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Fraud Tendency: The Role of Financial Pressure and Permissive Organizational Culture

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Abstract: This study analyzes the effects of financial pressure and permissive organizational culture on the tendency toward fraud, specifically asset misappropriation, among Zakat Management Organizations (ZMOs) in Central Java, Indonesia. The study employs a quantitative approach with a cross-sectional survey design. Data were collected through questionnaires distributed to employees of ZMOs affiliated with the Zakat Forum (FOZ) in Central Java. Using purposive sampling with a minimum employment tenure of six months as the eligibility criterion, 102 respondents met the research criteria. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. The results show that financial pressure positively and significantly affects fraud tendency, with a path coefficient of 0.337 and a p-value of 0.004. Permissive organizational culture also positively and significantly affects fraud tendency, with a path coefficient of 0.332 and a p-value of 0.003. The R-square value of 0.324 indicates that financial pressure and permissive organizational culture jointly explain 32.4% of the variance in fraud tendency. This implies that ZMOs should reduce employees' financial pressures and strengthen an organizational culture that does not tolerate unethical behavior to prevent fraud more effectively. This study extends the application of Fraud Pentagon Theory to faith-based nonprofit organizations, particularly those involved in zakat fund management.

Keywords: financial pressure, permissive organizational culture, fraud tendency, asset misappropriation, Zakat Management Organizations, Fraud Pentagon Theory.

INTRODUCTION

Occupational fraud is a serious challenge to modern organizational governance because it can cause significant financial losses, impair institutional performance, and undermine stakeholder trust (Utama & Rahajeng, 2023). According to the *Occupational Fraud 2024: Report to the Nations*, global losses from internal fraud are estimated at 5% of organizations' annual revenues, with thousands of cases detected worldwide (ACFE, 2025). Because occupational fraud involves individuals within an organization who have access and specific authority, it is particularly difficult to detect early (Schuchter & Levi, 2015). Therefore, indepth research into the antecedents of internal fraudulent behavior remains an important topic in forensic accounting and corporate governance literature.

Vulnerability to internal fraud is not confined to commercial corporations but also extends to nonprofit organizations that rely heavily on public donations (Putra Rajawijaya *et al.,* 2026). Unlike business entities, nonprofit organizations rely substantially on public trust as a fundamental source of legitimacy and operational sustainability (Aboramadan & Dahleez, 2020). This reliance is particularly salient for faith-based organizations, where stakeholders demand not only financial accountability but also a high degree of moral integrity (Mahadi *et al.,* 2025). Failure to maintain sound governance in such organizations seriously undermines institutional credibility and public trust.

In Indonesia, Zakat Management Organizations (ZMOs) are a key type of faith-based organization that plays a strategic role in managing public funds. With national Zakat, Infaq, and Sadaqah (ZIS) fundraising reaching tens of trillions of Indonesian rupiah, ZMOs bear substantial moral responsibility and public accountability (PUSKAS BAZNAS 2025). Nevertheless, Islamic philanthropy management remains exposed to misconduct risk, as evidenced by several governance-related cases involving philanthropic organizations that highlight vulnerabilities in internal oversight mechanisms (Fatmawati *et al.,* 2023). This underscores the need for empirical investigation into Zakat Management Organizations' susceptibility to misconduct.

Among the various forms of occupational fraud, asset misappropriation is the most prevalent and continues to account for a substantial proportion of reported cases (*Belanger et al., 2024; Naz & Khan, 2026;* Wijayanti & Senjani, 2026). The theft or unauthorized use of organizational resources for personal benefit can directly impair operational efficiency and undermine institutional integrity *(Kabuye et al., 2026)*. Examining employees' tendency to engage in asset misappropriation is therefore particularly important, as such misconduct may constitute an early manifestation of financial loss before escalating into more sophisticated and complex fraud schemes.

Previous studies have examined the theoretical and practical dimensions of asset misappropriation across various sectoral contexts. Setiawan (2026) examined the prevalence of asset misappropriation among managers by integrating fraud hexagon theory with internal control mechanisms, while Azril and Mohd (2026) applied fraud diamond theory to assess fraud risks in the law enforcement sector. Other studies have highlighted weaknesses in operational-level internal controls as a primary driver of asset theft (Ololade, 2026), as well as the potential for psychological factors, such as morality and altruistic behavior, to create vulnerabilities that may facilitate fraudulent conduct (Wijayanti & Senjani, 2026). Nevertheless, the existing literature remains predominantly focused on commercial corporations and public-sector institutions, leaving the dynamics of asset misappropriation within faith-based nonprofit organizations relatively underexplored.

