ASSET MISAPPROPRIATION TENDENCY: RATIONALIZATION, FINANCIAL PRESSURE, AND THE ROLE OF OPPORTUNITY (STUDY IN INDONESIAN GOVERNMENT SECTOR)

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Abstract

Purpose: The purpose of this study is to analyze the relationship between Rationalization and Financial Pressure on Asset Misappropriation Tendency by mediating Opportunity in the Indonesian government sector based on the Fraud Triangle perspective.

Methodology: The Population of this study was Indonesian government employees. The Sample method was Purposive Sampling and the survey method was direct surveys, postal mail, and online surveys. The number of respondents was 363 and analyzed using Structural Equation Model with AMOS-based covariance.

Main Findings: The results show that financial pressure, rationalization, and opportunity had a significant positive effect on Asset Misappropriation Tendency. Furthermore, Opportunity mediates the relationship between rationalizations on Asset Misappropriation Tendency; However, Opportunity does not mediate the relationship between Financial Pressure and Asset Misappropriation Tendency.

Implications: This study contributes to the literature on asset misappropriation in the government sector which is rather very limited and supports the Fraud Triangle Theory. It also has several practical implications for being a source of information to formulate policies in fraud prevention and detection that will improve management control systems in the government sector a developing country.

Novelty: A limited study of asset misappropriation in the government sector in a developing country that examines the influence of element strength of Fraud Triangle in Asset Misappropriation which has been criticized by previous researchers.

Keywords: Asset Misappropriation Tendency, Opportunity, Rationalization, Financial Pressure, Fraud Triangle, Government Sector.

INTRODUCTION

The big problem that always occurs in an organization is a fraud, both in a public sector or a private sector, especially in developing countries. Many cases of major fraud occur in the world, such as: Enron, WorldCom, Toshiba, also many types of fraud occur in both sectors. Although various systems have been carried out from the relevant supervisory institutions a fraud that occurred in the world and in Indonesia in recent years has not shown a decline in the number of cases. The Association of Certified Fraud Examiners (ACFE, 2016) defined fraud as "a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment". ACFE categorizes fraud into three groups: (1) Financial Statement Fraud, (2) Misappropriation of assets, (3) Corruption.

According to ACFE (2015), asset misappropriation is “the misuse /theft of assets or property of a company or other party”. Asset Misappropriation shows a large number of cases based on a fraud survey of Certified Fraud Examiners Association (ACFE, 2018), and PricewaterhouseCoopers (PWC), Global Economic Crimes and Fraud Survey 2018 (PWC, 2018) reported that 49% of respondents said their company had been a victim of fraud or economic crime. The most frequently reported types of economic crime and economic fraud were asset misappropriations of 45%.

Report to the Nations ACFE 2018 of Global Study on Fraud and Abuse reported that among the three main categories of job fraud, asset misappropriation is by far the most common, occurred in 89% of cases. Report to the Nations ACFE 2016 Chapter Indonesia stated that the percentage of Asset misappropriation of total fraud case is reaching 19%. Furthermore, Overview of semester audit results (IHPS) (BPK RI, 2016, 2018) reported the misappropriation of assets in Indonesia showed a high number of cases and had a high potential for loss.

Misappropriation of assets has a high number of cases and has a high potential for loss, however, it is known that most academic studies on fraud focus on fraudulent financial reporting and corruption. Research on asset misappropriation is mostly carried out by professional organizations (ACFE, 2016). According to Nugraha et al. (2013) research on asset, misappropriation is still very limited. Chadwick (2000) concluded that when an external auditor conducts a fraudulent investigation, the auditor is more likely to focus on fraud over the financial reporting, but the internal auditor is more emphasis on the broader type of fraud, including asset misappropriation. It is also less academic studied (most academic
studies of fraud focus on fraudulent of the financial report) and it also limited study in developing countries. As a result, much research on asset misappropriation is conducted by professional organizations.

