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(Research/Review) Article

Analysis of Fraud Heptagon Theory on the Tendency of Fraud in Village Credit Institutions

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Abstract: The tendency of fraud is an unlawful act committed to gain personal or group benefits. Fraud cases that occurred in the Village Credit Institutions (Lembaga Perkreditan Desa/LPD) in Klungkung Regency indicate weak supervision and governance. Based on the Fraud Heptagon Theory, the tendency of fraud is affected by seven factors, namely pressure, opportunity, rationalization, competence, arrogance, culture, and religiosity. This study aims to analyze the effect of pressure, opportunity, rationalization, competence, arrogance, culture, and religiosity on the tendency of fraud. This research employs a quantitative approach with 115 respondents from 64 active LPDs in the mainland area of Klungkung Regency, determined through purposive sampling. Data were collected using questionnaires and analyzed through the Structural Equation Modeling–Partial Least Square (SEM-PLS) method with the assistance of SmartPLS 4. The results show that pressure, opportunity, rationalization, competence, and arrogance have a positive effect on the tendency of fraud, while culture and religiosity have a negative effect on the tendency of fraud. The implications of this study can serve as a consideration for LPDs and traditional communities to strengthen supervisory systems, enhance ethics, and instill cultural and religious values to reduce the tendency of fraud.

Keywords: Fraud Heptagon Theory; Structural Equation Modeling; Supervision; Tendency of Fraud; Village Credit Institution.

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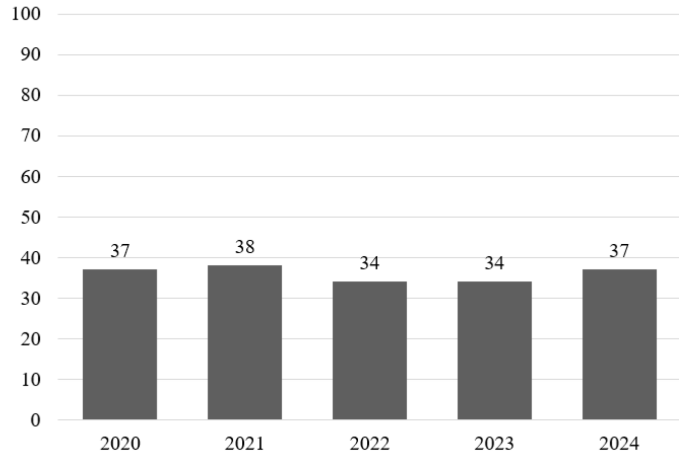
1. Introduction

The phenomenon of fraud has become a serious issue that threatens the integrity and sustainability of institutions in both the public and private sectors. Fraud is defined as a deliberate act through deception, manipulation, or abuse of authority to obtain personal or group benefits. According to the Indonesian Institute of Certified Public Accountants (IAPI), fraud involves the use of deceit to gain unfair or unlawful advantage, while the Association of Certified Fraud Examiners (ACFE, 2020) describes it as the presentation of fictitious and manipulative information that causes losses to other parties. Fraud consists of asset misappropriation, corruption, and financial statement fraud.



Source:Transparency International, 2024

Figure 1. Corruption Perceptions Index Score of Indonesia for 2020–2024

The Corruption Perceptions Index (CPI) released by Transparency International measures the level of public sector corruption in 180 countries by assigning a score on a scale from 0 (highly corrupt) to 100 (very clean). The corruption level in Indonesia remains concerning, as indicated by the relatively low CPI scores over the past five years. This condition reflects that efforts to eradicate corruption are facing serious challenges, particularly in the public sector and financial institutions. One of the financial institutions facing the risk of fraudulent practices is the Village Credit Institution (Lembaga Perkreditan Desa/LPD). According to the Regional Regulation of Bali Province Number 3 of 2017 concerning Village Credit Institutions, an LPD is a village-owned financial institution that provides savings and loan services for customary community members (krama desa). The existence of LPDs is expected to support economic growth and preserve socio-cultural values; however, several LPDs have drawn attention due to corruption and fund embezzlement cases. One of the regencies in Bali where fraud cases occurred is Klungkung Regency.

