

Social Relations Behind Fraudulent Behavior: Enrichment of The Fraud Triangle Theory

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Abstract

This research aims to understand how village budget fraud is likely to occur because of patron-client social relations in the village government bureaucracy. This research uses qualitative methodology with an ethnographic exploration approach. They were collecting data through field observations and in-depth interviews with informants. The selection of informants uses a snowball technique approach. The field findings show that the social relations of village government heads with political sponsors have decreased the accountability performance of the village government. Political sponsors are not part of the village apparatus but intervene in many bureaucratic affairs of the village government. That successfully created a patronage influence on the ranks of village devices. Such circumstances make the internal control system malfunction so that financial procedures do not run as they should. In the end, the bond of social relations in the bureaucratic environment gives rise to the tendency of fraud to the village budget. This research enriches the theory of triangle fraud by including elements of social relations in the model.

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1. Introduction

There is no gift; all gifts always require assistance or reward (Mauss, 1992). "Giving" in the sense of social interaction will involve a minimum of two parties giving each other and at the same time or may also occur at different times, the parties act as "recipients" and "givers." In public sector organizations, giving to each other as a reward is malpractice. (Maulidi, 2020). Research on violations of public sector organizations in the form of acts of corruption (Ibietan, 2013; Kruger, 2019; Monteduro et al., 2016). Fraud risks can occur in the public procurement process. (Kruger, 2019; Rendon & Rendon, 2015; Rustiarini, Sutrisno, et al., 2019; Rustiarini, T, et al., 2019). Fraud violations occur due to the failure of internal control systems in the organization's operations (Bali, 2018; Huefner, 2011). Some of the above studies have not seen the social dimension that can lead to fraud in public organizations. The social extent of this research is the patron-client social relationship model that contains the element of mutual "giving" mutually.

Many concepts explain the social relations model, but this research emphasizes the patron-client relationship model. In Scott's view (1972), a client patron relationship is a bond of two or more persons. Neither party has a higher position due to the lower socio-economic status (patron) and the other. The patron distributes their patron's resources to protect or provide economic benefits to the other party (client). Furthermore, the client retaliates by providing support, assistance, including services needed by the patron. Patron-client relations exist in the social life of rural communities (Putra, 2007).

Patron-client relationships develop in bureaucratic systems leading to declining government management performance (Sarker, 2008). As a result, the government has made unfair public policies (S. Khan & Swapan, 2013) and causes government governance to run undemocratic (Geofrey & Kungu, 2020). Finally, the general budget benefits a particular party associated with a patron-client bond (Golden, 2000). In line with this explanation, this study wants to explore the patron-client social relationship in the village government bureaucracy that opens the opportunity for certain parties to commit fraud.

How to budget abuse occurs by the social relations of client patrons contained in the bureaucratic environment of the village government. This research aims to understand how the pattern of utilization of village budgets based on the perspective of patron-client relations.

2. Literature Review

In academic studies, social relations are reciprocal, one of which is patron-client. Patron-client relations become a pattern of interaction in rural communities' social, economic, and political life (Putra, 2007). In a political context, electoral contests at the village level use patron-client bonding patterns. This approach successfully brought the village government and its network (clients) into the bureaucratic environment (Andhika, 2018). The emergence of patron-client relations in government bureaucracy began when the affiliates of the parties' interests coalesced in local political alliances. Given Sarker (2008), the existence of patron-client links



in government bureaucracy can reduce the performance of Good Government Governance. Sufianto (2018) gives a different view that patron-client relations do not negatively influence government performance because they have "humanist" values, although patron-client connections in the bureaucracy need careful treatment.

Patron-client social relations are built on the motives of reciprocal benefits. Interests are owned by one party but jointly owned even though the benefits obtained are different due to unbalanced power. Unequal social relations make patrons feel more dominant and can do as they please. The coercion of desire in a social bond is a form of a Strong-Power Network. Inequality in the structure of social relations encourages stronger parties to use coercive power approaches towards the weaker parties. The use of "coercive power" in the village government bureaucracy poses psychological pressure for village apathy. Coercive power in the bureaucracy is used to make village devices comply with patrons.