Speaking of fraud, it will always be connected to the Fraud Triangle theory proposed in 1953 by Cressey (Cressey, 1953). This is a theory that has been used for years but over time this theory has not been able to understand the complicated side of fraud. Fraud Triangle has been studied for years, however, previous studies have stated that the Fraud Triangle has not been able to explain the fraud and the influence of factor strength (Cohen et al. 2011; Kassem & Higson, 2012).

Based on our best knowledge, the research of asset misappropriation is rather very limited; therefore, this research can be considered as a limited study that investigating asset misappropriation in government sector in a developing country and examines the influence of element strength of Fraud Triangle in Asset Misappropriation that has been criticized by previous researchers. Considering the fact that fraud and asset misappropriation show a number of cases and high percentage loss, therefore, the present study will examine factors that influence asset misappropriation tendency in the government sector based on the Fraud Triangle perspective. Extending this main framework, the main objective of this research is to analyze the relationship between Rationalization and Financial Pressure on Asset Misappropriation Tendency by mediating of Opportunity.

LITERATURE REVIEW

Asset Misappropriation

According to Karim et al. (2015), the misappropriation of assets often carried out by workers in small and immaterial amounts and is usually in a position to conceal the violence that is difficult to detect. Moreover, according to ACFE (2015), the misuse/theft of assets or property of a company or other party. The Asset Misappropriation Scheme covers the conditions where people commit fraud and fraud to steal or misuse organizational resources. Some experts have categorized asset misappropriation schemes, such as; Wells (2007); Zimbelman et al. (2014); Singleton and Bologna (2010); and ACFE (2005). The Asset misappropriation scheme can be categorized into Cash Theft and Non-cash Theft. Wells (2007) developed a more complex and detailed fraud taxonomy. He divided asset misappropriation into two main categories, namely; (1) Cash theft that consists of; Cash theft; Larceny, Skimming, and Fraudulent spending and (2) Misappropriation of non-cash assets (including inventory) that consist of misappropriation and Theft.

Fraud Triangle

The Fraud Triangle was proposed by criminologist Donald Cressey in 1953. Based on his observations, he made three hypothetical criteria for violations of criminal beliefs: (1) non-shareable financial problems; (2) knowledge of certain work companies and opportunities to violate trust; and (3) the ability to adjust one's self-perception in their minds that violators of trust are not criminal behavior. Cressey (1953) hypothesizes three criteria that must be in place for fraud: perceived pressure, perceived opportunity, and rationalization. Rationalization allows a person doing fraud by seeking justification for his unethical conduct. Rationalization is a personal justification or personal justification for their actions (Wells, 2005). An individual's fraud action is influenced by rationalization as has been expressed by Cressey (1953) and several previous researchers. When a person can rationalize his behavioral fraud he will tend to fraud higher. Krambia-Kapardis (2016) emphasized the importance of rationalization since rationalization allows white-collar criminals to regard themselves as morally responsible individuals who are simply forced by unethical circumstances. According to Zimbelman et al. (2014), a person rationalized dishonest acts so as not to feel guilty.

Moreover, Perceived pressure is one of the reasons why someone cheats. Pressure or motivation is related to the effort to achieve a goal that is the interaction of individuals with the situation (Robin and Judge, 2007). The tendency of the workers to commit fraud due to greed and personal financial pressures is according to Rae and Subramanian (2008). This pressure can be in the form of financial or non-financial pressure. Furthermore, an opportunity is a condition or situation that allows someone to do or hide dishonest actions (Cressey, 1953). The lower the chance of being caught in most situations, the higher the risk of fraud. Opportunity refers to an employee's capacity and power to identify the vulnerabilities and maximize the potential for fraud (Rae and Subramanian, 2008). Dorminey et al. (2012) explain perceived opportunities as individual perceptions that there are control weaknesses and the perception that the likelihood of fraud is detected is very small. This can occur due to weak internal control of the company, lack of supervision, and/or abuse of authority.

