

Law of Karma Phala on Potential Financial Management Fraud: Testing of Hexagon Fraud Element

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Abstract

This study aims to analyze the effect of the six fraud hexagon elements (pressure, opportunity, rationalization, competence, arrogance and collusion) on potential fraud, as well as test whether belief in *Karma Phala* weakens the influence of the six fraud hexagon elements on the potential fraud. The population in this research were all village apparatus in Badung district. The sampling criteria in this study used a saturated sample technique. The data used in this study are primary data obtained through questionnaires and then analyzed using SEM-PLS. The results of the study show that pressure, opportunity, rationalization, competence, arrogance and collusion have a positive effect on the potential for fraud in village financial management. Meanwhile, belief in the law of *Karma Phala* only weakens the positive effect of arrogance on the potential for fraudulent village financial management, but does not weaken the positive influence of pressure, opportunity, rationalization, competence and collusion on the potential fraud.

Keywords: fraud hexagon, belief in the law of Karma Phala, village financial management.

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INTRODUCTION

Basically, a person's motive for committing an act of fraud is relatively different. One theory that reveals a person's motivation in acting fraud is the fraud hexagon theory. The hexagon fraud theory is a theory introduced by Vousinas in 2019. This theory is a refinement of previous theories that can explain why people commit acts of fraud. According to the ideas found by Vousinas (2019), there are 6 factors behind someone committing fraud which consists of pressure, opportunity, rationalization, competence, arrogance and collusion.

Pressure is the first factor that can encourage a person or group to commit fraud. The pressure experienced by a person in the form of financial and non-financial pressure causes a person to be in a difficult and squeezed condition so that he tries to do everything possible to be free from this condition (Vousinas, 2019). Empirical research using the element of pressure was carried out by Suryandari & Valentin, (2021) which showed that pressure had a positive effect on fraudulent village fund management. However, these results are not in line with research conducted by Handoko & Salim, (2022) which shows that pressure does not affect the occurrence of fraud.

Opportunity is the second factor that influences a person to cheat, which can be defined as a person's situation accompanied by circumstances that allow him to commit fraud without being noticed by other people. Opportunity is often associated with the internal control system, the more ineffective the internal control system is implemented, the more opportunities available to commit fraudulent activities. Albretch et al., (2012). According to research by Desviana et al., (2020) shows that opportunity has a positive effect on fraudulent management of village funds. However, this research is not in line with research by Endahsari et al., (2020) which shows that opportunity does not affect the occurrence of fraud in village financial management.

Rationalization is the third factor that supports a person or group to commit fraud. Rationalization is a form of self-justification of the perpetrator for what he has done. Rationalization is carried out to justify the actions that have been taken, even though there are other parties who feel aggrieved (Vousinas, 2019). Research on rationalization as a trigger for fraud was conducted by Sholawati & Bhilawa, (2022) which shows that rationalization has a positive effect on fraud. However, this research is not in line with research by Oktavia et al., (2022) which shows that rationalization does not affect the occurrence of fraud.

Competence (capability) is the fourth factor which is defined as a person's ability and plays a major role in committing fraud. A person's success in carrying out fraud is determined by his abilities such as position/position, intelligence, selfishness, persuasiveness, lies, and stress control Wolfe & Hermanson, (2004). In Tinay et al.'s research, (2022) states that competency has a positive effect on village financial fraud. However, this is different from Novarina & Triyanto's research, (2022) which states that competency or ability does not affect fraud.

Furthermore, the fifth factor of the fraud hexagon element is arrogance. Arrogance is the behavior of

arrogance and selfishness of someone who feels capable of carrying out his fraudulent actions, giving rise to high self-confidence that the person will not be caught committing fraud and will not be penalized (Aprilia, 2017). Putra & Dewi's research, (2022) states the results that arrogance or ego has a positive effect on accounting fraud. However, it is different from research conducted by Faradiza, (2019) which shows that arrogance has no effect on the occurrence of fraud.

