The Influence of Love of Money and Machiavellian Towards Fraud with Faith of *Karma Phala* as Moderation

I Made Pradnyana Paradila*, I Ketut Sujana, Anak Agung Gde Putu Widanaputra, Ni Ketut Rasmini
Universitas Udayana, Jalan P.B. Sudirman, Denpasar, Bali, Indonesia
*pradnyanapradila@gmail.com

**Abstract**
This study aims to analyze the effect of love of money and machiavellian on fraud, as well as to test whether belief in karma phala can weaken this influence. This research was conducted on LPD administrators in Buleleng Regency with a total sample of 213 respondents, which were analyzed by SEM PLS 3.0. The results showed that love of money and machiavellian positively affect fraud. This means that the more the love of money and machiavellian possessed by the LPD management, the higher the tendency to commit fraud. Belief in karma phala can weaken the influence of the love of money and machiavellian on fraud. This means that the attitude of love of money and machiavellian accompanied by the practice of good karma phala can reduce the negative influence of the love of money and machiavellian on fraud.

**Keywords:** fraud; love of money; machiavellian; *karma phala*

**INTRODUCTION**
Fraud is an interesting issue to be discussed since its development is growing with complexities and varied motives both in business sectors and government. Business people are no longer care on ethics in varied professions and its causes made by their actions. Fraud is defined as actions of law deviation or illegal act conducted deliberately for certain purposes (Karyono, 2013). Fraud is designed for dishonest opportunities, directly or indirectly able to give loss for other parties.

Fraud cases also often happen in Indonesia. The Fraud case which is experienced by Indonesia is classified as corruption case. ICW research found that there are 209 cases...
handled by the law enforcer. The total state losses that were found in corruption cases were Rp26,830,943,298,338 bribes were Rp96,073,700,000 and illegal levies were Rp2,552,420,000 (Indonesia Corruption Watch., 2021).

The same thing is stated in the survey carried out by the Transparency International mentioned that the CPI score year 2020 experienced regression, so that based on the CPI score, Indonesia is ranked 102 out of 180 countries with a figure of 37/100. The CPI score is in the range of 0 to 100, 0 is perceived as very high in corruption and 100 is perceived as clean from corruption. This score has decreased by 3 points from 2019 which was at a score of 40/100. Where the number in 2019 is the highest number in Indonesia's CPI score for the last 25 years since its launch in 1995 (CNN Indonesia, 2021).

Based on the data, the cases of fraud also happen on the financial institution, especially banking that can be committed from tellers to directors. Not only happens in in big cities of Indonesia, but similar cases of fraud have committed in Village Credit Institution (then mentioned as LPD as Lembaga Perkreditan Desa) in Bali. Based on the data, it is known that there are as many as 38 LPDs in Bali province which are in the legal domain for the period until November 2021.

There are 38 LPDs listed in the law cases. From the number listed, it was recorded that the largest number of LPDs that entered the legal domain was in Buleleng Regency, such as 10 LPDs or 26.32% of the total LPDs that entered the legal domain in Bali. Many cases of fraud related to the management of LPD funds have occurred in several villages in Buleleng Regency.

From several fraud cases in village-level financial institutions, especially LPDs, the data show that fraud is still common, especially in the LPDs in Buleleng Regency. The first factor that has a strong influence on fraud is the love of money. An individual tends to commit fraud if there is a motivation or encouragement personally, such as the motivation namely the love of money (love of money). As revealed by Utama (2017), it is believed that an example of pressure is the urge to have material goods.

The second factor is the greedy or Machiavellian nature of an individual. Machiavellian describes a process of manipulators to gain an extra reward when they manipulate it, however, others obtain a deficiency
without performing manipulation in a directly (Farhan dan Herlina, 2019).

So many researches have been conducted on the topic of love of money and Machiavellian on fraud, however, there are many inconsistencies with the results found. Therefore, the researcher wanted to re-examine the same topic by including a closely related to the local wisdom of the Balinese people, such as, the faith of *karma phala* as a moderating variable. The reason for using the faith as variable is that because someone who believes in the law of *karma phala* will be able to improve ethics and morals and will not dare to commit fraud because they are aware of the future impact, thus, the belief is expected to weaken the influence of love of money and Machiavellian on fraud.

