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BUMDes Business Sustainability, Establishment of Merah Putih Village Cooperative, and Fraud Tendency with Strengthening Innovation and Community Governance

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Abstract

The sustainability of village-owned enterprises (BUMDes) remains a topic of discussion in various scientific forums. A decade after their establishment, and amid numerous challenges, data from the Indonesian Ministry of Villages shows that 32,249 BUMDes operate across 74,957 villages in Indonesia. According to Article 2, Paragraph 1 of the Minister of Home Affairs Regulation No. 37 of 2007 concerning Financial Management Guidelines, BUMDes are required to manage their capital in a transparent and accountable manner. However, despite the rapid growth of BUMDes, cases of fraudulent practices have been reported during their implementation. The governance of BUMDes in this study adopts a community governance approach, formulated by considering the unique characteristics of BUMDes that distinguish them from profit-oriented corporations, as BUMDes function as social enterprises with both social and economic missions. The progress of BUMDes depends on their level of sustainability, while the threat of fraud can undermine their long-term viability. Sustainability indicators for BUMDes include stable or continuously increasing assets, expanding business networks, broader consumer reach, the ability to develop diverse products and business units, and the capacity to establish mutually beneficial partnerships with external parties. Innovation plays a crucial role in enhancing BUMDes' sustainability, as it can stimulate niche demand for community-based products that address environmental sustainability issues and strengthen BUMDes' reputation for environmental stewardship originating at the village level.

Keywords: Sustainability, Community Governance, Human Resource Competence, BUMDes, Merah Putih Village Cooperative

1. Introduction

1.1. Introduce the problem

To support and realise *Asta Cita*, the Minister of Villages and Development of Disadvantaged Regions has established 12 Priority Actions for Building Villages, Building Indonesia, and Leading Villages for Indonesia. Strengthening Village-Owned Enterprises (BUMDes) is one of the most strategic initiatives, implemented through intensive training and mentoring for BUMDes managers to develop skills in financial management, marketing, and product and service innovation. The sustainability of BUMDes remains a topic of discussion in various scientific forums. A decade after their establishment, data from the Ministry of Villages of the Republic of Indonesia shows that 32,249 BUMDes are operating in 74,957 villages across Indonesia. Given their responsibility in managing capital, BUMDes must ensure transparency and accountability in capital management. However, along with the rapid growth of BUMDes, there are indications of fraudulent practices occurring in their implementation. Various news reports have revealed corruption cases related to fund management in several regions, such as the case of BUMDes Dwi Utama Mandiri. In the Indramayu area, the Indramayu District Attorney's Office (Kejari) detained a suspect in a corruption case involving the former Head of Kedungdawa Village, Gabuswetan District, who also served as the former Head of BUMDes, for actions committed between 2017 and 2021 that resulted in state losses amounting to Rp 276,467,000.

The Urgency of This Research: Fraud in Village-Owned Enterprises (BUMDes) is urgent. Fraud continues to persist in BUMDes due to ineffective governance. Opportunities are wide open, in addition to the still-weak human resources due to a lack of education, experience, and a long-standing work culture. Because governance in BUMDes has been ineffective to date, a new formula is needed to address this issue. Relying solely on BUMDes as an institution is unreliable. Therefore, other stakeholders are needed to participate in monitoring BUMDes. In this study, the village government and the village community are involved.

The governance of BUMDes in this study employs a community governance approach. This governance model is structured by considering the characteristics of BUMDes, which differ from profit-oriented corporations, as BUMDes possess a social enterprise nature with both social and economic objectives [2][3]. Previous research on BUMDes has also found that the element of participation has not received sufficient attention [4]. This participation element requires an active role from both the village government and the community to ensure optimal oversight, rather than relying solely on the accountability of management or the board. Pestoff and Hulgård [5] stated that governance in social enterprises is not structurally based on the relationship between owners and managers, but rather emphasises stakeholder participation. Fraud aspects in this study are examined based on the opportunity to commit fraud and human resource competency. This study builds upon previous research [6].

