

The dynamics of the level of Confidence (Religiosity) affect Fraud (Fraud) Among Elite Managers as Decision Maker

Mar'a Elthaf Ilahiyah*¹
Dian Ratnasari Yahya²

¹Department of accounting
Sekolah Tinggi Ilmu Ekonomi Indonesia, Surabaya
INDONESIA

²Department of management
Sekolah Tinggi Ilmu Ekonomi Indonesia, Surabaya
INDONESIA

Email: mar'aelfilalahiyah@stiesia.ac.id*

Abstract: - East Java is a very large area compared to other regions in Java. In addition, East Java is also ranked second in terms of the largest population in Java. Thus, East Java is a very suitable area for the development of industrial estates. Industrial estates in East Java include factories, warehouses, international airports, and international ports. This also makes East Java considered a suitable area for investment for foreign investors from abroad. In addition, the people in East Java are also known for their religiosity. This religiosity is considered an important factor for companies. This is because, by having religious individuals, it is expected that these human resources can work honestly and not commit fraud. Thus, this concept certainly makes companies interested in investing in East Java, compared to other regions. This type of research is a qualitative case study using discussion group (FGD) technique. The results of the study provide a conclusion that religious beliefs can change if individuals get pressure, thus ignoring their religiosity.

Key-Words: - Fraud; Fraud financial statement; Religiosity; Skepticism; Decision Maker.

Received: February 02, 2025. **Revised:** March 20, 2025. **Accepted:** April 15, 2025. **Published:** April 30, 2025.

1 Introduction

In the implementation of Good Corporate Governance (GCG), accountability stands as a core principle and a crucial work ethic. However, despite widespread understanding of its importance, the consistent practice of accountability remains a challenge. This inability often opens the door to fraud—an issue that has become a global concern. Scandals such as Enron, WorldCom, Global Crossing, and Tyco are prominent examples of how fraudulent acts can have devastating global repercussions (Montesdeoca et al., 2019). Stakeholder demands for transparency and accountability have therefore urged management to deliver high-quality, fraud-free financial reports. To ensure this, stronger supervision and a robust internal control system are essential.

Yet, in countries like Indonesia, internal controls are often found lacking, as reflected in the persistent cases of fraud in both public and private sectors.

For instance, cnnindonesia.com (2019) reported a high-profile corruption case involving the Chairperson of the United Development Party (PPP), Romahurmuzyi, related to the buying and selling of positions within the Ministry of Religious Affairs. The Corruption Eradication Commission (KPK) suspected involvement of other high-ranking officials, including the Minister of Religion. Ironically, despite Indonesia's deeply rooted religious values, even religious institutions are not immune to fraud. This paradox demonstrates that religious knowledge alone may not suffice to prevent unethical behavior.

In the private sector, another notable case is that of Malinda Dee, who embezzled funds from 37 Citigold Citibank clients between 2007 and 2011 for personal use, amounting to tens of billions of rupiah (detik.com). Button et al. (2015) argue that developing countries are especially vulnerable to fraud, and Indonesia is no exception. Transparency International's Corruption Perceptions Index (CPI) ranked Indonesia 89th out of 180 countries in 2018, with a score of 38 out of 100—a slight improvement, yet still indicative of systemic issues.

East Java, one of the largest and most populous provinces in Java, has become a strategic hub for industrial and investment development, supported by its infrastructure such as international ports and airports. Moreover, the local community is widely known for its strong religious adherence. Religiosity is often seen as a vital factor in shaping honest and ethical human resources, making East Java an appealing location for business investment. This background supports the relevance of examining fraudulent behavior from multiple perspectives, including psychological, social, and religious factors (Fitriana & Baridwan, 2012; Free, 2015; Kramer, 2015). In Indonesia, scholars like Prabowo (2014; 2016) have adopted the Fraud Triangle framework to explore why fraud persists in various sectors.

2 Theoretical Framework

The theoretical foundation of this study is grounded in three interrelated perspectives: the Theory of Reasoned Action, Legitimacy Theory, and the concept of Religiosity as a moderating factor. The Theory of Reasoned Action (TRA), introduced by Fishbein and Ajzen (1975), posits that an individual's behavior is driven by their intention to perform that behavior, which in turn is shaped by two primary factors: personal attitudes and subjective norms. Within the context of financial fraud, this theory helps explain how a manager's procrastination—a behavioral attitude characterized by habitual task delay—can evolve into fraudulent conduct, particularly when internal rationalization aligns with organizational silence or permissive environments. In this sense, procrastination is not merely a time-management issue but a behavioral cue that may indicate deeper ethical vulnerabilities.

