

IMPLEMENTATION OF CASHLESS POLICY TO MINIMIZE FRAUD IN THE GOVERNMENT SECTOR: A SYSTEMATIC REVIEW

Ridwan¹, Syukriy Abdullah² and Fifi Yusmita³

Faculty of Economics and Business, Syiah Kuala University, Banda Aceh, Indonesia^{1,2,3}

ARTICLE INFO

Article history:

Received: June 2, 2022

Revised: June 26, 2022

Accepted: September 9, 2022

Keywords:

Cashless,
Corruption,
Fraud

Correspondence:

Ridwan

ridwan63@mhs.unsyiah.ac.id

Syukriy Abdullah

syukriyabdullah@unsyiah.ac.id

Fifi Yusmita

fifiyusmitaaceh@unsyiah.ac.id

ABSTRACT

Cashless financial transactions require information technology to transfer funds to pay needs, expenditures, and local government revenues. The potential that causes fraud and corruption can be minimized with non-cash transactions because financial transactions are more transparent. This study aims to identify fraud prevention strategies by implementing a cashless policy. This research was conducted systematically through an article search engine using the keywords "cashless" and "fraud," which was then entered into the Scopus journal search engine based on secondary data in the publish or perish application. Then, journals and articles were selected based on the title theme and looked at the quality of the article. The result of this study is that local government payment system innovations have led to changes in payment options by switching to non-cash transactions that are safer, more effective, and efficient. Cashless payments can prevent corruption, such as money laundering, bribery, and commissions for services or procurement. People will use non-cash transactions if the local government forces non-cash payments in urban and rural areas with the support of the internet and promising technology. Local governments must report further non-cash payments, prioritize non-cash payments, and make policies and innovations such as payment of social assistance to the community using digital money and payment of retribution using non-cash to increase local revenue.

How to cite (APA Style):

Ridwan, Abdullah, S., & Yusmita, F. (2022). Implementation Of Cashless Policy To minimize Fraud in the Government Sector :A Systematic Review. *Jurnal Akuntansi*, 12-19.

INTRODUCTION

The purpose of this study is to review the literature on fraud prevention strategies by implementing a cashless policy in the government sector. Encouraging a payment system that is safe, convenient, and affordable is one of the prerequisites for national economic development (Martell, 1981). *Cashless financial transactions* require information technology to transfer funds to pay needs, expenditures, and local government revenues. Information technology is vital in realizing every country's sustainable transition from cash to non-cash payments (Tade & Adeniyi, 2020). Without optimal information technology, no country can achieve rapid social and economic growth and development (Udo & Oghenekaro, 2019).

Developed countries are switching from cash to electronic payment instruments; technological developments have provided modernization in non-cash payments (Sreenu, 2020). Non-cash transactions can be a prevention strategy and minimize fraud (Risky et al., 2020). The potential that causes fraud and corruption can be minimized with non-cash transactions because financial transactions are more transparent in the system (Yakean, 2020). Fraud prevention and detection is an appropriate protection mechanism against fraud (Abdallah et al., 2016). Cases of corruption in Indonesia are increasing, which harms economic development (Alfada, 2019). Indonesia is listed as the country with the highest corruption rate in the Asia Pacific. Corruption in Indonesia is carried out systematically and is common in public organizations (Sabani et al., 2019). Cash transactions can increase fraudulent practices such as bribery, abuse of authority, extortion, and money laundering. The government of India implements a cashless policy, thereby creating industrial empowerment, which leads to in

(Ridwan, Abdullah, & Yusmita, 2022) creased employment and a reduction of cash-related fraud (Aggarwal et al., 2021).

This phenomenon triggers fraud prevention efforts, one of which is in the Aceh Government with the issuance of the Aceh Governor's Circular Letter Number 910/23693/2018 concerning the implementation of non-cash transactions within the Aceh Government. This circular is intended to accelerate the implementation of non-cash transactions in the Aceh Government to increase accountability and transparency in financial management and prevent corruption. Based on the Aceh Government's 2018 performance report, the percentage of non-cash transactions carried out against the Aceh Revenue and Expenditure Budget in 2018 was realized at 91.40% of the 80% target. In collaboration with PT. Bank Aceh Syariah, Aceh Government implements a non-cash financial management system with a Cash Management System (CMS) so that all payments through the SP2D-LS mechanism, third parties or grantees, social assistance, salaries, and other benefits received by employees are non-cash.