The last element that can influence internal fraud is collusion. Fraud can occur because of agreement and cooperation that occurs between two or more people in order to achieve the goal of fraud (Vousinas, 2019). Previous research regarding elements of collusion was conducted by Desviana et al., (2020) which stated that collusion had an effect on fraudulent village fund management. However, it is different from the results of research conducted by Suryandari & Valentin (2021) which states that collusion has no effect on fraudulent management of village funds.

Based on previous research regarding the elements of the fraud hexagon (pressure, opportunity, rationalization, competence, arrogance and collusion) which are referred to as factors that encourage someone to act fraudulently found inconsistent results so as to be able to reconcile conflicting results a contingency approach is needed to identify other variables acting as a moderator in the research model. This study uses belief in the law of *Karma Phala* as a moderating variable. The reason for using the variable of belief in *Karma Phala* is because *Karma Phala* is believed to be the law of cause and effect by Hindus. All the phala (results) of human actions are the fruit of the karma that has been created. Doing good karma will bring good rewards. And vice versa, if you do bad karma, the reward you get is also not good, so that belief in *Karma Phala* is suspected of weakening the six elements of the fraud hexagon in fraudulent village financial management.

The use of the law of *Karma Phala* as a moderating variable is based on the Theory of Planned Behavior. This theory of Planned Behavior explains that individual intentions to behave are effected by attitudes toward behavior, subjective norms, and perceptions of behavioral control. The belief in the law of *Karma Phala* in this study is relevant to one of the elements in the theory of planned behavior, namely: perceived behavioral control. This statement is supported by Jogiyanto (2007) who states that behavioral control is the belief one has about the resources and opportunities one has to anticipate something one is faced with to perform the behavior. Azwar (2011) also argues that behavioral control is an individual's belief in how difficult or easy it is to carry out the considered behavior when the necessary opportunities and resources are available or not.

Previous research related to belief in the law of *Karma Phala* was conducted by Paradila, et al (2022), the results of the research conducted showed that belief in *Karma Phala* can weaken indications of fraud at the LPD in Buleleng Regency. Maryastini & Purnamawati (2020) found that the application of the *Karma Phala* concept by the village government was able to prevent fraud and increase public trust. Someone who believes in the law of *Karma Phala* will be able to improve ethics and morals when living in a society (Munidewi, 2017).

Muliati and Yuniasih (2021) state that the application of the *Karma Phala* law has a positive effect on preventing fraud at the LPD in Denpasar City. Local wisdom in Bali, one of which is the belief in the law of *Karma Phala*, is felt to have a positive impact on preventing fraud, especially in village financial institutions. Marsyastini et al. (2020) shows that the process of applying the concept of *Karma Phala* law to prevent fraud in the Sibangede APBDes includes planning, implementation, administration, reporting, accountability, guidance and supervision. Yuniasih and Sudiana (2022) state that the belief in the law of *Karma Phala* can moderate whistleblowing relationships and prevent fraud.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Pressure to commit fraud is a condition of a person's compulsion to fulfill financial and non-financial needs (Vousinas, 2019). Pressure in this case is the pressure experienced by village officials as a driving factor for village officials to commit fraud in village financial management. This pressure can arise from various things, including pressure on lifestyle needs that are not met from the compensation that has been obtained, pressure from the office environment, and pressure that comes from outside the organization can influence employees to act fraudulently (Wati and Yuniasih, 2021).

Opportunity is an opportunity that exists when there is a gap to commit fraud. This means that the employee must understand that he has the opportunity to commit a crime without being caught (Vousinas, 2019). According to Wolfe & Hermanson (2004), the opportunity to commit fraud is a condition due to weaknesses in the system, so that it is utilized by someone to commit fraud by spending all their abilities. Opportunities are often associated with the internal control system, the less effective the internal control system is implemented, the more opportunities available to carry out fraudulent activities (Albrecht et al., 2012). The greater the opportunity or opportunity presented to someone and supported by the granting of broad freedom, the greater the potential for fraud (Suryandari and Valentine, 2021).

