

## Disclosing the Potential for Fraud in the Flow of Funds at "Dana" Cooperative

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### ARTICLE INFORMATION

#### Article History:

Received September 21, 2022

Revised December 09, 2022

Accepted June 19, 2023

#### DOI:

[10.21532/apfjournal.v8i1.304](https://doi.org/10.21532/apfjournal.v8i1.304)



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### ABSTRACT

*Apart from being a pillar of national economic development, cooperatives also play a role in improving the welfare of their members. The whole process of managing cooperatives must be based on the principles of good organizational governance. However, the good role of cooperatives in supporting the national economy has not been realized properly. Cases of fraud still often occur in the process of managing cooperative funds which have an impact on the sustainability of cooperatives and stakeholders. In every case of fraud there must be motives behind it. This study aims to identify the potential for fraud and its motives at "Dana" Cooperative in X Village, Y Regency, East Nusa Tenggara Province. This research uses a qualitative approach with a case study method. The data used in this study are primary data, obtained through Focus Group Discussions (FGD) and interviews, and secondary data from supporting documents. The results of this study indicate that there is a potential for fraud in managing funds at "Dana" Cooperative in the form of asset misappropriation. The funds managed by the cooperative are funds obtained from funding program for the independent villages launched by the provincial government. Fraud motives include pressure, opportunity, and rationalization.*

*Keywords: Management of Cooperative Funds, Potential for Fraud, Fraud Motives.*

### How to Cite:

Hapsari, A. N. S., Utami, I., Kean, Y. Y. W., Theotama, G. (2023). Disclosing the Potential for Fraud in the Flow of Funds at "Dana" Cooperative. *Asia Pacific Fraud Journal*, 8(1), 169-182. <http://doi.org/10.21532/apfjournal.v8i1.304>.

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Association of Certified Fraud Examiners (ACFE)  
Indonesia Chapter  
Page. 169-182

## 1. INTRODUCTION

Cooperatives are the pillars of the economy in Indonesia, which means that cooperatives have an important role in the development of the national economy. Cooperatives also play an active role in improving the economic welfare and quality of life of their members (Kemenag Jawa Tengah, 2019). According to Law of the Republic of Indonesia Number 17 of 2012 concerning Cooperatives (2012), Cooperative is a legal entity established to improve the welfare of members and society based on the values of kinship, responsibility, democracy, equality, fairness and independence. Cooperatives have been continuously developed since 2014 with an orientation towards quality development. The contribution of cooperatives to the National Gross Domestic Product (GDP) continues to increase and in 2019 it reached 5.1%. This indicates the existence of welfare for members of the cooperative and society and equity for economic development, although the number is still relatively small. In 2020, the government modernized cooperatives (Sugiyanto, 2021). Cooperatives as a pillar must start from the village, as an independent and autonomous region (Setiawan, 2022). This village autonomy means that the village has the right to manage finances to maintain and advance its area (Aziz, 2016).

The good role of cooperatives to support the national economy is in fact not working properly. Fraud still often occurs in the management of cooperatives, especially in the management of cooperative funds. An example is the case that occurred in the Cooperative "BMT Nur Ummah Solo". The chairman of the cooperative management was named a suspect in a corruption case with a value of up to IDR 1 billion. The Cooperative "BMT Nur Ummah Solo" engineered the cooperative's bookkeeping with a scenario as if the cooperative suffered losses in the current year and the previous year. This cooperative then submitted a proposal to the Revolving Fund Management Institution for Micro, Small and Medium Enterprises (MSME)

and Cooperative with liquid funds of IDR 1 billion. However, these funds were not distributed to members but were used for other purposes that were not in accordance with their purpose. In addition, there were 210 registered members but the data was fictitious (Khairina, 2022). The next case occurred in the "Bhinneka Karya" Cooperative, Pamekasan Regency, East Java, where the management was suspected of having committed corruption with a total value of IDR 5.4 billion. This action was carried out by falsifying balance sheet reports from year to year. The total number of cooperative members who suffered losses in this case reached 400 people (Laily, 2021).

