

# **The Role of the Sosio-Cultural Context: Analyzing Causal Factors and Prevention Strategies for Fraud in Yogyakarta and Lombok**

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## **ABSTRACT**

Fraud poses a critical threat to organizational accountability in Indonesia, primarily driven by external pressures and a permissive culture that condones unethical behavior, beyond mere control weaknesses. This study aimed to analyze these causal factors and formulate preventive strategies explicitly rooted in local sociocultural dynamics. The sample consisted of 102 auditors and law enforcement officers handling fraud cases. This study used a questionnaire to collect data, which was analyzed using factor analysis. The results indicated three main factors influencing fraud, including external pressure, culture and habits related to fraud, and motivation and financial needs. Preventive factors included the effectiveness of reporting and internal awareness, transparency and monitoring, control and compliance system, organizational integrity and ethical leadership. These findings suggested that cultural context played a significant role in shaping fraud patterns and prevention approaches. This study contributes to the literature on fraud prevention in developing countries and provides practical implications for policymakers in the sampled regions to integrate strengthening internal control systems and transparency with behavioral strategies focused on leadership integrity and anti-fraud awareness education to counter the normalization of fraud.

**Keywords:** Factors Causing Fraud, Fraud Prevention Strategies, Local Cultural Aspects.

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## INTRODUCTION

Fraud remains a serious challenge in both the public and private sectors, encompassing various forms of abuse of power, corruption, financial reporting manipulation, and false statements aimed at personal enrichment (Das, 2020; Joseph et al., 2020). This phenomenon not only negatively impacts a country's economic stability but also undermines public trust in institutions (Rashid et al., 2022). With advances in information technology, fraud modus operandi has become increasingly complex and difficult to detect, even though technology offers more effective detection and prevention tools (Donning et al., 2019; Kemp et al., 2020).

In the Indonesian context, despite the establishment of supervisory institutions such as the Corruption Eradication Commission (KPK), the Supreme Audit Agency (BPK), and the Financial and Development Supervisory Agency (BPKP), as well as the issuance of strict regulations, fraudulent practices, particularly corruption, remain high. Previous research has shown that fraud is caused not only by weak internal controls and ethical leadership but also by external pressure, collusion, and an organizational culture that is permissive of fraudulent practices (Ratmono & Frendy, 2022; Roszkowska, 2021). Weak oversight by external and internal auditors, transactions without explicit authorization, and a lack of segregation of duties also increased the risk of fraud (Roszkowska, 2021). Social structures within organizations, including hierarchical relationships and political connections, also created opportunities for fraud (Nuswantara & Maulidi, 2021).

On the other hand, the dominant normative and technical approaches in Western literature are considered inadequate to explain the dynamics of fraud in Indonesia. Cultural norms of collectivism, group loyalty, and strong social ties are specific factors not fully captured by conventional approaches (Zahari, Said, & Muhamad, 2021). Therefore, this study aimed to empirically identify causal factors and fraud prevention strategies relevant to conditions in Indonesia, using a quantitative approach through a survey of auditors and law enforcement officials.

However, the dominant normative and technical approaches in Western literature are often inadequate to fully explain the dynamics of

fraud in Indonesia. Cultural norms of collectivism, group loyalty, and strong social ties are specific factors not fully captured by conventional approaches (Zahari, Said, & Muhamad, 2021). Therefore, this study argued that empirical findings on fraud in Indonesia must be viewed from a socio-cultural perspective. Specifically, External Pressure (superior pressure and social/political networks) reflected dominant hierarchical and collectivist values, in which pressure from authority figures often outweighs personal ethical considerations. Furthermore, Fraud-Related Culture and Customs manifest as a form of local rationalization, where the norms of a “culture of giving” overlap with corruption, and deviations are collectively justified as normal (Shepherd & Button, 2019).

Therefore, this study aimed to empirically identify causal factors and fraud prevention strategies relevant to conditions in Indonesia, using a quantitative approach through a survey of auditors and law enforcement officials. By integrating these extracted factors, this study offers a significant theoretical extension to existing fraud models by proposing a culturally sensitive fraud framework. This framework recognized that culture and social structure (hierarchy, collectivism) were powerful mediating variables between traditional causes (pressure, opportunity) and actual fraudulent behavior, in which rationalization is no longer simply an internal individual thought but has become institutionalized as a cultural norm.