This research contributes to the development of science, especially in the realm of accounting. This study illustrates that in some areas there are cultural values as a form of local wisdom or local genius of the community that can influence fraudulent practices in financial management. The concept of *karma phala* is one example that the sacred values of society can be a factor that causes someone to be reluctant to commit an act of fraud in financial statements. In addition, this study also supports the theory of planned behavior, especially in the belief that a person’s beliefs can influence his actions. This study can also be empirical evidence regarding the effect of love of money and Machiavellian on fraud with *karma phala* as a moderating variable. This research can also make a practical contribution to policy making based on the concept of ethical culture that applies in the surrounding environment and society. Furthermore, this research will discuss the literature review and the development of research hypotheses, research methods, results and discussion of research and at the end of the research conclusions and inputs will be presented for future research.

**LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

**Fraud**

Prasetya (2015) stated that fraud is a deviation form carried out by groups or individuals who are able to provide losses to other parties with the aim of obtaining personal gain. Fraud is described as a fraud which has the meaning of an act and a violation of the law or commonly referred to as an illegal act that is

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1 *karma phala*: one of the beliefs of Hindus that every action will give a worthy result or is believed to be the law of cause and effect.
carried out intentionally with a specific purpose (Karyono, 2013). Fraud is designed to take advantage of dishonest opportunities, which can indirectly or directly cause harm to the other party.

The Influence of Love of Money on Fraud

An individual tends to commit fraud if there is a motivation or encouragement in a person, such as the motivation or drive itself, namely the love of money (love of money). As revealed by Utama (2017) which states an example of pressure, namely the urge to have material goods. Love of money can also be defined as a level of an individual's love for money, the way of a person considers money important for his life (Husnurrosyidah, 2019)

Previous research on love of money has been done by Lestari (2018); Husnurrosyidah (2019); Santosa, et.al., (2020); dan Giovano, et.al., (2020) also shows that love of money have an influence on the tendency fraud accounting.

H1: Love of money influences positively on fraud

The Influence of Machiavellian on Fraud

Machiavellian describes a process for manipulators to gain an extra reward when they manipulate it, while others obtain a deficiency without performing manipulation in a direct context (Farhan dan Herlina, 2019). Machiavellianism described as a process of manipulators in earning a higher reward than they would have before the manipulation, when a person earns less, at least in the short term (Ladita, 2018).

Research on Machiavellian properties has been carried out by Lestari (2018); Nurjanah dan Purnamasari (2020); Pratama (2021); Suryandari dan Lisdi (2021); Ayunda (2022) which stated that an adjective of Machiavellian influences positively towards fraud accounting.

H2: Machiavellian influences positively on fraud

The Faith Ability on Karma phala in Moderating Influence Love of Money on Fraud

Yuniasih, et.al., (2021) stated that karma phala means one's actions results. What he does good or bad, that's what he enjoys in this life and in the future until he reaches the realm of niskala. The karma phala teachings provide learning for every human being to be able to sort out good and bad deeds, because by doing good you will also get good rewards, and vice versa if you do bad things...
During your life, you will get bad rewards.

The faith of *karma phala* is expected to inhibit one's love of money attitude towards fraud, this is because all human actions are essentially based on the beliefs of *karma phala* itself. If someone does a good deed, it will get good results too, and vice versa if someone does a bad deed, it will reap bad results too. Self-awareness of the law of *karma* then a person will certainly be able to suppress themselves in committing fraud. The desire or love for money in the wrong way can certainly be minimized by not having the courage to follow the law of *karma* in the future life, so it can be said that belief in *karma phala* can weaken the influence of love of money on fraud.

**H₃**: The faith of *karma phala* weakens the influence of love of money on fraud.

The Influence Ability towards *Karma phala* in Moderating the Influence of Machiavellian on Fraud

Maryastini, et.al., (2020) found that with the existence of one’s self-awareness with the law of *karma* in the next life, of course, individuals will not dare to commit fraud. The nature of greed can be minimized by the presence of a person’s lack of courage with *karma phala*, so it can be stated that the faith in *karma phala* can minimize or weaken the influence of Machiavellian nature on fraud. Someone who wants to cheat will think about the future impact, so that cheating can be minimized, belief in *karma phala* even though the Machiavellian nature is still high but is weakened by the law of *karma*.

