

## Implementation of Good Governance on Fraud Prevention at Village Credit Institutions Buleleng Regency

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### Abstract

The Village Credit Institution (LPD) is a dynamic company that can encourage economic growth and financial institutions are held by the local government, the management of which is carried out by traditional villages in the Province of Bali. Good governance can be interpreted as an efficient public service, a reliable control system, a government that is accountable to its public. This study uses a quantitative approach. The design of this study will test the hypothesis by means of multiple linear regression using partial least square measurements. Fraud Prevention has a t-test significance value of 0.005, this value is less than 0.05. So, it can be concluded that the implementation of good governance has a significant effect on fraud prevention.

**Keywords:** *implementation; good governance; fraud prevention*

### Abstrak

*Lembaga Perkreditan Desa (LPD) merupakan suatu perusahaan yang dinamis yang dapat mendorong pertumbuhan perekonomian dan lembaga keuangan yang diselenggarakan oleh pemerintah daerah, pengelolaannya dilakukan oleh desa adat yang ada di Provinsi Bali. Good Governance dapat diartikan sebagai pelayanan public yang efisien, system pengendalian yang dapat diandalkan, pemerintahan yang bertanggung jawab pada masyarakatnya. Penelitian ini menggunakan pendekatan kuantitatif. Rancangan penelitian ini akan menguji hipotesis dengan cara regresi linier berganda dengan menggunakan pengukuran parsial least square. Pencegahan Fraud memiliki nilai signifikansi uji t sebesar 0,005, nilai tersebut lebih kecil dari 0,05. Jadi, dapat disimpulkan bahwa Implementasi Good Governance berpengaruh signifikan terhadap Pencegahan Fraud.*

**Kata Kunci:** *implementasi; good governance; pencegahan fraud*

## INTRODUCTION

The Village Credit Institution is a financial institution held by the local government, the management of which is carried out by traditional villages in the Province of Bali. The existence of the Village Credit Institution is based on the awareness and shared will of the community, then forming an area-based community organization, namely Village Pakraman. Empowerment of Village Credit Institutions is directed at efforts to improve the standard of living of customary village residents to support the development of traditional villages (Bali Provincial Government, 2002). The Provincial Government of Bali issued a Governor Decree concerning the Establishment of Village Credit Institutions in the Province of Bali. The Governor's decision was later strengthened by regional regulations on Village Credit Institutions as micro finance institutions in the village (Saputra et al., 2019). In this regional regulation, it is underlined that Village Credit Institution is a Savings and Loan Business Entity owned by Pakraman village.

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The purpose of establishing an Village Credit Institution is to encourage the economic development of rural communities through savings and equity participation, eradicate bondage and illicit mortgages, create equity and business opportunities for villagers and increase purchasing power and expedite payments and circulation of money in the village (Atmadja & Saputra, 2018). To achieve this goal, the Village Credit Institution carries out various businesses, such as accepting deposits from community members, providing loans for productive activities, other businesses that are mobilizing village funds, capital participation, and receiving loans from financial institutions (Saputra et al., 2019). It is underlined that Village Credit Institution is a Savings and Loan Business Entity owned by Pakraman village. The purpose of establishing an Village Credit Institution is to encourage the economic development of rural communities through savings and equity participation, eradicate bondage and illicit mortgages, create equity and business opportunities for villagers and increase purchasing power and expedite payments and circulation of money in the village (Atmadja & Saputra, 2018).

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capital participation, and receiving loans from financial institutions (Saputra et al., 2019).

One of them is the existence of Village Credit Institutions which were established by Regional Regulation of Bali Province Number 8 of 2002 and amended by Regional Regulation of Bali Province Number 3 of 2007 concerning Village Credit Institutions. The success of Village Credit Institutions cannot be separated from the institution's ability to include social capital in its internal control structure (Atmadja & Kurniawan Saputra, 2018).