Rationalization is related to justifying fraud (Vousinas, 2019). Several factors cause a person to justify his actions, namely because everyone around him does the same thing so that it is considered a common thing to do and feels that no one is harmed by his actions (ACFE, 2016). If village officials are accustomed to committing

acts of fraud and other bad acts, both small and large, then this can cause a person to justify fraud because this is considered a common thing for the people around him (Sholawati and Bhilawa, 2022).

Competence refers to personal traits and abilities that play a major role in whether fraud will actually occur given pressure, opportunity and rationalization (Vousinas, 2019). The fraud that has occurred so far can occur because someone has the right ability to read the situation. The existence of opportunities makes someone pressured or want to commit fraud. Cheating is planned because the perpetrator has been able to read the situation, so that he is encouraged to take actions that can harm others (Wolfe & Hermanson, 2004).

Arrogance is one of the factors that cause fraud. According to Karyono (2013), fraud is caused by arrogance. Arrogance is a haughty and arrogant attitude possessed by an individual who confidently considers himself able to commit acts of fraud. The nature of arrogance arises as a result of a very large selfish attitude. This nature will foster confidence that if he commits fraudulent acts he will not be caught, and the existing penalties will not ensnare him (Aprilia, 2017). The perpetrator believes that internal control is unable to ensnare him and thinks he is free and avoids existing sanctions. This opinion shows that arrogance affects the tendency for fraud to occur. The high arrogance will be directly proportional to the occurrence of fraud. If arrogance is higher, then the occurrence of fraudulent acts of financial management is also higher.

Collusion is an attitude that refers to an agreement that deceives certain parties for parties who have unfavorable goals by taking actions such as deceiving third parties (Vousinas, 2019). Parties involved in collusion can be employees within an organization, a group of individuals covering several organizations. Once there is collusion between employees, or between employees and external parties, fraud is much more difficult to stop.

The results of research conducted by Putra & Dewi (2022); Sholawati & Bhilawa (2022); Rohanisa & Bhilawa (2022); Rizkiawan & Subagio (2022); Handoko & Salim (2022); Tinay et al, (2022); Oktavia et al, (2022), Novariana & Triyanto (2022); Suryandari & Valentin (2021); Desviana et al., (2020); Endahsari et al., (2020); Honor & Pesudo (2019); Omukaga (2019) shows that the elements of the fraud hexagon as a whole have an effect on fraud. Based on the theory and results of previous research, hypotheses can be developed:

- H_{1a}: Pressure has a positive effect on the potential for fraud in financial management
- H_{1b}: Opportunity has a positive effect on the potential for fraud in financial management
- H_{1c}: Rationalization has a positive effect on the potential for fraud in financial management
- H_{1d}: Competence has a positive effect on the potential for fraud in financial management
- H_{1e}: Arrogance has a positive effect on the potential for fraud in financial management
- H_{1f}: Collusion has a positive effect on the potential for fraud in financial management

The law of karma is a belief that is owned and is the basis of Balinese life. The term karma literally means action, work or deed. Any kind of intentional action whether mental, verbal or physical, is considered karma. It encompasses all in good phrases thought, word and deed. According to the law of karma, individual and collective actions determine the nature of existence in the present or future lifetimes. Everything we do, say or think, will have an effect and in time will come back to us (Asri, 2018). Someone who has this belief is expected to be able to improve human morals and ethics in social life, by understanding the nature of the law of karma, humans will not commit disgraceful actions and cause harm or destruction to others (Munidewi, 2017).

The belief in the law of karma moderates the effect of the hexagon fraud element on village financial management fraud based on the Theory of Planned Behavior (TPB). In Theory of Planned Behavior (TPB) *Karma Phala* is related to perceived behavioral control or behavior control. When village officials have pressure, opportunity, rationalization, competence, arrogance and collusion to commit fraud but they have confidence in the law of *Karma Phala*, fraud will be controlled because it is considered an obstacle to committing fraud.