Complementing this perspective, Legitimacy Theory emphasizes the social contract between an organization and the society in which it operates. According to this theory, organizations must align their actions with prevailing social values and norms to maintain legitimacy. When corporate actions deviate from these expectations—such as engaging in fraud—they threaten their own legitimacy, damaging reputations and eroding public trust. Fraud, as a deviant act, stands in stark contrast to the ethical values upheld by society, leading to both moral and material consequences including loss of stakeholder confidence, financial penalties, and reduced employee morale.

Therefore, to preserve legitimacy, organizations must implement sound governance practices and effective internal controls aimed at preventing fraudulent behavior before it occurs.

The role of religiosity, particularly as a form of internalized trust and self-regulation, offers a powerful complementary dimension. Although often difficult to define precisely, religiosity is broadly understood as an individual's belief in, and commitment to, a higher spiritual authority—usually expressed through worship, moral conduct, and community engagement. Scholars such as Moberg (1984) and Narayanasamy (1993) highlight that religiosity is deeply intertwined with personal discipline and social ethics. Religious teachings, especially in societies where spirituality is strongly embedded in daily life, function as an internal compass that governs behavior in both personal and professional contexts. Geyer and Baumeister (2005) argue that religious systems can serve as external sources of discipline, reinforcing self-control through repetitive moral engagement. As such, religiosity can act as a deterrent to fraudulent behavior by fostering an awareness that one's actions are accountable not only to society but to a transcendent moral authority. This study thus examines religiosity as a moderating factor that may influence the extent to which attitudes such as procrastination and legitimacy concerns translate into fraudulent intent or action.

3 Research Method

This type of research is a qualitative case study using *the discussion group* (FGD) technique or group discussion. *Forum Discussion Group* (FGD) is a qualitative data collection technique that is widely used, especially by decision makers or researchers. The FGD technique also makes it easier for decision makers or researchers to understand the attitudes, beliefs, expressions and terms commonly used by participants on the topic being discussed, so that it is very useful to understand the reasons that are not revealed behind the participants' responses. This technique is used to avoid the wrong meaning of the researcher on the problem under study. FGDs are also used to draw conclusions on intersubjective meanings that are difficult for researchers to give their own meanings because they are blocked by researchers' subjectivity (Kresno S. et al., 1999).

The sampling technique in this study used *purposive sampling technique*. In determining the subject / object in this technique emphasizes the appropriateness of objectives by using personal considerations in accordance with the research topic, the researcher chooses the subject / object as the unit of analysis. Researchers choose the unit of analysis based on their needs and assume that the unit of analysis is representative . In other words , this *purposive sampling technique* only chooses samples that can really provide relevant and effective answers to the questions raised (Sugiyono, 2010). Thus, the data obtained are really directly from the sample who understand well about the field of study in question. The selection of informants is determined by criteria, based on the understanding of each individual (from the point of view of the current generation of students) about their understanding of how large the level of religious belief is so that this will

influence a person to behave towards fraud (*fraud*) . From this classification the following FGD group samples and classifications were obtained:

Table 1. Sample determining focus group discussion

The selected Manager Classification category	Number of Students Involved	Number of Discussion Groups
Managers who have worked for more than 15 years	20 people	4 groups
Managers who have an active role in religious organizations in the Company	10 people	2 groups
Managers who have had fraud problems amount	5 people	1 group
	45 people	7 groups

The selection of samples in the FGD above is first based on, managers who have worked for more than 15 years, this is done to see how the level of professionalism of a manager in the field of work or division they lead, because the longer the time a manager has in working then the more he knows the ins and outs of professionalism in the led field. Both the sample selection was based on its activity within an organization follows Keag a man in the company. This indicator is carried out to photograph how one's religious level can stem to prevent the practice of cheating because it is fortified by the religious level through reflection of the activeness of religious organizations. The third is a crucial indicator that is dealing with managers who have had fraud problems. This indicator is carried out to explore how someone has an impetus or reason that underlies why they commit fraud. The object of this study was selected through samples taken from managers in manufacturing companies in East Java.