Fraud cases in LPDs within Klungkung Regency occurred in Dawan District, Banjarangkan District, and Nusa Penida District. The first case occurred in the LPD of Dawan Klod Customary Village, Dawan District, in 2021, where the LPD Chairman was detained by the Klungkung Police Criminal Investigation Unit for embezzling customer funds amounting to IDR 12 billion (Balitribune.co.id, 2021). A similar case occurred in the LPD of Tegal Wangi Customary Village, Banjarangkan District, in 2021, where the LPD Treasurer was proven to have embezzled IDR 1.5 billion through falsifying customer savings and deposit documents (Pranishita & Yakub, 2021). Another case took place in the LPD of Ped Customary Village, Nusa Penida District, in 2022, where the Chairman and Loan Officer were convicted of corruption, causing losses of IDR 4.42 billion, and were sentenced to four years in prison by the Denpasar Corruption Court (Candra & Windri, 2022). The most recent case occurred in the LPD of Bakas Customary Village, Banjarangkan District, in 2023, where the LPD Chairman for the 2018–2021 period was found guilty of financial report manipulation and abuse of authority, resulting in losses of IDR 12.6 billion (Krista, 2023). These cases illustrate that fraud was mostly committed by core management members, especially LPD chairmen, who held full authority over fund management and decision-making. This issue can be analyzed through agency theory, where managers have broad access to funds and decision-making, while the principals' supervision is ineffective, resulting in information asymmetry. Information asymmetry may create conflicts of interest and abuse of power, ultimately leading to fraud.

Fraud in LPDs does not occur spontaneously but is affected by various factors that can be explained through the Fraud Heptagon Theory. The Fraud Heptagon Theory is an extension of the Fraud Pentagon Theory proposed by Crowe Howarth (2011). The Fraud Pentagon Theory was further developed by Reskino in his dissertation entitled "Fraud Prevention Mechanisms and their Influence on Performance of Islamic Financial Institutions", by adding two components: culture and religiosity. The Fraud Heptagon Theory states that the tendency of fraud is affected by seven factors, namely pressure, opportunity, rationalization, competence, arrogance, culture, and religiosity. Previous studies have shown inconsistent results regarding the effect of these factors on the tendency of fraud. Research by Wati & Yuniasih (2021), Priyastiwi & Setyowati (2022), and Pratiwi & Dewi (2023) showed that pressure has a positive effect on the tendency of fraud, while Mitan et al. (2021) found that pressure has no significant effect. Suryandari et al. (2019) and Lestari et al. (2024) proved that opportunity has a positive effect, whereas Bancin & Sari (2023) showed no effect. Research by Suryandari et al. (2019) and Narayana et al. (2023) showed that rationalization has a positive effect on fraud, while Kusuma et al. (2019) found no effect. Studies by Widiantara & Astawa (2022) and Premana et al. (2023) indicated that competence has a positive effect on fraud, while Dewi et al. (2024) found a negative effect. Research by Suryandari & Valentin (2021) and Suryandari & Moaffafah (2024) showed that arrogance has a positive effect on fraud, while Bancin & Sari (2023) reported no effect. Azizah & Reskino (2023) emphasized the significant role of culture and religiosity in detecting fraud. Research by Pujayani & Dewi (2021) found that culture has a negative effect on the tendency of fraud, while Pratiwi & Dewi (2023) found that culture has no effect. Studies by Anggraeni et al. (2023) and Dewi et al. (2022) showed that religiosity has a negative effect on fraud, while Mita & Indraswarawati (2021) found that religiosity has a positive effect on the tendency of fraud. These differences indicate an empirical gap in testing the Fraud Heptagon Theory. Previous studies have not comprehensively examined all components of the Fraud Heptagon Theory and were limited to one district in Klungkung or other regencies, thus not providing a complete picture. This study presents novelty by examining all components of the Fraud Heptagon Theory in Village Credit Institutions in Klungkung Regency.

a) Pressure has a positive effect on the tendency of fraud.

Pressure refers to situations related to a person's motivation or drive to commit fraud (Deasri & Utama, 2022). The Fraud Heptagon Theory explains that pressure is a driving factor for individuals to commit fraud, which can originate from internal or external factors, such as high financial targets, threats of job loss, the need to maintain position, or demands to achieve certain results. Agency theory views pressure as a condition that triggers conflicts of interest between principals and agents. Financial or organizational pressures may drive agents to act inconsistently with the interests of principals. Previous studies have shown that pressure has a positive effect on the tendency of fraud. Research by Priyastiwi & Setyowati (2022) and Mulyadi et al. (2023) proved that higher pressure experienced by individuals may increase their intention to commit fraud. These findings are consistent with studies by Adib et al. (2024) and Widiantara & Astawa (2022), which show that the higher the pressure, the greater the likelihood of fraud occurrence. Research by Istifadah & Senjani (2020), Setiawan & Soewarno (2025), and Pradipta & Bernawati (2019) also stated that pressure has a positive effect on the tendency of fraud. Pressure may arise from internal or external demands to achieve certain goals, such as high workload, performance expectations, or financial stress. Angelina & Utama (2024) explained that the strongest pressure leading to fraud comes from financial problems and dissatisfaction with the work environment. Studies by Suprapta & Padnyawati (2021), Pratiwi & Dewi (2023), Widiantari & Sudiana (2023), and Yanti et al. (2023) also demonstrated that financial pressure has a positive effect on the tendency of fraud.

b) Opportunity has a positive effect on the tendency of fraud.

