

THE ANTECEDENTS OF FRAUD BEHAVIOR: A FINDING FROM INDONESIA

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Abstract

Corruption is an unethical behavior that harms society and the state. The perpetrators of corruption perform their actions for various reasons and motives. This paper is aimed to analyze the influence of pressure, opportunity and rationalization on corruption behavior of corruption prisoners in West Sumatera. We hypothesize that these three variables have a significant effect on corruption in West Sumatera. This research used a quantitative research with correlational approach. This article used multiple regression analysis to analyze the relationship between the independent variable (pressure, opportunity and rationalization) on the dependent variables of corruption. The pressure has no significant effect on corruption behaviour of inmates in Prison of Muaro Padang. Opportunities have a significant and positive effect on corruption. Rationalization also has a significant and positive effect on corruption. There is several research regarding to corruption perpetrator in many countries. But research on corruption perpetrators in West Sumatera is still limited. Furthermore, West Sumatera is a province which occupied by Minangkabau people that famous for their religious life.

Keywords: Pressure, Opportunity, Rationalization, Corruption

INTRODUCTION

Corruption or rasuah (Latin: corruptio from corrumpere verb meaning rotten, corrupted, destabilizing, twisting, bribing) is the act of public officials, both politicians and civil servants, as well as other parties involved in the act that are unfair and illegal. They use their personal authority for personal gain.

In a broad sense, corruption or political corruption is the abuse of official positions for personal gain. The government sector is prone to corruption in a variety of practice. The level of corruption varies, from the lightest in terms of the use of influence and support to giving and receiving help, to the inherent corruption inaugurated, and so on. The point of corruption is kleptocracy, which in literal meaning is government by the thieves, where pretending to act honestly does not exist at all. In Oxford's Complete Dictionary (The Oxford Unabridged Dictionary) corruption is defined as a deviation or destruction of integrity in the performance of public tasks with bribery or compensation. While the concise understanding used by the World Bank, corruption is the abuse of public office for personal gain (the abuse of public office for private gain).

Broadly speaking, there are two factors that cause a person to behave corruptly, namely the structural and cultural factors. Structural factors mean that corruption behavior occurs because the bureaucratic system is not right, causing corruption with various models. Corruption through structural factors is relatively easily eradicated as long as the bosses have the idealism to combat corruption. While the corruption through cultural factors is more difficult to eradicate because it involves the values that evolve in society, such as: people have a mental likes to brake the rule, the low culture of shame, still embedded culture 'ewuh pekwuh' in society, the social control of society is still weak against the perpetrators of

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corruption, low appreciation of honesty in society, less exemplary of leaders, the influence of colonialism culture that likes to oppress others (Prawono, 2015: 70). The latest case of corruption took place in Pamengkasan District, East Java, where the Pamengkasan Regent committed misappropriation of village development funds, in the form of giving money to the Chief Prosecutor of the State of Pamengkasan amounting to Rp 250 million with the intention of not following up on reports of misuse of village funds (Detik News, August 4, 2017).

Based on data from Transparency International, in 2015 the level of corruption of Indonesia among 168 countries in the world is ranked 88 with a score of 36 (0 - 9 highly corrupted and 90 - 100 very clean), similar to the rank and score of Albania, Algeria, Egypt, Maroco, Peru, and Suriname. In 2016, the level of corruption in Indonesia among the 176 countries in the world is ranked 90th with a score of 37 (scale: 0 - 9 highly corrupted and 90 - 100 very clean). The worst rank of corruption index countries in the world in 2016 is in Somali State (score 10 with rank 176), South Sudan (score 11 with rank 175), North Korea (score 12 with rank 174), Syria (score 13 with rank 173), Yemen (score 14 with rank 170), the same as the State of Sudan and Libya (www.transparency.org).

West Sumatra is one of the provinces in Indonesia. The society in West Sumatra is famous for Minangkabau ethnic and tradition. The Minangkabau community uses the traditional life philosophy of "adat basandi syarak, syarak basandi kitabullah". This philosophy means that their lives are guided and governed by religious values. For that reason these values should be a prevention to the any kind of fraud and corruption in various areas of life.

This paper explores the corruption case perpetrated by prisoners in the Prisons of Muara Padang in West Sumatra. This prison is inhabited by prisoners in various cases including perpetrators of corruption. In the case of corruption after going through the process of investigation, investigation and prosecution at a trial in a district court, then a person or a group of persons convicted is set by the court as a convicted detained in a Prison. The number of prisoners at Prisons of Muara Padang from 2011 to 2017 (as of June 2017) is shown in Table 1. The number of corruption perpetrators shows an upward trend from 2011 to 2016. Increasing the number of corruption criminals is simultaneously representing an increase in the number of criminal acts of corruption.