HYPOTHESIS DEVELOPMENT

a. Relationship between rationalization and asset misappropriation tendency.

Rationalization is an important factor that motivates fraudulent behavior and has been widely expressed by many previous researchers (for example, Cressey, 1953; Wells, 2005; Zimbelman et al., 2014). Empirical studies of rationalization are mostly carried out on fraudulent financial statements and most are carried out in the private sector (ACFE, 2016). According to Zimbelman et al. (2014), someone rationalizes dishonest actions so they do not feel guilty. Empirical studies show a significant relationship between rationalization and fraudulent financial statements (Hasnan et al., 2013; Prayatna & Fitriany, 2014; Ghozali et al., 2019) When someone can rationalize fraud behavior, he will have a higher tendency to
commit other frauds. It can be concluded that rationalization is a factor that motivates individuals to commit fraud and is an important factor in fraudulent behavior. There is still a lack of empirical research that links rationalization with asset misappropriation, even though it has characteristics and schemes that are different from other types of fraud. So, this conception is formulated in the following hypothesis:

**H1:** Rationalization positively affects asset misappropriation tendency.

b. Relationship of Financial Pressure and asset misappropriation tendency.

Previous studies have shown that financial pressures affect fraud. Cressey, the originator of the Fraud Triangle theory explained that the pressure to commit fraud arises from the internal of an individual as a result of the pressure situation. Other researchers also stated that financial problems are the main cause of fraud. Albrecht's (2007) stated that the greatest pressure someone cheats on is financial problems. Rae & Subramanian (2008) also stated that personal financial pressures and greed were the causes of fraud. Zimbelman et al. (2014) also argued that financial pressure is the most common type of pressure to commit fraud; previous research stated that about 95% of fraud involves financial motivation or motivation to do bad deeds. Furthermore, Kassem and Higson (2012) also stated that fraud can be caused by pressure, rationalization, or solely by opportunity. This means that financial pressure is the most common type of pressure for fraud. Financial problems are the main cause of fraud. Individual pressure to commit fraud arises as a result of financial pressures faced. This conception is formulated in the following hypothesis:

**H2:** Financial Pressure positively influences asset misappropriation tendency.

c. Relationship between Opportunity and asset misappropriation tendency.

Some of these studies show that opportunities or lack of internal control can trigger fraud. Majid et al. (2010) stated that the lack of internal control is a factor that can lead to misappropriate assets. Opportunity refers to an employee's capacity and power to identify the vulnerabilities and maximize the potential for fraud (Rae & Subramanian, 2008). According to the Association of Fraud Examiners, fraud occurs when an employee intentionally misuses the assets of his work organization.

Previous research has also shown that opportunity influences fraud. Cressey (1953) stated that opportunity is one of the factors of fraud that formed the Fraud Triangle and has been supported by subsequent researchers. When opportunities increase, fraud also increases (Cohen et al. 2011). Kassem and Higson (2012) also stated that fraud can be caused by pressure, rationalization, or solely by opportunity. It can be concluded that the weakness of internal control allows very little detected fraud. The higher the chance of committing and hiding fraud, the higher will be the probability of fraudulent behavior. So, this conception is formulated in the following hypothesis:

**H3:** Opportunity positively affects asset misappropriation tendency.

d. Relationship of Opportunity, Rationalization, and Asset misappropriation tendency.

Cressey (1953) stated that Opportunity, Pressure, and Rationalization as elements of the Fraud Triangle; the higher the chance to commit and conceal the fraud, the higher the probability of fraudulent behavior. When opportunities increase, fraud also increases (Cohen et al., 2011). However, previous research stated that the Fraud Triangle has not been able to explain the fraud and the effect of factor strength (Cohen et al., 2011; Kassem & Higson, 2012). It is indicated that there is a relationship between each element of fraud including rationalization and opportunity.

