

# The Effect of Compensation to Detection Fraud in Village Government (Empirical Study on Sub-District of Pasirian, District Of Lumajang)

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**Abstract—** The purpose of this study is to examine the effect of compensation to detection fraud in village government (empirical study on sub-district of pasirian, district of Lumajang). Fraud cases happened not only in central government sector, but also village government. Population of this study consisted of 30 of village government's servant in Sub District of Pasirian, District of Lumajang. This study used regression analysis. The result of this study showed the negative effect of compensation on fraud in Sub-District of Pasirian, District of Lumajang.

**Index compensation, fraud, fraudulent statements, village government's .**

## I. INTRODUCTION

Cases of fraud that occurred in the government rife and involve many parties. According to the ACFE annual report (2016), most corruption is corruption, accounting for 67% of total fraud committed by the government. The case of corruption does not only happen to local government, but already rampant happened to the village government. Lumajang Regency can not be separated from corruption. Lumajang Regency has 11 districts and 205 villages spread with various potentials in each region (BPS, 2017). Pasirian sub-district has the greatest potential to generate local income (PAD). Pasirian Sub-district has a sand mine.

Many people who want to take advantage of sand mining into a source of income surrounding communities. As such, this poses some negative opportunities for village government officials who want to play disabilities for personal gain. Starting from the regional apparatus to the villages involved. The case of Salim Kancil is one example of a complex crime, because it involves all elements of community leaders and the existence of corruption cases in it. The case of salve deer gives evidence that corruption does not only happen by local government either in province, district or city.

The cause of fraud consists of several factors, Cressey (1953) states there are three factors that encourage someone to commit acts of fraud with the concept of triangle. The first

factor of pressure, for the most powerful offender pressure is financial pressure, although pressure comes from many factors as well. The second factor is the opportunity, the opportunities available provide an opportunity for the perpetrator to commit acts of fraud. The last factor is rationalization, the offender will justify his actions that what his actions are not against the law.

Researchs on the factors of fraud, such as Wilopo (2006) examines that the effectiveness of internal controls, compliance with accounting rules, information asymmetry, and management morality have an impact on unethical behavior and intentions of significant accounting fraud. But research shows that reward compliance does not affect unethical behavior and management intentions against accounting fraud.

The Chandra (2015) study demonstrates the effectiveness of internal controls, compliance compensation, and enforcement of regulations against fraud levels in government, including in the form of information asymmetries on fraud in the government, unrelated to cultural ethics and commitment to accounting fraud levels in the government sector.

Based on the above background description, then this study wanted to examine "The Effect of Compensation to Detection Fraud in Village Government (Empirical Study on Sub-District of Pasirian, District of Lumajang)"

## II. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

Fraud according to Karyono (2013: 4-5) fraud can be termed as a fraud that implies an irregularities and illegal acts, committed intentionally for a particular purpose such as deceiving or misleading to the parties others, conducted by people both inside and outside the organization. Fraud is designed to take advantage of opportunities that are not honest, which directly or indirectly harm others.

Triangle fraud theory is a theory that explains the cause of the fraud proposed by Cressey (1953). Factors of triangle fraud consist of three, namely pressure, opportunity, and rationalization. The first factor of pressure, for the most powerful offender pressure is financial pressure, although pressure comes from many factors as well. The second factor is the opportunity, the opportunities available provide an opportunity for the perpetrator to commit acts of fraud. The last factor is rationalization, the offender will justify his actions that what his actions are not against the law. In this study using the first factor of the pressure factor, because

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according to Cressey (1953) became the most powerful factor in encouraging someone to commit acts of fraud. A person will commit acts of fraud in a state of financial stress, if the lower the compensation he receives the higher the tendency of fraud..

The research results of Maula (2017), Mustikasari (2013), and Chandra (2015) indicate a negative influence between compensation against fraud. So based on the description of the hypothesis in this study is the compensation has a negative effect on the tendency of fraud in the village government sub-district of Pasirian – District of Lumajang.

### III. RESEARCH METHOD

The population in this research is the village government in Pasirian sub-district of Lumajang which is 11 villages. Those included in this category are: 1) Village Head, 2) Village Treasurer, 3) Village Secretary, 4) Chairman of the Village Community Resilience Institute, 5) One of Kaur. The type of data used in this study is the primary data in the form of questionnaires distributed to respondents of each village in sub-district of Pasirian.

#### A. Definition of Operational variables

Fraud is a perverse act and violates the law for personal gain. In this research fraud as a variable dependent, ie as a variable that is influenced by independent variables. Fraud is measured by several indicators (ACFE, 2016), namely 1) misuse of assets, 2) financial reporting aberrations, 3) corruption.