**H₄**: The faith of *karma phala* weakens the influence of Machiavellian on fraud.

**METHOD**

The object of the present research was love of money and the Machiavellian nature towards fraud with the faith of *karma phala* as moderating variable. This study also uses Stimulus (Pressure), Capability, Opportunity, Rationalization, EGO and Collusion as control variables which are also indicated to influence the occurrence of fraud. The population on the research was the staffs of LPDs in Buleleng Regency consist of The Head of LPD (Pamucuk), The Secretary of LPD (Panyarikan), and The Treasurer of LPD (Patengen) (Perda no. 3 year 2017, chapter 10, paragraph 2) spread in 9 districts.

According to the Slovin Formula calculation, the total members of the research sample was 213 people. Meanwhile, to select the sample of the
population, a stratified random sampling technique was used with sub-district as the layer that was taken into account in sampling. The sampling procedure was determined by the following steps: 1) Each LPD in each sub-district was given a serial number which would be the lottery number; 2) To determine the LPD that would become a member of the sample, it was carried out by choosing randomly (lottery) until the specified number of sample members was fulfilled; 3) The LPD management consisting of the Chair, Secretary, and Treasurer for the elected LPD was designated as a sample member.

The data collection technique used in the research was questionnaire. The analysis technique used in the research was Structural Equation Modeling (SEM) based on Partial Least Square (PLS) by using Software SmartPLS 3.0. The use of SEM-PLS in the research was to seek the influence of love of money, and the nature of Machiavellian towards accounting fraud with the faith of karma phala as moderating variable.

RESULTS AND DISCUSSION

Based on the analysis results from the LPD staffs in Buleleng Regency consists of the Head of LPD (Pamucuk), the Secretary of LPD (Panyarikan), and the Treasurer of LPD (Patengen) (perda no. 3 year 2017, article 10, paragraph 2) spread in 9 districts with 213 questionnaires or 100 percent returned and can be processed in this study. Overall, the instrument items in this research were declared valid and feasible to use because they had a validity score or correlation coefficient exceeding 0.30. Based on the reliability analysis, overall, the variables in this research have a reliability exceeding 0.6 so that all variables are reliable and deserve to be analyzed further.

The Result of Evaluation Model of Measurement (Outer Model)

Data were analyzed using SEM assisted by software Partial Least Squares (PLS). This technique was chosen because the model estimates generated by SEM-PLS generally show a higher level of statistical power and provide similar results in statistical significance and path coefficient estimates (de Filho et al., 2020). Struktural Equation Modeling is a statistical technique used to build and test statistical models which are usually in the form of cause and effect (Sarwono, 2018:327). SEM-PLS has an advantage in terms of modeling because SEM-PLS allows models with reflective and formative indicators (Sarwono, 2018:238). All values in the
convergent validity test exceed 0.7, so the data in this research is valid.

In addition, referring to the Table 1, all discriminant validity values in the correlation test for latent variables exceed 0.7, so the data in this research is valid. Moreover, referring to the Table 2, all AVE values in the test exceed 0.5, so the data in this research is valid.

Based on cronbach’s alpha analysis, all Cronbach’s alpha values for each variable in the test exceed 0.7, so the data in this research is reliable.

Overall, all composite reliability values for each variable in the test exceed 0.7, so the data in this research is reliable.

Referring to the results of the analysis, the R-square value on the variables of love of money, Machiavellian and belief in karma phala against fraud e is 0.499 including moderate which gives an illustration that it has an effect of $0.499 \times 100\% = 49.9\%$. And the model is declared feasible and has a predictive relevance value because the Q-square value of 0.499 exceeds 0 and is close to 1.