4 Results and Discussions

Table 2. Professional Skepticism with the Effects of Fraud (*Fraud*)

Opinion	Frequency	Ranking
1. Managers who always question / respond to environmental changes	25	1
2. Managers who quickly make decisions on evidence	20	2

Professional skepticism is an attitude that includes a mind that always questions, is alert to conditions that can indicate the possibility of misrepresentation, whether caused by fraud or error, and an important assessment of evidence. Based on the results of the FGD above we can see that the majority of the manager's opinions from the statement above are choosing the first opinion that is talking about "**Their response regarding an environmental change**". This is in accordance with the characteristics of professional skepticism formed by several factors, namely as follows : 1. Checking and testing the evidence (examination of evidence) consisting of: (The

mind that always asks (questioning mind). (Suspension on judgment (suspension on judgment). (Search knowledge (search for knowledge) that is characteristic based on feelings of want to know (curiosity) which tinggi.2.Memahami provision of information (understanding the evidence providers) in the form of interpersonal understanding (interpersonal understanding) ie someone yangdibentuk skeptical character of objective understanding, motivation, and the integration of information providers. believe yourself (self-confidence) are confident professionally to act atasbuktiyang already collected. determination of itself (self-determination) is the attitude of a person to conclude objectively that has been collected.

The importance of professional skepticism is stressed by various types of professions. Generally, the profession that requires professional skepticism is a profession that deals with gathering and evaluating evidence critically, and making decision-making considerations based on the evidence gathered. The referred professions include , detectives, police, auditors, lawyers and judges, and investigators. However, from various professional and academic fields that require professional skepticism, only auditors require professional skepticism in their professional standards (Hurtt, 2003).

As an individual characteristic, skepticism can be in the form of inheritance (trait), which is a stable and enduring aspect of an individual and also situational (state), namely a temporary condition that is influenced by the situation (Hurtt, 2010, and Forehand and Grier, 2002) . In the framework of his professional skepticism, Hurtt explained that innate skepticism (trait skepticism) and situational skepticism (state skepticism) would form a skeptical mindset (skeptical mindset), and a skeptical mindset would shape skepticism. The tendency of the form of behavior that the manager has determines the factors that can influence the level of skepticism. In their research in the field of consumer psychology, Forehand and Grier (2002) found that one's skepticism can be manipulated and additive, meaning that skepticism that has been embedded from the beginning as a trait can be strengthened by state manipulation which further increases the innate skepticism. Murtanto's research (in Lastanti, 2005) concluded that experience and knowledge are important components for manager's expertise . Although the level of skeptic mindset of each person is different, but it can be influenced by experience, training directly and indirectly, and the culture that exists in the company environment where the auditor works, including the form of incentives provided formally and informally (Financial Reporting Council , 2010). Managers with a lot of experience will show a higher level of professional skepticism (Anugerah et al, 2011).

Table 3. Professional Skepticism with the Effects of Fraud (*Fraud*)

Opinion	Frequency	Ranking
---------	-----------	---------

1. Active to strengthen faith and trust through religious organizations in order to protect themselves from all negative activities including acts of fraud.	15	2
2. Not active in religious organizations both within the scope of the company and the external environment	30	1

Based on the results of the FGD opinion above, it can be concluded that most managers do not actively participate in religious organizations. Starting from their theory of classical criminology called *the fraud triangle* which give an idea of the reason the reasons people commit fraud. This theory is very closely related to the perceptions that arise in individuals against cheating (Lenz & Graycar, 2016; Mangoting, Sukoharsono, & Nurkholis, 2017; Reskino & Anshori, 2016). *The fraud triangle* illustrates the factors driving fraud that are seen entirely in the individual. In committing fraud, the drive from within the individual is very dominant to force the individual to commit fraud. However, the outside of the individual also has enough impact to influence individuals to cheat. By involving the construct of fraud in an investigation it can produce a view of the extent to which the environment will affect individuals. For example, an employee actually does not want to commit fraud, but because he sees his colleague accustomed to cheating, he is motivated to commit fraud.

In the context of *fraud triangle* , cheating is seen from one corner of the triangle, namely pressure. The perpetrators cheated due to pressure that forced him to commit the crime. This pressure comes not only from the pressure of the individual himself, but also comes from outside himself. Based on the 2016 *report to the nation* compiled by the *Association of Certified Fraud Examiners* (ACFE) on *red flags*, it was found that *living beyond means* is the main indication of fraud committed by perpetrators. This finding shows that *fraud is* committed because the individual follows a high lifestyle and hedonism in which his finances are unable to follow that style. Although it looks dominant influenced by motivation within the individual, ACFE report also found adanyatekanan of the people around the individual. External pressures such as excessive pressure from the organization and also pressure from families who want to see themselves successful.

In general, the perceived pressure individuals have built a perception to commit fraud that aims to escape the tyranny of the pressure. Prabowo (2014) further states that there are problems that cannot be told to others (*non-shareable problems*) that must be solved by themselves. This phenomenon makes individuals have a strong motivation to produce financial crimes such as corruption. With a variety of reasons, it is possible people will ignore the value of ethical values,

such as religion, only to escape from the pressures (Urumsah, Abrams, & Pratt, 2016). Faith that prevents fraud is sometimes ignored. Every religious teaching provides instructions to be able to promote ethical behavior and leave harmful behavior. In essence, individuals who believe in their religion and uphold religious values tend to avoid harmful behaviors (Arli, 2017; Arli & Pekerti, 2016; Shinde, 2015). From these findings it turns out that all informants argued in absolute agreement that religion strictly prevents individual cheating behavior. This is reasonable given that the individual has the possibility to ignore the value of the value of religious to pursue its objectives. Abu also explained as follows.