Opportunity is a factor that enables fraud due to weaknesses in the internal control system (Anggraeni et al., 2023). The Fraud Heptagon Theory explains that opportunity arises when individuals can commit fraud undetected due to weak supervision, lack of adequate procedures, or unrestricted access to sensitive information. Agency theory views opportunity as related to information asymmetry and weak control by principals. When agents have broad access and ineffective supervision, the chance of abusing authority for personal benefit increases. The greater the opportunity, the higher the risk of fraud occurrence. Previous studies have shown that opportunity has a positive effect on the tendency of fraud. Lestari et al. (2024) found that opportunity has a positive effect on the tendency of fraud. These findings are consistent with studies by Kusuma et al. (2019), Istifadah & Senjani (2020), Setiawan & Soewarno (2025), Pradipta & Bernawati (2019), and Tinay et al. (2022), which also stated that opportunity has a positive effect on the tendency of fraud. In addition, research by Adib et al. (2024), Wakik et al. (2023), and Widiantara & Astawa (2022) showed that the higher the opportunity, the greater the possibility of fraud. Suryandari et al. (2019) and Setiawan (2025) also found that opportunity has a positive effect on fraudulent acts.

c) Rationalization has a positive effect on the tendency of fraud.

Rationalization is the justification made by individuals for fraudulent behavior, for instance, perceiving fraud as something acceptable (Setiawan, 2025). Individuals rationalize their actions for various reasons, such as imitating superiors' behavior, feeling entitled due to contributions to the organization, or believing that taking a small amount does not cause harm (Qodari et al., 2018). The Fraud Heptagon Theory explains that rationalization leads individuals to ignore ethical and moral norms, making them comfortable with their actions. Agency theory views rationalization as a form of moral hazard when agents deviate from principals' interests but still feel justified due to personal reasoning. Agents believe their actions are reasonable, legitimate, or necessary, blurring the agency conflict. The higher the rationalization, the greater the agent's tendency to commit fraud. Previous studies have shown that rationalization has a positive effect on the tendency of fraud. Research by Noviyanti & Adityawarman (2023), Putra & Utami (2023), and Adib et al. (2024) explained that higher levels of rationalization increase individuals' motivation to commit fraud. These findings are consistent with studies by Suryandari et al. (2019), Widiantara & Astawa (2022), and Setiawan (2025), which also found that rationalization has a positive effect on fraudulent acts. Research by Lestari et al. (2024), Tinay et al. (2022), and Istifadah & Senjani (2020) showed that the higher the rationalization, the greater the individual's tendency to commit fraud. Setiawan & Soewarno (2025) added that rationalization often arises when fraudulent behavior is seen as normal, not reprimanded or punished by superiors, and considered acceptable as long as it does not directly harm the organization. Pradipta & Bernawati (2019) also found that individuals with high rationalization levels often justify their fraudulent actions, eliminating guilt.

d) Competence has a positive effect on the tendency of fraud.

Competence refers to an individual's ability encompassing knowledge, skills, and behavior in performing work duties. The Fraud Heptagon Theory explains that competence represents an individual's capability to commit fraud effectively. Individuals in strategic positions or with high technical skills are more capable of exploiting system weaknesses for personal benefit. Agency theory emphasizes that competence may exacerbate conflicts of interest if not balanced with integrity and adequate supervision. Agents who deeply understand systems and procedures can identify and exploit weaknesses in internal controls. High technical understanding also widens the information gap between agents and principals, making supervision systems less effective. This condition allows agents with high competence to potentially commit more complex and harder-to-detect fraud. Previous studies indicate that competence has a positive effect on the tendency of fraud. Research by Adib et al. (2024) explains that individuals with deep competence in finance tend to commit fraud that is difficult for organizations to detect. This finding is consistent with Setiawan (2025), who found that individuals with a certain level of competence tend to engage in fraudulent acts. Studies by Premana et al. (2023), Putra & Utami (2023), Widiantara & Astawa (2022), and Zakaria & Setyahuni (2024) also show that competence has a positive effect on the tendency of fraud.

e) Arrogance has a positive effect on the tendency of fraud.