## **LITERATURE REVIEW**

Fraud is a crucial issue that has been extensively studied in various literature, both theoretically and empirically. Several classic theories explain the causes of fraud, such as Cressey's (1953) Fraud Triangle Theory, which identified pressure, opportunity, and rationalization as key factors. This Theory was expanded by Wolfe & Hermanson (2004) in their Fraud Diamond Theory, adding competence as a crucial factor in an individual's ability to commit fraud. Furthermore, Marks (2012) expanded the Fraud Pentagon Theory by adding the element of arrogance, and Vouzinis (2019) introduced the the Fraud Hexagon Theory, which included collusion as an additional cause of fraud. Empirical studies confirmed that financial pressure, internal control weaknesses, and opportunities resulting from ineffective internal controls were the main triggers of fraud in organizations (Achmad et al., 2022; Kaawaase et al., 2021; Ratmono & Frendy, 2022).

Furthermore, pressure was a significant factor driving individuals to commit fraud, both financial, such as pressing needs, debt, and profit targets, and non-financial, such as pressure from superiors or political pressure (ACFE, 2021; Daurrohmah & Urumsah, 2021; Nawawi & Salin, 2018; Zuberi & Mzenzi, 2019). Rationalization also played a significant role, where perpetrators justified their actions by assuming everyone else was doing it, or by feeling entitled to more benefits because of their contributions (Mohamed et al., 2021; Vousinas, 2019).

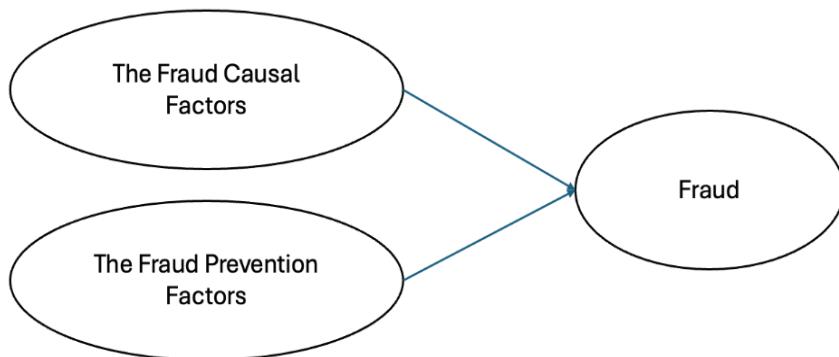
The literature also showed that an integrity-based organizational culture can reduce fraud. Leadership that exemplified ethical values can encourage rule-abiding behavior (Setiawan & Soewarno, 2025; Wicaksono & Urumsah, 2016). Conversely, an organizational culture that was permissive of ethical deviance opened up greater opportunities for fraud (Zahari, Said, & Arshad, 2021).

Social and cultural aspects also played a significant role. Nuswantara and Maulidi (2021) found that social structures, including hierarchical relationships and political connections, can facilitate collusion that led to fraudulent practices. Roszkowska (2021) also revealed that weak governance and external auditor oversight contributed to increased fraud risk. Conversely, a strong organizational culture that instilled ethical values was considered an effective mitigating measure to reduce fraud risk (Setiawan & Soewarno, 2025). This suggested that the causes of fraud were not limited to individuals but are also influenced by the broader social system.

In the context of fraud prevention, a comprehensive approach is crucial. Strengthening internal controls, implementing standard operating procedures (SOP), and external oversight have proven effective in minimizing the potential for fraud (Albrecht et al., 2019; Bonrath & Eulerich, 2024; Erbuga, 2020; Yan et al., 2020). Transparency in financial reporting, based on evidence of legitimate transactions, also played a crucial role in enhancing organizational accountability (Kaawaase et al., 2021; Nusantara et al., 2020; Vian, 2020). Regular operational and financial evaluations were part of an active monitoring system that can detect irregularities early (Dangi et al., 2020). Furthermore, improving human resource competency through training increased awareness of fraud risks and strengthened early detection capabilities (Cushman, 2019; Putra et al., 2022). A strong organizational

culture, especially if led by a figure who provided an ethical example, can be an important bulwark in preventing fraudulent acts (Setiawan & Soewarno, 2025; Wicaksono & Urumsah, 2016).