"Religion or religiosity is very helpful for individuals in behaving because it provides very clear instructions between what can be done and what is not. Yes, I as a Muslim felt the effect first hand. I also believe that engaging in behavior that violates religion will harm many people and result in sin. Therefore, I am afraid to do the behavior. I also believe that having something that results from corruption is illicit fortune and is a sin." Respondent Manager A is in the category of manager category who is active in religious organizations.

Same with the words of respondent Manager A explained that gius rally is the key to ethical behavior that helps individuals to avoid unethical behavior. Although not directly involved in cheating behavior, based on the experience of group managers respondents who have committed acts of *fraud* or fraud that there is a tendency that religiously owned individuals to create a brand of themselves.

"They (the main perpetrators of fraud) look very religious. In regard to the other, it's all just cosplay (costume certain character) which they use in which only imitate the clothes of people are religious. However, his behavior is contrary to the costumes used", Respondent Manager B in the group of managers who had committed fraud.

Although, explicitly mentioning that the consequences of violating religious values will have a negative impact on him, other group respondents also stated that there was a possibility that other people would have different views. This is stated in the following statement.

"... but it's back to the principle of each individual itself. That does not necessarily apply to others. They (others) might at once do not be afraid to carry out such actions. By committing these sins, they will get something they want with a very high profit." Manager C Respondents in the group of managers who have committed acts of fraud.

The same thing was also expressed by Fulan where there is still the possibility of fraud despite having faith. The statement can be traced to the following excerpt.

"In terms of faith, of course there is still the possibility of fraud. We need to know that sometimes a person's faith goes up and down. Now, when the faith is going down or even to zero, then the possibility of fraud is still present" Manager Respondent D in the group of managers who have experienced fraud.

From what was stated by the informant above, it was illustrated that religiosity was not used fully or only based on the conditions at that time. Indonesian people in general have a belief that religiosity is very important for life (Pew Research Center, 2015). Committing an adverse behavior such as cheating is believed to produce sin for himself. On that basis, individuals in behavior will follow what is taught by the teachings of their religion. This phenomenon illustrates that religiosity is still considered important even though they have cheated in the past. Geber t, Boerner, & Chatterjee (2011) assume that religious teachings, rules and orders are universal because they relate to all aspects of life. In other words, the religious value it has will remain in the individual in all aspects of his life. Even though it is still considered important, the religious values that exist are sometimes ignored in certain conditions. The interesting side is when what they say about the importance of applying religious values is not consistent with the behavior they do. Being an individual who is considered religious will unwittingly provide " added value" for the individual. Especially if the individual wants a " compliment" from members of the organization or the wider community. They may understand the meaning of religious values but they are not afraid to engage in behaviors that harm society such as cheating. Some informants said that sometimes a human being experiences a decline in faith and thus ignores the religious teachings he believes in. From here there are important points that indicate the existence of " fluctuations" in the faith of the individual. Individuals will feel afraid of sin when their faith is at a high level. Conversely, though not all, individuals will dare to engage in unethical behavior and change their faith when their faith falls.

On the other hand , as revealed by Prabowo (2014), one of the frauds that began was one of opportunity. The opportunity to commit fraud is closely related to weak internal control where the likelihood of an offender being caught is small (Mui & Mailley, 2015). However, opportunities are not only described in the external conditions that exist within the organization itself. Opportunities can come from within the performer how belief or faith in God is decreasing. Facts obtained from the informants prove that opportunities alone are not enough to commit fraud. There is a motivating factor from within an individual who acts as a driver of cheating behavior by ignoring God's supervision of his behavior. Even though the opportunity exists, if the individual believes that every individual's behavior is supervised by God, then the individual will tend not to do so.