Furthermore, previous research argued that fraud can be caused by a variety of factors not only individual factors, but also situational factors and organizational factors, and also contextual with complex phenomena (Wells, 2005; Fisher, 2015; Aquino et al., 2009; Krambia-Kapadis, 2016). Murphy and Dacin (2012) also stated that the path to fraud is partly because; a lack of awareness, strong situational factors and, rationalization combined with moral intuition before committing fraud. The effect of opportunity mediated the rationalization of one's fraud. By influencing of situational factors, someone who commits an act of asset misappropriation will be stronger. With the influence of opportunity, the rationalization of one's actions will be stronger than before.

It can be concluded that, the stronger the influence of opportunity, the relationship of rationalization with asset misappropriation tendency is getting stronger. Based on this conception, it will be proposed as a hypothesis as follows:

**H3a:** Opportunity mediates relationship rationalization and asset misappropriation tendency.

e. Relationship of Opportunity, Financial Pressure, and Asset misappropriation tendency.

Previous researchers stated that fraud can be caused by a variety of factors not only individual factors but also situational factors and organizational factors (Wells, 2005; Fisher, 2015; Aquino et al., 2009; Krambia-Kapadis, 2016). Then Kassem and Higson (2012) also stated that fraud can be caused by pressure, rationalization, or solely by opportunity. This opinion implies that there is a relationship between each factor in the existing model of the fraud triangle.

Furthermore, previous studies also showed that the Fraud Triangle has not been able to explain the fraud and the influence of the strength of each factor (Cohen et al., 2011; Kassem & Higson, 2012). Someone doing an asset misappropriation will
be stronger after mediated by situational factors (opportunities). With the influence of opportunity, one's actions will be stronger than before. The effect of opportunity mediates one's financial pressure on fraud. Someone doing acts of misappropriation of assets will be stronger after the influence of opportunity. Situational influences greatly influence one's pressure. Based on this conception, it will be proposed as a hypothesis as follows;

**H3b:** Opportunity mediates relationship financial pressure and asset misappropriation tendency.

**METHODOLOGY**

**Population and Sample:** The population of this study is government employees (officials) who work in local governments in cities and regencies in Indonesia. The sample selection method used was purposive sampling method. Respondents were selected based on these criteria; (1) works in finance, public services, and logistics (areas where the majority of fraud schemes occur (PWC, 2016), (2) works in certain cities and districts that receive Non-WTP opinion from BPK-RI (Audit the Audit Board of The Republic of Indonesia) in the past three years; and (3) length time of work was more than two years.

**Data collection techniques:** A survey method was used to collect data in this study using a questionnaire. Data was collected by direct survey, postal mail, and an online survey. The questionnaire covers the characteristics of respondents and cases or questions of variable Asset misappropriation tendency, Rationalization, Financial pressure, and Opportunity. The questionnaire was distributed to 950 respondents with a two-stage distribution that only 363 (38.2%) questionnaires were further processed in this study.

**Data analysis:** This research was analyzed using Structural Equation Model (SEM) with covariance-based, namely AMOS. The model analysis was tested using measurement models, structural models, and mediation hypothesis testing.

**Variable Measurement**

**Asset Misappropriation Tendency:** The questionnaire consisted of 9 cases which were adapted and combined from the statements of Majid et al. (2015); Wright et al. (2006); and Karim et al. (2015). It measures asset misappropriation tendency (misuse of non-cash assets, repayment of fees, skimming, expenditure mark up, unapproved funds, theft of non-cash assets, misuse of expenses, and excess compensation) using a 7-point measurement scale from very unfair to very fair.

**Opportunities:** The questionnaire consisted of 7 statements from Sitorus & Scot (2008) to measure opportunities (clear authority and responsibilities, approval and supporting evidence, regular physical check, effective supervision, accurate assets recorded, monitoring and evaluation activity, the limited ability of supervisors). It was measured using a 7-point measurement scale of never to always.