Clientelism relationships are extensible from the social environment of society to the government bureaucratic environment (Golden, 2003). In a bureaucratic environment, patron-client relationships have reciprocal benefits among actors. Khan (1998) distinguishes benefits into two parts, namely direct and indirect benefits. Golden (2003) revealed that the interests of one party (client) accommodated in the public development budget are indirect benefit compensation. While direct use in the form of cash giving. This technique is more widely applied to lower-middle-class people, especially those who are experiencing economic limitations. The implications of client patron relationship ties in public organizations, given Hanif (2009), can change the nature of public services to be exclusive.

Internal controls are designed to keep activities running according to the rules. In addition, securing the organization's wealth becomes the primary goal of internal control. Public sector organizations need to focus more on internal control to become excellent and efficient (Azis et al., 2015). Human attitudes and abilities often outperform the capabilities of internal control systems to lead to usability (Alatas, 1987) potentially. Albrecht et al. (2012) assert that weaknesses in the internal control system open up opportunities for a person or group to commit fraud. Therefore, in addition to adequate internal control, a culture of honesty and high-value ethics is helpful to control the desire to cheat in the organization (Tunggal, 2010).

Collusion or building a concession that is bad for the organization is a potential weakness for anyone. Alatas (1987) asserts that the implications posed by human limitations on internal control are collusion or conspiracy behavior. Lestari & Supadmi (2017) responded by revealing that the value of integrity and sense of responsibility in individuals needs to be increased to decrease the level of fraud in the organization. Although done by different methods, cheating is the reason behind the action due to economic conditions (Sumarti, 2007). Cressey (1964) argues that cheating for financial reasons is a form of pressure.



Fraudulent actions can result from "internal self-worth" as a guideline in producing individual actions. Schwartz (1994) argues that every individual has fundamental human values as a foothold in behaving. Yuwanto (2015) views that a cheater is more dominated by actual human values such as achievement, stimulation, power, hedonism, self-direction. Greedy or greedy, low morality, and consumptive lifestyle in oneself is an internal value that Irianto's view (2003) is called "moral competence" is terrible value in the individual.

3. Research Methods

Data Collection

Research methodology is determined based on the purpose of observation of social phenomena (Wahyuni, 2012). Researchers seeking to understand the social and cultural aspects of a rural government bureaucratic environment led the study to apply qualitative methodology with ethnographic approaches. Qualitative research aims to present a picture of reality according to a particular situation (Patton, 2014). Qualitative research provides an opportunity for researchers to engage directly in social activities, even if not as full members. In the context of this study, researchers involve themselves directly in the bureaucratic actions of the village government even though the researchers are not part of the village bureaucrats. Researchers engage directly in the object of the study called participating observers (Bryman, 2012). Participating observers provide an opportunity for researchers to obtain data containing natural information from research sites.

The in-depth interview method is a way of obtaining data by asking unstructured questions to informants. The selection of informants, this study uses a combination method of purposive sampling and "snowball." The initial informant is determined by purposive sampling; then, the next informant follows the instructions of the previous informant. Likewise, the number of informants increased following the pattern of snowballs. However, sometimes researchers assign informants based on data obtained from research sites. Investigators meet informants until they find vital informants. In the in-depth interview process, researchers position themselves more as the listener. But if you need more in-depth information, researchers sometimes interrupt by asking a brief question to the informant. Information obtained through in-depth interviews will enrich the information obtained from participating observers. List of informants successfully encountered during field research.



Table 1. List of Informants

No	Informant Source	Number of Informants
1	Village apparatus	6
2	Members of the Village Consultative	3
3	Former Member of Village Consultative	2
4	Community Leaders	2
5	Management of Forest Village Community Institutions	3
6	Farmer (Village Government-Owned Land User)	1
7	Territory chairman	1

In addition to participating observer techniques and in-depth interviews, the study used documentation methods to obtain data. Textual or secondary data can complement field records and scripts in qualitative research (Ulrich, 2020). In the context of this study, textual data is obtained from village government agencies in the form of administrative documents (soft files).