The Fraud Triangle theory is applied to all variables, with Pressure and Rationalisation showing effects after being moderated by Community Governance, while HR Competency and Opportunity show no effect. In practice, based on various studies, BUMDes are strongly influenced by the capacity and expertise of their human resources. Therefore, in this study, the HR competency variable is synergised with innovation and business sustainability variables. The threat of fraud within BUMDes can disrupt the sustainability of the enterprises themselves.

BUMDes sustainability includes consistent or continuously increasing assets, an expanding network, the ability to create various products and business units, and the capacity to establish mutually beneficial partnerships [6]. The importance of innovation lies in efforts to enhance BUMDes' sustainability, as measured by (i) introducing new products, (ii) adopting new production methods, and (iii) opening new markets [7]. The sustainability of BUMDes amid plans to establish 70,000 Merah Putih Village Cooperatives is a primary concern in this analysis. Although media reports indicate that these cooperatives will only be established in villages that do not yet have BUMDes, potential risks to the development and existence of existing BUMDes remain. Therefore, this study also presents a SWOT analysis to assess the impact of this policy on the sustainability of BUMDes.

Currently, there are 21,607 BUMDes and BUMDes Bersama that have obtained legal status. This fact indicates that BUMDes are better prepared to operate professionally across various business and enterprise sectors. Furthermore, transparency and accountability in BUMDes' financial standards further strengthen their readiness to face challenges and opportunities arising from government policies. The analysis presented in this study is

expected to provide an overview of the strengths, weaknesses, opportunities, and threats faced by BUMDes, as well as strategies to ensure their sustainability and future development following the government's establishment of the Merah Putih Village Cooperative.

1.2. Importance of The Problem

The research questions are as follows:

- 1.1.1 How do opportunities influence fraud tendencies?
- 1.1.2 How does human resource competency influence fraud tendencies?
- 1.1.3 How can community governance influence the relationship between opportunities and fraud tendencies?
- 1.1.4 How can community governance influence the relationship between human resource competency and fraud tendencies?
- 1.1.5 How can human resource competency influence the sustainability of village-owned enterprises (BUMDes)?
- 1.1.6 How can Green Innovation Challenges influence the relationship between human resource competency and BUMDes' sustainability?
- 1.1.7 How is the position of BUMDes related to the establishment of the Merah Putih Village Cooperative?

1.3. Relevant Scholarship

1.3.1. Theory of Planned Behavior

This study employs the Theory of Planned Behavior. In the context of fraud, an individual's intention to avoid fraudulent behavior must be sufficiently strong to prevent fraud. Individuals evaluate the perceived advantages and disadvantages of engaging in fraudulent actions. A person may also commit fraud based on experience, competence, and the obstacles they face (Cohen, 2011). The Fraud Diamond Theory suggests that fraud is most likely to occur when an individual is under pressure, has the opportunity to commit fraud due to weaknesses in control and supervision, and rationalizes fraudulent behavior. This study also applies the Resource-Based View to explain how human resource practices build capabilities that drive sustainable innovation. Clear guidance is therefore needed for managers and policymakers in designing HR policies that foster green innovation and support sustainability goals. The literature review reveals that the Resource-Based View emphasizes how a firm's resources contribute to its competitive advantage (Kero & Bogale, 2023). At the macro level, the Resource-Based View (Barney, 1991) posits that Green Human Resource Management (GHRM) develops valuable, rare, and inimitable green human capital, which in turn supports green innovation as a dynamic capability that generates sustainable competitive advantage.

A village-owned enterprise (BUMDes) environment characterized by a culture of tolerance toward fraud creates greater opportunities for fraudulent practices. Based on research by Kumar and Bhattacharya (2018), the professionalism and competence of human resources in financial management are expected to support the achievement of community economic and social goals. However, because many villagers still lack adequate understanding and expertise in financial reporting, continuous coaching and training are required to improve community competency. Currently, HR competency is increasingly characterized by Green Human Resource Management (GHRM). Previous studies have found that GHRM practices improve employee attitudes toward greenhouse gas emission disclosure, both directly and indirectly through improved financial performance. Specifically, the level of implementation of GHRM practices—such as top management support, environmental training, employee empowerment, teamwork, reward systems, and employee engagement—is crucial. Meanwhile, the most common factors contributing to fraud in SMEs include low employee morale and weak internal controls. Nevertheless, research on fraud involving SMEs remains limited, despite their significant role in the economy (Zainal et al., 2022). Alayli (2022) provides an overview of fraud in small and medium enterprises. Community governance refers to public participation, involvement, and decision-making in public affairs, governance networks, and participatory governance (Totikidis, 2005).