**Financial Pressure:** Measured by 6 questionnaires adapted from the statement of Zimbelman et al. (2014). It measures financial pressures (unexpected financial needs, having unpaid bills & credit, personal financial losses, impress people with things, the number of items as a sign of success) using a 7-point measurement scale from very unfair to very fair.

**Rationalization:** This questionnaire consists of 7 statements from Sitorus & Scot (2008) to measure rationalization (kindness purposes, temporary borrow, low pay, everyone does it, sacrifice for an interest, merit for office). Rationalization is measured using a 7-point measurement scale of highly unfair to very fair.

**DISCUSSION / ANALYSIS**

**RESULT**

**Respondent Profile**

Respondent profiles are shown in Table 1.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field of Work</td>
<td>Logistics = 88(24%)</td>
<td>Financial = 135(37%)</td>
<td>Public Service = 140(39%)</td>
<td></td>
</tr>
<tr>
<td>Length time of Work (year)</td>
<td>2–5 yr = 88(24%)</td>
<td>&gt;5-10* = 107(29%)</td>
<td>&gt;10-20* = 119(33%)</td>
<td>&gt;20* = 49(13%)</td>
</tr>
<tr>
<td>Position</td>
<td>Head= 19(5%)</td>
<td>Supervisor= 18(5%)</td>
<td>Asst. Superv.= 63(17%)</td>
<td>Staff=263(72%)</td>
</tr>
<tr>
<td>Education</td>
<td>SMA=35(10%)</td>
<td>D3=36(10%)</td>
<td>S1=214(59%)</td>
<td>S2/S3=78(21%)</td>
</tr>
<tr>
<td>Age (years)</td>
<td>&lt;25 =25(7%)</td>
<td>&gt;25-30 =58(16%)</td>
<td>= &gt;30-35 = 91(25%)</td>
<td>&gt;35-40 = 52(14%)</td>
</tr>
<tr>
<td>Gender</td>
<td>Male=163(45%)</td>
<td>Female= 200(55%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 1: Respondent Profile (number/%)*
Based on Table 1, it can be seen that based on the field of work, the highest number of respondents in the financial sector is 37% and the lowest one is the Logistics field which is only 24%. Regarding the length of time worked, respondents who worked around >10-20 years were the highest number of respondents. Also, based on the position, the staffs are the respondents with the highest number like 72% and the head is the lowest one at 5%. The highest number of respondents’ education was the S1 level at 59%. Based on age, respondents >30-35 are the highest age respondents at 25%.

Furthermore, the number of female respondents is 55% greater than male respondents who are only 45%, so this ratio is quite proportional. Also, the respondent profile by cities and regencies in Indonesia is not proportional to the number of each sample region. There are 64 cities and regencies in Indonesia based on selected sample areas, most of which are distributed on large islands in Indonesia, namely; Java, Sumatra, Sulawesi, Kalimantan, and other regions. The Java sample has 24 cities and regencies with 196 (53%) respondents being the high number of samples in this study. This number proportionate with the population of Java, according to the government statistically, Java is almost half of Indonesia's population. Nevertheless, Eastern Indonesia only has 4 regencies with 12 respondents being the lowest sample in this study.

**Confirmatory Factor Analysis**

The purpose of the confirmatory factor analysis is to test the validity and reliability of the latent variable dimensions. Exogenous constructs consist of Rationalization (RS) and Financial Pressure (FP) while endogenous constructs are Opportunities (OP) and Asset Misappropriation (AM). In the initial test, some standard loading indicator values are below 0.5 or do not match with the criteria, so it is excluded from the model to improve model fit. Indicators issued from the construct are; the rationalization constructs were RS4, the construct of financial pressure (FP) was FP5, and the Opportunities construct (Op) was OP4 and OP9. The revised goodness of fit model meets the specified criteria (CFI, TLI, RMSEA, CMIN / DF, GFI, AGFI) and the loading factor is above 0.5. Thus, the confirmatory factor analysis of the measurement model has resulted in an appropriate measurement model.

