

Determinants of Asset Misappropriation in Business Process Outsourcing Industry in the Perspective of Fraud Pentagon Theory: External Operations View

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Abstract:

Asset Misappropriation is one of the business crimes that affects many organizations globally. It is kind of fraud that can cause damages to the businesses. The purpose of this study is to investigate the different factors that contribute to the occurrence of asset misappropriation in the Business Process Outsourcing (BPO) industry using the five elements of the fraud pentagon theory as the basis for the possible determinants of asset misappropriation. This theory proposes five factors namely, *Pressure*, *Opportunity*, *Rationalization*, *Competence* and *Arrogance* which can triggers fraud activities in the organization. For theoretical basis, researcher adopted this theory as guide for the study. A total of 153 valid responses from individual working in BPO industry were collected by means of self-administered questionnaire. Based on the objectives and to test the hypotheses, this research employed a quantitative approach. Quantitative data were analyzed using the descriptive statistics and inferential statistics with the analysis techniques such as descriptive, correlational, t-test and reliability test analysis. The researcher used jamovi program for the research data processing. The findings of this study underscored the determinants of asset misappropriation in BPO. The results were as follow: (1) *Pressure* has a positive impact in the occurrence of asset misappropriation based from external operations view in BPO, (2) *Rationalization* positioned as second next to *Pressure* but considered with lesser impact in the occurrence of asset misappropriation and (3) elements such as *Opportunity*, *Competence* and *Arrogance* have no direct positive impact in the occurrence of misappropriating business resources in this sector. Thus, the study concluded that *Pressure* is indeed significant factor that influence the occurrence of asset misappropriation. This study provides insights regarding policies revisitation towards training, goal setting and task delegation. Financial training programs can be facilitated to help the employees to have a better financial management and better decision making.

Key Words:

Asset Misappropriation, fraud pentagon theory, external operations, financial pressure