As technology advances, fraud prevention also demands the integration of modern digital approaches. Internal control systems based on the Committee of Sponsoring Organizations (COSO), secure and anonymous complaint channels, and the use of artificial intelligence and big data analytics have been shown to improve the effectiveness of fraud detection (Putra et al., 2022; Siahaan et al., 2023; Zeng et al., 2020). However, technology can also be misused by criminals, so these strategies must be balanced with managerial approaches such as ethics education and integrity strengthening (Adam & Fazekas, 2021; Kagias et al., 2022). Adaptive regulation was crucial to ensure that technological innovation does not hinder transparency and remained aligned with organizational accountability principles (Haraldsson, 2016).



**Figure 1: Conceptual Framework**

However, there are inconsistencies in the results of several previous studies, particularly regarding the effectiveness of external oversight, the relevance of rationalization, and the influence of organizational culture on fraud (Ratmono & Frendy, 2022; Roszkowska, 2021). This study aimed to empirically identify the main factors causing fraud and determine the most relevant fraud prevention strategies to be implemented in Indonesia, taking into account local cultural aspects and socio-political complexities.

## METHODOLOGY

This study used a quantitative approach with a survey method to identify the causal factors and fraud prevention strategies empirically. The study population consisted of auditors and law enforcement officers in Indonesia, selected based on their direct roles in the fraud detection, investigation, and prevention cycle. The sampling technique used a purposive sampling method, with the sample criteria being auditors and law enforcement officers who had handled or studied fraud cases. The research focus was strategically placed on the Special Region of Yogyakarta (DIY) and Lombok Island, chosen to capture the dynamics of fraud in contrasting sociocultural contexts rather than for national generalization. DIY represents Javanese/Mataram culture, characterized by high power distance and *ewuh pakewuh* (reluctance), where hierarchical obedience and maintaining social harmony often suppress disclosure of violations and reinforce external pressure from superiors (Damayanti & Ardini, 2015; Haryanto & Setiawan, 2023; Perdhana, 2014). In contrast, Lombok represents Sasak culture, defined by strong Islamic values and communal solidarity (*saling ilingan*); while religious norms reinforce personal integrity (Kamarudin, 2021), high collectivism can simultaneously create loyalties that challenge formal compliance systems (Habibudin, 2020; Muzakir & Suastra, 2024).

Data collection used a questionnaire with a Likert scale consisting of six levels of answers (strongly disagree to strongly agree) to obtain accurate data directly from respondents. The research variables, totalling 29 items, were compiled based on the previous research model by Mashitoh et al. (2023) and the Fraud Pentagon Framework. Because this reference study relied on interviews with forensic auditors, the adaptation process involved rigorously converting qualitative themes into quantitative statements, with particular attention paid to sociocultural modifications to capture the unique realities of the Indonesian context. Prior to distribution, the instrument's robustness was validated through expert review by academics and practitioners for content validity, pilot testing for internal consistency, and back-translation procedures to ensure that culturally specific concepts were accurately retained in the final report.

The data analysis technique in this study was factor analysis, a statistical method used to identify patterns or relationships between

variables without eliminating important information (Shrestha, 2021). The factor analysis process consisted of three main stages: the first stage was the assessment of data suitability using the Kaiser-Meyer-Olkin (KMO) test and the Bartlett test to test sample adequacy and the strength of correlations between variables. The second stage involved factor extraction through Principal Component Analysis (PCA) by retaining factors with eigenvalues greater than or equal to 1. The final stage was factor rotation using the varimax method to clarify the factor structure and facilitate the interpretation of the analysis results. All stages of analysis were conducted using IBM SPSS 29 software to ensure the accuracy and statistical validity of the research findings.

