

Fraud Prevention In The Manufacturing Company Sector (Study On Manufacturing Companies Registered In The Association Of Bonded Zone Companies In Central Java - DIY)

Afi Nurafia^{1*}

¹Accounting, Faculty of Economics and Business, Universitas Islam Indonesia,

*Corresponding Author: 21919002@students.uii.ac.id

ABSTRACT

Manufacturing companies registered in bonded zones tend to have institutional pressures. Companies must obey with regulations, both laws and regulations issued by the Ministry of Finance. Entering the industry 5.0 era, information technology has become an important thing that must be applied to every companies. This research was conducted to examine fraud prevention in the manufacturing sector registered in the bonded zone association registered in Central Java – DIY by using isomorphism pressure and information technology. This research is a quantitative research model that was conducted through a survey approach with respondents consisting of 165 companies registered in bonded zone associations in Central Java and DIY.

Keywords: Coercive Isomorphism, Mimetic Isomorphism, Normative Isomorphism, Information Technology, Fraud Prevention

INTRODUCTION

Business development in this era of globalisation has become more competitive so that companies must pay attention to many things in their business. Companies engaged in export and import in this case their products are exported abroad have more special attention. Indonesia as a developing country must be able to compete with developed countries and other developing countries in the international arena. To facilitate companies in running their business in the field of export and import, the government has issued various regulations from both the ministry of finance and the ministry of trade. However, the various facilities provided by the government must also be a concern, often companies in the private sector escape the attention of the wider community.

Based on a survey conducted by ACFE quoted from (ACFE, 2022) in 2022 there were 2,110 fraud cases in 133 countries. In 2019 in Indonesia itself a survey was conducted by ACFE where Indonesia had 239 fraud cases consisting of 167 cases of corruption, 50 cases of misuse of state and company assets / assets, 22 cases of financial report fraud (ACFE, 2019). The total loss due to fraud is on average per case experiencing a total loss of IDR 7,248,879,668. Of all this data, asset misuse has a percentage of cases of 20.9% and financial statement fraud of 9.2%. Asset management is something that must receive attention in the company. Good asset management will reflect the good and bad of the company.

Fraud is a factor that cannot be avoided and continues to be a problem that has a negative impact on the company. Fraud is currently becoming easier to do because of the increasingly sophisticated technology. The existence of adequate information technology facilitates all work in company management. Information technology without supervision can become a tool for fraud. Senior management and the board of directors must understand the importance of the supervisory function in order to understand the importance of supervision in order to fulfil their responsibilities to stakeholders (Halbouni et al., 2016).

Fraud that occurs in companies usually comes from external and internal companies themselves. Internal fraud such as corruption, making false financial statements, manipulating financial data, and covering up embezzlement are internal fraud originating from within the company organisation itself (Amin et al., 2021). According to Abdullahi & Mansor, (2018) fraud has existed and occurred since time immemorial. Naturally, fraud detection must be used and work continuously as fraud develops. Obviously, traditional approaches to detecting and preventing fraud, such as audits, are not effective enough and only allow fraud to be detected a few months after the transaction date. According to Meitriana et al., (2019) rationalisation is difficult to see and observe, just as it is impossible to read the minds of fraudsters. A person's rationality has a different level of rationality, because what one person thinks is rational is not necessarily rational according to others.

The company is an economic unit whose operations are strongly influenced by the way its institutions work. The growth of the company cannot be separated from the important role in the organisation in running its business in understanding legal regulations, norms, cultural and economic aspects so that the application of institutional theory is needed in running its business and management. In the assurance of

sustainability throughout the organisation resulting from coercive, normative, and mimetic factors allows a good influence to prevent fraud.

Based on the limitations of research conducted by (Rehman, 2022) that his research was only conducted in public sector companies and suggested considering an organisational management perspective, for this reason, through this research the authors want to focus on the desire to prevent fraud using Isomorphism Theory in order to find out how fraud prevention is viewed from organisational management in the private corporate sector. However, in addition to using institutional theory in fraud prevention, this study also adds information technology variables. Entering the industrial era 5.0 which begins to perfect the industrial era 4.0 makes information technology an important thing to use in the company. The purpose of this study is to determine whether coercive, mimetic and normative isomorphism and information technology play a role in preventing fraud in the environment of private companies registered in the Central Java - DIY Bonded Zone association.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Institutional Theory

According to Dimaggio and Powell (1983) in Yoga, (2022) the formation of institutional structures in an organisation is based on institutional pressures so that it will form an institutionalism process. This institutional theory consists of two formations, namely isomorphic and loose coupling. Isomorphism is more emphasised in 3 parts while loose coupling is more of an open system.