Cases of fraud that occur in the management of cooperative funds not only harm its members, but also reduce the level of trust of members and the public in cooperatives. The occurrence of fraud in the management of cooperative funds shows that the implementation of the principle of transparency has not run optimally. Management of cooperatives as a whole must be based on the principles of good organizational governance. The principles of good governance, consisting of transparency, responsibility, independence, accountability and fairness, have a significant influence on cooperative performance (Marlina, 2019). The principles of governance in the management of cooperatives need to be realized optimally because good governance can help mitigate the potential for fraud. However, currently not all cooperatives implement good governance, so the potential for fraud to occur is still very high.

According to Deni & Riswanto (2019), in their research on the financial management of Higher Education Cooperative, the principles of transparency have been applied and realized by providing information on recording every income and expenditure to members on a regular basis through print and electronic media. Ibrahim (2021) states that most savings and loans cooperatives (KSP)

in Cirebon Regency have not been able to realize the principle of transparency because there is a family relationship between the management and supervisors, so they are unable to create a professional working relationship. This has an impact on cooperative members because they are not given the right to obtain information on cooperative management. According to Finanto & Ismawanto (2020), Cooperative "Politeknik Balikpapan" has not applied the principle of transparency in its financial reports and special reports on business results due to low management commitment, lack of accuracy in budget planning, and limited knowledge about risks.

Every fraud that occurs in an organization has a motive behind it, including fraud in the management of cooperatives. One of the driving factors for fraud is opportunity. This factor usually arises due to weak internal controls or abuse of authority. An example is the case at KSP Tinara Banyuwangi. The cooperative manager was prosecuted for 5 years in prison for embezzling customer funds of up to IDR 14.4 billion and causing losses of up to IDR 260 billion. The cooperative manager used customers' funds and did not pay interest for personal gain (Nurhadi, 2021). A similar case also occurred at KSP Indosurya Cipta. The embezzlement of customer funds was carried out by KSP (savings and loans cooperative) officials causing investors to lose up to IDR 15 billion (Respati, 2022).

Based on the phenomena described above, this study aims to identify the potential for fraud and the motives behind it at **"Dana" Cooperative in X Village, Y Regency, East Nusa Tenggara Province**. X Village was chosen because it is one of the five villages that received twice as much as the amount of funds received by other villages to be managed by its cooperative, or worth IDR 500 million.

It is hoped that this research can be used as evaluation material for X Village to improve control and implement better governance in the management of funds

at "Dana" Cooperative, so as to reduce the potential for fraud. In addition, this research is also expected to be used as a guideline by the related regency and provincial government in developing cooperatives and evaluating the management of cooperative funds so that the main goal of cooperatives to improve the welfare of their members can be realized. For academics, this research is expected to be able to explain fraud that has the potential to occur in cooperative fund management and the motives behind it so that it can add insight for future research development.

## 2. LITERATURE REVIEW AND HYPOTHESIS

### Fraud

Discussing the potential for fraud in the management of cooperative funds cannot be separated from the basic concept of fraud itself. ACFE (2018) explains that fraud is an act of abuse of position to gain personal gain by misusing the resources or assets of the organization. Fraud can also be interpreted as an intentional act of deception that is carried out to gain the advantage from other people unfairly (Arens *et al.*, 2014). According to Romney & Steinbart (2015), things that are categorized as fraud include disclosing wrong information, material facts that encourage someone to have a motive for committing fraud, trust given to the perpetrator, and losses suffered by victims of fraud. Until now, fraud is still a very serious issue for the organization and the stakeholders involved in the organization (Trompeter *et al.*, 2013).

ACFE (2022), in *Occupational Fraud 2022: A Report To The Nations*, categorizes fraud into three: misappropriation of assets, corruption, and fraudulent financial reporting. Misappropriation of assets is an act of using assets for improper purposes or stealing organizational assets. Corruption is an act of fraud which includes abuse of power, gratuities, bribery, extortion, and illegal receipts. Meanwhile, fraudulent financial reporting includes the manipulation of information

contained in financial statements with the aim of deceiving others to gain profit.