From a fraud detection and prevention perspective, the forensic accounting literature emphasizes the importance of analytical approaches in mitigating asset misappropriation risk. Data analytics techniques and numerical pattern analysis can effectively identify transaction anomalies indicative of asset misappropriation (Nigrini & Virginia, 2019; Tang *et al.,* 2026). In addition, empirical studies have linked management accounting practices and perpetrator motivations, including managerial efforts to conceal embezzlement, to mechanisms for early fraud detection (Song *et al.,* 2026; Kassem, 2026). Although fraud detection approaches continue to become increasingly sophisticated, the literature suggests that effective prevention should begin with an understanding of the underlying factors that drive individuals to engage in fraudulent behavior within organizations (Vousinas, 2019).

From a theoretical perspective, the tendency to engage in fraudulent behavior can be understood through the evolution of fraud frameworks, from Fraud Triangle Theory to Fraud

Pentagon Theory, which incorporates the interplay between situational factors and individual characteristics (Cressey, 1953; Wolfe & Hermanson, 2004; Free, 2015). A prevention-oriented approach focused on fraud tendency is more proactive than a reactive approach because it enables organizations to identify early warning signals of deviant behavior before material losses occur (Said *et al.,* 2017). In the context of Zakat Management Organizations (ZMOs), examining the factors that drive fraudulent behavior through the lens of Fraud Pentagon Theory provides a comprehensive framework for identifying organizational vulnerabilities.

Within the pressure dimension of the aforementioned theoretical framework, financial pressure is a key antecedent that may lead individuals to engage in fraudulent behavior. When confronted with financial difficulties, individuals may be more inclined to seek alternative ways to meet their financial needs, including by misusing organizational resources (Vousinas, 2019). Empirical evidence has consistently demonstrated a positive association between financial pressure and fraud tendency (Tjahjani *et al.,* 2022; Tarmizi Achmad *et a.,* 2022; Thamlim & Reskino, 2023; Burlacu *et al.,* 2025), although the magnitude and significance of this relationship may vary depending on the institutional context in which individuals operate (Zakaria & Setyahuni, 2024).

Beyond financial pressure, organizational environmental factors also shape perpetrators' rationalization, particularly through a permissive organizational culture. An organizational culture that places insufficient emphasis on ethical principles or implicitly tolerates minor violations may create an environment in which employees find it easier to justify deviant behavior (Suh *et al.,* 2018). Previous studies have demonstrated that a strong ethical culture can mitigate the risk of fraud, whereas a permissive culture may increase the likelihood of misconduct and opportunistic behavior (Chandrayatna & Sari, 2019; Ratmono & Frendy, 2022). Accordingly, the interplay between individual pressure and weak cultural controls may drive asset misappropriation.

Although the literature on asset misappropriation is relatively extensive, several research gaps remain that warrant further investigation. Previous studies have predominantly focused on asset misappropriation within commercial corporations, while paying limited attention to the distinctive characteristics of faith-based nonprofit organizations. Moreover, empirical research that simultaneously examines financial pressure and permissive organizational culture in explaining employees' tendency to engage in asset misappropriation within Zakat Management Organizations (ZMOs) remains limited. This gap highlights the need for further empirical investigation to extend the literature, particularly by examining ZMOs in Central Java, Indonesia, a region experiencing substantial growth in zakat institutions.

Based on the foregoing background and identified research gaps, this study asks: Do financial pressure and permissive organizational culture influence employees' tendency to engage in asset misappropriation within Zakat Management Organizations (ZMOs) in Central Java, Indonesia? Accordingly, this study aims to empirically investigate the effects of financial pressure and permissive organizational culture on employees' tendency to engage in asset misappropriation within ZMOs in the region.

This study is expected to make a significant theoretical contribution by extending Fraud Pentagon Theory to faith-based nonprofit organizations. Practically, the findings are expected to offer valuable implications for Zakat Management Organizations (ZMOs) in Central Java by informing effective risk-mitigation strategies and fostering a preventive culture of organizational integrity. Through this approach, zakat fund management integrity can be maintained sustainably amid growing public expectations for transparency and accountability in philanthropic organizations.