Institutional isomorphism is a term used to describe the process of institutionalisation. There are 3 different isomorphism processes according to Dimaggio and Powell (1983), namely; Coercive isomorphic, in this pressure the organisation will only change its institutional practices due to pressure from stakeholders on whom the organisation depends, mimetic isomorphic, in this pressure the organisation tries to imitate similar organisations that it thinks have been successful and with high uncertainty, finally normative isomorphic, this pressure is a pressure related to norms to carry out its organisational practices.

Coercive Isomorphic and Fraud Prevention

The environment around the organisation has a lot of influence on the organisation or what is called coercive pressure. Coercive pressure is pressure that comes from regulation. This regulatory aspect will limit and regulate organisational behaviour. According to DiMaggio & Powell, (1983) coercive isomorphism is formal and informal pressure that depends on the culture or habits of the organisation to function. External pressure that comes from regulations made by the government, in this case regulations, will become coercive pressure.

Companies that utilise facilities provided by the state must comply with applicable regulations. One of the facilities currently enjoyed by many manufacturing companies whose business is engaged in export and import is bonded zones. Bonded zones provide tax deferrals to importers whose purpose is to be reprocessed and then the results are exported. Regulatory pressure related to the obligations of bonded zone companies is regulated in regulation Number 131 / PMK.04 / 2018 which has been amended to PMK

Number 65 / PMK.04 / 2021, one of which regulates that to continue to get this facility, the company must provide an accurate and accountable Inventory system to the financial statements.

With this regulation, everything that exists regarding the inventory of goods from raw materials to finished goods should be transparent. Based on research conducted by Ibrahim, (2020) it was found that coercive pressure had a positive effect on fraud prevention intentions on the use of village funds. Thus it can be concluded that government pressure in the form of coercive isomorphism can prevent misuse of company assets or fraud in assets.

H1: External Pressure (Coercive) has a positive effect on the desire to prevent fraud

Isomorphic Mimetic and Fraud Prevention

Mimetic isomorphism is change resulting from pressure to resemble other organisations that can be considered as models often for reasons of competitive advantage in terms of legitimacy. (DiMaggio and Powell, 1983) which states "uncertainty is the force that drives imitation. In an organisation the separation of duties for each management is very necessary. The adoption of separation of duties in corporate companies in Indonesia has been widely carried out. Separation of duties is often regulated in the Company's Internal Control System. Organisational commitment to separate the functions or duties of each part is something that can be done in an effort to prevent fraud. With a clear separation of duties, fraud will be detected quickly so that it can be prevented. Research conducted by Amalia, (2020) that mimetic pressure has a positive effect on preventing fraud, this is also in line with research conducted by Ibrahim, (2020).

Companies in the private sector that have associations will discuss all forms of regulatory changes and apply them to their respective companies. According to Arumsari, (2020) low organisational understanding in transforming to new regulations is a result of the organisation's imitation of a standard in the form of regulations carried out by leaders in deciding in uncertain conditions. Likewise, with private manufacturing companies registered in the association of bonded zone companies in Central Java DIY, the existence of Mimetic Isomorphism causes an isomorphism process in the company, so the hypothesis proposed in this study adopts that management commitment in the separation of duties has a positive effect on fraud prevention.

H2: Mimetic pressure has a positive effect on the desire to prevent fraud

Normative Isomorphic and Fraud Prevention

The interactions that occur between stakeholders in the organisation will have an impact on organisational and individual behaviour so that it will cause normative pressure. According to (Yoga, 2022; F. Li & Ding, 2013) organisational or individual behaviour will affect the decision-making process. Companies that apply normative standards will foster self-awareness of their employees to prevent fraud.

In committing fraud in companies, it is often not done individually, but there is encouragement from other parties so that fraud occurs. This fraud can exist because of low individual morality. Individuals who have high morality will behave properly and will not think about harming other parties. Based on research conducted by Anandya & Werastuti, (2020) states that morality has a positive effect on fraud prevention efforts. Normative pressure in this study is measured by the morality of an individual or organisation. Morality itself will form a fortress for oneself to always limit oneself in acting and behaving. Someone who has high morality is unlikely to accept an invitation to commit fraud or have the intention to commit fraud. For this reason, normative pressure can have an effect on preventing fraud in the company.