## RESULTS AND DISCUSSION

This study involved 106 respondents, but only 102 data were used after the screening process. The majority of respondents were auditors (92.2%), and the remainder were law enforcement officers (7.8%). Their workplaces were diverse, including the Inspectorate (36.3%), the Supreme Audit Agency (BPK) (15.7%), the Financial and Development Supervisory Agency (BPKP) (8.8%), and Public Accounting Firms (27.5%), among others. Most respondents had more than six years of service (69.6%), and 67.6% had experience handling fraud cases. A complete breakdown of respondent characteristics is presented in Table 1.

**Table 1: Background Characteristics of Respondents**

Variable	Category	Frequency	Percentages
Profession	Auditor	94	92.2%
	Law enforcer	8	7.8%
Agency	Inspectorate	37	36.3%
	Supreme Audit Agency	16	15.7%
	Financial and Development Supervisory Agency	9	8.8%
	Public Accounting Firm	28	27.5%
	Police	7	6.9%
	Company	4	3.9%
	Prosecutors	1	1.0%

Variable	Category	Frequency	Percentages
Length of Work	> 6 Years	71	69.6%
	4-6 Years	10	9.8%
	1-3 Years	19	18.6%
	< 1 Year	2	2.0%
Experience Handling Fraud Cases	Ever	69	67.6%
	Never	33	32.4%
Length of Experience Handling Fraud Cases	> 6 Years	23	33.3%
	4-6 Years	11	15.9%
	1-3 Years	18	26.1%
	< 1 Year	17	24.6%
Number of Fraud Cases Ever Handled	> 10 Cases	16	23.2%
	7-10 Cases	5	7.2%
	4-6 cases	9	13.0%
	1-3 cases	39	56.5%

The validity and reliability of the instrument were tested before factor analysis was performed. The validity test used Pearson correlation with a significance level of 5%, ensuring that each item had a correlation value greater than the r-table. Reliability was measured using Cronbach's Alpha, where a value of more than 0.60 indicated the consistency of the research instrument. The Kolmogorov-Smirnov test was performed to ensure data normality, while the correlation matrix evaluated the relationship between variables, and variables with low correlations were removed from the model.

Data analysis in this study began with data adequacy tests carried out using Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity to assess sample adequacy and the strength of correlation between variables. If the KMO value was  $> 0.5$  and the p-value of Bartlett's Test  $< 0.05$ , then the data was considered suitable for factor analysis. The KMO measure of sampling adequacy was 0.764, indicating sufficient intercorrelations, while Bartlett's Test of Sphericity was significant (Chi-square = 2066.233,  $p < 0.01$ ). In addition, the Measure of Sampling Adequacy (MSA) was used to evaluate the suitability of individual variables, where variables with MSA values  $<$

0.5 were excluded from the analysis. The MSA sampling index is shown in Table 3. As seen in Table 3, in this study, out of 29 variables analyzed, all had MSA values greater than 0.5. Thus, all variables were eligible for further analysis. However, based on the PCA results, there was one variable that was eliminated because the communality value was not  $\geq 0.5$ , in accordance with the threshold suggested by Kaiser (1970) to retain items.

**Table 2: MSA and PCA Indices**

Items	Variables	MSA	PCA
1	Internal Intention	0.803 <sup>a</sup>	0.764
2	Personal Integrity	0.605 <sup>a</sup>	0.796
3	Urgent Financial Needs	0.717 <sup>a</sup>	0.856
4	Economic Pressure	0.701 <sup>a</sup>	0.892
5	Superior Pressure	0.755 <sup>a</sup>	0.798
6	Superior Expectations	0.686 <sup>a</sup>	0.786
7	Business Pressure	0.716 <sup>a</sup>	0.767
8	Social/Political Networks	0.794 <sup>a</sup>	0.646
9	Political Pressure	0.607 <sup>a</sup>	0.834
10	Desire for Financial Gain	0.814 <sup>a</sup>	0.530
11	Religious Reasons	0.565 <sup>a</sup>	0.445
12	Commission/Gratitude	0.735 <sup>a</sup>	0.539
13	Superior Commits Fraud	0.757 <sup>a</sup>	0.682
14	Fraud as a Natural Thing	0.681 <sup>a</sup>	0.849
15	Right to Gain	0.662 <sup>a</sup>	0.856
16	Employee Integrity	0.720 <sup>a</sup>	0.688
17	Employee Social Commitment	0.728 <sup>a</sup>	0.800
18	Leader Role Model	0.689 <sup>a</sup>	0.673
19	Internal Control	0.765 <sup>a</sup>	0.817
20	External Supervision	0.825 <sup>a</sup>	0.745
21	Implementation of SOP	0.875 <sup>a</sup>	0.784
22	Legitimate Financial Reports	0.885 <sup>a</sup>	0.773
23	Routine Financial Reporting	0.895 <sup>a</sup>	0.633
24	HR Training	0.815 <sup>a</sup>	0.862

