (H4b) is not true.

Poor opportunities or a lack of control in government circles will not stop employees who are struggling financially from stealing from the government. So, financial pressure is a very important aspect that needs to be considered when making policies for the government. It is critical for the government to implement appropriate systems and procedures to encourage asset misappropriation prevention. Moreover, encouraging a simple lifestyle could reduce employees' financial problems, which could minimize asset misappropriation.

Conclusion and Recommendation

Conclusion

The results show that government personnel are significantly influenced to misuse assets by financial pressure and rationalizations they engage in. The opportunities in the office environment, reflected in the lack of good internal control, greatly influence a worker to abuse assets. Furthermore, government personnel are highly influenced to misappropriate assets by bad peer influence. When there is a lot of peer pressure at work, it is more likely that money or other valuables will be stolen. With the influence of bad-attitude colleagues in the office environment, an employee who rationalizes the act of asset misappropriation will increase its occurrence. The impact of a peer mediates a person's justification of the asset misappropriation tendency. Furthermore, if the government does not have good internal control or if it doesn't have enough of it, it's more likely that an employee will find a way to justify stealing assets.

However, the existence of financial pressure alone is sufficient to lead to asset misappropriation. Poor opportunities or lack of control in government circles will not stop employees who are struggling financially from stealing from the government. Poor control does not make the chance of fraud big enough to make it more likely, because financial pressure alone is a very important reason for stealing money or other assets.

This indicates that opportunities and peer pressure are important factors that can mediate misappropriating assets when an employee rationalizes their behavior. How facets of the social environment influence an individual's ethical decision-making. This shows that the government needs to take social and organizational influences into account when making rules and policies. The results of this study back up both the fraud triangle and the social learning theory. Parts of the fraud triangle, and peer pressure, have been shown to have an effect on asset misappropriation.

Recommendation

Indonesia is now in a period of bureaucratic reform, where there have been many changes in central and local governance. There are many factors that must be accommodated by the leadership in order to create good governance. The government must be able to eliminate the misuse of assets in the government environment by considering all factors that can trigger fraud. What can be done is to make appropriate policies in order to encourage the prevention of asset misappropriation in the work environment.

When running the government's finances, it is important to pay attention to both the system and the people who work there. Leaders can stop fraud from happening by improving systems and procedures and making the office a more ethical place to work. For example, the leaders create a culture of honesty and integrity in the office environment, creating a healthy relationship among employees, encouraging a simple lifestyle, and identifying weak internal controls related to asset management. The efforts to stop people from stealing assets will make the management control system better and reduce the amount of asset misappropriation.

Limitation

The research sample is not evenly distributed among all local governments in Indonesia and is dominated by respondents from Java and Sumatra. Future research can get a more representative sample that reflects the

government in Indonesia. Also, quantitative research has not considered many other factors that can lead to asset misappropriation, so qualitative research is needed.

Conflict of Interest

The authors declare that there is no conflict of interest.

Acknowledgments

The Ministry of Research, Technology, and Higher Education of the Republic of Indonesia.

References

- Ab Majid, R., Mohamed, N., Abdullah, A., & Mahmud, Z. (2010, December). An exploratory study on the possibility of misappropriation of assets occurring in a local authority. In *2010 International Conference on Science and Social Research (CSSR 2010)* (pp. 36–41). IEEE.
- Ab Majid, R. A., Mohamed, N., Haron, R., Omar, N. B., & Jomitin, B. (2014). Misappropriation of assets in local authorities: A challenge to good governance. *Procedia - Social and Behavioral Sciences*, *164*, 345–350. <https://doi.org/10.1016/j.sbspro.2014.11.086>
- Ab Majid, R., Mohamed, N., & Basri, S. A. (2015, May 25–26). *Assessing the risk of asset misappropriation among three municipal councils in Malaysia*. International Public Sector Conference (IPSC) 2015, Surabaya, Indonesia. https://www.researchgate.net/profile/Rozaiha-Ab-Majid/publication/292984976_Assessing_the_Risk_of_Asset_Misappropriation_among_Three_Municipal_Councils_in_Malaysia/links/56b408dd08ae636a540d233a/Assessing-the-Risk-of-Asset-Misappropriation-among-Three-Municipal-Councils-in-Malaysia.pdf
- Albrecht, W. S., Albrecht, C., & Albrecht, C. C. (2008). Current trends in fraud and its detection. *Information Security Journal: A Global Perspective*, *17*(1), 2–12. <https://doi.org/10.1080/19393550801934331>
- Association of Certified Fraud Examiners [ACFE]. (2016). *The fraud tree* (pp. 1–13). <https://www.acfe.com/fraud-resources/fraud-risk-tools--coso/-/media/51FB0E7892E24FC392ED325FE0A42C2A.ashx>
- Association of Certified Fraud Examiners [ACFE]. (2020). *Report to the nations on occupational fraud and abuse: 2020 global fraud study*. [Report To The Nation 88]. <https://www.acfe.com/report-to-the-nations/2020/>
- Association of Certified Fraud Examiners [ACFE] (2022). *Occupational fraud 2022: A report to the nations*, pp. 1–96. <https://acfe-public.s3.us-west-2.amazonaws.com/2022+Report+to+the+Nations.pdf>
- Association of Certified Fraud Examiners Indonesia. (2019). *Survei fraud Indonesia 2019* (Vol. 53, Issue 9, pp. 1–76.). <https://acfe-indonesia.or.id/survei-fraud-indonesia/>
- Bandura, A. (1971). *Social learning theory*. General Learning Press.
- Bandura, A., & Walters, R. H. (1977). *Social learning theory* (Vol. 1). Englewood cliffs Prentice Hall.
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, *51*(6), 1173. <https://doi.org/10.1037//0022-3514.51.6.1173>.