Table 1
Number of Corruption Prisoners in Prisons of Muara Padang
West Sumatra in 2011-2017

Year's	Number of Corruption Prisoners
2017	61
2016	103
2015	103
2014	79
2013	72
2012	58
2011	7

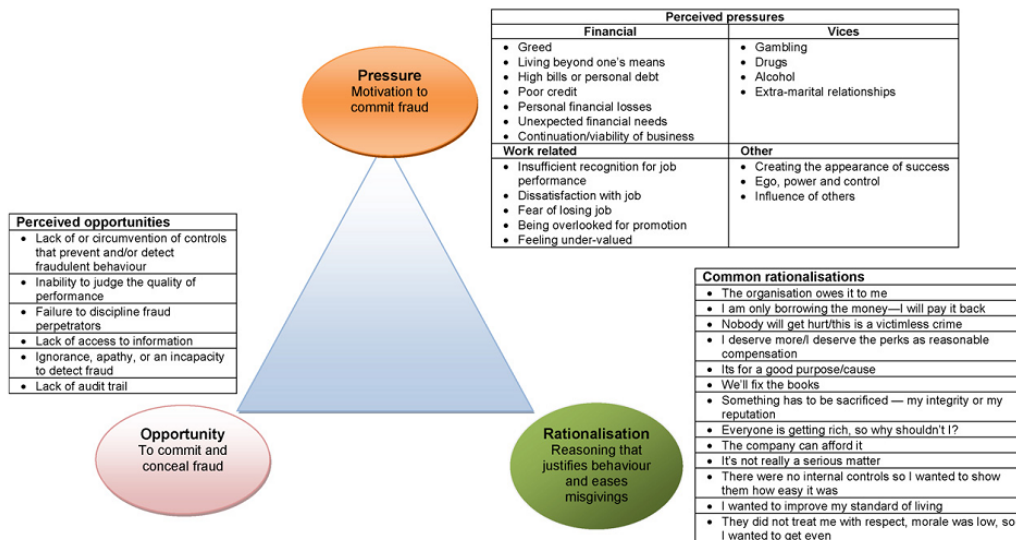
Source: smslap.ditjenpas.go.id

There are various factors that cause corruption. Previous empirical evidence attempts to explore the reasons why a person tends to act corrupt behavior. There are various causes of corruption or fraud, especially in the government sector. When compared to private sector, salaries received by government employees are relatively low (World Bank, 2003, Caroline, 1997). This low salary encourages employees to use their position to steal state money especially if the possibility of being caught is low (Mansor, 2015; Mukoro et al., 2013). However, the effect of civil servant salaries on corruption behavior results in various findings. Salaries do not affect corruption behavior, short-term rises do not decrease corruption (World Bank, 2003, Caroline, 1997). The economic transition from poor to rich strongly reduces corruption, while periods of high inflation increase corruption (Paldam, 2002). Corruption is also characterized by historical

and cultural traditions, levels of economic development, political institutions as well as government policy (Treisman, 2000).

One well-known model for explaining the behavior of corruption and fraud is a theory developed by Cressey known as the Fraud Triangle (Mansor, 2015) Cressey in 1950 after researching his doctoral thesis. Cressey reveals that there are three factors that cause a person to commit fraud, namely the pressure of financial problems and do work closely related to the target (pressure), the opportunity for fraud, and rationalization of the offender (Mansor, 2015; Albrecht, et.al, 2008). The three factors that cause people to fraud are depicted in the following figure:

Figure 1
Fraud Triangle



Source : Stevan Dellaportas (2012)

Suradi (2012) explains, pressure is everything that has happened in the personal life of the perpetrators of fraud that creates the need for money and then pushes it to corruption. In general the drive is centered on a certain amount of money, but this can be a symptom of many other types of pressure. For example, a person who is a drug addict or a person who has gambling habits can create a relatively large amount of money in order to sustain these bad habits and then create pressures related to aspects of a fraudulent triangle. Definition of pressure and pressure samples.