Literature Review and Hypothesis Development

Fraud Pentagon Theory

Fraud Pentagon Theory extends Fraud Triangle Theory and Fraud Diamond Theory by adding an arrogance dimension alongside the three original dimensions of pressure, opportunity, and rationalization, as well as the capability dimension (Cressey, 1953; Wolfe & Hermanson, 2004; Vousinas, 2019). The theory posits that fraud tendency may arise from the interplay of pressure, opportunity, rationalization, capability, and individual characteristics (Vousinas, 2019). Including these additional dimensions suggests that fraudulent behavior is influenced not only by situational factors, such as pressure and opportunity, but also by individual characteristics that shape ethical decision-making processes (Vousinas, 2019; Lin *et al*., 2022; Biduri & Tjahjadi, 2024).

Fraud Pentagon Theory posits that fraudulent behavior may occur when individuals experience pressure, perceive an opportunity to engage in misconduct, rationalize their actions, possess the capability to execute the fraudulent act, and exhibit a sense of superiority or a belief that they are unlikely to face consequences for their violations (Vousinas, 2019). By integrating situational and individual factors, the theory provides a more comprehensive explanation of the complexity of fraudulent behavior than its predecessor models. Empirical studies have demonstrated the continued relevance of Fraud Pentagon Theory in explaining fraudulent behavior across business organizations, public-sector institutions, and nonprofit organizations, although the influence of individual dimensions may vary depending on organizational characteristics and governance environments (Sahla & Ardianto, 2023; Biduri & Tjahjadi, 2024; Zakaria & Setyahuni, 2024). This study focuses on the pressure and rationalization dimensions of Fraud Pentagon Theory. Pressure is operationalized as financial pressure, referring to financial distress that may motivate individuals to seek alternative means of meeting their needs or addressing financial difficulties. Meanwhile, the rationalization dimension is represented by perceptions of a permissive organizational culture, referring to an organizational environment that may provide individuals with greater latitude to justify deviant behavior.

These two dimensions are particularly relevant in Zakat Management Organizations (ZMOs), where employees manage public funds and therefore face high expectations of integrity and accountability. Accordingly, financial pressure represents an individual-level source of pressure, whereas permissive organizational culture reflects an organizational environmental condition that may contribute to the development of fraud tendency. Therefore, Fraud Pentagon Theory provides the theoretical foundation for establishing the relationships between the independent variables and fraud tendency within Zakat Management Organizations in Central Java, Indonesia.

Fraud Tendency

Fraud tendency refers to an individual’s propensity to engage in fraudulent behavior when confronted with conditions that facilitate misconduct, even before the fraudulent act is committed. Unlike actual fraud, which concerns fraudulent acts that have already occurred, fraud tendency reflects the potential for fraudulent behavior arising from both individual and organizational factors (Free, 2015; Lin, 2022).

From a governance perspective, measuring fraud tendency provides a more preventive approach by enabling organizations to identify potential fraud risks before they result in actual losses. This approach aligns with the Association of Certified Fraud Examiners (ACFE) recommendations, which emphasize strengthening ethical culture, internal control systems, and identifying fraud risk factors as integral components of fraud prevention strategies (ACFE, 2025; Said *et al.,* 2017). Accordingly, this study positions fraud tendency as the dependent variable because it represents a behavioral outcome that the dimensions of Fraud Pentagon

Theory may influence. Thus, this study examines how financial pressure and permissive organizational culture influence employees' tendency to engage in fraudulent behavior within Zakat Management Organizations (ZMOs).

Financial Pressure and Fraud Tendency

Financial pressure operationalizes the pressure dimension in Fraud Pentagon Theory. The pressure dimension suggests that individuals facing particular pressures or needs may be motivated to seek alternative means of fulfilling those needs, including deviant behavior when opportunities and rationalizations are present (Cressey, 1953; Free, 2015; Vousinas, 2019). In this context, the greater the financial pressure an individual perceives, the more likely they are to develop a tendency to engage in fraudulent behavior to cope with that pressure.

Previous studies have shown that financial pressure may increase individuals' tendency to engage in fraud, as adverse financial circumstances may prompt deviant decisions (Said *et al.,* 2017; Tjahjani *et al.,* 2022; Thamlim & Reskino, 2023). However, empirical evidence on this relationship remains inconclusive, suggesting that the effect of financial pressure may depend on organizational characteristics and the work environment in which individuals operate (Zakaria & Setyahuni, 2024). This inconsistency warrants further investigation in organizational contexts that differ from those of commercial corporations.