In every fraud there must be a motive behind it. Motives in fraud can be explained through a fraud framework. The fraud framework was first presented by Cressey (1953) in his research and known as the Fraud Triangle. The Fraud Triangle explains that there are three motives for fraud: pressure, opportunity and rationalization. Fraud perpetrators must face pressure which will then encourage them to engage in unethical behavior. Over time, Wolfe & Hermanson (2004) developed the Fraud Triangle framework into a Fraud Diamond by adding capability factor. Fraud can also occur in the presence of capability. Fraud Diamond was further developed by Howart (2010) into Fraud Pentagon by adding the arrogance factor. Arrogance is an attitude of individual pride by assuming that he is capable of committing fraud (Aprilia, 2017). Vousinas (2019) then developed Fraud Pentagon into Hexagon Fraud by adding the collusion factor, where fraud can also occur due to collusion factor.

### **Management of Cooperative Funds**

According to Law of the Republic of Indonesia Number 17 of 2012 concerning Cooperatives (2012), A cooperative is a business entity consisting of individuals or cooperative legal entities with the separation of the wealth of its members as capital for running a business which fulfills common aspirations and needs in the economic, social and cultural fields in accordance with the values and principles of cooperatives. As stipulated in the Law of the Republic of Indonesia Number 17 of 2012 concerning Cooperatives (2012), the process of managing finances in cooperatives is the task of the management of cooperatives. At the beginning of the period, the management will prepare a work plan and budget plan for the cooperative's income and expenditure which will then be submitted for joint discussion at the member meeting. Then, in the current period, the financial books

and inventory owned by the cooperative will be recorded simply. At the end of the period, the management will be responsible for compiling the final financial report and accountability for the implementation of tasks to be submitted at the member meeting.

In managing cooperative funds, it is necessary to pay attention to the procedures for channeling funds to each member of the cooperative and the payment of installments. Based on the Standard Operating Procedures for Savings and Loans Cooperatives (KSP) by the Central Kalimantan Cooperatives and UKM Service (2004), there are several procedures that need to be carried out by cooperatives regarding the distribution of funds and installment payments which include procedures for lending, procedures for loan analysis, procedures for dropping loans, payment procedures for loans and loan repayments. First, in granting loans, members apply in writing using the Loan Application Letter form attached with the member's identity. Then, the Loan Staff needs to pre-analyze the submitted application. The results of the pre-analysis determine whether the application is accepted or rejected. If the application is accepted, the Loan Staff then forwards all relevant juridical documents and data to the Legal and Documentation Section and the Collateral Taxation Section. Furthermore, the Legal and Documentation Section will carry out a juridical analysis, while the Collateral Taxation Section will carry out a guarantee assessment. All results of analysis and completeness of related documents are then submitted to the Loan Committee at a joint meeting. The Loan Committee will then make a final decision whether the loan is rejected or accepted. In the final process, the Legal and Documentation Section prepares all data for the collateral binding and collateral release processes.

The second procedure is the loan analysis procedure. This procedure aims to ensure that loans that will be given to cooperative members at a later time can be

returned. This analysis is carried out using the 'willingness and ability to pay' analysis approach. The aspects analyzed include the ability to earn profits, total loans to other parties, routine expenses outside of business activities, the possibility of other expenses outside of business activities, simple calculations for loans, and installments of members on a micro scale.

The next procedure is related to the loan release procedure. In this process, the Loan Administration Section will receive all documents that have been approved by the Legal and Documentation Section. Furthermore, the Loan Administration Section records loans to Loan Cards and Loan Installment Books and prepares transaction slips and loan withdrawal slips to be submitted to the Manager for approval. Documents that have been approved by the Manager will be further processed by the Cashier regarding the disbursement of loan funds. Finally, the Bookkeeping Section records it in related journals, such as the cash disbursement journal, and documents all supporting files.