Dellaportas (2012) divides the types of pressure that encourage a person to corrupt into four types. First, financial pressure. Financial pressure such as greed, living beyond one's means, high bills or personal debt, personal financial losses, unexpected financial needs, vices, work-related pressures and other pressure. Second, bad habits such as gambling, consuming drugs and alcohol, and relating to the need to remarry. For example, there is a female employee who did corruption, because her son became a drug addict, she must provide money that exceeds her ability. There is also a successful manager, but later known to corrupt where he works because he has a habit of consuming drugs and gambling. Third, job-related stress. Examples a poorly appreciated for performance achievement, job dissatisfaction, fear of losing a position, no promotion opportunities, and a feeling of lower salary. Fourth is another pressure. Fraud can be driven

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by other pressures, such as the increased lifestyle of a husband or wife or a desire to maintain prestige. For example, an employee uses company money to buy a luxury car, enjoys a luxurious lifestyle, and go for traveling. Each person will face various pressures in their life, but the nature and quality of the pressures are varies. Suppose the need for finance, higher position, larger salaries and so forth. For some people, wealth and position take more important place than honesty. When they rank their personal characteristics, they judge most of their lives, worldly success must be ranked higher than integrity.

The second factor as the cause of corruption in fraud triangle is opportunity. Tuanakotta (2012: 211) reveals from Cressey's research that, the perpetrators of corruption always have the knowledge and opportunity to perform such actions so that they action can not be detected. Cressey argues that there are two components of opportunity, namely general information, which is the knowledge that positions containing trusts can be violated without consequences. This knowledge is acquired by the perpetrator of what he or she hears or sees, for example from the experiences of others who commit fraud and are not caught or not punished with particular sanctions. The second is technical skills. Skills is required to carry out the crime. This is usually the skill or knowledge that the person possesses and which causes him get the position.

The Association Certified Fraud Examiner (ACFE) Report to the Nation (RTTNs) YEAR while conducting the research also shows that employees and managers who have long working periods are tend to do corruption. It is because they understand the real condition of the company. They also know the weaknesses of the internal control system and have sufficient knowledge to do corruption and other fraud successfully.

Nevertheless the main factor of opportunity is come from weak internal control system. Weak internal control system provides an opportunity for the perpetrators of fraud to commit crimes. It should be noted that the Treadway (USA) commission, now the COSO (The Committee of Sponsoring Organizations), has responded to fraud involving savings and loans and scandals that occurred in the USA in the 1980s. The Committee concluded that the main prevention of fraud was the presence of a strong internal control system, and resulted in internal controls under the COSO model, then combined to conduct financial auditing technical literature as Statement of Auditing Standards (SAS) No.78 on Consideration Of Internal Control in a Financial Statement Audit.

Then The Sarbanes-Oxley Act (SOX) focuses on the annual evaluation of internal control by management with an independent opinion / opinion of the evaluation made by the financial statement auditor (Section 404 of the act). If the goal of SOX is to minimize the occurrence of fraud then internal control is an effective way to achieve that goal. Opportunities for cheating will be rampant when management does not pay serious attention to the importance of internal control. When motivation integrates with opportunities then the likelihood of cheating will increase. SOX will be specifically discussed in a separate chapter. Motivation and opportunity / opportunity are two things that are interactive: the greater the economic need, the fewer control weaknesses required for cheating. Conversely, the more weaknesses that exist in controlling the level of need for motivation needed to commit fraud is reduced. Janet Greenlee, Mary Fischer Teresa Gordon and Elizabeth Keating. (2006) concluded the results of his research that. People who are trusted often take advantage of their position to take personal advantage.

Dellaportas (2012) in his research which summarizes from previous research mentions that, a typical white-collar crime is a lack of feelings or ignorance by the offender derived from a series of reasons or rationalizations to free oneself from guilt arising from unethical behavior (Anand, Blake & Joshi, 2004; Benson, 1985; Duffield & Grabosky, 2001; Rossouw et al., 2000). In this part of the fraud triangle, the offender acknowledges the error but denies that it is wrong, allowing them to maintain a non-aberrant self-image while continuing to engage in criminal activity (Benson, 1985; Coleman, 1987; Cooperative Hand-Handing, Griffin, & Torrance , 2001). The need to rationalize errors is psychologically rooted in the theory of cognitive dissonance, in which people are induced to make statements to perform behaviors that they would normally avoid (Kunda, 1990; Ramamoorti 2008). Cognition that one deliberately engages in illegal behavior is inconsistent with the self-image of a worthy, intelligent, and trusted professional. Holding two opposing cognitions creates a pleasant state of cognitive dissonance that causes individuals to change their attitudes to make them consistent with their behavior and avoid feelings of evil (Kunda, 1990).