Within Zakat Management Organizations (ZMOs), employees operate in an environment that places considerable emphasis on integrity and accountability because these organizations manage funds entrusted by the public. When individuals face financial pressure and lack sufficient resources to cope, they may become more susceptible to deviant behavior, particularly when they perceive fraud as an alternative way to meet their financial needs.

H1: Financial Pressure has a positive effect on fraud tendency.

Permissive organizational culture and Fraud Tendency

A permissive organizational culture refers to an organizational environment characterized by tolerance for unethical behavior, procedural violations, or deviations from established norms. From the perspective of Fraud Pentagon Theory, such conditions may facilitate rationalization, whereby individuals develop justifications for viewing deviant actions as acceptable or not entirely wrong (Vousinas, 2019). This concept aligns with the Corporate Ethical Virtues (CEV) framework, which emphasizes clear ethical standards, ethical leadership, openness, and consistent enforcement of sanctions to foster an organizational environment that supports ethical behavior (Kaptein, 2011; Huhtala *et al.,* 2022).

Empirical evidence indicates that organizational ethical culture is associated with employees' fraudulent behavior. Suh *et al.* (2018) found that stronger perceptions of an ethical organizational culture were associated with lower levels of occupational fraud. Consistent with this finding, Ratmono and Frendy (2022) demonstrated that a strong ethical culture can weaken the relationship between fraud risk factors, including pressure, and occupational fraud. Furthermore, Chandrayatna and Sari (2019) identified an association between organizational ethical culture and the tendency toward accounting fraud. Suh et *al.* (2018) also demonstrated that an ethical tone at the top and organizational ethical practices play an important role in strengthening anti-fraud strategies.

Within Zakat Management Organizations (ZMOs), organizational culture matters because managing public funds requires a high degree of integrity, trustworthiness, and accountability. When ethical violations are tolerated, and organizational norms are not consistently enforced, individuals may have greater latitude to rationalize deviant behavior. Therefore, a more permissive organizational culture toward unethical behavior is expected to increase fraud tendency. Based on this theoretical rationale and the empirical evidence discussed above, this study proposes the following hypothesis.

H2: Permissive organizational culture positively affects fraud tendency.

METHODS

Research Design

This study employs a quantitative approach with an explanatory research design and a cross-sectional survey to examine the effects of financial pressure and permissive organizational culture on fraud tendency within Zakat Management Organizations (ZMOs) in Central Java, Indonesia. Data were collected through questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. This approach was selected because it is appropriate for examining relationships among latent constructs developed from Fraud Pentagon Theory and is particularly suited to predictive analysis (Hair et al., 2022; Kock & Dow, 2025).

Population and Sample

This study's population comprises employees of Zakat Management Organizations (ZMOs) affiliated with the Zakat Forum (FOZ) in Central Java, Indonesia. The unit of analysis is the individual employee involved in the operational activities and management of zakat funds. The sample was selected using purposive sampling, with eligibility restricted to employees who had worked for the organization for at least six months, ensuring respondents had sufficient familiarity with the organizational environment, fund management practices, and the institution's operational activities.

The sample size determination follows Hair *et al.* (2022), which suggest that sample adequacy in PLS-SEM analysis should **consider** the complexity of the structural model and the number of relationships among the constructs examined. A total of 102 respondents were included in the PLS-SEM analysis. Data were collected through an online questionnaire. Participation was voluntary and anonymous to maintain confidentiality and minimize potential social desirability bias(Podsakoff *et al.,* 2003).

Variable Measurement

The research instrument employed a structured questionnaire adapted from previous studies with established validity and reliability. All questionnaire items were contextualized to reflect the characteristics of Zakat Management Organizations (ZMOs) in Indonesia without altering the underlying constructs being measured. This approach maintained content validity and construct equivalence across different research contexts (Boateng *et al.,* 2018; Hair *et al.,* 2022).

Financial pressure was measured using an instrument adapted from Setiawan and Soewarno (2025). The instrument was selected because it assesses respondents' perceptions of personal financial pressure and work-related pressure relevant to Zakat Management Organizations (ZMOs). The instrument measured permissive organizational culture using an instrument developed from the Corporate Ethical Virtues (CEV) framework introduced by Kaptein, (2011). This construct reflects respondents' perceptions of the organizational environment in terms of the clarity of ethical standards, leadership role modeling, openness to discussing violations, transparency, and consistency in enforcing norms and sanctions. In this study, these aspects captured the extent to which the organizational environment tolerates unethical behavior.