Orientation in dealing with fraud can be done at least with two main focuses, namely preventive prevention and corrective action. Efforts to prevent corruption are believed to be carried out by implementing a non-cash transaction policy because the pattern or mode of corrupt practices, especially those using cash transactions, can eliminate traces of transactions (Abdallah et al., 2016). Some of the benefits obtained include increasing state revenues, reducing printing costs and cash circulation, preventing the circulation of counterfeit money, and preventing fraud, especially in the central and local government circles. Research from (Wong et al., 2020) investigating the relationship between cashless payments and economic growth shows that cashless payments stimulate economic growth in OECD countries. Yakean (2020) research shows that the Thai government encourages people to use non-cash transactions for principal payments, such as credit cards, ATM cards, direct debit, Internet/mobile banking, e-Wallet, PromptPay, and QR codes. This system supports sector financial transactions. Public and private sectors have become more efficient, transparent, secure, and inexpensive.

Fraud occurs because of omission because it has been systematic. Cashless will lead to transparency and accountability, which is the goal of government financial management. Leadership commitment is essential to prevent fraud; technology protection effectively prevents and improves internal control. According to Rahman et al. (2020), perceived technology security also has a strong relationship with adopting non-cash payments. The cashless system has proven to be not only effective for transactions but not immune to threats from hackers; according to Fernando et al. (2020), this can be anticipated by creating a password for each transaction data. The concept of fraud in them is because of the opportunity; pressure from the leadership is needed to prevent fraud. Adequate internal control can reduce the possibility of fraud; this is in line with the trigger for fraud in the *fraud triangle* theory. This theory reveals the reasons why someone commits a fraudulent act; There are three main reasons, namely the first is pressure, the second is an opportunity, and the third is the rationalization of the actions taken (Lokanan, 2015).

Research related to cashless policy strategies to prevent fraud in the government sector has not been widely carried out, so it is necessary to conduct a systematic review on this topic to provide additional valuable references for local governments. Furthermore, this systematic research is divided into several sub-headings: methods, results, and conclusions.

RESEARCH METHODE

This type of research with a qualitative approach through a systematic review is used in this study. The systematic review in this study was obtained from the Scopus indexed journal source database through the publish or perish eight application. Then a search for journals, articles, and literature reviews was carried out using the keywords: Cashless data from 2000 to 2022 with a total of 513 journals. The selection process was carried out based on predetermined inclusion criteria. *Inclusion criteria* are articles that discuss the implementation of cashless to prevent fraud in the government sector. Articles accessed openly are reviewed only in the abstract (non-full-text). From the selection of articles, seven articles are suitable and relevant to this research. The flow chart and article selection are presented using a prism flowchart in Figure 1.

