

The Influence of Morality, Organizational Commitment, and Information Asymmetry on Fraud (Tendency Toward Deceptive Practices)

I.B. Made Putra Manuaba¹, L.G.P. Sri Eka Jayanti², I Ketut Puja Wirya Sanjaya³, Luh Dela Meiyanti⁴, I Gede Hendra Pradana⁵

^{1,2,3,4,5} Faculty of Economics and Business, Warmadewa University

ABSTRACT: Fraud is a detrimental act that can cause significant harm to an organization or entity. Such misconduct is often committed by individuals who are entrusted with the responsibility of safeguarding the entity against activities that may threaten its sustainability. The Village Credit Institution (Lembaga Perkreditan Desa/LPD) is one of the vital assets and sources of income for traditional villages (desa adat), thereby requiring proper governance to prevent fraudulent practices by its management, employees, and supervisory bodies. In general, LPDs aim to improve the welfare of villagers and preserve the existence of traditional villages in Bali Province. Fraud in the accounting context refers to deviations from accounting procedures that must not be applied within an entity. This study seeks to examine the influence of several factors—namely morality, organizational commitment, and information asymmetry—on the tendency toward accounting fraud. The research sample consists of 12 actively operating LPDs located in Tabanan District. Respondents include the chairperson, secretary, and treasurer of each LPD, resulting in a total of 36 participants. Data were collected through questionnaires, of which three were incomplete, leaving 33 valid responses for analysis. The data were analyzed using Multiple Linear Regression. The results reveal that all three variables—morality, organizational commitment, and information asymmetry—have a significant influence on the tendency toward fraud.

KEYWORDS: fraud, information asymmetry, morality, organizational commitment.

INTRODUCTION

Fraud is an act that is contrary to or violates the law, which may be committed by either internal or external parties of an organization, with the intention of enriching oneself and obtaining personal gain, while directly or indirectly causing losses to others (Rasmini, 2023). Fraudulent tendencies are often carried out by internal parties of an organization or entity, whether employees or management, who abuse their authority for personal interests. Generally, organizations most susceptible to engaging in fraudulent practices are those operating in the financial sector or financial institutions (Adnyani et al., 2019).

The *Lembaga Perkreditan Desa* (LPD) is a financial institution owned by the *Desa Pakraman* and established within its jurisdiction. According to Bali Provincial Regulation No. 3 of 2017, the LPD is a financial institution whose business activities are limited to the village community and intended for the benefit of village members (*krama desa*) (Saputra, Jayawarsa, et al., 2019). The LPD is a recurring subject in our research roadmap, including in this study, which relates to fraud (fraudulent tendencies) that may also potentially occur within LPDs. In the current era, tendencies toward accounting fraud have become one of the most widely discussed issues in the media. Numerous cases reveal institutions experiencing bankruptcy as a result of fraudulent practices committed by irresponsible parties (Saputra, 2018). In Bali, specifically, fraudulent acts have occurred even at the lowest institutional level, namely within LPDs. The emergence of problematic or bankrupt LPD cases has been attributed to the uncertainty of three key supporting components of the LPD: its management, the *prajuru desa* (village customary officials), and the *krama desa*. Therefore, the role of the LPD supervisory body, starting with the *prajuru desa*, is expected to minimize fraudulent acts committed by LPD management in overseeing its operational activities (Sara & Saputra, 2021).

A case of fraud also occurred in LPD Kota Tabanan, which was tried at the Denpasar Corruption Court. In that case, the LPD management—namely the Chairperson, Secretary, and Treasurer—were found guilty of jointly committing continuous acts of corruption. They misappropriated cash funds for personal use without following the established mechanisms, resulting in a financial loss of IDR 3.7 billion for the LPD of Desa Adat Tabanan (Radar Bali, July 2, 2022). Similar cases of fraud or misappropriation of LPD funds have also been reported across various regions in Bali Province.