Items	Variables	MSA	PCA
25	Fraud Prevention Awareness	0.783 <sup>a</sup>	0.761
26	Internal Communication	0.788 <sup>a</sup>	0.668
27	Information Transparency	0.838 <sup>a</sup>	0.747
28	Routine Supervision	0.815 <sup>a</sup>	0.872
29	Routine Evaluation	0.762 <sup>a</sup>	0.881

The second stage involved Principal Component Analysis (PCA) to extract factors by retaining only those with eigenvalues  $\geq 1$ , and consideration of conceptual cohesion and dimensional validity. Based on the initial results, 8 components had eigenvalues greater than 1. However, after analyzing the Rotated Component Matrix and based on methodological principles, Factor 8 consisted of only one item (Personal Integrity), so it could not be accepted as a factor representing the latent dimension. Therefore, the item was re-analyzed and conceptually combined into Factor 7 (Employee Ethics and Leadership) to produce seven (7) final factors that are valid and interpretable. The factors were the effectiveness of internal reporting and awareness (factor 1), external pressure (factor 2), fraud-related culture and habits (factor 3), financial motivation and needs (factor 4), transparency and routine monitoring (factor 5), control and compliance systems (factor 6), organizational integrity and ethical leadership (factor 7).

**Table 3: Factor Loading Results**

Items	Variables	Factors	Loading
1	Internal Intention	4	0.736
2	Personal Integrity	7	0.842
3	Urgent Financial Needs	4	0.864
4	Economic Pressure	4	0.882
5	Superior Pressure	2	0.880
6	Superior Expectations	2	0.873
7	Business Pressure	2	0.728
8	Social/Political Networks	2	0.602
9	Political Pressure	2	0.889
10	Desire for Financial Gain	4	0.537
12	Commission/Gratitude	3	0.677
13	Superior Commits Fraud	3	0.799

<b>Items</b>	<b>Variables</b>	<b>Factors</b>	<b>Loading</b>
14	Fraud as a Natural Thing	3	0.911
15	Right to Gain	3	0.906
16	Employee Integrity	7	0.699
17	Employee Social Commitment	7	0.769
18	Leader Role Model	7	0.688
19	Internal Control	6	0.734
20	External Supervision	6	0.726
21	Implementation of SOP	6	0.633
22	Legitimate Financial Reports	1	0.809
23	Routine Financial Reporting	1	0.451
24	HR Training	1	0.896
25	Fraud Prevention Awareness	1	0.786
26	Internal Communication	1	0.675
27	Information Transparency	5	0.687
28	Routine Supervision	5	0.806
29	Routine Evaluation	5	0.877

Table 3 presents the results of the loading factors, namely factor 1, consisting of items 22, 23, 24, 25, and 26, totaling five variables. This study used loading 0.451 - 0.896. The Eigenvalue was 8.277, and the percentage of variance was 28.542. This factor was called the effectiveness of reporting and internal awareness factor. This factor comprised five variables, including Routine Financial Reporting, which had the lowest loading (0.451). The Routine Financial Reporting item was retained in Factor 1 despite its relatively lower loading value, as it remained above the standard threshold of 0.40 in factor analysis in the social sciences. This retention decision was based on conceptual and structural justification that RFR was a fundamental prerequisite for the effectiveness of other behavioral items in the factor, such as Fraud Prevention Awareness, Internal Communication, and HR Training.