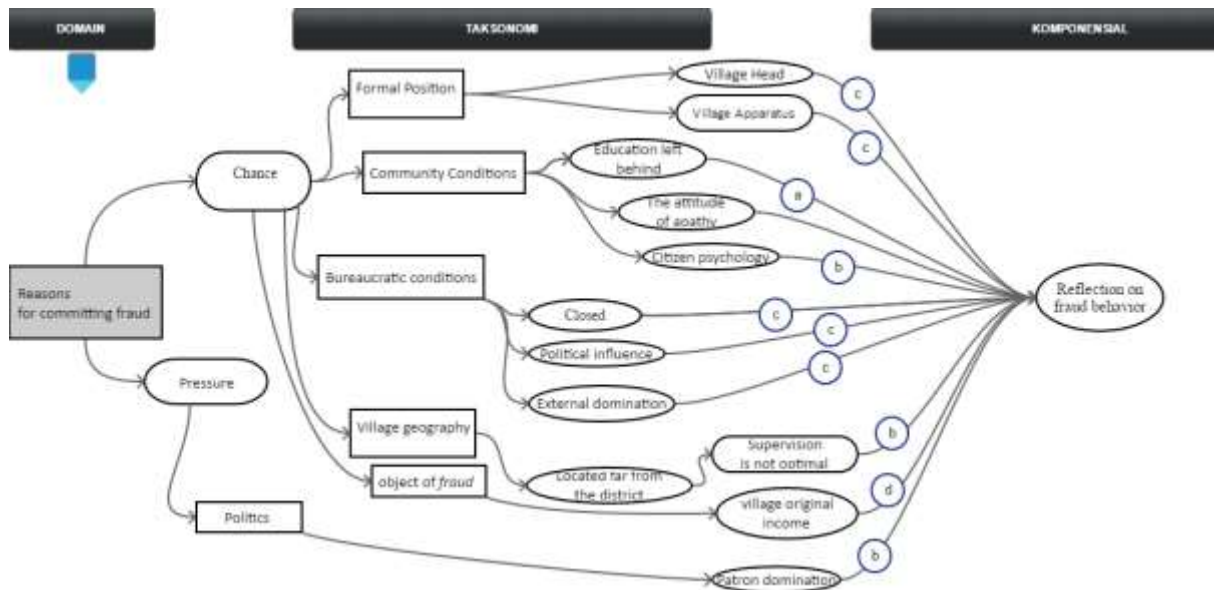
Analysis Methods

Before qualitative data analysis, a data validity test is required with triangulation methods. Field records, interview scripts, and documents are qualitative data that require testing of validity. Triangulation is a data testing technique used in qualitative research (Golafshani, 2015). Some previous researchers emphasized the importance of data validation tests (triangulation) in qualitative research (Dikko, 2016; Hayashi et al., 2019). In contrast to quantitative research, the validity of data in qualitative research is contextual and not general (Winter, 2000).

Researchers tested the accuracy of the data by confirming information from one informant to another. Data has accuracy when it contains consistent information obtained from informants. The triangulation process is complete, and the next step is ethnographic data analysis through domain analysis, taxonomy, and component analysis (Bungin, 2015). At the ethnographic analysis stage, the data is reduced to produce a proposition.



Figure 1. Qualitative Data Analysis according to the Spradley model



4. Results

Reflection on Fraud Behavior

Social and Economic Aspects of the Village

On the research site, the social and cultural life of the community is not much different from other villages around it. Recitation activities become a routine activity for villagers to refresh their spiritual. This activity became a medium of friendship among the villagers even though they often met outside the activity. Formal social activities are also part of the habits of the villagers, especially when entering the period of village development planning. Villagers call it the "Aspiration Net" activity or regulation known as the Development Plan Meeting (Musrenbang).