The fundraising process must be implemented in accordance with applicable regulations and procedures. Cooperative funds can be collected from members, prospective members, and members of other cooperatives. Collection of funds from prospective members and members of other cooperatives is only valid if they are located in a legal cooperative area, in accordance with the Articles of Association and Cooperative Legal Entity, cooperatives with a larger capacity, and must obtain approval from the Member Meeting. Cooperatives are required to have a written Standard Operational Procedure (SOP) signed by depositors or equity partners to prevent money laundering. In addition, cooperatives must also have provisions regarding interest rates on deposits and incentives for equity participation, provisions on levels of remuneration for members' participation in principal savings and mandatory savings, and

provisions on protection of deposits that do not conflict with applicable regulations.

### **3. METHODS**

#### **Types of Research and Data Collection Techniques**

This study uses a qualitative approach with a case study method based on the objectives to be achieved: exploring the potential for fraud and the motives behind it in the operational activities of the "Dana" Cooperative in X Village, Y Regency, East Nusa Tenggara Province. The data used in this research are primary data and secondary data. Primary data were obtained by carrying out Focus Group Discussions (FGD) and interviews with several sources, while secondary data consisted of available documents, such as examples of loan application forms, installment books, and data related to cooperative members. The FGD was carried out by presenting related parties, such as the Head of Cooperatives and Small and Medium Enterprises, staff representatives from the Village Community Empowerment Service, Village Head, Village Secretary, former Village Head, cooperative management, BUMDes manager, BPD chairman, Pokdarwis chairman, and representatives from several other community members. Meanwhile, interviews were conducted separately with members of the public who knew information about cooperatives.

#### **Research Stages**

After collecting the data, the next step is to analyze the data using a qualitative approach. The first thing to do in this stage is to map the data from interviews and the results of the FGD activities by giving a specific code related to the answers of the informants and removing data that is considered less relevant to the research problem. The next step is to triangulate sources by comparing the answers of each informant regarding the research issues reviewed. The purpose of triangulation is to test the validity of the data obtained

through the consistency of the answers to the questions given, including comparing the answers of the informants for the same question items. Triangulation is also carried out by comparing the results of interviews and FGD with secondary data in the form of supporting documents as previously presented. The aim is to confirm and test the alignment between the data sources. The next stage is presenting the data which results in reduction and triangulation to be presented in the form of a descriptive narrative. The last is to draw conclusions to answer the questions developed in this study, ie, determining the potential for fraud that arises in cooperative operational activities, especially related to the distribution of loan funds, and mapping the motives if this potential for fraud occurs again in the future.

#### 4. RESULTS AND DISCUSSION

##### Description of Research Object

This research takes objects in X Village, Y Regency, East Nusa Tenggara Province, Indonesia. This village is one of 24 villages in Y Regency that has received funding from the provincial government's funding program for independent villages. The background to this fund revolving program is due to the economic condition of East Nusa Tenggara which is still in the category of the third poorest province in Indonesia. This program is expected to be able to reduce the poverty rate throughout the East Nusa Tenggara province, which is the province's goal.

The funding program for the independent village has started since 2011 (Lewokeda, 2017). Since then, all forms of innovation have continued to be carried out, one of which is the establishment of "Budget Cooperatives for Communities towards Prosperity". In principle, the purpose of establishing this cooperative is still the same, as an alternative to alleviating people from poverty. This is supported by the Government of Indonesia through a policy which states that cooperatives must be able to grow rapidly and include as many community members as possible

who are spread evenly throughout the country so that cooperatives can truly realize their role as the pillars of the national economy and become the main forum for community economic activities.

Referring to the practice of funding cooperatives for independent villages, this research focuses on one research location: in X Village, Y Regency, East Nusa Tenggara Province which has received funds disbursed twice as much as the amount of funding assistance given to other village cooperatives, or 2 x IDR 250 million. The total funds of IDR 500 million were received in two stages with different management. The funds were received starting in 2017 and at that time IDR 500 million was a very large nominal for the villagers, and especially for those who were appointed to manage the funds through the cooperative. The "Dana" Cooperative finally started operating with the main objective of channeling these funds to community members who needed capital assistance to open a business, or develop a business, so that in the long run the community's economy would be much better.

