

ABSTRACT

This study aims to obtain empirical evidence regarding the factors that cause asset misappropriation in microfinance institutions using the Fraud Pentagon Theory perspective. The purpose of this study was achieved with a quantitative approach and using primary data obtained through distributing questionnaires. The population in this study were 247 employees who work in cooperatives that are members of the Indonesian BMT Association (PBMTI) Semarang Regency. The collected data were processed using the Structural Equation Modeling (SEM) analysis method, with the help of the Smart PLS 3.2.9 analysis tool. The results showed that all elements of the Fraud Pentagon Theory had a significant positive effect on asset misappropriation. The implications of this study indicate that the higher the opportunity, pressure, rationalization, competence, and arrogance will increase the potential for asset misappropriation; and vice versa, fewer opportunities, pressure, rationalization, competence, and arrogance will reduce the possibility of assets misappropriation in cooperatives that are members of PBMTI Semarang Regency. Further research is suggested to add other methods such as interviews or direct observation to confirm the information obtained through the questionnaire. In addition, future researchers are expected to be able to coordinate directly with every employee on duty outside the central office so that the percentage of returning questionnaires can be better.

Keywords: *asset misappropriation; cooperative; fraud pentagon theory, micro institutions;*