Realizing good governance is a prerequisite for every government to fulfill people's aspirations and achieve the goals and aspirations of the nation and state. Good governance can be interpreted as an efficient public service, a reliable control system, a government that is accountable to its public. Mahmudi (2005), states that one of financial accountability requires public institutions to make financial reports and be able to describe the organization's financial performance to outsiders. Things that can be done to solve fraud problems need to be designed an effective internal control or internal control. Febriani & Suryandari (2019) stated that effective internal control reduces the tendency for fraud to occur, if an internal control is weak it will open up opportunities to commit acts of fraud and wealth in companies or Village Credit Institutions is not guaranteed security. There are five principles of good corporate governance: Transparency, Accountability, Responsibility, Fairness, Independence. The lending policy as an oversight mechanism for agency problems in the Village Credit Institution to increase the value of the company/institution will have stronger results when companies implement good corporate governance. This is reflected in the decision making on lending or the distribution of credit interest and other policies, and the manager will try to align with the principal goal of the prosperity of shareholders and the value of the company/institution (Saputra et al., 2019).

The opportunistic behavior of agents can be minimized by good corporate governance. By reducing opportunities for Village Credit Institution managers/managers to deviate and enrich themselves, it is hoped that the value of the company/institution will increase (Engelland, 2014), which is marked by an increase in assets from the Village Credit Institution and an increase in the value of savings from the community (Fung & Au, 2014). Good corporate governance provides a structure that facilitates the determination of the vision and mission of the Village Credit Institution and is a means for selecting performance monitoring techniques (Lee & Cheng, 2018). Good corporate governance also guarantees the benefits and security of funds invested in Village Credit Institution that will not be embezzled by Village Credit Institution managers (Saputra et al., 2019).

Implementation of Good Governance to achieve good performance requires the concept of local wisdom, especially in Bali. Which is thick with the culture of Meyama Braya (Atmadja & Saputra, 2018a). In order to implement good governance, the concept of equity in social life is needed, because it is the basis for creating peace in the world (Saputra et al., 2019). In addition, social conflict in Balinese society caused by differences in social status, economy, profession, education, behavior (Dewi, 2019) and the ability to understand regulations (awig-awig) can be minimized by having similarities. understanding the concept of local wisdom such as Meyama Braya who considers all people as brothers (Gaughan & Javalgi, 2018). The importance of implementing good governance and regulations on the performance of microfinance institutions in the village, as a foundation and protection for rural communities towards business entity institutions as a public fund savings institution. So that there is no fraud and embezzlement of funds so that village development can be equitable.

## **RESEARCH METHODS**

The method of collecting data in this study is by collecting questionnaires, this study uses a quantitative approach. The design of this study will test the hypothesis by means of multiple linear regression using partial least square measurements. Partial Least Square (PLS) data analysis generally consists of 2 parts, namely the measurement model and the structural model of

the assessment. The measurement model basically explains the relationship between latent changers and their indicators. The focus of this analysis is to see the reliability and validity of the data requirements obtained from respondents before being used for further analysis (Atmadja & Saputra, 2018; Holmes et al., 2000). Fraud is an act that is done to obtain unreasonable personal gain such as covering up the truth, fraud, manipulation (Miati and Sutapa, 2021).

## RESULTS AND DISCUSSION

A questionnaire can be said to be reliable if one's answers to the questions are consistent or stable. Reliable means that the instrument, when used several times to measure the same object, will produce the same data (Sugiyono, 2009). The reliability of research instruments is assessed through the magnitude of the Cronbach's Alpha coefficient, which shows the internal consistency of the items that underlie a variable.

**Table 1.** Instrument Reliability Test Results

Variable	Alpha Cronbach	Alpha Standard	Information
Implementation of Good Governance (X)	0.775	0.70	Reliable
Fraud Prevention (Y)	0.783	0.70	Reliable

Source: Output SPSS 24.0 for Windows

The value of an instrument is said to be reliable if the Cronbach Alpha value is greater than 0.70 (Ghozali, 2011). The results of the reliability test showed that all variables had Cronbach's Alpha greater than 0.70. It can be concluded that the Implementation of Good Governance (X) And Fraud Prevention (Y) is reliable.