Meanwhile, we measured fraud tendency using instruments adapted from Said *et al.* (2017), Setiawan and Soewarno (2025), and Apriliyani *et al.* (2024). The instruments were selected because they capture individuals' tendency to engage in deviant behavior through a perception-based approach, making them appropriate for this study's preventive orientation toward fraud.

All items were measured using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Table 1 summarizes the operational definitions, indicators, number of items, and sources from which the instruments were adapted.

Table 1. Operationalization of Variables

Variable	Code	Operational Definition	Number of Items	Instrument Source
Fraud Tendency	KKC	Respondents' perceptions regarding the propensity to engage in fraudulent behavior within the organization.	5	Said *et al.,* (2017); Setiawan & Soewarno, (2025); Apriliyani *et al.,* (2024)
Financial Pressure	TKK	Respondents' perceptions regarding financial pressure that could potentially drive fraudulent behavior.	6	Setiawan & Soewarno, (2025)
Permissive Organizational Culture	BOP	Respondents' perceptions regarding an organizational culture that tolerates unethical behavior.	6	Kaptein (2011); Huhtala *et al.* (2022)

Data Analysis

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. The analysis was conducted in two stages: evaluating the measurement model and evaluating the structural model. We evaluated the measurement model to assess construct reliability and validity using outer loadings, Cronbach's alpha, composite reliability, and Average Variance Extracted (AVE). In contrast, we assessed discriminant validity using the Heterotrait-Monotrait Ratio (HTMT). We then evaluated the structural model using the coefficient of determination (R^2), effect size (f^2), and path coefficients. We tested hypotheses using bootstrapping by examining t-statistics and p-values at the 5% significance level. The analysis examined the effects of financial pressure and permissive organizational culture on fraud tendency.

Results

Respondent characteristics

The research respondents' characteristics include gender, position, department/division, highest level of education, and tenure as an employee/amil. The results regarding respondent characteristics are presented in Table 2.

Table 2. Respondent Characteristics

	Characteristics	Amount	Percentage
Gender	Female	43	42,16%
	Male	58	56,86%
	Left blank	1	0,98%
	Amount	**102**	**100%**
Last education	SMA	16	15,69%
	Diploma	10	9,80%
	S1	65	63,73%
	S2	9	8,82%
	S3	2	1,96%
	Amount	**102**	**100%**
Position	Leadership/Managerial	48	47,06%
	Staff/Operational Staff	54	52,94%
	Amount	**102**	**100%**
Division/Section	Finance & Administration	31	30,39%

	Fundraising & Communications	23	22,55%
	Distribution	14	13,73%
	Operations & Management	34	33,33%
	Amount	**102**	**100%**
Years of service	< 1 year	7	6,90%
	1 s.d. 3 years	36	35,30%
	4 s.d. 6 years	25	24,50%
	> 6 years	34	33,30%
	Amount	**102**	**100%**

Source: Processed primary data, *2026*

Table 2 shows that this study involved 102 employees of Zakat Management Organizations (ZMOs) in Central Java with diverse characteristics. In terms of educational background, most respondents held a bachelor's degree (S1), comprising 65 respondents (63.73%). By position, respondents were relatively evenly distributed between staff/executive positions (54 respondents, 52.94%) and managerial positions (48 respondents, 47.06%). By division, the largest proportion of respondents came from Operations and Management (33.33%), followed by Finance and Administration (30.39%). By length of employment, respondents with 1–3 years of tenure made up the largest proportion (35.30%), followed by those with more than six years of employment (33.30%). This composition indicates that the respondents represented relatively diverse occupational backgrounds and levels of work experience, providing variation in perceptions used to measure financial pressure, permissive organizational culture, and fraud tendency.

Descriptive analysis

Descriptive statistical analysis provided an overview of the data characteristics for each research construct. The statistics presented include the minimum, maximum, mean, and standard deviation values, which were compared with the theoretical range of each construct. Table 3 presents the descriptive statistics for financial pressure, permissive organizational culture, and fraud tendency.

Table 3. Descriptive Statistical Analysis Results

Variable	N	Theoretical Range			Actual Range			Std. Deviation
		Min	Max	Mean	Min	Max	Mean	
Financial Pressure	102	6	30	18	6	28	17,25	5,14
Permissive Organizational Culture	102	6	30	18	6	29	16,90	4,89
Fraud Tendency	102	5	25	15	5	19	11,22	3,37

Source: Processed primary data*, 2026*

Based on Table 3, financial pressure has an actual mean of 17.25, slightly **below** the theoretical mean of 18.00. Meanwhile, permissive organizational culture has an actual mean of 16.90, which is also below the theoretical mean of 18.00. These findings indicate that respondents perceived financial pressure nd organizational permissiveness at relatively low to moderate levels. Furthermore, fraud tendency has an actual mean of 11.22, below the theoretical mean of 15.00, indicating that respondents' perceived tendency toward fraudulent behavior was relatively low.