Previous research related to belief in the law of *Karma Phala* was conducted by Paradila, et al (2022), the results of the research conducted showed that belief in *Karma Phala* can weaken indications of fraud at the LPD in Buleleng Regency. Maryastini et al., (2020) found that the application of the *Karma Phala* concept by the village government was able to prevent fraud and increase public trust. In addition, Istifadah & Senjani (2020) state that religiosity can moderate, more precisely, weaken the effect of the fraud hexagon element on fraudulent acts. Based on the theory and results of previous research, a hypothesis can be developed :

- H_{2a}: Belief in *Karma Phala* weakens the effect of pressure on the potential for fraud in financial management.
- H_{2b}: Belief in *Karma Phala* weakens the effect of opportunity on the potential for fraud in financial management.
- H_{2c}: Belief in *Karma Phala* weakens the effect of rationalization on the potential for fraud in financial management.
- H_{2d}: Belief in *Karma Phala* weakens the effect of competence on the potential for fraud in financial management.
- H_{2e}: Belief in *Karma Phala* weakens the effect of arrogance on the potential for fraud in financial management.

H_{2f}: Belief in *Karma Phala* weakens the effect of collusion on the potential for fraud in financial management.

METHODS

The population in this study are all village apparatus involved in managing village finances according to the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 20 of 2018 which consists of:

- 1) The Village Head, as the Holder of Village Financial Management Authority
- 2) Village Secretary, as Village Financial Management Executor coordinator
- 3) Head of Affairs (Kaur) who carries out the duties of the holder of village financial management powers. Kaur consists of: Head of General Affairs and Administration, Head of Planning, Head of Finance
- 4) Head of section as a technical implementing element in accordance with the field. Section Head consists of: Head of Government, Head of Services and Head of Welfare

The sample determination method used in this study uses the saturated sample method. The method of data collection in this study is data collected through questionnaires. The questionnaire used was an online questionnaire in the form of a google form which was distributed via the WhatsApp application. This study uses SEM-PLS with the help of Smart PLS software for data analysis.

RESULT AND DISCUSSION

Measurement Model Evaluation Results (Outer Model)

Convergent Validity

Table 1. Convergent Validity

	Arrogance (X5)	Potential Financial Management Fraud (Y)	Opportunity (X2)	Belief in <i>Karma Phala</i> (Z)	Collusion (X6)	Competency (X4)	Rationalizes (X3)	Pressure (X1)
X1.1								0,739
X1.2								0,802
X1.3								0,879
X1.4								0,901
X1.5								0,775
X2.1			0,721					
X2.2			0,803					
X2.3			0,851					
X2.4			0,872					
X2.5			0,839					
X3.1							0,888	
X3.2							0,875	
X3.3							0,798	
X3.4							0,797	
X3.5							0,838	
X4.1						0,877		
X4.2						0,948		
X4.3						0,784		
X4.4						0,949		
X4.5						0,821		
X5.1	0,725							
X5.2	0,881							
X5.3	0,850							
X5.4	0,698							
X5.5	0,868							
X6.1					0,835			
X6.2					0,849			
X6.3					0,929			
X6.4					0,929			
X6.5					0,848			
Y.1		0,796						
Y.2		0,806						
Y.3		0,859						
Y.4		0,857						

	Arrogance (X5)	Potential Financial Management Fraud (Y)	Opportunity (X2)	Belief in Karma Phala (Z)	Collusion (X6)	Competency (X4)	Rationalizes (X3)	Pressure (X1)
Y.5		0,878						
Y.6		0,906						
Y.7		0,898						
Y.8		0,757						
Y.9		0,739						
Z.1				0,839				
Z.2				0,822				
Z.3				0,866				
Z.4				0,798				
Z.5				0,846				
Z.6				0,827				

Primary Data, 2023

Based on Table 1 all values in the convergent validity test are greater than 0.7. So that the data in the research is declared valid.

