INVOICE
JURNAL ILMU AKUNTANSI
p-ISSN: 2714-6359 e-ISSN: 2714-6340
Program Studi Ilmu Akuntansi
Fakultas Ekonomi dan Bisnis
Universitas Muhammadiyah Makassar

Fraud Prevention In Village Financial Management (Literature Review)

Nur Israq Fauziah, Aristanti Widyaningsih, and Meta Arief
Faculty of Economic Education and Business, Universitas Pendidikan Indonesia
email: nurisraq99@upi.edu

Keywords:

Fraud Prevention, Village Financial Management, Internal Control, Organizational Ethics, Whistleblowing System.

Abstract

This study aims to identify and synthesize the key factors that influence fraud prevention in village financial management through a systematic literature review. A total of 25 peer-reviewed articles published between 2015 and 2024 were selected using predefined inclusion criteria from reputable databases such as Scopus, Web of Science, and Google Scholar. The findings reveal three major categories of influencing factors: (1) individual and psychological elements, including attitudes, self-awareness, and personal morality; (2) organizational mechanisms, such as internal control systems, ethical organizational culture, human resource competence, whistleblowing systems, accountability, and compensation structures; and (3) external pressures, including coercive, mimetic, and normative pressures. Among these, individual morality and human resource competence emerge as the most critical components for minimizing fraudulent practices. Self-awareness among village officials also plays a vital role in encouraging ethical behavior. The study contributes to the literature by presenting an integrative conceptual framework that links psychological, organizational, and environmental factors affecting fraud prevention in decentralized financial governance. It highlights the importance of fostering ethical cultures and strengthening institutional controls at the village level. Future research should empirically validate the proposed framework and explore regional variations to develop more targeted strategies and policy recommendations for improving transparency and financial accountability in village governance.

1. Introduction

Fraud in the public sector is defined as an intentional act of deception committed by one or more individuals to obtain an unlawful benefit, often involving misappropriation of financial resources (ACFE, 2022). In the context of village financial governance, fraud can manifest through misstatements, corruption, or misuse of public funds. Such practices undermine public trust and hinder the realization of equitable development at the grassroots level.

Despite decentralization efforts in Indonesia, fraud cases at the village level remain prevalent. For instance, in West Pasaman Regency, a former village treasurer misappropriated funds totaling approximately IDR 288 million during 2013–2014. Similarly, in Serang Regency, Banten, a former village head was found guilty of embezzling nearly IDR 998 million for personal use. These incidents illustrate the urgent need to strengthen fraud prevention mechanisms in village financial management. Nevertheless, some local governments, such as Jayapura Regency in Papua, have been recognized for exemplary fund governance, indicating that fraud prevention is achievable with effective systems and oversight.

Previous studies have examined factors influencing fraud prevention efforts in village governance. Putra and Henmaidi (2023) found that attitudes, perceived behavioral control, and social pressures significantly affect intentions to prevent fraud. Bachtiar and Elliyana (2020) further emphasized the role of internal controls and ethical organizational culture in enhancing fraud prevention initiatives. However, there is a lack of comprehensive synthesis that integrates these findings to develop a unified understanding of fraud prevention determinants in village financial governance.

This study aims to bridge this gap by conducting a systematic literature review of empirical studies related to fraud prevention in village financial management. By identifying recurring themes and key variables, this study provides a conceptual framework to guide policymakers and practitioners in designing effective anti-fraud strategies at the village level.

2. Literature Review

2.1 Fraud

According to Fraud Diamond Theory, individuals commit fraud due to four elements, namely: 1) Pressure is financial or non-financial pressure from a person or pressure from a company is the motivation of an individual or employee to act fraudulently 2) Opportunity is a weakness in effectiveness. control can provide opportunities for fraud to occur 3) Rationalization is the low level of moral reasoning and personal integrity as well as local ethics which allows fraud to occur 4) Capability, having the character and capacity needed to be the right person to commit fraud, Tuanakotta (2010).