- Bristol, T., & Mangleburg, T. F. (2005). Not telling the whole story: Teen deception in Purchasing. *Journal of the Academy of Marketing Science*, 33(1), 79–95. <https://doi.org/10.1177/0092070304269754>
- Cohen, J., Ding, Y., Lesage, C., & Stolowy, H. (2011). Corporate fraud and managers' behavior: Evidence from the press. *Entrepreneurship, Governance and Ethics*, 95, 155–199. <https://doi.org/10.1108/eb054287>
- Cressey, D. R. (1953). *Other people's money; A study of the social psychology of embezzlement*. <https://psycnet.apa.org/record/1954-06293-000>
- Dorminey, J., Fleming, A. S., Kranacher, M., & Riley, R. A. (2012). *The evolution of fraud theory*, 27(2), 555–579. <https://doi.org/10.2308/iace-50131>
- Fallon, M. J. O. (2007). *The influence of unethical peer behaviour on observers' unethical behavior: A social cognitive perspective*. [Doctoral dissertation, Washington State University]. http://www.dissertations.wsu.edu/dissertations/fall2007/m_ofallon_112507.pdf
- Ghani, E. K., Mohamed, N., Tajudin, M. A., & Muhammad, K. (2021). The effect of leadership style, organisational culture and internal control on asset misappropriation. *Academy of Accounting and Financial Studies Journal*, 25(5), 1–12. <https://www.abacademies.org/articles/the-effect-of-leadership-style-organisational-culture-and-internal-control-on-asset-misappropriation-11276.html>
- Hair, J., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *HAIR_Multivariate data analysis* (7th ed.). Pearson Prentice Hall. <https://www.drnishikantjha.com/papersCollection/Multivariate%20Data%20Analysis.pdf>
- Hirtenlehner, H., Bacher, J., Leitgöb, H., & Schartmueller, D. (2022). Do morality and self-control protect from criminogenic peer influence? Testing multidimensional person–Environment interactions. *Justice Quarterly*, 39(1), 78–112. <https://doi.org/10.1080/07418825.2021.1903069>
- Jones, T. M., Ryan, L. V., Jones, T. M., & Versteegen, L. (1997). The link between ethical judgment and action in organizations: A moral approbation approach. *Organization Science*, 8(6), 663–680. <https://doi.org/10.1287/orsc.8.6.663>
- Karim, Z. A., Said, J., & Bakri, H. H. M. (2015). An exploratory study on the possibility of assets misappropriation among Royal Malaysian Police Officials. *Procedia Economics and Finance*, 31(15), 625–631. [https://doi.org/10.1016/S2212-5671\(15\)01150-8](https://doi.org/10.1016/S2212-5671(15)01150-8)
- Kassem, R., & Higson, A. (2012). The new fraud triangle model. *Journal of Emerging Trends in Economics and Management Sciences*, 3(3), 191–195. <https://pureportal.coventry.ac.uk/en/publications/the-new-fraud-triangle-model>
- Koomson, T. A. A., Owusu, G. M. Y., Bekoe, R. A., & Oquaye, M. (2020). Determinants of asset misappropriation at the workplace: The moderating role of perceived strength of internal controls. *Journal of Financial Crime*, 27(4), 1191–1211. <https://doi.org/10.1108/JFC-04-2020-0067>
- Kranacher, M. J., Riley, R., Wells, J. T. (2011). *Forensic accounting and fraud examination*. John Wiley & Sons.
- Krambia-Kapardis, M. (2016). A holistic model of corruption and corporate fraud prevention. In M. Krambia-Kapardis (Ed.), *Corporate Fraud and Corruption* (pp. 135–168). https://doi.org/10.1057/9781137406439_6
- Malesky, A., Grist, C., Poovey, K., & Dennis, N. (2022). The effects of peer influence, honor codes, and personality traits on cheating behavior in a university setting. *Ethics and Behavior*, 32(1), 12–21. <https://doi.org/10.1080/10508422.2020.1869006>
- Murphy, P. R., & Dacin, M. T. (2011). Psychological pathways to fraud: Understanding and preventing fraud in organizations. *Journal of Business Ethics*, 101(4), 601–618. <https://doi.org/10.1007/s10551-011-0741-0>