Compensation is a quantitative reward for one's performance so that they move in accordance with the vision of the mission. In this study compensation becomes an independent variable using indicators (Wilopo, 2006): 1) financial compensation, 2) agency recognition of success in carrying out work, 3) promotion, 4) task completion, 5) achievement of goals, 6) personal development.

#### B. Data Analysis Method

Data analysis method used is simple regression test. Regression tests can see the effect of compensation on fraud. In this study, using the size of the interval scale to measure respondents' answers. The analysis technique used is descriptive analysis and statistical analysis conducted to prove the research hypothesis. The analysis tool used is simple linear regression analysis. The data is processed with the help of SPSS 23.00 series software. The regression equation of this research is:  $Y = \alpha + b1X1 + e$ . Description:  $Y$  = fraud,  $X1$  = compensation,  $b1$  = Regression coefficient for variable  $X$ .

Stages in this study is the test instrument that is the validity and reliability test, the classical assumption test that is the normality test only because the research data does not meet the other assumption test, the last test is the test Data analysis with probability 5%

## IV. RESULT AND DISCUSSION

### A. Reliability Test and Validity Test

Table 1. Result Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.733	8

Table 2. Result Validity Test

	Scale Mean if Item Deleted	Item-Total Statistics		Cronbach's Alpha if Item Deleted
		Scale Variance if Item Deleted	Corrected Item-Total Correlation	
X11	22.31	12.286	.254	.728
X12	22.28	11.951	.266	.763
X13	22.56	12.383	.237	.799
X14	22.38	11.726	.241	.762
X15	22.16	13.814	.281	.720
Y11	23.97	13.128	.291	.736
Y12	24.06	13.351	.231	.727
Y13	24.03	13.515	.223	.751

Table 1 is the result of reliability test shown by cronbach's alpha of 0.733. This indicates that the 8 item statements are reliable, reliable measurements will measure consistently. While table 2 is the result of validity test shown in table corrected item-total correlation. Sample of this research is 32 so that its df is 30 with ( $\alpha = 0.05$ ) then r table equal to 0.2960. Table corrected item-total correlation r result is how much below r table, so 8 statements in this research is valid.

### B. Normality Test

Table 3. Result of Normality Test

	X1	Y1	
N	32	32	
Normal Parameters <sup>a,b</sup>	Mean	19.56	6.69
	Std. Deviation	3.340	2.429
Most Extreme Differences	Absolute	.177	.174
	Positive	.135	.174
	Negative	-.177	-.170
Test Statistic	.177	.174	
Asymp. Sig. (2-tailed)	.124 <sup>c</sup>	.155 <sup>c</sup>	

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 3 shows the results of the normality test by the Kolmogorov-Smirnov One-Sample Test method. Normality test results show that the number Asymp. Sig above the significance value of 0.05 then the data research is normally distributed.

### C. Simple Regression Analysis

Tabel 4. Result of Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.610 <sup>a</sup>	.540	.029	2.464

a. Predictors: (Constant), X1

b. Dependent Variable: Y1

Table 4 shows the result that the model used in this research is good enough. Based on table 4.4 obtained the number R (correlation coefficient) of 0.610, this shows the

relationship between compensation with fraud. The result of determination coefficient analysis (R<sup>2</sup>) shows that the percentage of compensation variable has an effect of equal to 54% to the fraud variable, the remaining 46% is influenced by other variable not tested in this research.

Tabel 5. Result of Regretion Test

Model	Unstandardized Coefficients		Standardized	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	7.557	2.629		82.875	.000
	X1	-.044	.133	-.061	-.035	.000

a. Dependent Variable: Y1

Table 5 explains the significance = 0.000 which means it meets the criteria of linearity and compensation significantly negative to the fraud, thus yielding the equation  $y = 7,557 - 0,044x1$ . the results of this study are in line with the research of mustikasari (2013), chandra (2015) and maula (2017). however, the results of this study reject the results of research kusumastuti (2012) which provides empirical evidence there is no effect of compensation for fraud.

## V. CONCLUSION

Based on the results of research that has been done, it can be concluded that the negative influence between compensation against fraud. Compensation received by village government officials as a whole is satisfactory, so as to minimize the occurrence of fraud that occurred in the village government Sub-District of Pasirian, District of Lumajang Limitations: using only one independent variable to predict fraud in the village government, and limited to village administrations in the sub-district of pasirian - kabupaten lumajang Suggestion: add free variables and research objects with wider scope

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