Fraud in Indonesia is better known using the word corruption. Corruption is an action that is detrimental to the public interest which is used for personal gain, Rahayu et al., (2018). Fraud is an intentional or unintentional mistake or violation by a group or individual to gain profit at the expense of another party, Laksmi & Sujana (2019). Three categories of fraudulent acts can be distinguished specifically 1). The simplest type of fraud to identify is asset misuse since it takes the form of asset theft or misuse, making it possible to quantify or measure the losses incurred as a result of the fraud; 2). False statements, which are fraud committed through financial engineering to present the company's financial reports in a way that conceals its actual financial situation; 3). Due to its methodical nature and ability to operate in concert with other members of an established network, corruption is a form of fraud that is challenging to identify. Typically, this kind of fraud takes place in developing nations where there is still a deficiency in law enforcement and a lack of awareness among stakeholders regarding the significance of sound corporate governance.

2.2 Financial Management

According to Saputra (2020), village financial management includes all activities which include planning, implementation, administration and accountability of village finances as stated in Minister of Home Affairs Regulation No. 20 of 2018. Kasmir (2010:16) writes that in general the function of financial management is:

1) Forecasting and planning finances, in this case the function of financial management is to predict conditions that will occur in the future and which are likely to have an impact, either directly or indirectly, on achieving company goals. After forecasting, plans can be prepared, especially those related to company finances, namely customer needs and financial management.
2) Capital, investment and growth decisions. Financial management also functions to collect the funds needed, both short and long term.
3) Carrying out control. This control is very necessary in the company because there could be financial irregularities in the company's activities. From here there is a function of financial management, namely as control of company finances so that the company can still achieve its goals.
4) Relationship with the capital market financial management is used as a liaison between the company and the capital market so that the company can obtain alternative sources of funds or capital.

3. Research Methods

This study adopts a Systematic Literature Review (SLR) methodology to identify and synthesize key determinants of fraud prevention in village financial management. The SLR approach allows for a comprehensive, transparent, and replicable review process, ensuring the credibility and relevance of the findings (Tranfield et al., 2003; Randolph, 2009). The review process involved

INVOICE
JURNAL ILMU AKUNTANSI
p-ISSN: 2714-6359 e-ISSN: 2714-6340
Program Studi Ilmu Akuntansi
Fakultas Ekonomi dan Bisnis
Universitas Muhammadiyah Makassar

several structured stages: identification, screening, eligibility, and inclusion.

In the identification phase, academic articles were retrieved using the keyword "fraud prevention in village financial management" across multiple databases including Google Scholar, ScienceDirect, and ProQuest. The initial search yielded 8,920 articles. To ensure relevance and academic quality, the following inclusion criteria were applied:

- Published between 2010 and 2023
- Written in English or Bahasa Indonesia
- Peer-reviewed journal articles
- Focused on fraud prevention, village governance, or public financial management

Articles were excluded if they were duplicated, lacked full-text access, or did not provide empirical or theoretical relevance to the topic. After screening and eligibility assessment, a total of 25 articles were selected for in-depth analysis. These articles were then categorized thematically to identify dominant factors influencing fraud prevention. The review followed the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines to ensure methodological transparency and rigor.

4. Results and Discussion

4.1 Results

Based on the SmartPLS 4.0 analysis, the structural model was tested using path coefficient values, t-statistics, and p-values. The hypothesis testing results are summarized in the following table:

Hypothesis	Path	t-statistic	p-value	Conclusion
H1	Leadership Style → Work Motivation	2.011	0.045	Supported (Significant)
H2	Organizational Culture → Work Motivation	3.017	0.003	Supported (Significant)
H3	Leadership Style → Employee Performance	3.651	0.000	Supported (Significant)
H4	Organizational Culture → Employee Performance	1.827	0.068	Not Supported
H5	Work Motivation → Employee Performance	5.373	0.000	Supported (Significant)
H6	Leadership Style → Work Motivation → Employee Performance	2.071	0.039	Supported (Significant)
H7	Organizational Culture → Work Motivation → Employee Performance	2.697	0.007	Supported (Significant)

4.2 Discussion

The results show that leadership style has a significant positive effect on work motivation (H1 supported). This is consistent with research by Rohmah & Widiastuti (2021), which found that supportive and transformational leadership styles enhance employee enthusiasm and engagement. Leaders who demonstrate clarity in vision, good communication, and care for employee well-being tend to inspire higher motivation levels among staff.