**Reliability and Validity Test**

The results of Reliability and Validity are shown in Table 2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
<th>√AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endogenous</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AM</td>
<td>0.752</td>
<td>0.867</td>
<td>0.981</td>
</tr>
<tr>
<td>OP</td>
<td>0.597</td>
<td>0.773</td>
<td>0.951</td>
</tr>
<tr>
<td><strong>Exogenous</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS</td>
<td>0.701</td>
<td>0.838</td>
<td>0.969</td>
</tr>
<tr>
<td>FP</td>
<td>0.780</td>
<td>0.883</td>
<td>0.971</td>
</tr>
</tbody>
</table>

**Source:** Data processed

Based on Table 2, it can be seen that the construct indicator of latent variables has met the criteria for convergent validity. All constructs also have a reliability value (CR) above 0.9 and extracted variance above 0.5. It can be concluded that all indicators in the measurement model have good reliability and validity in reflecting latent variables.

**Test Data Assumptions**

There are 3 (three) tests for data assumptions namely normality, outlier, and singularity testing. The result of multivariate normality testing was 9.888. This value is still above +2.58, but according to Kline (2011) it implied it is not a problem as long as multivariate normality is still around 10. Thus this data can be analyzed further. The second test is the multivariate outliers. Chi-square value at degrees of freedom with 28 indicators at p < 0.01 is equal to 56.892 (0.01, 28). Multivariate results from outlier data indicate that the most extreme Mahalanobis value is 45.824 which is smaller than the critical value. Thus there are no multivariate outliers. Finally, the final assumption test is singularity testing. The determinant of the covariance sample matrix is 481,295 or greater than 1. Thus, the covariance matrix is non-singular, therefore data can be analyzed.

**Structural Model Test - Goodness of Fit**

The structural model of the goodness of fit can be seen in appendix 1. The structural goodness of fit model shows a good model fit. Three evaluation results are at a marginal level with a probability of 0.000, GFI 0.881, and AGFI 0.858. The other Components; TLI 0.966, CFI 0.969, and RMSEA 0.051, that meet the fit criteria. Ghozali (2014) stated that Chi-square values are very sensitive to the size of the sample, so there is a tendency for Chi-Square to be always significant (Byrne, 2010). Therefore, it is advisable to ignore it and see other goodness fit values. In addition, Solimun (2010) and
Byrne (2010) stated that if one or two criteria meet accuracy, the model is good. The fit model index provides a fair fit model for structural models.

Analysis of Direct and Indirect Effects in Mediation Relationships

There are two mediation hypotheses that tested the mediating effect of the relationship between exogenous variables (rationalization and financial pressure) and endogenous variables (asset misappropriation) after being affected by mediating variables (Opportunities). Following the Baron & Kenny (1986) procedure, the mediating effect occurs if there is a relationship between the three related variables. The hypothesis (H3a) which opportunity mediates financial pressure to asset misappropriation tendency could not meet the criteria as Baron Kenny mediation procedures. The results of direct and indirect mediation relationships are presented in the following Table 3.

**Table 3: Direct and indirect effects in Mediation relationship**

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Direct Effect Without mediation</th>
<th>Direct Effect with mediation</th>
<th>Indirect Effect</th>
<th>Sobel Test</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM &lt;- OP &lt;- RS</td>
<td><strong>0.427</strong>*</td>
<td><strong>0.425</strong>*</td>
<td>0.3096</td>
<td>0.0000</td>
<td>0.7346</td>
</tr>
</tbody>
</table>

*Source: Primary Data Processed*

Based on Table 3, it can be seen the direct relationship between the Rationalization and asset misappropriation tendency before mediation is 0.427 (sig 1%). After the mediation of Opportunity, the direct relationship becomes 0.425 (sig 1%), the indirect effect is 0.309 and the Sobel test result is significant. Thus Opportunity has a mediating effect on the relationship between rationalization and asset misappropriation tendency; however, opportunities cannot mediate financial pressures on asset misappropriation tendency.