The governance model for BUMDes examined in this study differs from conventional community governance

frameworks. This approach recognizes that BUMDes, as social enterprises, pursue both social and economic objectives, distinguishing them from profit-oriented corporations. Previous research on BUMDes has indicated that participation has not been a primary focus. The sustainability of BUMDes is characterized by consistently increasing assets, expanding networks, the development of diverse products and business units, and the establishment of mutually beneficial collaborations (Luthan et al., 2022). Innovation plays a critical role in enhancing BUMDes' sustainability, as demonstrated by the introduction of new products, the adoption of novel production methods, and entry into new markets. Based on supporting theories, previous research, and hypothesis development, these innovation practices are expected to strengthen long-term sustainability. Innovation is essential to enhancing BUMDes' sustainability, as demonstrated by the introduction of new products, the adoption of novel production methods, and the entry into new markets. Supporting theory, previous research, and hypothesis development are;

1.3.2. The hypothesis formulation is as follows:

The influence of opportunity on fraud propensity.

According to Aghghaleh, S. F., & Mohamed, Z. M. (2014), Opportunity Proxies were identified as significantly associated with fraud. Based on Endahsari's (2020) research, pressure, justification, and ability are significant factors influencing fraudulent activities. Hapsari's (2021) research found that Village-Owned Enterprises (BUMdes) are still vulnerable to potential fraud risks. Several important components can be potential targets for fraud. Hamid & Nasih (2021) in their research explained that fraudulent activities occur due to opportunities that arise from weaknesses in the system, which are then exploited by individuals. In other words, an effective system makes it difficult for individuals to commit crimes. Fidianatun et al. (2023) found that the BUMdes internal control system has many gaps in the tendency for fraud, including a lack of transaction evidence, poor financial records, the absence of separation of cash receipts and records, and the failure to conduct stocktaking. According to Larasati, R., & Sujana, E. (2021), fraud is seen from an opportunity perspective, including situations and conditions that allow someone to commit fraud or the opportunity to manipulate financial and personal data related to loan applications. Opportunities can arise at various stages of the activity. Furthermore, during the administration stage carried out by the Village-Owned Enterprise (BUMdes) treasurer, a potential opportunity is data manipulation within the system (Aditya 2020). **H1:** Opportunities affect fraud tendencies of village-owned enterprises (BUMDes).

The Influence of Human Resource Competence on Fraud Proneness.

The Influence of Human Resource Competence on Fraud. Angi et al. (2021) showed that organizational culture, good corporate governance, and human resource competence influence fraud prevention in fund management. Human resource competence influences fraud prevention in village fund management (Sumitariani, 2020). Research by Suandewi (2021) shows that human resource competence has a positive and significant effect on fraud prevention. According to Saputra (2019), accountability and human resource competence have a positive effect on fraud prevention in village fund management. Research by Adiputra (2020) identified business management inefficiency as a factor, with corruption committed by business managers due to a lack of business management skills. Widyawati (2019) demonstrated that human resource competence has a positive effect on fraud prevention in village-owned enterprise (BUMDES) fund management. Fraud committed from a competency perspective is attributed to the perpetrator's ability to override internal controls and manipulate them according to their social standing for personal gain (Larasati, R., & Sujana, E, 2021). The results of the study indicate that human resource variables have a negative and significant effect on the tendency for accounting fraud (Yasa and Sujana, 2023). **H2:** Human resource competency affects fraud tendencies of village-owned enterprises (BUMDes).

Community Governance can influence the relationship between opportunities and fraud tendencies.