![Figure 1 Inner Model](image-url)
Table 1. The Results of Discriminant Validity Correlation Latent Variable

<table>
<thead>
<tr>
<th></th>
<th>Fraud</th>
<th>Faith towards Karma phala</th>
<th>Love of Money</th>
<th>Machiavellian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud (Y)</td>
<td>0.812</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faith towards</td>
<td>-0.579</td>
<td>0.792</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Love of Money</td>
<td>0.544</td>
<td>-0.351</td>
<td>0.831</td>
<td></td>
</tr>
<tr>
<td>Machiavellian (X2)</td>
<td>0.488</td>
<td>-0.487</td>
<td>0.549</td>
<td>0.805</td>
</tr>
</tbody>
</table>

Table 2. The Results of Convergent Validity Test Result (AVE)

<table>
<thead>
<tr>
<th></th>
<th>(AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud (Y)</td>
<td>0.660</td>
</tr>
<tr>
<td>Faith of Karma phala (X3)</td>
<td>0.627</td>
</tr>
<tr>
<td>Love of Money (X1)</td>
<td>0.691</td>
</tr>
<tr>
<td>Machiavellian (X2)</td>
<td>0.648</td>
</tr>
</tbody>
</table>

Table 3. Hypotheses Test Results

|                              | Original Sample (O) | Sample Mean (M) | Standard Deviation | T Statistics (|O/STDEV|) | P Values |
|------------------------------|---------------------|-----------------|--------------------|-----------------|----------|
| Faith towards Karma phala -> Fraud | -0.337              | -0.357          | 0.010              | 35.211          | 0.001    |
| Love of Money -> Fraud       | 0.302               | 0.324           | 0.067              | 4.501           | 0.046    |
| Machiavellian -> Fraud       | 0.063               | 0.101           | 0.014              | 4.650           | 0.043    |
| Moderating Effect 1 -> Fraud | -0.083              | -0.086          | 0.009              | 9.105           | 0.012    |
| Moderating Effect 2 -> Fraud | -0.032              | -0.002          | 0.002              | 15.780          | 0.004    |

Hypothesis Test Result

Love of Money Influence on Fraud

The results showed that the love of money has a direct effect on fraud. An individual tends to commit fraud if there is a motivation or encouragement in a person, such as the love of money. As revealed by Utama (2017) there is one strong example of pressure, such as, the urge to have material goods. Love of money is also mentioned as one individual’s level on love of money, whereas the way of the person considering money as an important possession in his life (Husnurrosyidah, 2019). The present research result is in line with the previous research focusing on love of money carried out by Lestari (2018); Husnurrosyidah (2019); Santosa, et.al., (2020); and Giovano, et.al., (2020) which show that love of money have influence towards the tendency of fraud accounting.

Machiavellian Influences on Fraud

The results showed that Machiavellian had a positive effect on
fraud. Machiavellian is described as a process of manipulators in getting more in return when they manipulate, while others gain less without carrying out manipulation in a direct context (Farhan and Herlina, 2019). Machiavellianism is depicted as a process of the manipulators in earning a higher reward than they would have before the manipulation, when a person earns less, at least in the short term (Ladita, 2018).

Research on Machiavellian natures has been carried out by Lestari (2018); Nurjanah and Purnamasari (2020); Pratama (2021); Suryandari and Lisdi (2021); Ayunda (2022) research on Machiavellian natures has been carried out by fraud accounting influences positively towards the tendency of fraud accounting.

Faith towards Karma phala Moderating the Influence of Love of Money on Fraud

The research results show that the faith of karma phala is able to moderate the influence of love of money on fraud. Someone who has the nature of love of money will use varied ways to get money even wrongly.

With the law of karma self-awareness, a person will certainly be able to suppress themselves in committing fraud. The desire or love for money in the wrong way can certainly be minimized by not having the courage to follow the law of karma in the future life, so it can be said that belief in karma phala can weaken the influence of love of money on fraud, so belief in karma phala is unable to moderate the influence of love of money on acts of fraud.

The Faith towards Karma phala Moderating the Influence of Machiavellian Natures on Fraud

The results showed that belief in karma phala is able to moderate the influence of Machiavellian nature on fraud. With someone’s self-awareness existence alongside with the law of karma in the next life, of course, the individual will not dare to commit fraud. The nature of greed can be minimized by a person’s lack of courage presence with karma phala, therefore, the belief in karma phala can minimize or weaken the influence of Machiavellian nature on fraud. Someone who wants to commit fraud will think about the future impact, so that cheating can be minimized, belief in karma phala even though the Machiavellian nature is still high but is weakened by the law of karma.