Discriminant Validity Correlation of Latent Variables

Table 2. Discriminant Validity Test Results for Latent Variable Correlation

	Arrogance (X5)	Financial Management Fraud (Y)	Opportunity (X2)	Belief in Karma Phala (Z)	Collusion (X6)	Competency (X4)	Rationalizes (X3)	Pressure (X1)
Arrogance (X5)	0,808							
Potential Financial Management Fraud (Y)	0,686	0,835						
Opportunity (X2)	0,396	0,469	0,819					
Belief in Karma Phala (Z)	-0,506	-0,607	-0,276	0,833				
Collusion (X6)	0,422	0,422	0,310	-0,422	0,879			
Competency (X4)	0,746	0,652	0,230	-0,445	0,305	0,878		
Rationalizes (X3)	0,835	0,675	0,444	-0,508	0,478	0,670	0,840	
Pressure (X1)	0,462	0,557	0,540	-0,353	0,314	0,262	0,495	0,821

Primary Data, 2023

Discriminant Validity with AVE

Table 3. AVE Convergent Validity Test Results

	Average Variance Extracted (AVE)
Arrogance (X5)	0,653
Potential Financial Management Fraud (Y)	0,697
Opportunity (X2)	0,670
Belief in Karma Phala (Z)	0,695
Collusion (X6)	0,773
Competency (X4)	0,771
Rationalizes (X3)	0,706
Pressure (X1)	0,675

Primary Data, 2023

Based on Table 3 all average variance extracted (AVE) values are more than 0.5. Thus, the data in this study is declared valid.

Composite reliability

Table 4. Cronbach's Alpha Reliability Test Results

	<i>Cronbach's Alpha</i>
Arrogance (X5)	0,876
Potential Financial Management Fraud (Y)	0,945
Opportunity (X2)	0,877
Belief in <i>Karma Phala</i> (Z)	0,912
Collusion(X6)	0,926
Competency (X4)	0,924
Rationalizes (X3)	0,897
Pressure (X1)	0,880

Primary Data, 2023

Based on Table 4, all Cronbach's alpha values for each variable are greater than 0.7. Thus the data in this study are declared reliable.

Table 5. Composite Reliability Test Results

	<i>Composite Reliability</i>
Arrogance (X5)	0,903
Potential Financial Management Fraud (Y)	0,954
Opportunity (X2)	0,910
Belief in <i>Karma Phala</i> (Z)	0,932
Collusion(X6)	0,944
Competency (X4)	0,944
Rationalizes (X3)	0,923
Pressure (X1)	0,912

Primary Data, 2023

Based on Table 5 all Composite reliability values for each variable are greater than 0.7. Thus the data in this study are declared reliable.

Measurement Model Evaluation Results (Inner model)

Table 6. R-Square

	R Square	R Square Adjusted
Potential Financial Management Fraud (Y)	0,696	0,684

Primary Data, 2023

Based on Table 6, the R-square value for the variable pressure, opportunity, rationalization, competence, arrogance, collusion and belief in the law of *Karma Phala* for fraudulent village financial management is 0.696, which is strong, which shows an effect of $0.696 \times 100\% = 69.6\%$.

Q-square

Inner model testing is done by looking at the Q-square value which is a goodness of fit model test. If the Q-square value is greater than 0 (zero) it indicates that the model has predictive relevance value, while the Q-square value is less than 0 (zero) indicates that the model has less predictive relevance. However, if the calculation results show a Q-square value of more than 0 (zero), then the model is said to have relevant predictive value. The Q-square calculation can be seen in:

$$Q^2 = 1 - (1 - R_1^2)$$

$$Q^2 = 1 - (1 - 0,696)$$

$$Q^2 = 1 - (0,304)$$

$$Q^2 = 0,696$$

Based on the calculation, a Q-square value of 0.696 is obtained, more than 0. So it can be concluded that the model has a predictive relevance value or the model deserves to be said to have relevant predictive value.