Based on interviews with several informants, it was found that out of a total receipt of IDR 500 million, IDR 180 million was left in bank accounts, which means that around IDR 300 million was circulating. The last data obtained was that the amount of money in circulation was bad credit or failure to pay loan installments by members of the public, which until the time this research was carried out there was still no way out. Other supporting data shows that a loan of IDR 300 million was only used by 44 people out of a total population of 700 people. Meanwhile, its average use was for consumptive purposes.

##### The Potential for Fraud in Distribution of Cooperative Funds

Fund distribution activities at the "Dana" Cooperative began in 2017, coinciding with the socialization of grants from the funding program for independent villages by the East Nusa Tenggara Provincial

government. On the one hand, at that time X Village itself was not yet ready for a cooperative institution. But on the other hand, the government would only distribute these funds to institutions in the village, not individually. This had the consequence that the village government had to prepare cooperative institutions along with all administrative equipment so that assistance funds could be distributed immediately and in the end "Dana" Cooperative with initial members of 12 people was established. Next, the assistance funds received were handed over to the management of "Dana" Cooperative with the knowledge of village government officials. The funds rolled out to the "Dana" Cooperative were IDR 500 million. It was hoped that these funds could be distributed to members of the local village community as initial capital for businesses or business development in order to improve their economy in the short term. In addition, it was also hoped that East Nusa Tenggara would no longer be a province included in the poor category.

The management of these assistance funds in "Dana" Cooperative has so far focused only on lending activities, not yet on saving activities. This is in accordance with what was conveyed by the Head of X Village:

*"Until now, the activities have focused on channeling government assistance funds to cooperatives, to help people who do not have funds for business. For savings, they usually prefer to go to the bank or even to private cooperatives".*

The initial procedure for channeling loan funds is an application from members of the cooperative, who in this case are asked to submit a written application by filling out a form containing personal identity, loan amount, and the need to use the loan. This form is signed only by the applicant, but is not accompanied by supporting documents, such as an identity card / driving license. This is in accordance with the statement submitted

by the treasurer of the cooperative:

*"Yes, if they want to borrow, they have to fill in a form first. Forms can be picked up at the village office or ask me. The form must be filled in and signed... Then the form is returned to me or it can be through the village head to then be disbursed in cash".*

This statement is in line with what was conveyed by the Head of X Village:

*"So far, we have used the kinship system, because the borrowers are members of the community, so their names and addresses must already be known, there is no need to use ID cards or other documents. As long as they have filled out the form, that's enough..."*

The risks that arise in the loan application procedure include problems with the legitimacy of the borrower's data, because filling in forms is still done manually and without supporting documents such as ID cards or driver's licenses. Submission of loan applications by members is done on the basis of kinship and knowing each other only. The form is not even approved by other family members or the head of the local hamlet if problems are found later in applying for a loan or paying installments. Furthermore, the potential for fraud that may arise in the loan application procedure is the misuse of assets in the form of money as loan funds. If the applicant's data is not accompanied by validation from the authorities and other valid supporting documents, the data has the potential to be misused for improper purposes.

The next procedure in loan disbursement activities is loan analysis which is used to gain confidence that loans given to members can be returned in time according to the scheme required by the cooperative. The analysis carried out should include aspects of willingness and ability to pay installments. However, in reality, the "Dana" Cooperative does not carry out a loan analysis in accordance with the theory and rules that have been developed. The

basis for not doing this procedure is a sense of knowing each other and close kinship. In addition, most of the members of the cooperative are community leaders, village government officials, and managers of village self-help groups, so the cooperative management does not need to carry out this loan analysis procedure. This was conveyed by a former village head, a local community figure:

*"The number of cooperative members at that time was still small,..just us... So we felt confident that they would be responsible for the borrowed funds... Moreover, one and the other definitely knew each other, so we just believed".*

This statement was also confirmed by the treasurer of the cooperative:

*"At that time, the important thing was that the funds flowed first, because that's the message from the government. So that lengthy procedures were not carried out... We just distributed the money, the administration was still carried out but because we already knew each other, a survey was not carried out first."*

The risk that can be identified from the absence of a loan analysis procedure is the wrong target of lending which results in failure of installment payments. The main purpose of rolling out cooperative funds from the independent village funding program is to improve the economy of the community members. So, the distribution of these funds is directed at activities that can provide benefits to the community so that they are more productive through businesses that are planned, carried out and developed. However, this goal will not be achieved if the funds are channeled to the inappropriate members, although in this case all members have the right to apply for a loan. Inappropriate here can be interpreted from several things, such as members who do not really need funds for business capital or in other words loan funds are used for consumption, and members who do not have the commitment and ability to pay installments. These conditions will lead to the potential for

fraud in the form of misappropriation of assets.