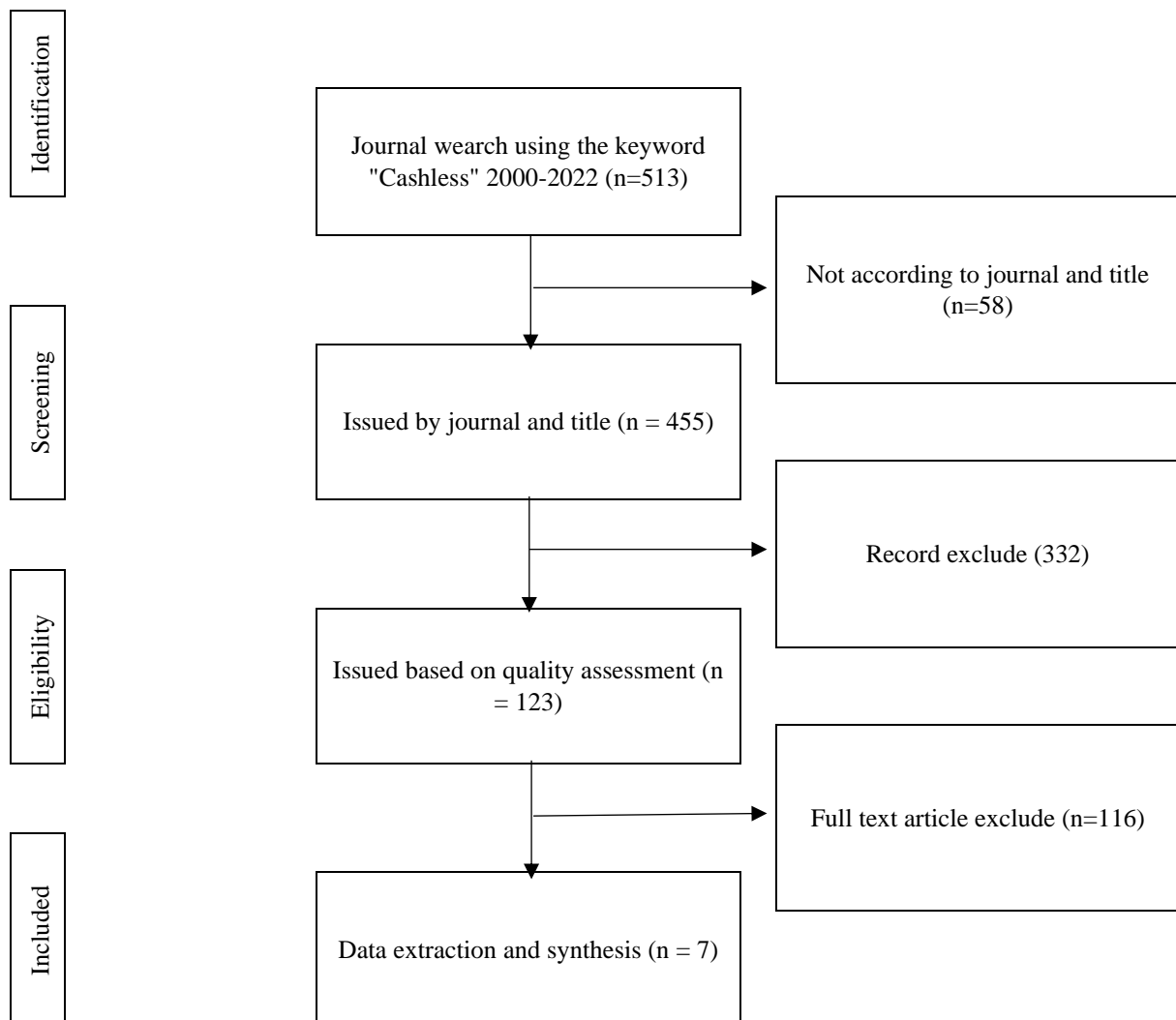


Figure.1 Literature Line Flow

RESULTS AND DISCUSSION

This literature review found 7 articles discussing the implementation of cashless in preventing fraud in the government sector. The summary of data extracted from the selected studies is presented in Table 1.

Table 1 List of Synthetic Articles

Researcher	Country	Title	Types of research	Method	Findings
Shekhar, et al. (2020)	India	Going cashless: Change in institutional logic and consumption practices in the face of institutional disruption	Qualitative	Interview and Literature Review	The findings reveal that the practice of non-cash transactions in the lower middle or micro-community can run well if the government in a macro-structured manner and social institutions has made institutional changes that lead to the use of non-cash transactions.
Aggarwal, et al. (2021)	India	Moving from Cash to Cashless Economy: Toward Digital India	Quantitative	Questionnaire	Technological advances allow consumers to enter the digital payment space that spans from urban to rural areas with good internet access and can be utilized for transactions with banks with better security.
Yakean (2020)	Thailand	Advantages and Disadvantages of a Cashless System in Thailand during the COVID-19 Pandemic	Qualitative	Field survey	Non-cash payments can help the government improve the accuracy of tax collection and make it easier for users to make financial transactions more transparently and efficiently.
Tade & Adeniyi (2020)	Nigeria	Dimensions of Electronic Fraud and Governance of Trust in Nigeria's Cashless Ecosystem	Qualitative	Interview and Questionnaire	The importance of governance and increasing trust in the electronic banking system and its centrality in Nigeria's transition to a cashless economy.

Ogbeide (2019)	Nigeria	Empirical assessment of the effects of cashless policy on financial inclusion in the Nigerian emerging economy	Quantitative	Statistics	Cashless policies are a significant driver of financial inclusion and a platform on which government programs reduce the devastating effects of poverty. More bank branch offices and ATM outlets were opened in rural-urban areas with an efficient and secure network system to increase banking penetration and expand financial inclusion and poverty reduction effectiveness.
Alaeddin, et al. (2019)	Malaysia	The future of corruption in the era of cashless society	Qualitative	Literature Review	Eradication of corruption with a cashless society policy has been introduced as a sophisticated method to reduce the possibility of giving bribes, ensure all transactions are recorded and avoid the circulation of counterfeit money.
Gobena & Kebede (2021)	Ethiopia	Cash economy, criminality and cash regulation in Ethiopia	Quantitative	Interview	Increasing the financial inclusivity of the country, in particular by expanding essential financial products to rural areas, digitizing the country's payment system, increasing financial awareness in general, and building a solid financial consumer protection framework will play an essential role in reducing future crime and transforming a money-intensive system into a cashless economy.