**Table 2.** Descriptive Analysis Results

Variable	Minimum	Maximum	Standard Average Deviation
X	33	43	38.64 2.80
Y	18	27	21.89 2.56

Source: Output SPSS 24.0 for Windows

Good Governance Implementation Data has a minimum score of 33 and a maximum score of 43. The average score is 38.64 with a standard deviation of 2.80. The standard deviation is smaller than the average score indicating that the spread of Good Governance Implementation data in this study is evenly distributed, meaning that the difference between one data and another is not too high. Data Fraud Prevention has a minimum score of 18 and a maximum score of 27. The average score is 21.89 with a standard deviation of 2.56. The standard deviation is smaller than the mean score indicating that the data is spread out Fraud Prevention in this study it is evenly distributed, meaning that the difference between one data and another is not too high.

**Table 3.** Determination Coefficient Results

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	0.901	0.812	0.795	1.161

Predictors: (Constant) X; Source: SPSS 24.0 output for Windows

Good Governance helps integrate the roles of government, private sector and society to reach a common consensus, the implementation of which can be accounted for and is effective and efficient. By paying attention to the values and workings of good governance, this can minimize the occurrence of deviations in policy implementation because the programs determined are based on joint decisions. The coefficient of determination Fraud Prevention of 0.795. This shows that 79.5% variable Fraud Prevention influenced by the variable

Implementation of Good Governance. while 20.5% is influenced by other factors not examined in this study. The results of hypothesis testing show that Fraud Prevention own the significance value of the t test is 0.005, this value is less than 0.05. So, it can be concluded that the implementation of good governance has a significant effect on Fraud Prevention. Implementation of Good Governance can realize the success of sound financial management practices so that the tendency for fraud can be minimized. In addition, good governance is more directed at increasing efficiency and effectiveness in the use of resources that are in line with the objectives of village credit institutions. According to Khairandy (2007), it is not enough for management to ensure that the management process runs efficiently. A new instrument is needed, namely good governance to ensure that management runs well. Implementation of good governance plays an important role in village credit institutions. With the implementation of effective good governance, then operational activities can also run effectively and efficiently so that the possibility of irregularities in the operational process of village credit institutions can be minimized. Through the implementation of good governance the tendency to commit fraud will be lower (Miati and Sutapa, 2021). Good governance is one way to prevent problems from arising (Rowa & Arthana, 2019). The implementation of Good Corporate Governance is very much needed to fulfill public trust as an absolute requirement for the business world to develop properly (Rahayu, 2023). Internal control is a process that is influenced by human resources and information technology designed to help an organization or company to achieve its respective goals (Syafruddin et al., 2022). The concept of good governance can be realized through efforts to create synergy between civil society, the public sector and the private sector in managing natural, economic, environmental and social resources. Good governance must at least be able to achieve the prerequisites for participation, efficiency and effectiveness, transparency and justice.

## CONCLUSION

The Village Credit Institution is a dynamic company that can encourage economic growth, so that the Village Credit Institution business is not only as a depository and credit provider, but also as payment traffic, stability and dynamics for economic growth in a village and an intermediary institution in the process of money circulation. As well as a source of development financing in the area of traditional villages in Bali in general. Fraud Prevention own the significance value of the t test is 0.005, this value is less than 0.05. So, it can be concluded that the implementation of good governance has a significant effect on Fraud Prevention. Implementation of Good Governance can realize the success of sound financial management practices so that the tendency for fraud can be minimized. The advice that can be given in this research is that it is hoped that the government's role can be further increased in supervising the financial management of village precredit institutions so that the Village Credit Institution business can continue to be run, transparent and accountable. The research results show that accountability as a form of activity that has been carried out can be accounted for to the community. Accountability carried out by the village government in Buleleng Regency can increase public trust. In implementing programs and policies, the government adheres to the principles of effectiveness and efficiency, meaning that the government must use the budget as well as possible according to the needs to be carried out and prevent fraud at Village Credit Institutions in Buleleng Regency.

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