Rationalization can take many forms, including high loyalty, sad stories from the past, and rejection. Anand et al. (2004) states that some of the pretext tactics employed by perpetrators to justify their corrupt practice centers on refusal include: denial of responsibility; Rejection of injury; And denial of deception. Such rationalization allows fraud perpetrators to see themselves as morally responsible individuals being forced to act unethically (Anand et al., 2004). Such rejection shifts the moral responsibility of their actions

to others or things by blaming on circumstances beyond their control. The form of rationalization does not seek to minimize moral blame, but, more precisely, seeks to escape by transferring the responsibilities of other actors (Rossouw et al., 2000).

This paper is aimed to analyze the influence of pressure, opportunity and rationalization on corruption behavior of corruption prisoners in West Sumatera. We hypothesize that these three variables have a significant effect on corruption in West Sumatera.

RESEARCH METHODOLOGY

This research is a quantitative research with correlational approach. We used multiple regression analysis to analyze the relationship between the independent variable and the dependent variables. The population of this study is all the prisoners of corruption criminal who were detained in Padang Prison West Sumatera. Prisoners from various districts and municipalities in West Sumatera were detained at the second class A Padang Correctional Institution. The population of 61 prisoners is corruption with total sampling. Data collection was done by questionnaire by using likert scale measurement method 1 to 5. We use want for more wealth, more lifestyles, lots of debt, have more than one wife and children, awards in the office environment, and bribe the boss to examine the pressure factors. To examine the opportunity factor, we use several indicators such as utilizing tenure, long tenure, internal control system, external auditor's weakness, and firmness of regulatory application. As for researching the rationalization factor, we use the indicator such as ethical value, weak rules, social goals, and rewards have become right. To examine the factors of corruption or fraud, we use the indicator: promise the bribe, receive the gift, and abuse the authority.

DATA ANALYSIS

Descriptive Analysis

Descriptive analysis provide brief explanation for every variable. For variable of corruption there are some descriptive data analysis result which can be described. Prisoners of corruption in Penitentiary of Padang City, West Sumatera, give promise to the bribe in accordance with the authority of the position that is in him, so that the bribery desire can be achieved (56%). Corruption criminals receive gifts from bribery parties with a view to achieving the bribe's goal (70.6%). In general, corruption criminals (98.8%) are aware that the abuse of authority in their position is detrimental to the institution they lead (98.8%).

There are some forms of pressure received by corrupt perpetrators. The perpetrators of corruption want more wealth (88%); A lifestyle that exceeds the existing financial ability (60%), has large debts (63%), suffers financial losses which in side businesses other than as civil servants in the West Sumatera Provincial Government (90%), do not have the funds to anticipate Unexpected future needs (88%), requiring more money to finance wives and children resulting from marriage of more than one person (50.6%), and to bribe superiors in order to retain their current position (66 , 2%). Lower reason for supporting corruption inmates perform for gambling indulgence (36%) and to buy or consume narcotics (33.8%).

In terms of opportunity, the perpetrators of corruption take advantage of the term of office for personal gain (63.4%). Perpetrators of corruption who occupy a position long enough, making them know knowing how tricks take advantage of opportunities to corrupt (71.2%). Corruption is also caused by the application of the internal control system where they work is still weak (77.8%), the external auditor can not disclose all the fraud that occurred in their place of work (87,2), and the institution where the inmates work does not have rules or regulations Firm (84.4%).

From the aspect of management rationalization in place of corruption actors do not really look at the ethical value of an act of fraud that has been done (85.6%). The presumption that obtaining financial benefits by exploiting the weakness of agency rules in place of corruption work is common (83,4%). Money earned from acts of corruption can also be used for social and charitable purposes (78.4%). The perpetrators of corruption feel worthy of getting more reward because their salary is not in accordance with the work they have to do (88%).