Budiono (2015) identified issues hindering the role of Village-Owned Enterprises (BUMdes), including conflicts of interest between key actors, the lack of transparency, and community involvement in policymaking. Research by Dewi (2022) found that good governance had a positive and significant impact on fraud in Village-Owned

Enterprises (BUMDES) in Banjar District (Dewi, 2022). Research by Anggraeni (2016) showed that the main problems were communication issues between the village government and the community, as well as transparency and accountability. Furthermore, management's lack of knowledge in BUMdes management resulted in suboptimal performance in business development. Jaswadi (2016) examined the implementation of good governance in SMEs in Malang. Jaswadi's (2016) research also showed that corporate governance implementation remained low, with micro-enterprises focusing more on business sustainability than on corporate governance implementation. According to Anggraini (2016), human capital can be associated with high dedication and commitment. The governance component that involves not only the administrators and village heads makes control a shared responsibility, not just an obligation for the administrators. Based on Purbawati's research (2018), the implementation of GCG studied in the Tembarak area did not show good performance. The GCG function in financial management has not been implemented.

H3: Community governance influences the relationship between opportunities and the fraud tendencies of village-owned enterprises (BUMDes).

Community governance can influence the relationship between human resource competency and fraud likelihood.

Governance has been found to weaken the positive influence of opportunity and rationality on perceptions of fraud. Governance does not moderate the influence of competence and arrogance on perceptions of fraudulent financial reporting. However, governance is a potential moderator of the interaction between competence and arrogance (Setiawan, 2023). Research by Ramantha (2020) suggests that there are variables that interact with the influence of pressure on perceptions of fraudulent financial reporting. One component of community oversight in community governance is the Village Consultative Body (BPD) supervising the management of Village-Owned Enterprises (BUMDes), as evidenced by research by Asmaranti (2022). Empirically, consistent implementation of GCG has also been shown to reduce fraud (In'airat, 2015; and Kwatingtyas, 2017). According to Sekarwulan and Umar, H. (2021), and Setiawan (2023), good corporate governance weakens the influence of pressure from financial distress on fraud. On the other hand, based on Desanti's (2024) research, Good Corporate Governance is unable to moderate the influence of opportunities on the potential for fraud in financial reports. Putra, W. M. (2019) stated that the relationship between financial stability variables and fraud cannot be moderated by corporate governance. **H4:** Community governance affects the relationship between human resource competency and fraud tendencies of village-owned enterprises (BUMDes).

The influence of HR competency on the sustainability of BUMDes.

Green HRM involves using every employee interaction to foster and sustain environmentally sound business practices. The competency of Green Human Resource Development (HRD) plays a crucial role in enhancing financial performance within organizations, particularly in the context of small firms. Green HRM practices, which align human resource management with environmental sustainability goals, are instrumental in developing employees' abilities, motivation, and commitment to proactive environmental management. This alignment not only fosters a culture of sustainability but also significantly moderates the relationship between proactive environmental management and financial performance, leading to improved financial outcomes for firms that adopt these practices [1] [2]. Moreover, integrating environmental management into HR practices through Green HRM enhances overall organizational performance and sustainability, which is vital for maintaining competitive advantage in today's market. **H5:** Human resource competency affects the sustainability of village-owned enterprises (BUMDes) of the village - owned enterprises (BUMDes).

Green Innovation Challenges can influence the relationship between HR competencies and the sustainability of BUMDes.

Research findings show a significant relationship among green entrepreneurial orientation, green market orientation, and green learning orientation and sustainable performance in small and medium enterprises (Abbas, J., & Khan, S. M., 2023). Furthermore, innovation has been shown to strengthen the relationship between human resource quality and business sustainability. This means that when an organization has an innovative culture, the ability of human resources to create sustainability is more optimal. Innovation serves as an enhancer, increasing

the effectiveness of humans. resource quality in supporting business sustainability (Parilli, 2025). This finding is consistent with the strategic management literature, which emphasizes that human resource quality is a source of competitive advantage and that innovation is a crucial mechanism that maximizes the potential of human resources to create organizational sustainability. [Hamadamin, H. H., & Atan, T. (2019). The impact of strategic human resource management practices on competitive advantage sustainability: The mediation of human capital development and employee commitment. *Sustainability*, 11(20), 5782.