Hierarchy and Social Networks in Indonesia drove the cohesion of the first factor. Superior Pressure (0.880) and Superior Expectations were manifestations of a Hierarchical culture (high power distance), where obedience to superiors often took precedence over ethical compliance. Meanwhile, Social/Political Networks (0.602) and Political Pressure (0.889) reflected Collectivism and socio-political complexity that created external

pressure for financing or collusion. This factor confirmed that non-financial power structures heavily influenced pressure in Indonesia.

Factor 2 consisted of five variables: 5, 6, 7, 8, and 9. This study used loading 0.602 - 0.889. The Eigenvalue was 3.665, and the percentage of variance was 12.638. This factor was conceptually cohesive as an element of Collective Rationalization and Permissive Culture. These two items were interrelated because they represented social and cultural justifications for ethical deviance. Superior Commitment Fraud (0.799) and Fraud as Natural (0.911) were rationalization mechanisms reinforced by poor leadership role models and permissive organizational norms. Commission/Gratitude (0.677) was a form of rationalization derived from social/cultural norms that blurred the line between gratification and corruption.

Factor 3 consisted of items 12, 13, 14, and 15, totaling four variables. This study used loading 0.677 - 0.911. The Eigenvalue was 2.855, and the percentage of variance was 9.843. This factor reflected the Pressure and Arrogance dimensions at the individual level. Good cohesion was based on an internal drive (Internal Intention) driven by a pressing need or desire for financial gain. While universal, in Indonesia, this factor was often triggered by feelings of injustice arising from social contrasts and salary hierarchies, which were then rationalized as entitlements (Right to Gain).

Factor 4 consisted of items 1, 3, 4, and 10, totaling four variables. This study used a loading of 0.537 - 0.882. Eigenvalue of 1.946 and percentage variance of 6.710. This factor combined Structural (Reporting) and Behavioral (Capacity) elements. Reporting was the basis for accountability. The Human Resources Training and Awareness points were crucial in a Collectivist context because behavioral capacity-building was necessary to overcome loyalty norms and avoided conflicts that hindered the disclosure of violations and the reporting of irregularities. This cohesion suggested that in Indonesia, prevention must be balanced between formal systems and collective awareness.

Factor 5 consisted of items 27, 28, and 29, totaling three variables. This study used loading 0.687 - 0.877. Eigenvalue of 1.649 and percentage variance of 5.686. These factors combined to form elements of Governance that drove External Accountability. Transparency was a

structural prerequisite, while Routine Monitoring and Evaluation were active managerial mechanisms. In a complex and networked environment, passive transparency alone was not enough; it must be activated through regular monitoring to ensure the system was not manipulated by Social/Political Networks.

Factor 6 consisted of items 19, 20, and 21, totaling three variables. This study used a loading of 0.633 - 0.734. Eigenvalue of 1.207 and percentage variance of 4.161. This factor was a pillar of Structural Control and Compliance. Together, these elements provided a layered control mechanism to counteract system weaknesses that Competencies and Opportunities often exploited. The need for external oversight in this factor was particularly relevant to address the potential for internal collusion driven by Hierarchy/Collectivism.

Factor 7 consisted of items 2, 16, 17, and 18, totaling four variables. This study used loading 0.688 - 0.842. The Eigenvalue was 2.147, and the percentage of variance was 7.404. This factor was a cohesive element of Organizational Behavior and Ethics. The items were interrelated because in Hierarchical cultures, leader role models (Leader Role Model 0.688) were the most powerful deterrent mechanism (tone from the top). The Personal Integrity item was combined because it conceptually underpinned employee ethics. This cohesion suggested that ethics in Indonesia was primarily driven by leader figures who provided ethical examples and by strong individual commitment.

Although PCA identified statistical structures among variables, the grouping of extracted factors was not solely based on statistical results. Based on the objectives of this study, the seven factors obtained from the PCA analysis were grouped into two main conceptual categories, namely Causal Factors and Preventive Factors. This grouping was carried out by considering the intrinsic nature of the constituent variables and their alignment with the research conceptual framework related to the causes and prevention efforts of fraud. Furthermore, given that these results came from auditors and law enforcement officers in Lombok and Yogyakarta, further interpretation of these factors needed to be contextualized within the sociocultural complexities of each region. While contextual, these findings offered critical insights into how local cultural elements interacted and influenced fraudulent behavior within the broader Indonesian landscape.