Arrogance refers to an individual's trait of perceiving themselves as superior to others (Angelina & Utama, 2024). This attitude makes individuals believe that rules, policies, and internal controls do not apply to them, leading them to feel immune to supervision or consequences for their actions. The Fraud Heptagon Theory explains that arrogance reflects pride and excessive self-confidence that drives individuals to commit fraud. Individuals with high levels of arrogance tend to underestimate risks and feel entitled to violate rules for personal or group interests. Agency theory views arrogance as a factor that intensifies conflicts of interest between agents and principals. Agents with significant control over operations often feel immune to oversight and neglect their responsibilities. Uncontrolled arrogance increases moral hazard because agents believe their actions will not be detected or are justifiable. The higher the level of arrogance, the greater the potential for agents to commit fraud. Previous research shows that arrogance has a positive effect on the tendency of fraud. Studies by Suryandari & Valentin (2021) and Setiawan (2025) explain that individuals with high levels of arrogance tend to believe that the company will not be able to detect their fraudulent actions. High job positions further strengthen this belief because individuals assume that supervisors will not find sufficient evidence of their misconduct. This finding is consistent with studies by Ari et al. (2023), Wakik et al. (2023), Suryandari & Moaffafah (2024), Adib et al. (2024), Putri et al. (2024), and Ferina et al. (2025), which show that the higher the arrogance, the greater the likelihood of fraud occurrence. In addition, research by Zakaria & Setyahuni (2024) and Harjati & Reskino (2023) also found that arrogance has a positive effect on the individual's tendency to commit fraud.

f) Culture has a negative effect on the tendency of fraud.

Culture represents a set of norms, beliefs, values, and habits established by an organization and used as behavioral guidelines by all its members (Dewi & Suardana, 2022). Culture can promote either ethical or unethical behavior in the workplace (Chandrayatna & Sari, 2019). The Fraud Heptagon Theory explains that culture reflects organizational values and norms that influence individual behavior. A positive culture encourages adherence to rules and ethics, whereas a poor culture opens opportunities for fraud. Agency theory emphasizes that culture plays a crucial role in shaping agent behavior. A work environment that tolerates misconduct or lacks transparency and accountability increases the risk of conflicts of interest between agents and principals. The weaker the culture emphasizing ethics and accountability, the higher the likelihood of fraud occurrence. Previous studies show that culture has a negative effect on the tendency of fraud. Research by Adib et al. (2024) and Fachrurrozie et al. (2020) explains that a culture lacking support for integrity, transparency, and business ethics may increase the risk of fraud, whereas a strong culture fosters honest and ethical behavior, thereby reducing the tendency to commit fraud. This finding is consistent with studies by Lestari et al. (2017), Permatasari et al. (2017), Pujayani & Dewi (2021), Erika & Indraswarawati (2022), Yanti et al. (2023), Adhana et al. (2024), Manihuruk et al. (2024), and Meliana & Sujana (2024), which show that the stronger the organizational culture, the lower the tendency of accounting fraud. Implementing a good culture can serve as a social bond that encourages employees to uphold values, norms, and ethics, thereby reducing the opportunity for fraud to occur.

g) Religiosity has a negative effect on the tendency of fraud.

Religiosity refers to religious values embedded within individuals and reflected through belief and the application of religious teachings in attitude and speech (Selawati & Martini, 2023). Understanding religious teachings functions as behavioral control, where individuals with high levels of religiosity tend to demonstrate ethical behavior (Indrapraja et al., 2021). The Fraud Heptagon Theory explains that religiosity reflects the level of faith and religious conviction that influences individual morality and integrity. Low religiosity makes individuals more prone to commit fraud due to weak moral control. Agency theory asserts that religiosity can reduce conflicts of interest between agents and principals. Agents with high religiosity are driven to act honestly, ethically, and responsibly because they believe in supervision not only from principals but also from God. This condition helps lower moral hazard and the tendency of fraud. Previous studies show that religiosity has a negative effect on the tendency of fraud. Research by Nugroho et al. (2024) explains that a high understanding of religion can reduce individuals' tendency to commit fraud. This finding is consistent with studies by Vacumi & Halmawati (2022) and Kase & Babulu (2023), which show that religiosity has a negative and significant effect on the tendency of fraud. Studies by Taqi et al. (2020), Dewi et al. (2022), Suputra & Jati (2022), Anggraeni et al. (2023), Basri et al. (2023), Nursifitri et al. (2023), and Putri et al. (2023) also found similar results, indicating that the higher the level of religiosity, the lower the individual's tendency to commit fraud. Noviyanti & Adityawarman (2023) also proved that religiosity has a negative effect on fraudulent behavior, where a high level of religiosity can prevent individuals from engaging in actions that harm the institution.