Next is the loan disbursement procedure. In this procedure, the management of the cooperative, represented by the treasurer and chairman, will disburse the funds in the cooperative's bank account and then give them in cash to the borrowers. The mechanism is that the cooperative management will inform the borrower when the funds have been disbursed, and then a handover of money is carried out in the amount according to the proposal accompanied by an installment book containing information on the amount of installments each month (principal and interest), the installment payment period until repayment, as well as other administrative rules including provisions for fines if there is a delay in installment payments. Loan disbursement is usually carried out at the village office in the presence of several witnesses consisting of cooperative management and village government officials. This is supported by a statement from the treasurer of the cooperative:

*"After knowing how many loans are needed, I usually disburse the money together with the chairman at the bank and then immediately inform the members (borrowers)... Usually it doesn't take long from the time of application, and the funds are disbursed..."*

In line with the statement of the treasurer of the cooperative, the former head of X Village also stated:

*"The problem is that if they have submitted an application they feel that the money will immediately enter their pockets, so the administrators usually disburse it immediately and in a short time the funds are given to the members (borrowers)... I witnessed the handover of the money several times at the village office and at that time they (borrowers) will confidently be responsible for the funds".*

The risk that may arise in the loan release procedure is a miscalculation or the presence of counterfeit money given in



cash to the borrower. In this case, there is no risk of having a different party between the party applying for the loan and the recipient of the funds, because the rules set by the cooperative management state that loan funds must be given to members who apply for loans, or in other words, cannot be represented by other people. This will certainly minimize the potential for fraud in the form of misappropriation of assets.

After the loan funds have been released, the next procedure is the loan installment payment procedure which begins one month later. Installment payments are made a maximum of the 10th of each month and if there is a delay, a fine will be imposed. The money for loan installment payments is given to the treasurer of the cooperative, and as proof of receipt of payment the treasurer of the cooperative will put a signature on the borrower's installment book. Loan installment payments are usually served by the cooperative treasurer at the village office at certain hours to make it easier for borrowers to fulfill their loan installment payment obligations. This is in accordance with what was stated by a cooperative member who had ever been a borrower:

*"In my experience, if I pay, I come to the village office, look for the treasurer, then we pay off the debt. And if it's received, we get a signature on the installment book, then we can go straight home".*

This statement was also confirmed by the treasurer of the cooperative:

*"I usually come to the village office to receive money owed by members (borrowers)... If they have paid, I will mark it in the installment book and in my book, there should be no mistake in matching my data with theirs"*

The most prominent risk in the loan installment payment procedure is the delay in payment time and the discrepancy in the installment amount. From the results of interviews with several informants, it was found that there were many loan arrears that had no solution to date. In addition, the installment payment data

often does not match the agreed monthly installments. The fine mechanism is also not implemented when there is a delay in installment payments. The Head of X village stated:

*"Well, this is the problem, they want to get money quickly, but are always late in paying... The reason is that the rice fields have not yet been harvested, or to pay other installments first, and the cooperative will be next"*

*"There is a fine mechanism, but it is not enforced for that"*

The same thing was also conveyed by the former Head of X Village and the BPD Chairman:

*"It's been like that since long ago, when it's time to pay they forget their obligations, but when they enjoy it, that's already the right of the members"*

*"This bad fund has been a problem in this village for a long time, until now there has been no solution, every time they are invited to meet to discuss this problem, it seems that everyone is avoiding it, so I feel that there is no solution for this..."*