The agricultural sector still dominates the source of income for people in rural areas (Murdiyanto, 2008). Natural resources available in rural areas make people prefer to work in the agricultural sector than other sectors. At the researchers' location, the majority of residents are farmers and planters, some of whom grow vegetable commodities and Palawija and others develop coffee plantations. Since the Covid-19 pandemic hit Indonesia, the number of farmers has increased at the village research site. According to Sulistyorini (2020), since the Covid 19 pandemic, many urban communities have lost their jobs due to government policies implementing social restrictions. Most people lose their jobs, returning to their home villages, and becoming farmers to meet economic needs.

Minimal Surveillance

Geographically the location of rural areas is far from the urban area where the district government is located. The two regions found far apart make the district government have difficulty conducting direct supervision of the village government. Some parties developed an electronic-based village budget



supervision system to overcome these limitations (Magdalena et al., 2020; Oktarino et al., 2020). The government created an electronic document-based budget supervision system through the village financial management system application (Ariyanti & Alfatih, 2018; Bawono et al., 2020). Although electronic surveillance systems can overcome geographical constraints, they can only monitor administrative compliance and have not touched on aspects of the substance. Hidden elements such as the interaction of client patron social relations in the village government bureaucracy that gives rise to potential fraud by electronic surveillance systems have not been detected. Community participation in supervision is essential for the effectiveness of village budget use (Arifa, 2019; Marota & Alipudin, 2019). Community involvement in village budget supervision can reduce the limitations of electronic-based surveillance.

The Dominance of Non-Apparatus Actors in the Village Bureaucracy

The candidate for village head managed to win an electoral competition involving his social relations network into the village government bureaucracy (Andhika, 2018). Similar facts obtained by researchers at the location of the village government "X." Excerpts of interviews with informants described the circumstances, saying that:

"The village apparatus is entirely political supporters of the head of the village government in office." During the election of the village head, all the devices were in favor".

Political supporters joining the government bureaucracy build reciprocal social relations (Amelia et al., 2020; Emanratu, 2020). In patron-client social relationships, each party enjoys benefits even though the value obtained is different because one of the parties is higher. (Scott, 1972).

Fraud Action: Village's Original Income

Regulation of the Minister of Home Affairs No. 20 of 2018 concerning Village Financial Management in Article 12 points (4) states that "Self-help, participation, and mutual assistance are receipts derived from village community donations." Furthermore, donations from villagers are the village's original income Regulation of the Minister of Home Affairs No. 20 of 2018 concerning Village Financial Management in Article 12 points (1) letter c, explains that "The Village Native Income Group consists of self-help, participation and mutual assistance."

The use of village budgets for infrastructure activities is part of economic development efforts in the village area (Udjianto et al., 2021). In addition to using the village budget, infrastructure development can use assistance from the community in cash and goods (Kogoya et al., 2015; Setiawan, 2013). Patrons collect donations from residents for infrastructure activities, but the results are not submitted and reported to the village's head of financial affairs. This action violates village financial administration procedures stipulated in Regulation of the Minister of Home Affairs No. 20 of 2018 concerning Village Financial Management, including abuse.



5. Conclusion and Suggestion

A patron-client relationship involves two or more people who tend to be mutually beneficial (reciprocal). Although patron-client relationships provide mutual benefit to the parties but the most profitable patrons, this condition is called asymmetric benefit. Patrons have a dominant role so that the benefits received are more significant than others. But on the contrary, village officials face more significant risks due to responsibility for village financial management.

The relationship between the village government chief who positions himself as a client and a political sponsor who is also a local figure (patron) has caused several bureaucracy management violations. The association of both parties in the bureaucracy exerts a bad influence on the effectiveness of village budget control. Relations between the two parties are often used by one of the parties, namely the patron taking over the function of budget control which is ideally carried out by village devices. In addition to violations of budget mechanism rules, budget control under patronage opens opportunities for the village government's budget fraud. Finally, client patron relationships in the context of this research can be categorized as "opportunity" elements in the Fraud Triangle Theory.

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