There are many reasons why individuals commit fraud. One theory that explains the motivation behind fraudulent behavior, and which is used in this study, is the Fraud Pentagon Theory. This theory is rooted in the Fraud Triangle Theory, first introduced by Donald R. Cressey in 1953, and has since undergone further development (Adi et al., 2020). The Fraud Pentagon Theory is

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employed in this study because it emphasizes the importance for organizations/entities to minimize opportunities for committing fraud (Atmadja et al., 2019). The rationalization factor, closely related to morality, also influences fraudulent tendencies. This mindset affects a person's inclination to commit fraud, as stronger morality reduces the desire to engage in fraudulent acts (Okoye & Gbegi, 2013; Sujana & Saputra, 2020). Morality influences the extent to which an individual is inclined toward fraudulent behavior. In other words, the higher the level of morality, the more an individual prioritizes broader and universal interests rather than merely organizational or personal interests. Research by Ade (2017) also confirms that morality has a significant influence on fraudulent tendencies.

Another factor influencing fraudulent tendencies within an organization is organizational commitment. Organizational commitment represents the bond between an employee and their organization, reflected in involvement and loyalty to the institution. Within an organization, employees are often confronted with various pressures, one of which stems from superiors (Atmadja & Saputra, 2018). When individuals face excessive organizational pressure, coupled with arrogance and the power granted by their positions, they may be driven to commit fraudulent acts (Agustina et al., 2021; Beasley, 1996). Hence, organizational commitment becomes crucial. Strong organizational commitment cultivates a mindset that prioritizes the organization's interests above personal ones. High organizational commitment among employees can minimize deviant behaviors such as fraud (Saputra, Mu'ah, et al., 2022).

Another contributing factor to fraudulent tendencies is information asymmetry. According to Suwardjono (2017:584), information asymmetry occurs when management possesses more knowledge than investors or creditors. It describes an imbalance in information between management as the provider and shareholders or stakeholders as the users. This information gap creates opportunities for fund managers to commit fraud. Information asymmetry arises from agency problems when principals struggle to monitor the true actions of agents. Sari (2019) states that information asymmetry positively affects the tendency toward accounting fraud, meaning the greater the information asymmetry, the higher the likelihood of fraudulent practices.

THEORETICAL FOUNDATION

Fraud Pentagon Theory

The Fraud Pentagon Theory serves as the primary theoretical basis in this study to explain the factors that may influence an individual's actions in committing fraudulent behavior. This theory has continued to evolve over time, with the latest development known as the Fraud Pentagon Theory (Dewi et al., 2024; Jayawarsa et al., 2022). The Fraud Pentagon is rooted in the Fraud Triangle Theory, first introduced by Donald R. Cressey in 1953. The Fraud Pentagon Theory was introduced by Marks in 2012, who stated that there are five (5) factors that drive or trigger fraudulent acts: opportunity, pressure, rationalization, competence or capability, and arrogance. Compared to earlier models, the Fraud Pentagon provides a broader scheme of fraud that particularly relates to manipulations conducted by CEOs, CFOs, or company leaders. Marks asserted that at least 70% of fraud is committed through a combination of pressure, arrogance, and greed (Saputra & Sanjaya, 2019).

Attribution Theory

Attribution Theory was first introduced by Harold Kelley (1972–1973). It explains how individuals draw conclusions regarding “the cause” of someone's behavior or the basis for a person's decision to act in a certain way. This theory applies the concept of the locus of control, which consists of two components: internal locus of control and external locus of control. Internal locus of control refers to an individual's belief that they are personally capable of influencing their performance and behavior through ability, skills, and effort. External locus of control refers to the perception that one's behavior is influenced by factors beyond their control.

Based on this explanation, it can be concluded that observing individual behavior cannot be separated from Attribution Theory. Therefore, this theory is used in this study to analyze the influence of morality, organizational commitment, and information asymmetry on fraud (fraudulent tendencies) (Saputra, Jayawarsa, et al., 2022).

