

ABSTRACT

The objective of this study is to test the effect of the factors causing employee fraud in financial institutions in Indonesia. The factors are based on the fraud diamond theory integrated with individual perceptions of organizational culture factors. Primary data were collected through online questionnaire surveys which were responded by 355 employees of Bank A. The collected data were analyzed using the Partial Least Square Structural Equation Model (PLS SEM). The findings revealed that pressure and opportunity had a significant and positive effect on the risk of employee fraud. The results of this study imply that to reduce the risk of employee fraud, banking institutions need to assist employees that having financial pressure and strengthen internal controls and sufficient CCTV installation to reduce the opportunity factor. The rationalization, capabilities, and individual perceptions of organizational culture factors do not significantly influence the risk of employee fraud. This research contributes to increase literature on fraud study using primary data which still very few are done in Indonesia.

Keywords: *(fraud diamond theory, banking sector, organizational culture, Indonesia)*