The main problem in the loan installment payment procedure has also received special attention from the regency government as an extension of the provincial government, which in this case is the task of the Office of Cooperatives and Small and Medium Enterprises of Y Regency, East Nusa Tenggara. Many efforts have been made by related agencies, such as hearings with cooperative management and direct visits to the village to obtain data on borrowers who have failed to pay their obligations, including inviting them to socialize the importance of cooperatives in advancing the village economy. However, so far the results are still nil. These borrowers tend to be defensive about everything related to cooperative and instead prefer to use other financial services as an option to help them financially. This was conveyed by the Head of the Cooperatives and Small and Medium Enterprises Office of Y Regency:

*"I am confused with this cooperative. Why has this cooperative been stagnant for so long? Why did they choose the "good morning" cooperative, which billed them with exorbitant interest everyday. The government has provided soft funds and they are only asked to be obligated to pay, how come it is difficult. If it's like this, it's difficult to be able to help residents"*

Almost all stakeholders in X Village have realized the reality of what is happening, but in fact the intention and commitment to resolve this problem are still not strong enough. If this condition is allowed to drag on longer, the potential for fraud in the form of misappropriation of assets will actually occur. Funds that are originally intended for residents who need business capital using a soft loan mechanism through cooperatives are not managed properly. There are even indications that these funds are used for personal or consumptive interests and are far from the government's initial goal of increasing the people's economy.

The last procedure in the activity of channeling loan funds at "Dana" Cooperative is loan repayment. So far this has never been done. All borrowers still have outstanding loan balances. This has the potential to disrupt the cash flow owned by the cooperative, and in the long run there will be no development of fund assets originating from the cooperative's revolving funds. Overall, the procedures carried out related to loan disbursement activities resulted in misuse of assets.

### **Discussion**

The results of this study indicate that the purpose of establishing a cooperative in X Village is to accommodate the need for distribution of funds obtained from the funding program for independent villages. The program was initiated by the provincial government with the aim of improving the economy and alleviating poverty in rural communities. It seems that the establishment of the cooperative is carried out in a hurry, bearing in mind that there are still many limitations both

in terms of infrastructure and human resources. However, this cooperative can still carry out its business activities even though it is in a simple and conventional way. This is evidenced by the ability of this cooperative to distribute funds of approximately IDR 300 million to 44 members out of a total of 700 villagers. On the other hand, fundraising activities through members' savings have not been carried out at all.

"Dana" cooperative is currently experiencing suspended animation where the circulation of loan funds is stagnant and there is no settlement that can accommodate all parties. The biggest risk is found in the loan installment payment procedure, where there are significant arrears in payment. In the long term this leads to potential fraud in the form of misappropriation of assets. Assets in the form of government assistance funds, which originally had a positive purpose as a form of government responsibility for the welfare of village communities through cooperative institutions, have been misused, even for personal gain. This allows fraud to occur if the arrears in installment payments are left unattended without a clear settlement from the stakeholders.

The potential for misappropriation of assets as a form of fraud in lending activities at "Dana" Cooperative can occur due to several motives, one of which is pressure. In 2017, the provincial government was indeed active in its efforts to eradicate poverty by mobilizing cooperatives, in accordance with Indonesian culture, as the pillars of the Indonesian economy. This condition then became "pressure" for many villages to immediately establish cooperative in order to obtain loan funds for village communities. The fear of not getting loan funds from the funding program for independent villages had become a force to establish cooperative with all forms of administration without further considering the sustainability of the cooperative business itself. And in the end, it leads to the potential for fraud

in its business activities. According to Lamawitak & Goo (2021), the pressure to commit fraud can also come from economic conditions. The higher the individual's economic pressure, the higher the individual's desire to commit fraud.

The next motive for asset misuse is opportunity. The leniency in payment of loan installments provided by related parties has triggered fraud. Provisions and mechanisms related to loan installment payment activities are not implemented properly. For example, the imposition of fines for late payments has never been implemented. In fact, this opportunity is used by borrowers to be in arrears and seem to have "forgotten" their obligations to pay off their debts. In this case, the holders of power, such as the provincial and regional governments, are less assertive. The absence of social and legal consequences for those who are in arrears is enough to bring fresh air to borrowers who have previously enjoyed loan funds without thinking about their payment obligations. In addition, there are not many supporting documents that are supposed to be needed for the loan administration process, because almost all of the files are managed by the previous management. The results of research conducted by Larasati & Sujana (2021) at Mitra Jaya Cooperative, Buleleng Regency, show that accounting fraud can occur due to opportunities caused by weak internal controls on the part of cooperative members and supervisors.