Theory of Planned Behavior (TPB) consists several variables, such as: background factor, behavioral
beliefs, normative beliefs, subjective beliefs, control beliefs, and perceived behavioral control, therefore connected with theory of planned behavior, the Machiavellian nature is correlated with background factors which is the nature appears within someone.

**Discussion**

**Love of Money Influence on Fraud**

Consciously, everyone has the instinct to survive, so their love of money or what is called the love of money as one of the important objects in life and the economy today causes an urge to take actions that benefit themselves. In accordance with the theory of planned behavior, it is explained that there is a reason behind a person’s behavior, in the context of fraud the impulse can come from a person’s desire or desire for money. This study found that love of money can be one of the driving factors or motivation for someone to commit fraud, therefore it can be conveyed that the higher a person’s love and desire for money, the higher their tendency to commit fraud.

**Machiavellian Influences on Fraud**

The character and nature of a person is certainly one of the factors that can explain why they take certain actions. In the context of fraud, Machiavellian nature is very influential on a person’s decision to commit fraud. Someone who has Machiavellian traits will tend to have the ability and desire to manipulate other people or financial statements for their own benefit. This Machiavellian trait is the formation of character that makes it easier for someone to become a fraud perpetrator. This study found that the deceptive nature and tendency to show cunning in thinking is one of the factors that strengthens someone to commit fraud, so that in preparing financial statements there will be an urge to manipulate.

**Faith towards Karma phala Moderating the Influence of Love of Money on Fraud**

One’s belief in karma phala or the result of an action can certainly strengthen the influence of love of money on fraud. Belief in karma phala is expected to inhibit one’s love of money attitude towards fraud, this is because all human actions are essentially based on the teachings of karma phala itself. If someone does a good deed, it will get good results too, and vice versa if someone does a bad deed, it will reap bad results too. The desire or love for money in the wrong way can certainly be minimized by not having the courage to follow the
law of karma in the future life, so it can be said that belief in *karma phala* can weaken the influence of love of money on fraud.

*The Faith towards Karma phala Moderating the Influence of Machiavellian Natures on Fraud*

Belief in the law of karma can also prevent and suppress bad qualities in a person, one of which is the Machiavellian trait which is the nature of a person's tendency to manipulate financial statements. A person’s fear of getting the same and commensurate rewards for what he does will provide obstacles to bad thoughts such as committing fraud. This is indicated to be an important factor in preventing fraud. This study found that belief in *karma phala* can moderate the influence of Machiavellian traits on fraud, this is supported by the theory of planned behavior which explains that a person's habits are formed on the basis of continuous behavior, so that someone who understands and is afraid of the law of karma will take actions to minimize harm to others.

**CONCLUSION, IMPLICATION AND LIMITATION**

Based on the results of data analysis, hypothesis testing and discussion of research results that have been described in the previous chapter, The conclusion in this study is that the occurrence of fraud or fraud in a financial report can be caused by the love of money and also the Machiavellian nature of a person. This study found that the nature of love of money and also Machiavellian nature can be avoided in someone who believes that the law of *karma phala* is true. So the concept of trust in *karma phala* can be a solution to minimize the occurrence of fraud in a financial report and accounting management. This condition shows how important it is in an organization to instill a culture of local wisdom that has positive values in its human resources, because it is proven that the cultivation of noble values will prevent fraudulent actions.

Based on the conclusions above, the suggestions can be submitted are: for further researchers, it is recommended to develop this research further by adding research samples and other variables such as the effectiveness of internal control, ethical culture, information asymmetry, and organizational commitment and still many more, so that better research results will be obtained.

The LPD Management in Buleleng Regency is expected to minimize the occurrence of fraud in
LPD financial management, so that it can foster the confidence of the village community to save their money in the LPD. This can be done by minimizing the nature of love of money and machiavellian nature and always believing in the law of karma phala so that when someone wants to have the intention to commit fraud, this can be avoided and minimized.

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