Measurement Model

The evaluation followed the measurement model assessment criteria proposed by Hair *et al.* (2022). The measurement model was evaluated to ensure that the research instrument met the established validity and reliability criteria. The results indicate that all research constructs satisfied the criteria for reliability and convergent validity. Discriminant validity was also established based on the HTMT results. Therefore, the research instrument demonstrated adequate measurement quality and was considered suitable for subsequent structural model analysis.

Structural Model

Collinearity Test

Collinearity was assessed using the Variance Inflation Factor (VIF). The results show that the VIF values for all predictor constructs were below the recommended threshold, indicating no evidence of collinearity problems in the structural model. Accordingly, financial pressure and permissive organizational culture were appropriate to include simultaneously in explaining fraud tendency.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) indicates the extent to which the exogenous latent variables collectively explain the endogenous latent variable. Table 4 summarizes the R-square values.

Table 4. Coefficient of Determination Value

	R-Square	R-Square adjusted
Fraud Tendency	0,324	0,310

Source: Processed primary data*, 2026*

Based on Table 4, the R^2 value of 0.324 for fraud tendency indicates that financial pressure and permissive organizational culture jointly explain 32.4% of the variance in fraud tendency, while other factors outside the model explain the remaining 67.6%. The adjusted R^2 of 0.310 indicates that, after accounting for the number of predictors in the model, the model retains 31.0% explanatory power.

4.4.3 Effect size (f^2)

The effect size (f^2) assesses the magnitude of each exogenous construct's contribution to the R^2 of the endogenous variable when the respective construct is removed from the model (Hair *et al.*, 2022). The effect size results for the research model are presented below.

Table 5. Effect Size Value (f^2)

	Fraud Tendency
Financial Pressure	0,134
Permissive organizational culture	0,130

Source: Processed primary data*, 2026*

Table 5 shows that financial pressure has an f^2 value of 0.134, while permissive organizational culture has an f^2 value of 0.130. Both values indicate a small effect size. Thus, each variable contributes relatively little to the change in the R^2 value of fraud tendency when the respective predictor is included in the model.

Hypothesis Testing

This study used a 95% confidence level, corresponding to a 5% margin of error. We conducted significance testing using the bootstrapping procedure in SmartPLS. Hypothesis acceptance or rejection was determined by comparing the p-value with the specified significance level and considering the direction of the path coefficient, as indicated by the original sample (O) value. We considered the alternative hypothesis (H_a) supported when the p-value was < 0.05 and the path coefficient (O) indicated a relationship consistent with the proposed hypothesis. Conversely, when the p-value was ≥ 0.05 or the direction of the path coefficient was inconsistent with the proposed hypothesis, the alternative hypothesis was considered not supported. Table 6 presents the hypothesis-testing results.

Table 6. Hypothesis Testing Results

	Original sample (O)	T statistic *(|O/STDEV|)*	P value	Explanation
Financial pressure -> Fraud Tendency	0,337	2,890	0,004	Accepted
Permissive Organizational Culture -> Fraud Tendency	0,332	2,925	0,003	Accepted

Source: Processed primary data*, 2026*

Based on the hypothesis testing results presented in Table 6, the test results can be explained as follows:

1. H_1: Financial pressure increases the likelihood of fraud occurring.
   The hypothesis testing results show that financial pressure has a path coefficient (original sample) of 0.337, a t-statistic of 2.890, and a p-value of 0.004 (p-value < 0.05). The positive coefficient indicates that financial pressure positively affects fraud tendency. This finding suggests that the higher the financial pressure, the greater the tendency toward fraud among the respondents in this study. As the p-value is below the 5% significance level, the effect is statistically significant. Therefore, the first hypothesis is supported.
2. H_2: A permissive organizational culture positively influences the propensity for fraud.
   The hypothesis testing results show that permissive organizational culture has a path coefficient (original sample) of 0.332, a t-statistic of 2.925, and a p-value of 0.003 (p-value < 0.05). The positive coefficient indicates that a permissive organizational culture positively affects fraud tendency. This finding suggests that the more permissive the organizational culture is toward behavior that violates established rules, the greater the tendency toward fraud among the respondents in this study. As the p-value is below the 5% significance level, the effect is statistically significant. Therefore, the second hypothesis is supported.