Causality Test Hypothesis

The structural model of this study can be seen in appendix 1. The structural model shows the causality relationship of the proposed hypothesis. A summary of the research findings is presented in Table 4.

**Table 4: Causality Test Hypothesis**

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H3a OP &lt;- RS</td>
<td>0.454</td>
<td>0.045</td>
<td>10.128</td>
<td>***</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3b OP &lt;- FP</td>
<td>0.002</td>
<td>0.034</td>
<td>-0.073</td>
<td>0.942</td>
<td>Rejected</td>
</tr>
<tr>
<td>H1 AM &lt;- RS</td>
<td>0.425</td>
<td>0.042</td>
<td>10.12</td>
<td>***</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2 AM &lt;- FP</td>
<td>0.061</td>
<td>0.028</td>
<td>2.154</td>
<td>0.031</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3 AM &lt;- OP</td>
<td>0.682</td>
<td>0.074</td>
<td>9.166</td>
<td>***</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

*Source: Data processed*

Testing the causality relationship between variables using structural equation models with AMOS software yields several important findings. Based on Table 4, it can be seen that most of the hypotheses are significant, only the relationship of financial pressures with Opportunities is not significant (0.942). There are 3 (three) hypotheses with a significant 1% and 1 (one) hypothesis with a significance at 5% (financial pressure on asset misappropriation tendency).

DISCUSSION

Relationship of Rationalization and asset misappropriation tendency

This study shows that rationalization has a significant positive effect on asset misappropriation tendency with a coefficient of 0.425 at a significance of 1%. With a significance level of $\alpha = 0.01$ (1%), that means there is strong evidence to accept hypothesis 1 which states that rationalization has a positive influence on asset misappropriation tendency. The higher the rationalization, the higher will be the tendency of asset misappropriation tendency. It can be concluded that this study supports previous research which argued rationalization is an important factor that motivates fraudulent behavior and has been widely expressed by many previous researchers (for example, Cressey, 1953; Wells, 2005; Zimbelman et al., 2014). In addition, it also supports the Fraud Triangle theory that has been studied for years that rationalization has a significant influence on fraud (for example, Cohen, 2011; Wells, 2005). Also, it also supports Krambia-Kapardis (2016) and Zimbelman et al. (2014) which stated that someone rationalizes dishonest actions so they do not feel guilty.

Relationship of Financial Pressure and asset misappropriation

This study found a significant effect of financial pressures on asset misappropriation; the result of the estimated parameters with a coefficient of 0.061 and CR 2.154 at a probability of 0.031 (sig 5%). CR value is better than the t-table (1.96). With a significance level of $\alpha = 0.05$ (5%), this means that there is strong evidence to accept hypothesis 2 which
states that financial pressures have a positive influence on asset misappropriation. This result supports the Fraud Triangle of Cressey (1953) which explained that the impulse or pressure to commit fraud arises as a result of financial pressure faced. These finding also supports the statement of financial problems are the main cause of someone committing fraud. This is also in line with Zimbelman et al. (2014) which also implied financial pressure is the most common type of pressure to commit fraud. Previous research stated that about 95% of fraud involves financial motivation or motivation to commit bad deeds. According to Albrecht (2007), the biggest pressure someone cheats were financial problems and Rae & Subramanian (2008) also implied that personal finance pressure and greed were the causes of fraud. Therefore, it can be concluded that financial problems are the main cause of someone committing fraud. The higher the financial pressure, the higher the asset misappropriation.