5 Conclusions

The perpetrators of fraud today tend to ignore the religious teachings they understand. They actually have to understand or at least aware of the importance of religiosity in aspects of life aspects. Ignorance of religious teachings has an impact on behavior that results in harm to many people or organizations. Ironically, individual religiosity is wrapped to get praise from the public. In fact, what he does is not in line with the image that is built as individuals who understand the

teachings of religiosity. This is a concern and also a fact where religiosity no longer significantly makes individual ethics good. However, cheating by individuals is not entirely the desire of the individual itself. This research results in a view that individuals are forced to commit fraud because of pressure from their leaders. The role of leadership in an organization is indeed very significant with great strength. On that basis, leaders are known to be able to create a culture that is in the organization. This research found that organizational culture is not a direct factor in individual cheating. In fact, the influence of leaders who are very dominant in making culture is considered as the main factor of cheating. This is very reasonable because the direction of behavior of members of the organization is very dependent on the policies and decisions taken by the leadership. If the leader is happy and accustomed to cheating, then the behavior of the members of the organization as a whole will tend to display behavior that is happy with cheating too.

References:

- Ahmad, S. A., Yunos, R. M., Ahmad, R. A. R., & Sanusi, Z. M. (2014). Whistleblowing Behaviour: The Influence of Ethical Climates Theory. *Procedia-Social and Behavioral Sciences*, 164, 445–450. <https://doi.org/10.1016/j.sbspro.2014.11.101>
- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50, 179–211. [https://doi.org/10.1016/07495978\(91\)90020T](https://doi.org/10.1016/07495978(91)90020T)
- Allio, R. J. (2012). Leaders and Leadership –Many Theories, but What Advice is Reliable? *Strategy & Leadership*, 41(1), 414. <https://doi.org/10.1108/10878571311290016>
- Arlı, D. (2017). Does Ethics Need Religion? Evaluating the Importance of Religiosity in Consumer Ethics. *Marketing Intelligence & Planning*, 35(2), 205–222. <https://doi.org/10.1108/MIP0620160096>
- Arlı, D., & Pekerti, A. (2016). Investigating the Influence of Religion, Ethical Ideologies and Generational Cohorts toward Consumer Ethics: Which One Matters? *Social Responsibility Journal*, 12(4), 770–785. <https://doi.org/10.1108/SRJ0820150112>
- Association of Certified Fraud Examiners. (2016). *Report To the Nations on Occupational Fraud and Abuse*. Austin. Badan Pengawas Keuangan dan Pembangunan. (2016). *Mengenalı Fraud Red Flags*. Tersedia pada: <http://www.bpkp.go.id/berita/read/15763/0/MengenalıFraudRedFlags.bpkp> (Diakses: 14Februari 2018).
- Berson, Y., Oreg, S., & Dvir, T. (2008). CEO Values, Organizational Culture and Firm Outcomes. *Journal of Organizational Behavior*, 29(5), 615–633. <https://doi.org/10.1002/job.499>
- Bhal, K. T., & Dadhich, A. (2011). Impact of Ethical Leadership and LeaderMember Exchange on Whistle Blowing: The Moderating Impact of the Moral Intensity of the Issue. *Journal of Business Ethics*, 103(3), 485–496. <https://doi.org/10.1007/s105510110876z>
- Braun, V., & Clarke, V. (2006). Using The matic Analysis in Psychology Using Thematic Analysis in Psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>
- Button, M., Lewis, C., Shepherd, D., & Brooks, G. (2015). Fraud in Overseas aid and the Challenge of Measurement. *Journal of Financial Crime*, 22(2), 184–198. <https://doi.org/10.1108/JFC0220140006>

- Edmonds, W. A., & Kennedy, T. D. (2017). *An Applied Guide to Research Designs: Quantitative, Qualitative, and Mixed Methods* (2nd ed.). California: SAGE.
- Fitriana, A., & Baridwan, Z. (2012). Perilaku Kecurangan Akademik Mahasiswa Akuntansi: Dimensi Fraud Triangle. *Jurnal Akuntansi Multiparadigma*, 3(2), 244-256. <http://dx.doi.org/10.18202/jamal.2012.08.7159>
- Frantz, T., & Jain, A. . (2017). Relating CEO Leadership Behavior and Organization Culture in the India Context. *Leadership & Organization Development Journal*, 38(6), 746-764. <https://doi.org/10.1108/LODJ1220150287>
- Free, C. (2015). Looking through the FraudTriangle: A Review and Call for New Directions. *Meditari Accountancy Research*, 23(2), 175–196. <https://doi.org/10.1108/MEDAR0220150009>
- Gebert, D., Boerner, S., & Chatterjee, D. (2011). Do Religious Differences Matter? An Analysis in India Diether. *Team Performance Management: An International Journal*, 17(3/4), 224–240. <https://doi.org/10.1108/13527591111143736>
- Giles, D., & Yates, R. (2014). Enabling Educational Leaders: Qualitatively Surveying an Organization's Culture. *International Journal of Organizational Analysis*, 22(1), 94–106. <https://doi.org/10.1108/IJOA1120110526>