Inferential Analysis

Table 2. Summary of Final Multiple Regression to Predict Corruption

Sources: Primary data Processing 2017

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
1 (Constant)	.463	1.442		.321	.750
Pressure	.057	.082	.082	.697	.489
Opportunity	.311	.130	.361	2.398	.020
Rationalization	.516	.143	.475	3.602	.001

Data analysis was done by multiple regression analysis. From the results of data analysis simultaneously, pressure, opportunity and rationalization factor have a significant and positive effect on the practice of corruption / fraud in West Sumatera. F statistic value of 48,049 is greater than the F table value of 1.676 and be significant at P = 0.000. Individually, the results of the study shows that pressure factor does not affect corruption or fraud. As shown in Table 2 where the t statistic value of 0.697 is smaller than the t table value of 1.676 with the value P = 0.489 so the test is not significant. Hypothesis which states that pressure has a significant effect on perpetrated of corruption / fraud is rejected. Opportunity factors have a significant positive effect on corrupt / fraud practices. As shown in Table 1 where the value of t statistic of 2.398 is greater than the value of ttable of 1.676 or and be significant at P = 0.020. The hypothesis that the opportunity factor has a significant positive effect on the practice of corruption / fraud is acceptable. Rationalization factors also have a significant positive effect on corrupt / fraud practices. As shown in Table 1 where the value of t statistic = 3.602 > ttable of 1.676 or be significant at P = 0.001. The hypothesis that factor rationalization has a significant positive effect on corrupt / fraud practices is acceptable. Overall, the contribution of pressure, opportunity, and justification factor to the corruption / fraud practice in Padang City is 73.50%. This is indicated by an adjusted R2 of 0.735.

We have the mutiple regression model as below:

$$Y = 0.463 + 0.057X_1 + 0.311 X_2 + 0,516 X_3 + e$$

Information:

Y = The criminal act of corruption

X1 = Pressure

X2 = Opportunity

X3 = Justification

CONCLUSION AND DISCUSSION

Pressure is a factor that encourages a person to behave in an unethical manner, whether in the form of financial pressure, or non-financial (Abdullahi, 2015). Based on the research results, it was found that the pressure factor did not affect the behavior of corruption / fraud. This is not in line with the finding that two factors, pressure and opportunity, in fraud triangle are widely accepted as a trigger for fraud (Hogan et al. 2008; Graham et al., 2005; Erickson et al., 2004).

The opportunity factor has a significant and positive effect on the behavior of corruption / fraud. The results of the research on the effect of opportunity factor on corruption behavior support the theory and result of research proposed by Fazli (et al), 2014, further opportunity is the main factor that encourages white color crime, corruption perpetrators will do the corruption when there is opportunity.

Factors of rationalization have a significant and positive effect on the behavior of corruption / fraud. Individuals will use rationalization to reduce feelings of guilty (Murphy, 2012; Murphy & Dacin, 2011). The perpetrators of corruption will look for some reasons before they do unethical things (Mansor, 2015) and they will have a particular mind-set that allows them and some excuses for fraudulent behavior (Hooper and Pornelli, 2010).

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The results of this study provide an illustration that for prisoners of corruption in West Sumatra, corruption behavior is caused by opportunity and rationalization. While, the pressure does not give a significant effect. This is in contrast to the fraud triangle model which states these three factors encourage individuals to behave in corruption (Mansor, 2015). These findings are unique because without the pressure from the boss, corruption perpetrator in West Sumatera remain corrupt as long as they have opportunities and rationalization for doing it.

West Sumatra province is a region for Minangkabau ethnic. Since ancient times until now, the life order of Minangkabau society is ideal. The main guidelines of public life are the values, norms of Minangkabau tradition and Islam religion as a whole, in a customary phrase that reads "Adat Basandi Syarak, Syarak Basandi Kitabullah".

Understanding Adat and syarak in Minangkabau is the main guideline in society. The highest guidelines are the norms and value of Islam. The phenomenon that occurs today is that the noble old norm, has begun to fade somewhat, while the new order has not yet formed. Values of life initially prioritize togetherness, while today began to grow an individualistic culture. Values of life such as shame, honesty, modesty and mutual respect have begun to diminish, so the behavior of corruption is not a dreaded thing. This is reflected in the opportunity and rationalization factors as factors that encourage the behavior of corruption inmates in West Sumatra.

This could mean that as long as there is a way to act corruption, they will continue to do so and they will have justifications (rationalization) to do that. Although Minangkabau is one of the most well-known religious ethnic groups in Indonesia with its Islamic norms and philosophy, it can not yet be a bulwark for corruption prevention in West Sumatra. This will appeal to further research to explore more deeply the phenomenon of corruption in West Sumatra in the Minangkabau cultural setting either qualitatively or through other relevant approaches.

The pressure in testing this hypothesis has no effect on corruption. Opportunities have a significant positive effect on corruption. Rationalization has a significant positive effect on corruption. It is advisable to improve the implementation of the Government Internal Control System, to mutate positions at an unspecified time and increase the commitment to enforce applicable regulations, resulting in consistent rewards and sanctions.

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