The relationship between Opportunity and asset misappropriation tendency

This research shows that there is a significant influence of opportunity on asset misappropriation. The result shows that the estimated parameters had a coefficient of 0.682 with a probability of 0.000 (sig 1%) and CR 9.166 which was better than t-table (9,166> 1.96). With a significance level of α = 0.01 (1%), this means there is strong evidence to accept hypothesis 3. It can be concluded that opportunities have a positive influence on asset misappropriation. The results of this study support the Fraud Triangle by Cressey. Opportunity is one of the factors that influence fraud, the higher the chance to commit and hide fraud, the higher the probability of fraudulent behavior. When opportunities increase, fraud also increases (Cohen et al. 2011). This also supports Kassem and Higson (2012) who claim fraud can be caused by pressure, rationalization, or solely by opportunity. This study is also in line with the previous researcher's statement that the weakness of internal control allows very little detected fraud. Opportunities or lack of internal control can lead to fraud. Majid et al. (2010) argue that a lack of internal control is a factor that can lead to misappropriation of assets. In addition, Kenyon and Tilton (2006) claim that a lack of supervision, poor internal control, and insufficient separation of duties can create fraud.

Relationship Opportunities, Rationalization, and Asset misappropriation tendency

As explained above, there is a significant relationship between rationalization and Asset misappropriation tendency. In addition, this study shows that Rationalization has a direct relationship with Opportunity with a coefficient of 0.454 and a significance of 1% (p-value 0.001) at a CR of 10.128. The direct relationship of Rationalization (RS) with asset misappropriation before mediation has a coefficient of 0.427 and a significance of 1%. After being influenced by the mediating effect, the direct relationship of Rationalization (RS) to asset misappropriation tendency has a coefficient of 0.425 with 1% significance, the indirect effect mediates by opportunity has a coefficient of 0.061 and CR of 2.154 and a probability of 0.031 (sig 5%). This means that there is evidence to accept hypothesis 2, financial pressure has a positive influence on asset misappropriation. However, the relationship between financial pressures and opportunities statistically shows an insignificant relationship that has an estimated parameter coefficient of 0.002 and CR -0.073 and a significance of 0.942. This cannot fulfill the mediation relationship procedure based on Baron and Kenny (1986). Thus the mediating effect of Opportunities on the relationship between financial pressures and asset misappropriation cannot be tested. There is no relationship between financial pressures and opportunities. This result cannot yet explain the strength factor of each Fraud Triangle elements (Cohen et al., 2011; Kassem & Higson, 2012). The effect of the opportunity to mediate one's financial pressure on asset misappropriation tendency cannot be proven.

CONCLUSION

Rationalization, Financial Pressure, and Opportunity have a significant positive effect or play an important role in Asset misappropriation tendency. Furthermore, Opportunities mediates the relationship between Rationalization and Asset misappropriation tendency; however, the opportunity does not mediate the relationship between Financial Pressure and Asset misappropriation tendency. In this study, the authors have built a model that examines asset misappropriation in the
government sector in a developing country and has examined the influence of element strength of the Fraud Triangle in Asset Misappropriation.

Academic studies on Asset misappropriation are rather very limited; this research can be considered a limited study that investigates asset misappropriation in the government sector in developing countries and has examined the influence of element strength of Fraud Triangle in Asset Misappropriation that has been criticized by previous researchers; therefore, this study can make a huge contribution to the literature on asset misappropriation in the government sector in developing country and supports the Fraud Triangle Theory. This study also has several practical implications for being a source of information to formulate policies in fraud prevention and detecting misappropriation of assets that will improve management control systems in the government sector in developing countries.

LIMITATION AND STUDY FORWARD

This study is only a quantitative study, further studies related to misappropriation of assets need to be explored and examined in different and more in-depth settings. This analysis must be supported by other data collection methods. Direct interviews will also support descriptive explanations from existing quantitative analyzes.

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REFERENCES


Appendix 1: Structural Model

Source: Output AMOS of Data Processed