Fraud Prevention Strategies in Local Governments with Non-Cash Transactions

Cashless transactions are one of the technological leaps that we experience, with all the advantages that the system provides and advantages over the old conventional. Findings from the research of Shekhar et al. (2020) in India revealed that the practice of non-cash transactions in society could work well if the government structurally and social institutions have made institutional changes leading to the use of non-cash transactions. Local governments can increase non-cash transactions for the community by providing social assistance such as education assistance, food assistance, and direct non-cash assistance by providing debit cards or e-money so that the lower middle class who receive assistance can also apply non-cash transaction practices. So that the problem of corruption in the distribution of social assistance

can be prevented, such as cutting funds directly to the community by unscrupulous village officials.

The government should increase financial inclusion, literacy, and non-cash use counseling to the public about the usefulness of financial services, which will have a long-term impact on people's lives (Dewi et al., 2021). The initial step to shifting from a traditional to a modern economy by using the banking system is to have a reliable and intelligent mechanism to combat cybercrime (Aggarwal, et al., 2021). Local governments must cooperate with the banking system because the banking sector has a reliable system, and it is necessary to control fraud by introducing digital transactions. With the existence of digital banking transactions, corruption can be prevented because historical transactions will be appropriately recorded who the recipient and sender of funds are as well as the time and amount of delivery; this can be monitored by the Corruption Eradication Commission (KPK) and the Financial Transaction Analysis Reporting Center (PPATK). Banking governance must also be improved to prevent banks from compromising with customers, leading to fraud and corruption, and to increase public trust in the banking system (Tade & Adeniyi, 2020).

Non-cash transactions can help the government collect taxes accurately because most financial transactions are carried out through the system, and data is stored in computer networks (Yakean, 2020a; Dewi, et al., 2021). This system can help government officials to track irregularities in financial transactions to increase local government revenues. Cash payments positively affect tax avoidance (Tade & Adeniyi, 2020), therefore the phenomenon of a cashless society will quickly provide the government's ability to track transactions to combat fraud and tax evasion/ tax avoidance. Non-cash transactions also support small-micro businesses, e-commerce, and considerable business growth by increasing local taxes (Yakean, 2020b). In addition, non-cash levies can increase local revenue, such as non-cash parking, receipts from public transport services, non-cash garbage retribution payments, and excavation fees. Banking transactions can also help exchange currency easily if there are transactions abroad. Eradicating corruption with cashless enforcement is a sophisticated method to reduce the possibility of accepting bribes and avoid circulating counterfeit money.

The Indonesian government's policy to implement non-cash transactions in the implementation of the budget starting January 1, 2018 is an important milestone in efforts to reduce the opportunity for fraud in regional financial management (Dewi et al., 2021). This is an innovation that increases efficiency in local financial management and reduces the level of fraud in local government organizations. The use of payment technology in local governments also reduces operational costs, especially to pay employees and finance the supervision of them. The openness of passport fees through banking channels makes it easier for the public to increase immigration accountability, prevent leakage of non-tax state revenues (PNBP), and prevent brokering practices (Sasmito & Widjaja, 2019). A clean, accountable, effective, efficient bureaucracy and quality public services are requirements for immigration to get the title of a corruption-free area (WBK) (Fathya, 2018). Some regions have made policies in managing their regional revenues, such as the payment of land tax and rural and urban buildings (PBB-PP) through banks or transfers through ATMs and fintech (i.e., Jepara Regency, Central Java Province).¹ The Medan City Government 2021 implemented e-parking in shopping areas. It was proven to be able to increase original regional income (PAD) by 150 percent so that it can be ensured that all transactions go into the regional treasury with payment methods using electronic money and QRIS/mobile banking. However, there are challenges to socializing with the public using electronic money and mobile banking, as well as providing Electronic Data Capture (EDC) for parking attendants. ¹¹

CONCLUSIONS AND SUGGESTION

Innovations in payment systems in local governments have led to changes in payment options by switching to non-cash transactions that are more secure, effective, and efficient. This study provides new literature on the impact of cashless payments on fraud prevention in local government. Cashless payments can prevent corrupt practices such as money laundering, bribery, and commissions for services or procurement. In particular, cashless payments also speed up the process of government financial transactions and improve the accuracy of payment amounts and timeliness. The government's internal control will be better by implementing a non-cash payment system to reduce human resource errors. As a policy suggestion, local governments should promote further cashless payments and priority should be given to cashless payments and make policies and innovations related to more effective and efficient use of cashless such as providing social assistance to the community with debit cards or e-commerce—money and credit cards for payment of supplies in local government work units. The limitations of this study lead to further expansion of our study, as well as suggestions for further research by conducting interviews and questionnaires. Moreover, to convince the government of the positive outcome of cashless transactions, it would be interesting to explain the evolution of fraud and tax evasion.

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