Fraud (Fraudulent Tendencies)

According to Tuanakotta (2013), fraud is an intentional act committed by one or more members of management, administrators, employees, or third parties through deception to obtain unlawful or illegitimate gain. Meanwhile, the *Black's Law Dictionary* defines fraud as intentional misrepresentation or concealment of a material fact, which may mislead another party into taking actions that cause harm. Fraud is usually considered misconduct, but in some cases (particularly when deliberate), it may constitute a crime.

Morality

Morality refers to the quality of human actions that determine whether an act is right or wrong, good or bad. According to Udayani (2017), morality is the moral character or the totality of principles and values related to good and evil. Similarly, Anggreni (2020) defines morality as the quality concerning the goodness or badness of an individual's behavior.

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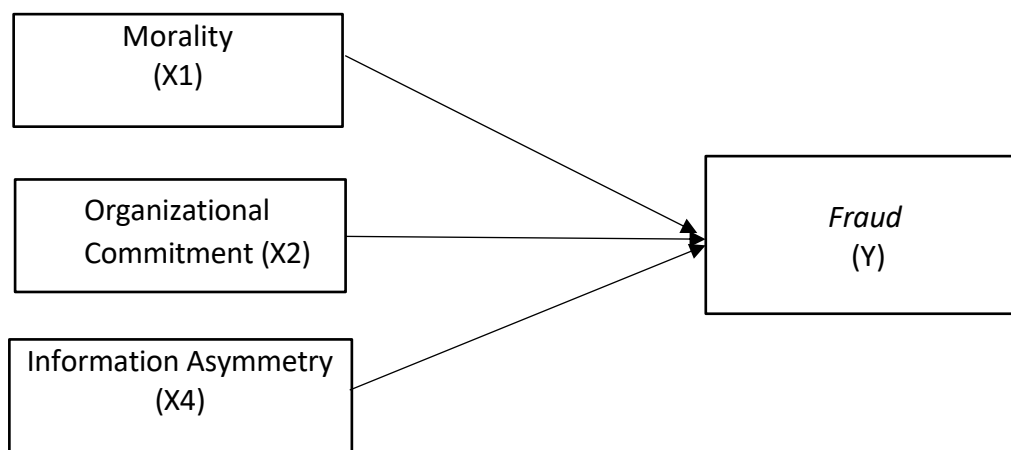
Organizational Commitment

According to Porter, commitment is the strength of an individual's identification with and involvement in an organization. It is also defined as the extent to which employees identify with organizational goals and engage in organizational activities (Atmadja et al., 2024). Furthermore, Lubis & Jaya (2021:5) describe organizational commitment as a condition where employees align themselves with the organization's objectives and possess the willingness and determination to maintain their membership in the organization.

Information Asymmetry

According to Jogiyanto (2010:387), information asymmetry is a condition in which some investors possess information while others do not. It occurs when there is a misalignment of information between managers and shareholders, often caused by unequal distribution of information between both parties. Such asymmetry creates gaps in the company's internal financial knowledge, enabling managers to manipulate information to maximize their personal benefit. Information asymmetry arises when there is an imbalance between the principal and the agent: the principal lacks adequate information about the agent, whereas the agent has more information about the principal, whether related to personal capacity, work environment, or the organization as a whole. This imbalance provides managers with opportunities to commit fraudulent acts (Saputra et al., 2021; Saputra, Pradnyanitasari, et al., 2019).

Conceptual Framework



Research Method

This study was conducted on *Lembaga Perkreditasi Desa* (LPD) in the Tabanan Sub-district, with morality, organizational commitment, information asymmetry, and fraud (fraudulent tendencies) as the objects of research.

Population and Sampling Methods

The population of this research consists of 12 LPDs, obtained from all LPDs registered in the *LPLPD* of Tabanan Regency in 2025. The sampling method employed in this study is the saturated sampling method, in which the entire population is used as the sample. Therefore, the total sample in this research is 12 LPDs. Respondents are individuals who provide data or information to researchers through interviews, questionnaires, or other methods (Kerlinger, 1986). The respondents in this study are members of LPD management, as they are the most dominant parties with access to information regarding their respective LPDs. Specifically, the respondents consist of the LPD Chairperson, Secretary, and Treasurer. Thus, the total number of respondents in this research is 36 individuals.