Innovation is essential to enhancing BUMDes' sustainability, as demonstrated by the introduction of new products, the adoption of novel production methods, and the entry into new markets based on supporting theory, previous research. Harinurdin, E., Laksmono, B. S., Kusumastuti, R., & Safitri, K. A. (2025). Community Empowerment Utilizing Open Innovation as a Sustainable Village-Owned Enterprise Strategy in Indonesia: A Systematic Literature Review. *Sustainability*, 17(8), 3394. **H6.** Innovation affects the relationship between human resource competency and BUMDes's sustainability of village-owned enterprises (BUMDes).

2. Method

Primary data were collected **through** questionnaires using a five-point Likert scale to assess **the perceptions of BUMDes directors** regarding financial literacy and attitudes in Bogor Regency. This study employed several analytical techniques, including descriptive analysis, statistical analysis, measurement model evaluation (outer model), structural model evaluation (inner model), and hypothesis testing. The study population was 416 BUMDes in Bogor Regency, each represented by its director. The sample, determined using the Slovin formula at a 10% significance level, was gathered through questionnaires and interviews. Data were analyzed using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) with the WarpPLS 6.0 software.

3. Result and Discussion

3.1. Statistical and data analysis

Table 1: Descriptive Statistical Data

KF	PLG	KSDM	KU	CG	INV	CG M1	CG M1	INV M2
-2.140	-1.953	-2.169	-2.387	-1.904	-2.382	-2.421	-1.426	-0.841
2.794	2.025	1.454	1.960	1.565	1.740	2.550	3.125	3.353

Table 2: Median Top and Modes (bottom)

KF	PLG	KSDM	KU	CG	INV	CG M1	CG M1	INV M2
-0.322	-0.059	-0.285	0.121	-0.169	0.213	0.172	-0.454	-0.440
-0.322	-0.438	-0.285	0.121	-0.169	0.442	0.313	-0.589	1.346

Based on a descriptive analysis of 105 data samples, the KF and KU variables ranged from -2.140 to 2.794, with a mean of -0.322 and a standard deviation of 0.79361. This indicates that the KF data exhibits a fairly large spread around its mean. The KU variable ranged from -2.387 to 1.960, with a mean of 0.121, indicating relatively low variability and a centering around the low value. Furthermore, the probability variable had a minimum value of -1.953 and a maximum of 2.025, with a mean of -0.059 and a mode of -0.438, indicating moderate variation in the data. For the KSDM variable, the minimum and maximum values were -2.169 and 1.454, respectively, with a mean of -0.285 and a mode of -0.285, indicating that most KSDM values were close to zero. For the CG variable,

the minimum is -1.904, the maximum is 1.565, the average is -0.069, and the mode is -0.169, indicating that the CG data is relatively stable and fluctuates in a narrow range around zero. The Innovation variable has a minimum value of -2.382 and a maximum of 1.740, with an average of 0.213 and a mode of 0.442, indicating that the Innovation data is relatively stable and fluctuates in a narrow range around zero.

3.2 Hypothesis Testing

Validity testing ensures that the data collection instrument (questionnaire) accurately measures the intended constructs or variables (e.g., community governance, HR quality, innovation, fraud, and financial performance). In questionnaire-based accounting research, validity is commonly assessed using factor loadings and cross-loadings. Based on the validity test results presented in Table 1, all statement items meet the required criteria, as indicated by satisfactory factor loadings and cross-loadings ($p < 0.001$). Therefore, all measurement items are considered valid. Furthermore, the factor loading results in Table 2 also show significant values ($p < 0.001$), except for the relationship between community governance (CG) and opportunity, which shows a coefficient of -0.294 ($p < 0.001$). These findings indicate that the constructs of fraud tendency, opportunity, HR quality, business sustainability, community governance, and innovation demonstrate good validity. The complete structural model describing the relationships among variables is presented the corresponding p-values and path coefficients. As for the full model of this research, it can be seen below;