2. Materials and Method

This study employs a quantitative approach with an associative method to analyze the effect of seven independent variables pressure, opportunity, rationalization, competence, arrogance, culture, and religiosity on the tendency of fraud in Village Credit Institutions (Lembaga Perkreditan Desa/LPD) in Klungkung Regency. The research location was determined in the LPDs of Klungkung Regency because this area has a relatively even distribution of LPDs and a limited number of studies examining the tendency of fraud. The population of this research includes all chairpersons and supervisors of LPDs in Klungkung Regency, totaling 238 individuals from 119 LPDs. The research sample was determined using a purposive sampling technique based on the criteria of LPDs that are still actively operating and registered with the LPLPD of Klungkung Regency. The selection of chairpersons and supervisors as respondents was based on their strategic roles in decision-making and financial management supervision. Based on these criteria, 67 LPDs met the research requirements with a total of 134 respondents. The research data consist of primary and secondary data, both of which are quantitative in nature. Primary data were obtained through the distribution of closed questionnaires using a four-point Likert scale to measure respondents' attitudes and perceptions toward statements related to the research variables. Secondary data were obtained from official reports and relevant documents concerning the condition of LPDs in Klungkung Regency. Data collection was also complemented by unstructured interviews with LPD administrators to deepen the understanding of institutional work mechanisms and supervision.

The variables in this study consist of seven independent variables and one dependent variable. The independent variables include pressure, opportunity, rationalization, competence, arrogance, culture, and religiosity, while the dependent variable is the tendency of fraud. Each variable is operationally defined through measurable indicators adapted from previous studies. The pressure variable was measured using indicators adapted from Nidya (2024), namely family needs, lifestyle, and superior demands. Opportunity was measured using indicators adapted from Nidya (2024), namely manual systems, lack of firmness from superiors, and the presence of opportunities and intentions. Rationalization was measured using indicators adapted from Nidya (2024), namely the assumption that fraud is normal, the belief that it does not harm others, and conformity with the surrounding environment. Competence was measured using indicators adapted from Nidya (2024), namely high position, understanding of system weaknesses, and higher competence. Arrogance was measured using indicators adapted from Nidya (2024), namely maintaining status, avoiding supervision, and excessive self-confidence. Culture was measured using indicators adapted from Erika & Indraswarawati (2022), namely exerting all abilities, friendly attitude, initiative, punctual meetings, and cost awareness. Religiosity was measured using indicators adapted from Mita & Indraswarawati (2021), namely religious practice, honesty, helping others, and belief in spiritual consequences. The tendency of fraud variable was measured using indicators adapted from Nidya (2024), namely fund misuse, document falsification, and budget misuse.

Data analysis was conducted using the Structural Equation Modeling–Partial Least Square (SEM-PLS) method with the assistance of the SmartPLS 4 software. This method was used to test the causal relationships among latent variables through two testing stages: the outer model testing to assess the validity and reliability of the indicators, and the inner model testing to examine the effect and significance among variables in the research model.

3. Results and Discussion

The questionnaires distributed to 134 respondents, consisting of chairpersons and supervisors from 67 LPDs in Klungkung Regency, had a response rate of 86.6% (116/134 × 100%), while the usable questionnaire rate was 99.1% (115/116 × 100%) due to one questionnaire not meeting the criteria. Thus, the total number of respondents used in this study was 115 from 64 LPDs.