Hypothesis Testing
Table 7. Direct Effect

	Original Sampel (O)	Sampel Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Pressure (X1) -> Potential Financial Management Fraud (Y)	0,208	0,217	0,025	8,256	0,014
Opportunity (X2) -> Potential Financial Management Fraud (Y)	0,100	0,128	0,016	6,378	0,024
Rationalizes (X3) -> Potential Financial Management Fraud (Y)	0,042	0,121	0,006	6,629	0,022
Competency (X4) -> Potential Financial Management Fraud (Y)	0,295	0,302	0,023	12,580	0,006
Arrogance (X5) -> Potential Financial Management Fraud (Y)	0,130	0,067	0,003	40,100	0,001
Collusion (X6) -> Potential Financial Management Fraud (Y)	0,032	0,051	0,009	3,386	0,027
Belief in <i>Karma Phala</i> (Z) -> Potential Financial Management Fraud (Y)	-0.275	-0.204	0.004	74.113	0.000
<i>Moderating Effect 1</i> -> Potential Financial Management Fraud (Y)	-0,008	-0,027	0,051	0,157	0,890
<i>Moderating Effect 2</i> -> Potential Financial Management Fraud (Y)	0,116	0,119	0,044	0,662	0,117
<i>Moderating Effect 3</i> -> Potential Financial Management Fraud (Y)	0,009	-0,020	0,044	0,201	0,859
<i>Moderating Effect 4</i> -> Potential Financial Management Fraud (Y)	-0,017	-0,065	0,023	0,748	0,532
<i>Moderating Effect 5</i> -> Potential Financial Management Fraud (Y)	-0,138	-0,046	0,024	5,859	0,028
<i>Moderating Effect 6</i> -> Potential Financial Management Fraud (Y)	-0,004	-0,029	0,035	0,123	0,914

Primary Data, 2023

The P-value of the pressure variable on Financial Management Fraud is 0.014 < 0.05. The T-statistic value is 8.256 > 1.96, so it can be concluded that pressure has a positive effect on Potential Financial Management Fraud so that the H1a hypothesis is supported

The P-value of the opportunity variable in Financial Management Fraud is 0.024 < 0.05. The T-statistic value is 6.378 > 1.96, so it can be concluded that opportunity has a positive effect on Potential Financial Management Fraud so that the H1b hypothesis is supported

The P-value of the rationalization variable in Financial Management Fraud is 0.022 < 0.05. The T-statistic value is 6.629 > 1.96, so it can be concluded that rationalization has a positive effect on Potential Financial Management Fraud so that the H1c hypothesis is supported

The P-value of the competency variable in Financial Management Fraud is 0.006 < 0.05. The T-statistic value is 12.580 > 1.96, so it can be concluded that competence has a positive effect on Potential Financial Management Fraud so that the H1d hypothesis is supported

The P-value of the arrogance variable in Financial Management Fraud is 0.001 < 0.05. The T-statistic value is 40.100 > 1.96, so it can be concluded that arrogance has a positive effect on Potential Financial Management Fraud so that the H1e hypothesis is supported

The P-value of the collusion variable in Financial Management Fraud is 0.027 < 0.05. The T-statistic value is 3.386 > 1.96, so it can be concluded that collusion has a positive effect on Potential Financial Management Fraud so that the H1f hypothesis is supported

The P-value of pressure variable on Financial Management Fraud with belief in *Karma Phala* (Moderating Effect 1) is 0.890 > 0.05. The T-statistic value is 0.157 < 1.96, so it can be concluded that belief in *Karma Phala* does not weaken the effect of pressure on Potential Financial Management Fraud so that the hypothesis H2a is not supported

The P-value of the opportunity variable in Financial Management Fraud with a belief in *Karma Phala* (Moderating Effect 2) is $0.117 > 0.05$. The T-statistic value is $0.662 < 1.96$, so it can be concluded that belief in *Karma Phala* does not weaken the effect of pressure on Potential Financial Management Fraud so that the hypothesis H2b is not supported