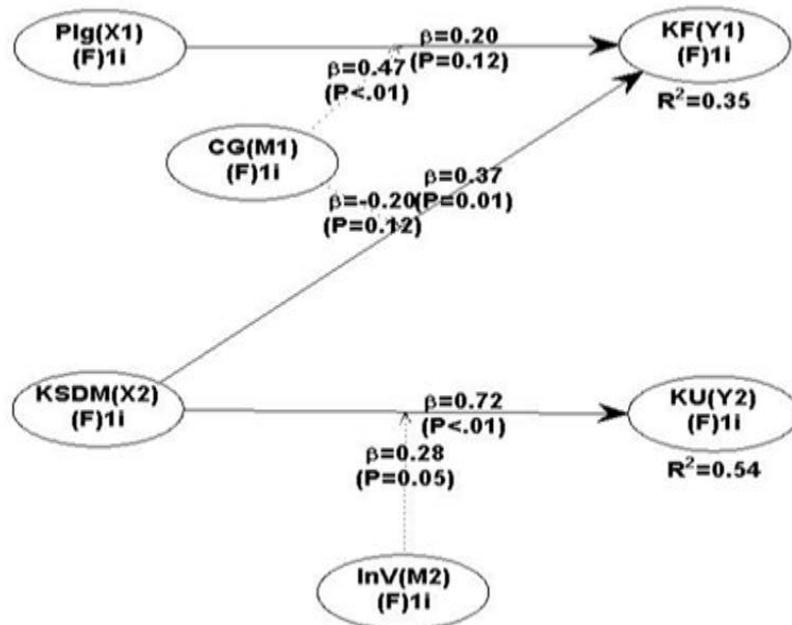


Figure 1: Full Model Result

a. Relationship between Opportunity and KF ($\rho = 0.202$)

The positive effect suggests that increased opportunity is associated with a higher likelihood of fraud (KF). This finding implies that opportunity does not reduce KF, even when moderated by CG and Innovation. However, the p-value of 0.119 exceeds the 0.05 threshold, indicating that the effect is not statistically significant and leading to the rejection of H1.

b. Relationship between Human Resource Quality to KF ($\rho = 0.371$)

The positive coefficient indicates that higher-quality human resources are associated with higher KF. However, the small coefficient value indicates a relatively significant effect, with a p-value of $0.011 < 0.05$ (H2 is accepted).

c. Relationship between Opportunity to KF*CG ($\rho = 0.465$).

The direction of the positive, significant relationship indicates that opportunity has a strong effect on KF when moderated by CG. The results show that the p-value is $0.002 < 0.01$, indicating that this effect is statistically significant (H3 is accepted).

d. Relationship between Human Resource Quality to KF*CG ($\rho = -0.205$)

The positive effect indicates that higher-quality human resources are associated with a lower likelihood of KF. However, contrary to the hypothesis test, which explains the p-value of $0.116 > 0.05$, this effect is not statistically significant (H4 is rejected).

e. Relationship between Human Resource Quality and CU ($\rho = 0.719$)

The positive coefficient indicates that high human resource quality contributes to increased business sustainability (KU), as KU is synonymous with high professionalism and responsibility. Overall, this study shows that the model's explanatory power varies across constructs.

The R^2 value of 0.346 for KF indicates that Opportunity, KSDM, CG, and Innovation explain 34.6% of the variation in KF, while the remaining 65.4% is attributed to other factors outside the model. Conversely, the R^2 value of 0.538 for KU indicates that the model has strong explanatory power in explaining the influence of Opportunity, KSDM, CG, and Innovation. KSDM has a significant positive effect on KF and KU, whereas opportunity has no significant effect on KF. CG fully moderates the effect of opportunity on KF, while innovation partially moderates the effect of HR quality on KF.

The results further indicate that the opportunity to commit fraud has a positive but statistically insignificant effect on fraud likelihood, suggesting that opportunity alone does not sufficiently explain fraudulent behavior. Moreover, these findings show that stronger internal control systems and greater visibility of individual asset monitoring are associated with a higher likelihood of fraud occurrence. This result is consistent with the Fraud Triangle Theory (Cressey) and is supported by studies by Said et al. (2017) and Free and Murphy (2015), which conclude that opportunity is a primary determinant of fraudulent behavior.

The R^2 value of 0.346 for KF indicates that Opportunity, KSDM, CG, and Innovation explain 34.6% of the variation in KF, while the remaining 65.4% is explained by factors outside the model. Similarly, the R^2 value of 0.538 for KU demonstrates that the model has relatively strong explanatory power in explaining the effects of Opportunity, KSDM, CG, and Innovation.