Rationalization is also one of the motives for the potential misuse of assets. Statements such as "no pay, no problem" or "the others don't pay, so I don't either" indicate that they are rationalizing as if the funds that have been used up through the loan mechanism in cooperatives are a "free" gift from the government that does not demand any consequences behind it, including the obligation to pay loan installments. In this case, the three fraud motives initiated by Cressey (1953) are found in the research results. In addition to these three motives, the potential for asset misuse can also occur due to a less strong

leadership style, both in cooperative and in village. Cooperative management tends not to care about the suspended animation conditions experienced by the cooperative. Cooperative administrators are very busy taking care of other things that are far more important. Likewise, leaders at the village government level think that village development through village-owned enterprises (BUMDes) is much better than cooperatives, so the focus on "building" cooperative is smaller. The village community, as members of the cooperative, also lacks awareness of the importance of assets in the form of loan funds for improving the macro economy. The condition that bad credit will hinder the fulfillment of the rights of other members to also apply for loans seems to be poorly understood. The government is expected to play a role as carrier of literacy related to cooperatives, the main purpose of channeling government loan funds through cooperatives, and the rights and obligations of cooperative members, so that the potential for misuse of assets can be properly mitigated. Meanwhile, aspects of cultural sociology in Flores include:

*"Siku Ma'e Meko Lima Ma'e Lama, Ngawu Ata Si Ngawu Ata, Ngawu Kita Si Ngawu Kita, Ate Ma'e Nara L'eka Ngawu Ata"*

*"Kema Ngere Ata Koo Ka Ngere Ata Bhandu, Kumu Dau Jubu Lima Dau Bitu, Wa'u No Runga No Ra, Kema Sama Rupa Ndawi Lima, Boka Ngereli Bere Ngere Ae"*

which means:

*"Don't steal, other's is other's, ours is ours, don't covet your neighbor's"*

*"Work like a servant, eat like a rich man. You have to work hard, work together, prioritize mutual cooperation"*

This contains a philosophy that we must not cheat and we must prioritize the interests of society. Unfortunately, this has not been implemented in the management of this cooperative.

## 5. CONCLUSION

The results of this study indicate that the business activities at "Dana" Cooperative, X Village, Y Regency, East Nusa Tenggara Province have the potential for fraudulent misuse of assets in the form of funds from the funding program for independent villages rolled out by the provincial government as an effort to alleviate poverty as well as improve the community's economy. This potential for fraud arises due to the condition of arrears in payment of loan installments made by several members of the cooperative. The motives underlying the potential for fraud are pressure, opportunity and rationalization. There needs to be concrete steps from stakeholders to overcome the problem of arrears in installment payments, so that the potential for fraud can be minimized. Theoretically, the implication of this research is that the positive culture that is believed in this area is not enough to be a means of mitigating the potential for misappropriation of assets in the activity of channeling loan funds through cooperative. In addition, theoretically, the causal factors in the fraud triangle are also the motives for the potential for fraud in this study. Practically, the implication of this research is that there is a need for an evaluation and hearing from stakeholders regarding the urgency of the suspended animation condition of this cooperative. Furthermore, the government needs to formulate policies to accommodate these problems so that they do not get worse which have an impact on fraud cases with legal consequences. This research takes the topic of fraud, a topic that has high sensitivity, so that when carrying out the focus discussion group (FGD) many members of the cooperative choose not to attend because they think that if they are invited to meet with a cooperative discussion it means that they will be billed to pay their obligations. It is necessary to carry out a similar research by taking other

cooperatives in the same area as research objects as a comparison with cooperatives that are classified as successful in developing their turnover. In addition, further research is recommended to identify forms of anti-fraud strategies that can be used to mitigate the risk of fraud in managing loan funds in cooperatives.

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