Table 1. Descriptive Statistics and Outer Model Analysis

Latent Variables	Indicator	Loading (>0.7)	AVE (>0.5)	Mean Indicator	Mean	Standard Deviation	Alpha(>0.7)	CR (>0.7)
Pressure (PR)	PR1	0.903	0.79	2.57	2.41	0.95	0.87	0.92
	PR2	0.910		2.59				
	PR3	0.859		2.09				
Opportunity (OP)	OP1	0.892	0.80	2.77	2.78	0.90	0.87	0.92
	OP2	0.878		2.62				
	OP3	0.909		2.96				

Rationalization (RA)	RA1	0.877	0.75	2.23	2.09	0.84	0.83	0.90
	RA2	0.839		1.73				
	RA3	0.878		2.31				
Competence (CO)	CO1	0.856	0.72	2.28	2.43	0.82	0.81	0.89
	CO2	0.898		2.67				
	CO3	0.796		2.33				
Arrogance (AR)	AR1	0.881	0.79	2.72	2.68	0.87	0.86	0.92
	AR2	0.876		2.54				
	AR3	0.903		2.77				
Culture (CU)	CU1	0.843	0.72	2.56	2.33	0.76	0.90	0.93
	CU2	0.835		2.50				
	CU3	0.859		2.25				
	CU4	0.852		2.24				
	CU5	0.847		2.10				
Religiosity (RE)	RE1	0.865	0.75	2.07	2.00	0.78	0.89	0.92
	RE2	0.853		1.94				
	RE3	0.844		2.11				
	RE4	0.894		1.89				
Fraud Tendency (KK)	KK1	0.923	0.76	2.95	2.87	0.87	0.84	0.90
	KK2	0.878		3.05				
	KK3	0.807		2.61				

Source:Research Data, 2025

Descriptive statistics were used to describe the research data, including the number of samples, minimum and maximum values, mean, and standard deviation for each variable without drawing conclusions. The analysis results in Table 1 show that all latent variables have standard deviation values smaller than their means, indicating that the data distribution is even and respondents' answers are relatively consistent. The mean values of the variables range from 2.00 to 2.87, with Fraud Tendency (KK) having the highest mean of 2.87, indicating a relatively high potential for unethical behavior among LPDs in Klungkung Regency.

The validity test of the outer model was conducted through convergent validity and discriminant validity to ensure that the indicators used accurately represented the latent variables. The results of the convergent validity test in Table 1 show that all indicators have loading factor values above 0.7 and average variance extracted (AVE) values above 0.5, meaning that all indicators are valid and appropriately represent the constructs being measured.

Table 2. Discriminant Validity using the Fornell–Larcker Criterion

Latent Variables	AR	CO	CU	KK	OP	PR	RA	RE
Arrogance (AR)	0.887							
Competence (CO)	0.548	0.851						
Culture (CU)	-0.634	-0.487	0.847					
Fraud Tendency (KK)	0.745	0.712	-0.687	0.871				
Opportunity (OP)	0.561	0.605	-0.501	0.699	0.893			

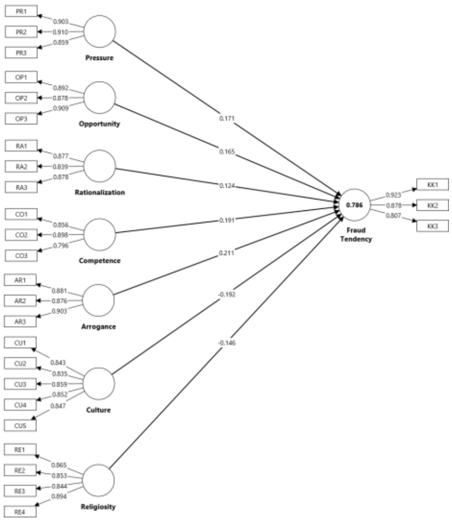
Pressure (PR)	0.604	0.609	-0.396	0.690	0.620	0.891		
Rationalization (RA)	0.380	0.576	-0.369	0.563	0.464	0.472	0.865	
Religiosity (RE)	-0.441	-0.251	0.497	-0.490	-0.278	-0.261	-0.140	0.864

Source:Research Data, 2025

The discriminant validity test, measured using the Fornell–Larcker criterion, also shows that the square root value of each construct's AVE is higher than the correlations among the latent variables, indicating that each construct is distinct and no overlap occurs in measurement. All latent variables in this study meet the validity test and are suitable for further analysis.

The reliability test was conducted to measure the consistency and dependability of the indicators in representing latent variables. Testing was carried out using Cronbach's Alpha and Composite Reliability, where Cronbach's Alpha values should exceed 0.7 but be less than 0.95, and Composite Reliability values should be above 0.7. The analysis results in Table 1 show that all latent variables meet both criteria, indicating that the research instruments are reliable and suitable for further analysis.

The inner model analysis aims to evaluate the relationships between latent variables within the research model and to test the hypotheses. This analysis measures the extent to which exogenous variables explain the variability of endogenous variables and assesses the theoretical model's fit based on the underlying theory and previous empirical findings.