Data Analysis Technique

Data analysis is a process of transforming data into new information. This process aims to make the characteristics of the data easier to understand and useful in providing solutions to problems, particularly those related to research (Ghozali, 2018:115). The data analysis technique used in this study is Multiple Linear Regression. The purpose of multiple linear regression testing is to determine the dependency of a dependent variable on two or more independent variables.

To test the hypotheses in this study, the following model is applied:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$$

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Multiple Linear Regression Analysis.

Multiple linear regression analysis was employed to examine whether morality, organizational commitment, and information asymmetry have an effect on fraud (fraudulent tendencies) in LPDs across the Tabanan Sub-district.

Result of Multiple Linear Regression Analysis.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,240	0,372		-0,283	0,614
	Morality	-0,306	0,127	-0,476	-2,523	0,021
	Organizational Commitment	-0,254	0,121	-0,434	-2,102	0,008
	Information Asymmetry	0,785	0,542	0,398	2,294	0,042

a. Dependent Variable: fraud

Based on the table above, the multiple regression equation is obtained as follows:

$Y = -0.476X_1 - 0.434X_2 + 0.398X_3$, which means:

1. The regression coefficient of the Morality variable is -0.476 , indicating that as morality increases, the tendency to commit fraud decreases, and vice versa.
2. The regression coefficient of the Organizational Commitment variable is -0.434 , indicating that the stronger the organizational commitment, the lower the tendency to commit fraud, and vice versa.
3. The regression coefficient of the Information Asymmetry variable is $+0.398$, indicating that as information asymmetry increases, the tendency to commit fraud also increases, and vice versa.

Based on the table above, it can also be seen that the three independent variables have significance values less than 0.05. Therefore, it can be concluded that Morality, Organizational Commitment, and Information Asymmetry have a significant effect on Fraud (Fraudulent Tendencies).

Test of the Coefficient of Determination (R²)

The coefficient of determination (R²) is used to measure the extent to which the independent variables simultaneously influence changes in the dependent variable. The adjusted R-square is used because the study involves more than two variables. The value of the coefficient of determination ranges between zero and one. An R² value approaching 1 indicates that the independent variables are able to provide almost all the necessary information to predict the dependent variable. Conversely, an R² value that is small or below 0.5 indicates that the independent variables have a very limited ability to explain the dependent variable (Ghozali, 2016).

The results of the determination test can be seen in the following table:

Results of the Coefficient of Determination Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,885 ^a	,583	,562	1,40301

a. Predictors: (Constant), X3, X1, X2

b. Dependent Variable: Y

From the regression results, it can be seen that the Adjusted R-Square value represents the coefficient of determination or the role of variance (independent variables in relation to the dependent variable). The Adjusted R-Square value of 0.562 indicates that 56.2% of the independent variables are explained by the dependent variable, while the remaining 43.8% is explained by other variables or factors not examined in this study.

CONCLUSION

Based on the results of the analysis and discussion conducted regarding the influence of morality, organizational commitment, and information asymmetry on fraud (fraudulent tendencies), the following conclusions can be drawn:

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1. Morality is proven to have a negative and significant effect on fraud (fraudulent tendencies). This means that the higher the morality, the lower the occurrence of fraud (fraudulent tendencies) within LPD offices in Tabanan Sub-district.
2. Organizational commitment is proven to have a negative and significant effect on fraud (fraudulent tendencies). This indicates that the stronger the organizational commitment, the lower the occurrence of fraud (fraudulent tendencies) within LPD offices in Tabanan Sub-district.
3. Information asymmetry has a positive and significant effect on accounting fraud, meaning that the higher the information asymmetry within LPDs, the greater the tendency for fraud (fraudulent tendencies).

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