The P-value of the rationalization variable on Financial Management Fraud with a belief in *Karma Phala* (Moderating Effect 3) is $0.859 > 0.05$. The T-statistic value is $0.201 < 1.96$, so it can be concluded that belief in *Karma Phala* does not weaken the effect of rationalization on Potential Financial Management Fraud so that the hypothesis H2c is not supported

The P-value of competency variable in Financial Management Fraud with a belief in *Karma Phala* (Moderating Effect 4) is $0.532 > 0.05$. The T-statistic value is $0.748 < 1.96$, so it can be concluded that belief in *Karma Phala* does not weaken the effect of competence on Potential Financial Management Fraud so that the H2d hypothesis is not supported

The P-value of arrogance variable in Financial Management Fraud with belief in *Karma Phala* (Moderating Effect 5) is $0.028 < 0.05$. The T-statistic value is $5.859 > 1.96$, so it can be concluded that belief in *Karma Phala* weakens the effect of arrogance on Potential Financial Management Fraud so that the hypothesis H2e is supported

The P-value of the collusion variable in Financial Management Fraud with a belief in *Karma Phala* (Moderating Effect 6) is $0.914 > 0.05$. The T-statistic value is $0.123 < 1.96$, so it can be concluded that belief in *Karma Phala* does not weaken the effect of collusion on Potential Financial Management Fraud so that the hypothesis H2f is not supported

CONCLUSION

The results of this study indicate that the fraud hexagon elements (pressure, opportunity, rationalization, competence, arrogance, and collusion) have a positive effect on the potential for fraud in village financial management in Badung Regency. This research also shows that in general belief in the law of *Karma Phala* is unable to moderate or weaken almost all elements of the fraud hexagon in village financial management, although there is one element that can be moderated, namely arrogance. This research supports the hexagon fraud theory put forward by Georgios L. Vousinas in 2019. The hexagon fraud theory states that there are 6 elements that cause someone to commit fraud including: pressure, opportunity, rationalization, competence, arrogance, and collusion which have been proven empirically as factors that cause fraud.

The results of this study also support the Theory of Planned Behavior as a theory that explains that perceptions of one's behavior control in minimizing one's arrogance, where with belief in the law of karma, humans or individuals who have arrogance can weaken a person's nature in carrying out actions. disgraceful, such as committing fraud in the management of village finances which is clearly out of religious teachings and causes loss or destruction to other people. In the teachings of Hinduism there is a concept called subha and asubha karma which are two things or contradictory traits and behaviors, namely good and bad, where the belief in *Karma Phala* is included in the concept of subha karma. The concept of good and bad will be harmonious when what is good is made better, while what is bad is changed to be good. Hinduism provides standards and guidelines in the form of orders and prohibitions for humans in their religious actualization. Thus, directly or indirectly, religion plays a role in shaping human behavior in accordance with the doctrines believed by its adherents.

The inability of *Karma Phala* to weaken the five elements of fraud hexagon (pressure, opportunity, rationalization, competence and collusion) causes this research to supplement cognitive social theory which emphasizes the idea that most human learning occurs in a social environment. By observing other people, humans gain knowledge, rules, skills, strategies, beliefs and attitudes to take action according to the habits of the surrounding environment.

This research can help village apparatus in Badung Regency as additional insight into the factors that influence the potential for fraud in village financial management and can take action to minimize fraud in village financial management by looking at factors that have a positive influence such as pressure, opportunity, rationalization, competence, arrogance and collusion. This research has implications for the element of arrogance which is the most dominant factor that can be weakened by belief in the law of *Karma Phala*, where the nature of arrogance that can be weakened by belief in the law of *Karma Phala* will have an impact on weakening all elements of the fraud hexagon to minimize fraud. This is because arrogance is a factor that can be said to be a determining factor for a person in committing an act of fraud, an arrogant attitude certainly triggers someone to have a greedy attitude and thirst for wealth. So by living the teachings of *Karma Phala*, the six elements of fraud hexagon can be minimized by arrogance through optimizing belief in the law of *Karma Phala* as religious values. Thus, the government will operate more transparently so that a clean village government can be realized.

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