Source: Research Data, 2025

Figure 2. Research Model Construct

Table 3. Results of R^2, Adjusted R^2, Path Coefficients, and Hypotheses Testing

Hypothesis	Coefficients	T statistics (|O/STDEV|)	P-values	Influence
H1: Pressure -> Fraud Tendency	0.171	1,999	0.046	Significant
H2: Opportunity -> Fraud Tendency	0.165	2,255	0.024	Significant
H3: Rationalization -> Fraud Tendency	0.124	2,483	0.013	Significant
H4: Competence -> Fraud Tendency	0.191	2,132	0.033	Significant

H5: Arrogance -> Fraud Tendency	0.211	2,354	0.019	Significant
H6: Culture -> Fraud Propensity	-0.192	2,420	0.016	Significant
H7: Religiosity -> Fraud Tendency	-0.146	2,622	0.009	Significant
R-square	0.799			
R-square adjusted	0.786			

Source:Research Data, 2025

The results of the R-square (R^2) test in Table 3 show that the Fraud Tendency (KK) variable has an adjusted R-square value of 0.786, which means that 78.6% of the variation in fraud tendency can be explained by the exogenous variables in the model, while the remaining 21.4% is influenced by other factors outside the research model. This value indicates that the model has a strong explanatory ability regarding fraud tendency. The results of the path coefficient and bootstrapping tests displayed in Table 3 show that the variables Pressure, Opportunity, Rationalization, Competence, and Arrogance have a positive effect on Fraud Tendency, while Culture and Religiosity have a negative effect. The bootstrapping test results strengthen these findings, with all exogenous variables having t-statistic values greater than 1.96 and P-values below 0.05, indicating that all effects are significant and all hypotheses are accepted.

The results of the test on the relationship between the pressure variable and fraud tendency show a positive relationship with a coefficient value of 0.171, a t-statistic value of 1.999, and a p-value of 0.046. Since the t-statistic value is greater than 1.96 and the p-value is less than 0.05, it can be concluded that H1 is accepted. This result indicates that the higher the pressure experienced by individuals in the LPD work environment, the greater their tendency to commit fraud. The PR2 indicator shows the largest contribution with a mean value of 2.59 and a standard deviation of 0.95, indicating that lifestyle is the most dominant pressure factor that can drive fraud tendency. This finding is consistent with previous studies by Priyastiwi & Setyowati (2022), Mulyadi et al. (2023), Adib et al. (2024), Widiantara & Astawa (2022), Istifadah & Senjani (2020), Setiawan & Soewarno (2025), Pradipta & Bernawati (2019), Suprapta & Padnyawati (2021), Pratiwi & Dewi (2023), Widiantari & Sudiana (2023), and Yanti et al. (2023).

The results of the test on the relationship between the opportunity variable and fraud tendency show a positive relationship with a coefficient value of 0.165, a t-statistic value of 2.255, and a p-value of 0.024. Since the t-statistic value is greater than 1.96 and the p-value is less than 0.05, it can be concluded that H2 is accepted. This result shows that the higher the opportunity available to individuals within the organization to commit fraud, the higher their tendency to do so. The OP3 indicator shows the largest contribution with a mean value of 2.96 and a standard deviation of 0.91, indicating that opportunities accompanied by personal intent represent the most risky combination leading to fraudulent behavior. This finding aligns with previous studies by Lestari et al. (2024), Kusuma et al. (2019), Istifadah & Senjani (2020), Setiawan & Soewarno (2025), Pradipta & Bernawati (2019), Tinay et al. (2022), Adib et al. (2024), Wakik et al. (2023), Widiantara & Astawa (2022), Suryandari et al. (2019), and Setiawan (2025).

The results of the test on the relationship between the rationalization variable and fraud tendency show a positive relationship with a coefficient value of 0.124, a t-statistic value of 2.483, and a p-value of 0.013. Since the t-statistic value is greater than 1.96 and the p-value is less than 0.05, it can be concluded that H3 is accepted. This result indicates that the higher the level of individual rationalization toward fraudulent behavior, the higher their tendency to commit fraud. The RA3 indicator shows the largest contribution with a mean value of 2.31 and a standard deviation of 0.85, indicating that environmental influence is the most dominant rationalization factor that can drive fraud tendency. This result is consistent with previous studies by Noviyanti & Adityawarman (2023), Putra & Utami (2023), Adib et al. (2024), Suryandari et al. (2019), Widiantara & Astawa (2022), Setiawan (2025), Lestari et al. (2024), Tinay et al. (2022), Istifadah & Senjani (2020), and Pradipta & Bernawati (2019).