4. Discussion

KSDM has a significant positive effect on KF and KU, whereas opportunity is not significantly associated with KF. CG fully moderates the relationship between opportunity and KF, while innovation partially moderates the relationship between HR quality and KF. The results of this study indicate that the opportunity to commit fraud has a positive but statistically insignificant effect on fraud likelihood, suggesting that opportunity alone is insufficient to explain fraudulent behavior. These findings also indicate that the stronger the internal control system and the greater the visibility of individual asset monitoring, the higher the likelihood of fraud occurrence. This result is consistent with the Fraud Triangle Theory (Cressey) and is supported by studies conducted by Said et al. (2017) and Free and Murphy (2015), which conclude that opportunity is a primary determinant of fraudulent behavior.

Human resource quality positively influences fraud likelihood. This implies that higher levels of employee competence, technological capability, and system understanding increase the potential to exploit internal control weaknesses to commit fraud. This finding supports the Fraud Diamond Theory (Wolfe & Hermanson, 2004), which emphasizes that fraud requires not only pressure, opportunity, and rationalization but also individual capability. This result is also consistent with research by Baird and Zelin (2009) and Lokanan (2015), which shows that modern fraud perpetrators generally possess high-quality human resources, enabling them to commit more complex and difficult-to-detect fraud. Furthermore, the opportunity to commit fraud has a positive and significant effect on fraud likelihood when moderated by community governance. This indicates that ineffective community oversight allows internal control weaknesses in operational procedures to be exploited more easily by perpetrators. This finding aligns with the Fraud Triangle Theory and previous studies by Said et al. (2017) and Free and Murphy (2015), which state that weak community governance strengthens the relationship between opportunity and fraud.

Therefore, in this context, community governance does not function as an effective control mechanism but instead becomes a condition that further increases fraud risk.

The results also indicate that human resource quality has a positive association with fraud propensity, meaning that higher-quality human resources are associated with a greater potential for fraud. This relationship is consistent with both the Fraud Triangle Theory and the Fraud Diamond Theory, which emphasize the role of competence, integrity, and procedural understanding in fraud prevention. However, although the direction of this relationship supports the theory, empirically, this study does not provide strong evidence that community governance functions as an effective control mechanism. These findings indicate that community governance has not demonstrated a significant role in the relationship between human resources and fraud propensity. The results further show that human resource quality positively influences business sustainability. This suggests that competent, professional, and adaptive human resources can enhance business competitiveness and stability.

5. Conclusion

Fraud opportunities do not significantly affect fraud propensity, but their impact grows when community governance is involved. The FGD results show that community governance can actually raise the risk of fraud. Human resource quality has a significant positive effect on both fraud propensity and business sustainability. Innovation further strengthens the link between human resource quality and business sustainability. Skilled and innovative employees can improve an organization's competitiveness and stability.

For Practitioners and Policymakers, Village enterprise (BUMDes) development policies need to emphasize human resource training and the implementation of green innovations to achieve business sustainability. Community-based oversight mechanisms must be redesigned to ensure they are not merely formalities, but are truly capable of reducing opportunities for fraud. Recommendations for Practitioners and Policymakers. Policies for the development of Village-Owned Enterprises (BUMDes) should prioritize comprehensive human resource training and the adoption of green innovations to promote business sustainability. Additionally, community-based oversight mechanisms require restructuring to ensure they effectively minimize opportunities for fraud, rather than serving as procedural formalities. Limitation of the study: The empirical findings apply only to the sample studied. Generalization to other organizational contexts or sectors remains limited.

6. Suggestions and Recommendations on Research Results

- 1.1. Suggested/recommended for future research to expand the research. Policies for the development of Village-Owned Enterprises (BUMDes) should prioritize comprehensive human resource training and the adoption of green innovations to promote business sustainability.
- 1.2. Additionally, community-based oversight mechanisms require restructuring to ensure they effectively minimize opportunities for fraud, rather than serving as procedural formalities. Limitation of the study: The empirical findings apply only to the sample studied. Generalization to other organizational contexts or sectors remains limited.

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