Discussion

Financial Pressure increases the propensity for fraud.

The results show that financial pressure has a positive and significant effect on the tendency toward asset misappropriation among Zakat Management Organizations (ZMOs) in Central Java. This finding indicates that the more financial pressure employees experience, the greater their tendency to engage in deviant behavior or internal fraud.

Based on the descriptive statistical analysis, financial pressure has an actual mean of 17.25, which is slightly lower than the theoretical mean of 18.00. This finding indicates that respondents perceived financial pressure at a relatively low to moderate level. Furthermore, fraud tendency has an actual mean of 11.22, lower than the theoretical mean of 15.00, indicating that respondents perceived a relatively low tendency toward fraud. Nevertheless, the structural model analysis demonstrates that variation in financial pressure remains linearly and significantly associated with an increase in fraud tendency. This finding suggests that although employees' overall financial conditions were relatively stable, any increase in the economic pressure individuals experience may still weaken ethical boundaries and increase vulnerability to deviant behavior.

These empirical findings align with the literature, which identifies pressure as a key antecedent in the dynamics of financial fraud. Various empirical studies have consistently confirmed that financial pressure is positively associated with fraud tendency (Tjahjani *et al.,* 2022; Tarmizi Achmad *et al.,* 2022; Thamlim & Reskino, 2023; Burlacu *et al.,* 2025). Furthermore, the findings are consistent with the studies of Said *et al.* (2017) and Zakaria & Setyahuni (2024), which emphasize the relevance of the elements of the Fraud Pentagon framework in explaining opportunistic behavior, whereby the influence of structural and situational factors is highly dependent on the institutional context in which individuals operate.

Theoretically, these findings support the Fraud Pentagon Theory, which emphasizes the interaction between situational factors and individual characteristics (Cressey, 1953; Wolfe & Hermanson, 2004; Free, 2015). When individuals face economic difficulties, financial pressure may act as a psychological catalyst that encourages them to seek shortcuts by misusing organizational resources (Vousinas, 2019). In the context of Zakat Management Organizations (ZMOs), this theoretical implication is particularly important because faith-based nonprofit institutions require a high standard of moral integrity from their managers.

From the perspective of fraud detection and prevention, the forensic accounting literature emphasizes the importance of analytical approaches to mitigating the risk of asset misappropriation, including the use of data analytics techniques and numerical pattern analysis to detect transaction anomalies (Nigrini & Virginia, 2019; Tang *et al.,* 2026), as well as the relationship between management accounting practices and managerial efforts to conceal fraudulent activities (Song *et al.,* 2026; Kassem, 2026). Although fraud detection approaches have become increasingly sophisticated, the literature emphasizes that effective prevention should begin with an understanding of the factors that drive individual behavior within organizations (Vousinas, 2019). A tendency-based preventive approach is considered more proactive than a reactive approach because it enables organizations to identify early signals of deviant behavior before material losses actually occur (Said *et al.,* 2017), while investigation through the lens of Fraud Pentagon Theory provides a comprehensive framework for identifying such vulnerabilities.

These findings have strategic implications for Zakat Management Organizations (ZMOs) in Central Java, suggesting that risk mitigation should not focus only on technical transaction monitoring but also on underlying psychological factors and employee well-being. Effective prevention strategies should include the early identification of sources of employees' economic pressure, the provision of transparent communication channels, and the formulation of adequate employee well-being policies. By proactively managing pressure-related factors, organizations can disrupt the process early, before individual financial pressure escalates into asset misappropriation schemes that could undermine the credibility of institutions entrusted with managing public religious funds.

Permissive Organizational Culture Positively Influences the Propensity for Fraud

The empirical results show that permissive organizational culture has a positive and significant effect on the tendency toward asset misappropriation among Zakat Management Organizations (ZMOs) in Central Java. The positive path coefficient confirms that the more lenient or permissive the institutional environment is toward unethical behavior, the more likely employees are to engage in internal fraud.

The descriptive statistics show that the permissive organizational culture variable has an actual mean of 16.90, below the theoretical mean of 18.00. In contrast, fraud tendency has an actual mean of 11.22, also below the theoretical mean of 15.00. These figures indicate that, in general, respondents perceived permissive organizational culture and the potential for fraudulent behavior at relatively low levels. However, the structural model analysis demonstrates that even a small increase in perceptions of organizational permissiveness is associated with a linear increase in fraud tendency.