The results of the test on the relationship between the competence variable and fraud tendency show a positive relationship with a coefficient value of 0.191, a t-statistic value of 2.132, and a p-value of 0.033. Since the t-statistic value is greater than 1.96 and the p-value is less than 0.05, it can be concluded that H4 is accepted. This finding shows that the higher the individual's competence level, the greater their tendency to commit fraud. The CO2 indicator shows the largest contribution with a mean value of 2.67 and a standard deviation of 0.81, indicating that deep knowledge of system weaknesses is the most dominant competence factor potentially driving fraud tendency. This finding is consistent with previous studies by Adib et al. (2024), Setiawan (2025), Premana et al. (2023), Putra & Utami (2023), Widiantara & Astawa (2022), and Zakaria & Setyahuni (2024).

The results of the test on the relationship between the arrogance variable and fraud tendency show a positive relationship with a coefficient value of 0.211, a t-statistic value of 2.354, and a p-value of 0.019. Since the t-statistic value is greater than 1.96 and the p-value is less than 0.05, it can be concluded that H5 is accepted. This result indicates that the higher the level of individual arrogance, the higher their tendency to commit fraud. The AR3 indicator shows the largest contribution with a mean value of 2.77 and a standard deviation of 0.85, indicating that excessive self-confidence regarding one's position is the most dominant arrogance factor that can drive fraud tendency. This finding is consistent with previous studies by Suryandari & Valentin (2021), Setiawan (2025), Ari et al. (2023), Wakik et al. (2023), Suryandari & Moaffafah (2024), Adib et al. (2024), Putri et al. (2024), Ferina et al. (2025), Zakaria & Setyahuni (2024), and Harjati & Reskino (2023).

The results of the test on the relationship between the culture variable and fraud tendency show a negative relationship with a coefficient value of -0.192, a t-statistic value of 2.420, and a p-value of 0.016. Since the t-statistic value is greater than 1.96 and the p-value is less than 0.05, it can be concluded that H6 is accepted. This result indicates that the stronger the organizational culture applied, the lower the tendency of individuals to commit fraud. The CU5 indicator shows a mean value of 2.10 and a standard deviation of 0.78, indicating that awareness of efficiency and cost-saving is the most dominant factor in reducing fraud tendency. This finding aligns with previous studies by Adib et al. (2024), Fachrurrozie et al. (2020), Lestari et al. (2017), Permatasari et al. (2017), Pujayani & Dewi (2021), Erika & Indraswarawati (2022), Yanti et al. (2023), Adhana et al. (2024), Manihuruk et al. (2024), and Meliana & Sujana (2024).

The results of the test on the relationship between the religiosity variable and fraud tendency show a negative relationship with a coefficient value of -0.146, a t-statistic value of 2.622, and a p-value of 0.009. Since the t-statistic value is greater than 1.96 and the p-value is less than 0.05, it can be concluded that H7 is accepted. This result indicates that the higher the individual's level of religiosity, the lower their tendency to commit fraud. The RE4 indicator shows a mean value of 1.89 and a standard deviation of 0.78, indicating that the lack of belief in spiritual consequences is the most dominant factor in reducing fraud tendency. This finding is consistent with previous studies by Nugroho et al. (2024), Vacumi & Halmawati (2022), Kase & Babulu (2023), Taqi et al. (2020), Dewi et al. (2022), Suputra & Jati (2022), Anggraeni et al. (2023), Basri et al. (2023), Nursifitri et al. (2023), Putri et al. (2023), and Noviyanti & Adityawarman (2023).

4. Conclusion

The conclusion of this study is that pressure, opportunity, rationalization, competence, and arrogance have a positive effect on the tendency of fraud in the Village Credit Institution, while culture and religiosity have a negative effect on the tendency of fraud in the Village Credit Institution. The findings of this study support the Fraud Heptagon Theory and emphasize the importance of strengthening ethics, organizational culture, and spiritual values in preventing fraudulent practices in village financial institutions.

This study has limitations in its scope, which only includes Village Credit Institutions in the mainland area of Klungkung Regency, so the results cannot yet represent all Village Credit Institutions in Bali Province. The research model is also only able to explain 78.6% of the variables that affect the tendency of fraud, while the remaining 21.4% comes from other factors that have not been examined. Future research is suggested to expand the study area to Village Credit Institutions in other regencies in Bali and to include other variables that may affect the tendency of fraud.

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