H3: Normative pressure has a positive effect on the desire to prevent fraud

Information Technology and Fraud Prevention

Information technology is a very important supporting tool in the corporate world. Information technology consists of hardware, software and users. The use of correct and appropriate information technology will simplify work and benefit the company. Information technology is not only limited to computer technology related to processes, tools, and information processing, but there is also communication technology available to disseminate this information from one device to another at high speed. With the existence of information technology, it can be used as a tool that can be used as an evaluation and early detection of fraud. According to Putri Primawanti & Ali, (2022) the existence of technology can make it easier to organise business.

In the regulations listed in the Regulation of the Minister of Finance of the Republic of Indonesia Number 131 / PMK.04 / 2018 which has been amended to PMK Number 65 / PMK.04 / 2021 concerning bonded zones, article 15 letter c states that companies must utilize information technology for the management of every activity of entering and discharging goods which in this information technology is an accounting information sub-system that can produce financial statement information so that the output can be accessed for inspection purposes by both the Directorate General of Customs and Excise and the Directorate General of Taxes. Based on these regulations, information technology should have a positive effect on fraud prevention. Research conducted by Suryanto, (2016) proves that information technology that is well implemented in companies can produce accurate information so that it can help prevent fraud. In line with research conducted by Kamal, (2022) that information technology can have a positive effect on fraud prevention so that the following hypothesis is taken in the study:

H4: Information technology has a positive effect on the desire to prevent fraud

The research framework proposed in this study:

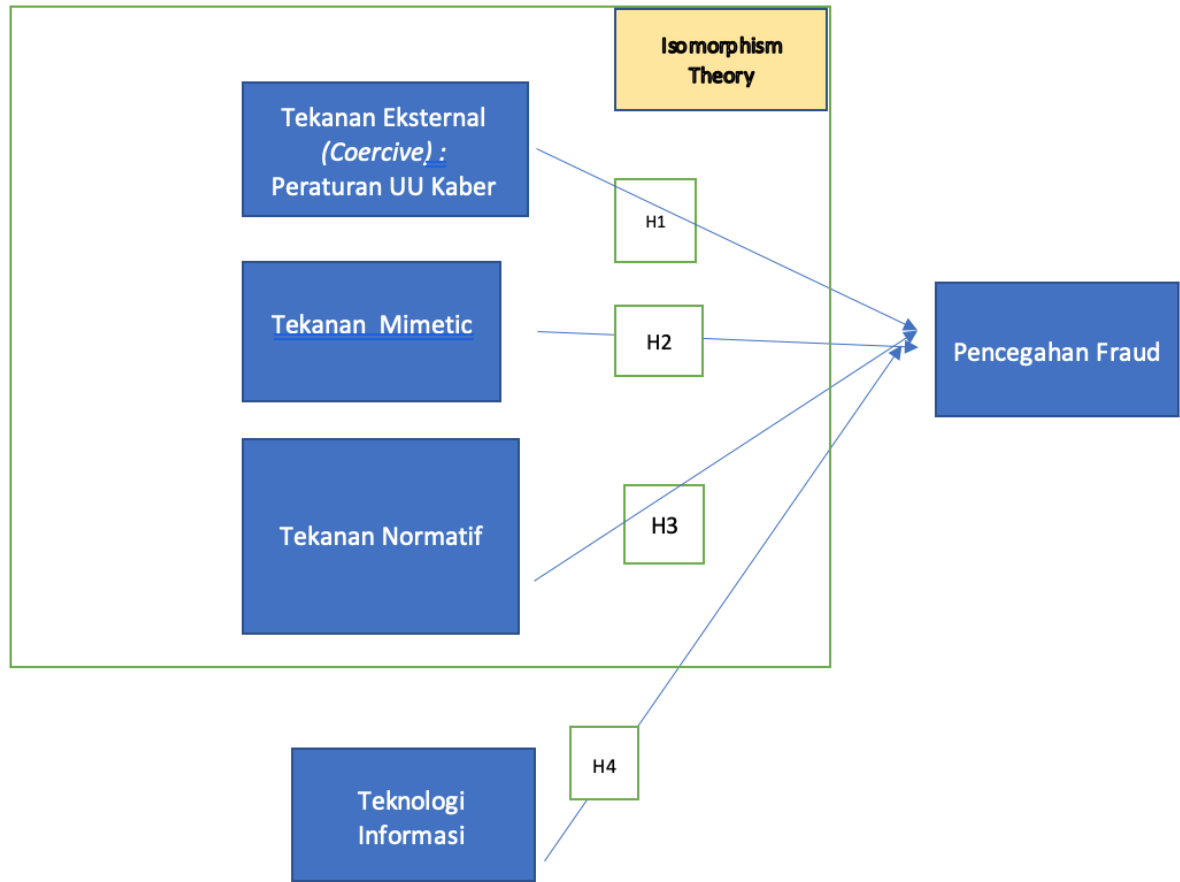


Figure 1. Thinking Framework

RESEARCH METHODS

Research Design

This research is a study that uses quantitative methods using survey research, namely questionnaires that will be distributed to respondents. The questionnaire will be made using electronic form media, namely google form, to make it easier for respondents to answer all questions in the study..

Research Population and Sample

The population in this study are manufacturing companies registered in the bonded area company association (APKB) in Central Java and Yogyakarta. The population in this study was 165 companies engaged in manufacturing. This research in sampling uses purposive sampling technique by taking samples from a randomly based population that matches the research criteria..

Operational Variables

This study has 2 research variables, namely dependent and independent variables. The independent variables of this study are coercive isomorphism, mimetic

isomorphism, normatic isomorphism, information technology, while the dependent research is fraud prevention.

Fraud is behaviour that is carried out illegally or a fraudulent activity that is carried out intentionally so that it can harm other parties. According to the Association of Certified Fraud Examiners, fraud aims to violate the law and is carried out by people from outside or within an organisation to commit acts of fraud directly or indirectly in order to obtain personal and even group benefits and harm people. Indicators in fraud prevention consist of data manipulation, document forgery, omission of information, embezzlement of assets and violation of accounting principles. In this study it will be described in 9 questions. The research instrument uses a Likert scale with an answer scale of 1 to 6, 1 means strongly disagree which indicates that fraud prevention is low and 6 strongly agree which indicates that fraud prevention is high.

Regulations are made to regulate existing activities so that they become better and have certain limitations. Coercive pressure in a regulation can cause an organisation's tendency to improve legitimacy in order to create and emphasize positive things that exist in the organisation or company so that it can look good to outsiders. The Coercive Pressure used in this study is an external factor related to customs law, in this case Regulation NO 65 / PMK.04 / 2021. This variable will be measured using 10 question items taken from Regulation NO 65 / PMK.04 / 2021.

Mimetic pressure is a process that mimics the strategy of other organisations, with the uncertainty factor caused by changes in the organisational structure formed due to the complexity and dynamic movement of the surrounding company environment or the like, it can encourage companies to (Yoga, 2022; Buchko, 2011; DiMaggio & Powell, 1983). The mimetic pressure variable will be measured using 8 question items measured using a linkert scale interval of 1 to 6.

Normative isomorphism that exists due to pressure derived from the need to comply with norms, values, duties, responsibilities and role expectations in society as a whole which consists of social and professional normative pressure (DiMaggio & Powell, 1983). In this study, the normative pressure used is self-awareness and institutional interest in not committing fraud. The normative indicator uses 7 question items developed from 3 self-awareness skills proposed by Golemen, namely emotional awareness, self-recognition and self-confidence.

Information technology is measured through employee or management perceptions of facility conditions. In this study, the size of this variable was developed using the Unified Theory of Acceptance and Use of Technology (UTAUT) theory (Kamal, 2022; Venkatesh et al., 2003). And the condition of this information technology facility is one of the constructs developed. In UTAUT theory, it is explained that user behaviour can be influenced by user perceptions of existing facility conditions. In this study, management perceptions in the use of information technology implemented in the company will be able to prevent fraud which will be described in 5 question items.

CLOSING

This paper is a research plan paper that aims to examine the effect of coercive pressure, mimetic pressure, normative pressure and information technology on fraud prevention.

The existence of coercive pressure originating from government regulations in this case due to the study of manufacturing companies registered with the Bonded Zone company association, the existing companies must comply with regulations made by both the Directorate General of Customs and the Ministry of Finance. The company's low understanding of transformation is a result of imitating a standard in this case, namely the regulations made to serve as the basis for the company's administrative operations, resulting in mimetic pressure that can affect fraud prevention. In addition, morality as normative pressure in its implementation makes a stronghold for an organisation to prevent fraud. Information technology towards industry 5.0 is also an important thing that can be utilised to prevent fraud. This research is expected to be used as material for evaluating companies in the private sector for fraud prevention efforts. The author presents this paper in order to obtain suggestions and input before the next research process.

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