## **The Causes of Fraud**

The factors extracted as causal drivers aligned with elements of the expanded Pentagon Theory of Fraud, but cultural and social structures strongly influenced their composition.

### ***External pressure***

The five variables that caused fraud extracted from external pressure factors were Superior Pressure, Superior Expectations, Business Pressure, Social/Political Networks, and Political Pressure. Hidajat (2020) found that non-financial pressure was a primary factor causing shareholders, commissioners, and directors to commit fraud. Critically, these results reflected the dynamics of Hierarchy and Power Distance in Indonesian culture. Superior Pressure was a direct manifestation of high power distance (often observed in cultures such as Javanese/Mataram), where subordinates felt compelled to comply and rationalize deviations to meet superior expectations. Furthermore, the significance of Social/Political Networks highlighted that fraud in Indonesia was often institutional or collective, rather than solitary. This aligned with findings that social and political pressures often drove directors or managers, particularly in the public sector, to commit fraud for the sake of their careers, while organizations attempted to manage these observable pressures (Iqbal et al., 2020; Kagias et al., 2022; Mangala & Soni, 2023; Setiawan & Soewarno, 2025). Meanwhile, financial pressure in an organization can be in the form of meeting the company's profit targets (Kazemian et al., 2019; Ratmono & Frendy, 2022).

### ***Fraud-related culture and habits***

The four variables that cause fraud, extracted from the culture and habit factors related to fraud, were Commission/Gratitude, Superiors Committing Fraud, Fraud as a Natural Thing, and Rights to Profit. Conceptually, these factors represented forms of collective "rationalization" (Cressey, 1953) reinforced by a Permissive Culture. Fraud as Natural reflected the social justification that considered fraud to be normal, especially when supported by the variable "Superiors Who Commit Fraud." This suggested that leadership served as a critical ethical (or anti-ethical) role model (Adji & Chariri, 2022). Cultural rationalizations, such as tolerance of fraud, created a vulnerable environment (Suh & Shim, 2020). This extended the Fraud Pentagon Framework by demonstrating that Arrogance and

Rationalizations interacted closely with cultural practices. For example, the variable “Commission/Gratitude” suggested that local norms regarding gift-giving can be distorted into justifications for gratuities. Many still did not understand the obligation to refuse and report gratuities, rationalizing that “the salary is low” or “everyone does it,” necessitating ongoing anti-fraud education (Umar et al., 2024). A negative organizational environment can degrade a culture of honesty into one of dishonesty (Siahaan et al., 2024), and collusion within such a culture negates other protections (Ratmono & Frendy, 2022).

### ***Financial motivation and needs***

The four variables that caused fraud that were extracted for motivation and financial needs factors were Internal Intention, Urgent Financial Needs, Economic Pressure, and Desire for Financial Gain. While financial pressure was a classic motivator (Cressey, 1953), its role here must be viewed through the lens of inequality. Urgent Financial Need can be exacerbated by perceived unfair compensation policies or low salaries (Hashim et al., 2020), which individuals then rationalized (Internal Intention) as a right to gain benefits. Individual intentions were less dependent on innate responses, meaning interventions can change those who previously had no intention of committing fraud (Nuswantara & Maulidi, 2021). Interventions were a powerful strategy for encouraging behavioral change (Ajzen & Fishbein, 2005). However, pressure to cheat due to greed, lifestyle, or failure to secure a promotion remained a significant challenge (Kagias et al., 2022).

## **The Prevention of Fraud**

These prevention factors were not simply a list of structural elements; instead, they represented a synergistic approach that combined governance, structural elements, and ethical behavior, necessary to counteract the specific cultural factors previously identified.