- Norziation, I., Ridhuan, M. D. M., & Adura, A. (2018). Assets misappropriation in the Malaysian public and private sectors. *International Journal of Engineering & Technology*, 28(85), 384–392. <http://sersc.org/journals/index.php/IJAST/article/view/897>
- Ramadhan, F., & Yuliana, R. (2020). Analysis of fraud star and organizational commitment to asset misappropriation detection with internal control system. *International Colloquium on Forensics Accounting and Governance (ICFAG)*, 1(1), 189–201. <https://conference.trunojoyo.ac.id/pub/index.php/icfag/article/viewFile/25/29>
- Ramamoorti, S. (2008). The psychology and sociology of fraud: Integrating the behavioral sciences component into fraud and forensic accounting curricula. *Issues in Accounting Education*, 23(4), 521–533. <https://doi.org/10.2308/iace.2008.23.4.521>
- Raval, V. (2018). A disposition-based fraud model: Theoretical integration and research agenda. *Journal of Business Ethics*, 150, 741–763. <https://link.springer.com/article/10.1007/s10551-016-3199-2>
- Republic of Indonesia Audit Board [BPK RI], (2021). *Ikhtisar Hasil Pemeriksaan Semester* [Summary of Semester Examination Results] II. 2020 (Vol. 28). <https://www.bpk.go.id/ihips/2020/II>
- Setiawan, N., Tarjo, T., & Haryadi, B. (2022). Asset misappropriation employee fraud: A case study on an automotive company in Indonesia. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 17(2), 214. <https://doi.org/10.24843/jiab.2022.v17.i02.p03>
- Shan, X., & Zölitz, U. (2022). Peers affect personality development. (IZA DP No. 15257). <https://www.iza.org/publications/dp/15257/peers-affect-personality-development>
- Sitorus, T., & Scott, D. (2008). The roles of collusion, organisational orientation, justice avoidance, and rationalisation on commission of fraud: A model based test. *Review of Business Research*, 8(1), 132–147. <https://ssrn.com/abstract=1297948>
- Trevino, L. K. (1986). Ethical decision making in organizations: A Person-Situation Interactionist Model. *The Academy of Management*, 11(3), 601–617. <https://doi.org/10.2307/258313>
- Wahyudi, S., Achmad, T., & Pamungkas, I. D. (2021). Village apparatus competence, individual morality, internal control system and whistleblowing system on village fund fraud. *WSEAS Transactions on Environment and Development*, 17, 672–684. <https://doi.org/10.37394/232015.2021.17.65>
- Weaver, G. R., Treviño, L. K., & Agle, B. (2005). “Somebody I look up to”: Ethical role models in organizations. *Organizational Dynamics*, 34(4), 313–330.
- Wells, J. T. (2004). New approaches to fraud deterrence. *Journal of Accountancy*, 197(2), 72–76. <https://www.journalofaccountancy.com/issues/2004/feb/newapproachestoFrauddeterrence.html>
- Wells, J. T. (2007). *Fraud casebook: Lessons from the bad side of business*. John Wiley & Sons.
- Wells, J. T., & Gill, J. D. (2007). Assessing fraud risk. *Journal of Accountancy*, 204(4), 63–65. <https://www.journalofaccountancy.com/issues/2007/oct/assessingfraudrisk.html>
- Yusrianti, H., Ghozali, I., & N. Yuyetta, E. (2020). Asset misappropriation tendency: rationalization, financial pressure, and the role of opportunity (Study in Indonesian government sector). *Humanities & Social Sciences Reviews*, 8(1), 373–382. <https://doi.org/10.18510/hssr.2020.8148>
- Yusrianti, H., Ghozali, I., Yuyetta, E., Aryanto, & Meirawati, E. (2020). Financial statement fraud risk factors of fraud triangle: Evidence from Indonesia. *International Journal of Financial Research*, 11(4), 36–51. <https://doi.org/10.5430/ijfr.v11n4p36>
- Zimelman, M. F., Albrecht, C. C., Albrecht, W. S., Albrecht, C. O. (2014). *Forensic accounting* (4th ed.). Salemba Empat. <https://lontar.ui.ac.id/detail?id=20398896&lokasi=lokal>