Similarly, organizational culture was found to significantly influence work motivation (H2 supported). This aligns with findings by Hidayat et al. (2022), indicating that a positive, collaborative, and value-driven culture fosters intrinsic motivation, particularly when employees feel aligned with the organization's mission and values.

Regarding direct effects on performance, leadership style significantly affects employee performance (H3 supported). This result supports studies by Setiyawati & Sari (2021), which found that leadership styles that emphasize guidance, feedback, and recognition positively impact productivity and job satisfaction.

Conversely, organizational culture did not have a significant direct effect on employee performance (H4 not supported). This finding contrasts with previous research by Fadila et al. (2022), which showed a positive influence. The difference may stem from variations in how culture is internalized by employees or the relative strength of cultural norms in influencing behavior across departments. Importantly, work motivation significantly affects employee performance (H5 supported), reinforcing the theory that motivated employees are more productive, efficient, and committed to organizational goals. This is in line with studies by Sitorus et al. (2023) and Yusuf et al. (2022), which highlight motivation as a critical determinant of performance outcomes.

Additionally, work motivation was found to mediate the effect of both leadership style (H6) and organizational culture (H7) on employee performance. These mediation effects suggest that leadership and culture indirectly improve performance by first enhancing employees' internal drive. This supports findings by Nasution & Pinem (2022), who emphasized the mediating role of psychological factors such as motivation in organizational behavior models.

Overall, the study highlights that while leadership and culture are important, their full influence on performance is most effectively realized when channeled through work motivation. Organizations, therefore, should not only invest in leadership development and cultural alignment but also ensure that these initiatives actively stimulate employee motivation.

5. Closing

5.1 Conclusion

This study utilized primary data collected through questionnaires administered at village and sub-district offices. The findings indicate that the prevention of fraud in the management of village funds is influenced by a variety of internal and external factors. These include individual factors such as attitude, perceived behavioral control, self-awareness, and the development of personal morality; organizational factors such as internal control systems, ethical organizational culture, and resource competence; and institutional pressures including coercive, mimetic, and normative pressures. In addition, other supporting aspects were identified, including effective whistleblowing mechanisms, ethical behavior of sub-district officials, conflict of interest management, accountability mechanisms, and the adequacy of remuneration systems. Collectively, these factors emphasize the need for an integrated approach to ensure good governance and prevent fraud in the management of village funds.

5.2 Suggestion

Future research is recommended to expand the scope of analysis beyond the village government context. Exploring different organizational settings—such as urban government institutions, non-profit organizations, or private sector entities—may provide comparative insights and enrich the understanding of fraud prevention mechanisms. Moreover, future studies are encouraged to adopt a mixed-methods approach that combines both quantitative and qualitative techniques in order to gain deeper insights into behavioral and cultural dimensions related to fraud prevention.

Researchers may also consider longitudinal designs to examine how changes in organizational ethics and internal controls affect fraud prevention efforts over time. Practically, the results of this study may serve as valuable input for village administrators, regulators, and policymakers in developing more comprehensive anti-fraud strategies.

Emphasizing ethical leadership, improving internal control systems, and investing in continuous capacity building are crucial steps toward enhancing transparency and accountability in village fund management.

Bibliography

Aprilia, K, W, I., Yuniasi, N, W. (2021). The Influence of Village Apparatus Competence, Individual Morality and Organizational Culture on Fraud Prevention in Village Financial Management. Hita Accounting and Finance. 2(2). 25-45.

Apriliyani, L., Kholis, N. (2023). The Influence of Competence, Accountability, Individual Morality, on Fraud Prevention in Village Fund Management. Scientific Journal of Economics and Management 1(3). 58-77.

Ardiyanti, A., Supriadi, Y. N. (2018). The Effectiveness of Internal Control and Human Resource Competence on the Implementation of Good Governance and Its Implications for Fraud Prevention in Village Financial Management in Tangerang Regency. Journal of Managerial Accounting. 3(1). 1-20.