### ***The effectiveness of reporting and internal awareness***

The five variables that played a role in fraud prevention that were extracted for the reporting effectiveness and internal awareness factors were Legitimate Financial Reports, Routine Financial Reporting, HR Training, Fraud Prevention Awareness, and Internal Communication. While legitimate reporting was a structural foundation, its effectiveness depended on

behavioral aspects such as training and awareness. In a collectivist cultural context (typical of the Sasak/Lombok community), Internal Communication and Fraud Prevention Awareness were crucial to counteract group loyalty norms that often hindered fraud disclosure. Effective financial reporting required superior internal audit quality, staff competence, and management support (Kaawaase et al., 2021). Furthermore, independent directors played a crucial role by refusing to sign statements containing fraud (Achmad et al., 2022), and gatekeeping institutions were also crucial (Roszkowska, 2021). Strategies should include fraud controls, disclosure mechanisms, and transparency (Vian, 2020).

### ***Transparency and routine monitoring***

Three variables that played a role in fraud prevention that were extracted for transparency and routine monitoring factors were Information Transparency, Routine Supervision, and Routine Evaluation. In an environment prone to social media abuse, Routine Monitoring ensured that transparent information was not only available but also actively used to detect fraud early. Transparency enabled public scrutiny of actors and decisions (Vian, 2020), which included access to information (event transparency) and understandable processes (process transparency) (Hood & Heald, 2006). ICT can be used to enhance this transparency (Adam & Fazekas, 2021). Monitoring, a core component of the COSO framework (Dangi et al., 2020), served as a preventive tool that triggered corrective action (Nusantara et al., 2020).

### ***Control and compliance system***

The three variables that played a role in fraud prevention that were extracted for the control and compliance system factor were Internal Control, External Supervision, and Implementation of SOPs. The variables of Internal Control, External Oversight, and SOP Implementation emphasized the importance of Layered Control. Strong internal controls must be balanced with external oversight to address potential control failures caused by external pressures or management negligence. A strong governance environment influenced how deeply internal controls were involved in prevention (Bonrath & Eulerich, 2024). Internal audit evaluated these systems and provided input for improvement (Putra et al., 2022). While sound internal controls reduced the occurrence of fraud (Zeng et al., 2020), strict enforcement of regulations and SOPs was crucial to neutralize permissive cultural factors and prevent violations (Prenzler, 2019).

## **Organizational Integrity and Ethical Leadership**

Ultimately, the variables of Employee Integrity, Employee Social Commitment, Leader Role Model, and Personal Integrity were the most fundamental mechanisms of Behavioral Deterrence. In hierarchical cultures, the Leader Role Model set the tone at the top. Leadership that failed to punish violations was exploited by fraudsters (Adji & Chariri, 2022). Organizations must set an ethical tone and implement ethics training, even if high ethical standards faced initial resistance (Suh & Shim, 2020). Personal Integrity, comprising honesty, conscientiousness, and moral principles (Zahari, Said, & Arshad, 2021), served as a last line of defense when structural controls fail. An unsupportive environment and weak law enforcement can undermine this integrity (Prenzler, 2019). Therefore, prevention strategies should focus on ongoing ethics education and strict enforcement of rules for leaders, ensuring consistency between formal values and actual behavior.

## **CONCLUSION**

This research empirically succeeded in identifying the main factors causing and the most relevant fraud prevention strategies to be implemented in Indonesia, taking into account local cultural aspects and unique socio-political complexities. These findings confirmed that pressure from superiors actually reflected a strong hierarchical culture. In contrast, the permissiveness of a culture that supported bribery demonstrated how shared values were often misinterpreted to justify unethical behavior. Because this drive for personal gain is frequently exacerbated by leaders who fail to set an example, prevention efforts cannot rely solely on technical systems such as audits, SOPs, or routine monitoring. The key lies in strengthening ethics and leadership to combat fraud. Therefore, integrating transparent oversight, effective reporting systems, and fostering strong personal integrity were crucial to creating truly clean and accountable organizational governance.

In cultures that tend to be paternalistic, the “tone at the top” was a crucial determinant of whether internal control systems are truly adhered to or remain merely formalities. By combining an understanding of local cultural complexities (such as the dynamics in Lombok and Yogyakarta)

with relevant prevention strategies, this study's findings offer a blueprint for more transparent and accountable governance. Going forward, practical validation involving internal management perspectives is essential to ensure that this strategy is not only conceptually sound but also proven effective in reducing fraud risks on an ongoing basis.

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