This phenomenon is closely related to the rationalization dimension of Fraud Pentagon Theory (Cressey, 1953; Wolfe & Hermanson, 2004; Free, 2015). When an organizational structure implicitly tolerates minor violations, individuals may readily develop mental justifications for their deviant actions. The Corporate Ethical Virtues (CEV) framework reinforces this perspective by emphasizing that leadership role modeling, clear ethical standards, and consistent enforcement of sanctions are essential foundations for reducing opportunities for such rationalization (Kaptein, 2011; Huhtala *et al.,* 2022). Without strong ethical foundations, employees may gradually normalize procedural violations.

In the context of comprehensive risk mitigation, the forensic accounting literature notes that asset misappropriation, a predominant form of occupational fraud associated with material losses, requires a combination of proactive prevention and detection strategies (Kabuye *et al.,* 2026). Analytical techniques can help identify transaction anomalies that perpetrators conceal (Nigrini & Virginia, 2019; Tang *et al.,* 2026). Furthermore, integrating management accounting practices, earnings management detection, and auditor brainstorming sessions is essential for anticipating managerial efforts to conceal asset misappropriation (Song *et al.,* 2026; Kassem, 2026).

For Zakat Management Organizations (ZMOs), these findings matter because Islamic philanthropic institutions carry a high level of moral responsibility to the public. Formal controls and audits supported by analytical technologies are unlikely to work well without broader improvements in organizational culture. Therefore, strengthening governance within ZMOs should include consistently enforcing ethical standards to prevent a permissive culture that could undermine the integrity of zakat fund management.

CONCLUSION

This study addresses a research gap in the forensic accounting and organizational governance literature, which has predominantly focused on commercial corporate sectors and fraudulent financial reporting while paying limited attention to the distinctive characteristics of faith-based nonprofit organizations. Using Fraud Pentagon Theory, this study empiricallyshows thatfinancial pressure and permissive organizational culture both positively and significantly affect the tendency toward asset misappropriation among Zakat Management Organizations (ZMOs) in Central Java. Although the descriptive results indicate that financial pressure, permissive organizational culture, and fraud tendency were generally at low to moderate levels, the structural analysis confirms that increases in both factors remain significant drivers of deviant behavior. These findings add conceptual and contextual novelty by extending occupational fraud theory to Islamic philanthropy, where safeguarding the integrity of public religious funds requires a mitigation approach that does not rely solely on technical oversight.

Implications

Theoretically, this study extends Fraud Pentagon Theory beyond the commercial corporate context to the faith-based nonprofit sector, particularly organizations entrusted with managing public funds. This study addresses a gap in the forensic accounting literature by showing that the interaction between individual financial pressure and weaknesses in an organization's ethical culture, reflected in a permissive organizational culture, predicts employees' tendency toward asset misappropriation within Islamic philanthropic institutions.

From a practical and managerial perspective, these findings offer strategic guidance for Zakat Management Organizations (ZMOs) and policymakers in developing fraud-prevention governance. Organizational leaders should not rely solely on reactive technical audit approaches but should integrate proactive policies, including regular assessments of employee well-being, to alleviate economic pressure. In addition, ZMO management should strengthen the pillars of Corporate Ethical Virtues by enforcing rigorous ethical standards, promoting leadership role modeling, and consistently applying sanctions to reduce tolerance toward deviant behavior and maintain public credibility and trust in the management of public religious funds.

Research Limitations and Recommendations

This study's implementation is subject to several methodological limitations that present opportunities for future research. First, the current structural model is limited to financial pressure and permissive organizational culture and therefore does not fully capture all dimensions of the complex Fraud Pentagon framework. Second, perception-based questionnaires are susceptible to social desirability bias, given the sensitivity of workplace fraud issues. Third, the geographical scope, which is limited to Zakat Management Organizations (ZMOs) in Central Java, requires caution when generalizing the findings to philanthropic institutions in other regions. Given these limitations, future research should expand the model by adding antecedent variables such as financial self-control, individual morality, ethical leadership, and the effectiveness of whistleblowing systems. In addition, a longitudinal research design and an expanded sample that includes ZMOs across different regions of Indonesia are strongly recommended to examine the consistency and robustness of the empirical findings across broader sociocultural contexts.

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