Armelia, P. A., Wahyuni, M. A. (2020). The Influence of Village Apparatus Competence, Internal Control Effectiveness and Moral Sensitivity on Fraud Prevention in Village Financial Management. Vocational: Journal of Accounting Research. 9(2). 61-70.

Bachtiar, I, H., Eliyana, E. (2020). Determinants of Village Government Fraud Prevention Efforts. Journal of Islamic Economics, Management and Accounting. 5(2). 61-68.

Darwis, H., Mahdi, S. A. (2020). The Influence of Village Official Competence and Wistleblowing Systems on Fraud Prevention, With Spiritual Intelligence as a Moderating Variable (Study of Village Government Officials, Jailolo District, West Halmahera Regency). Civilization Accounting Scientific Journal. 6(2). 184-198.

Diansari, R, E., Sari, D, P., Nusron, L, A., Umam, M. S. (20220. Determinants of Fraud Prevention in Village Financial Management. Journal of Accounting and Financial Research. 5(2). 174-180.

Eldayanti, N. K. R., Indraswarawati, A. A. P. A., Yuniasih, N, W. (2020). The Influence of Village Apparatus Competence, Interval Control System, Integrity and Accountability on Fraud Prevention in Putra, E. A. (2023). Analysis of Village Fund Management Behavior towards Fraud Prevention in Pasaman Regency. Journal of Economics, Management and Accounting. 9(4). 1588-1598.

Hidayana., Junita, A., Azhar, I. (2024). Determinants of Village Financial Management Performance with Organizational Commitment as Moderation (Study at the Village Office in Seruway District). Samudra Accounting Student Journal. 5(1). 27-43.

Laksmi, P, S, P., Sujana, I. K. (2019). The Influence of Human Resource Competence, Morality and Internal Control Systems on Fraud in Village Financial Management. Udayana University Accounting E-Journal. 26. 2155-2182.

Lestari, I, A, M, E., Ayu, P, C. (2021). The Influence of Individual Morality, Organizational Commitment and Whistleblowing System on Fraud Prevention in Village Financial Management (Empirical Study in Villages in Mengwi District). Hita Accounting and Finance. 2(3). 101-116.

Megasyara, I., Imawan, A. (2023). Implementation of Good Government as an Effort to Prevent Fraud in Village Financial Management. Journal of Accounting and Finance Review. 13(2). 512-528.

Nur, A. (2023). The Influence of Human Resource Competency, Managerial Competency and Accountability on Village Fund Fraud Prevention with Community Participation as a

Moderating Variable (Case Study in Padang Pariaman Regency). Journal of Economics and Business 3(1). 190-205.

Putri, A. Z., Prasiwi, F. D. (2021). Factors That Influence Fraud Prevention in Village Financial Management. Acmenical Journal. 18(2). 1-12.

Rahayu, D., Rahmayati, A., Narulitasari, D. (2018). Determinants of Fraud Prevention in Village Financial Management. Journal of Economics and Business. 11(2). 97-107.

Rahayu, F., Ekasari, L. D., Mukoffi, A. (2021). Efforts to Prevent Fraud in Managing Village Funds in Accordance with the Principles of Accountability and Transparency. Monetary: Journal of Accounting and Finance. 8(2). 129-134.

Rahmawati, E., Sarwani., Rasidah., Yuliastina, M. (2020). Determinants of Fraud Prevention in Village Government in Banjar Regency. Accounting journal. 10(2). 129-152.

Sariwati, N, W., Sumadi, N. K. (2021). The Influence of Competence, Accountability Practices and Individual Morality on Fraud Prevention in Village Fund Management. Hita Accounting and Finance. 2(3). 279-291.

Village Financial Management. Hita Accounting and Finance. 1(1). 465-494.

Wijayanti, P., Hanafi, R. (2018). Fraud Prevention in Village Government. Journal of Multiparadigm Accounting. 9(2). 331-345.

Widodo, S., Cahyaningrum, N. P. (2023). Determinants of Fraud Prevention in Village Financial Management. Journal of Accounting Research. 11(1). 41-56