

# CHAPTER I

## INTRODUCTION

### **A. Background**

At this time the world economy is developing to become increasingly complex, as well as a variety of practices that have fraud surrounding it. As time goes by, the case of accounting violations is increasingly prevalent in Indonesia or wherever it is, thus reflecting the unprofessionalism of an accountant where that people are in doubt about.

Fraud actions carried out both from the public sector and the private sector have been widely revealed in recent years resulting in serious attention from various parties. Especially with the disclosure of various frauds from the public sector in Indonesia. The most positive and serious fraud in Indonesia is corruption.

Some cases that reveal whistleblowing by professions involving accounting activities both in business and non-business circles occur throughout the world. The case of whistleblowing that is widely known by ordinary people is a case involving the company Enron and WorldCom. Enron is a company engaged in the energy industry while WorldCom is a telecommunications service provider. The two companies were finally destroyed by the disclosure of various violations and illegal acts that occurred in them. In the case of Enron, there is a conflict of interest in its management and unhealthy business practices, one of which is the manipulation of the company's financial statements in the income

statement. An increase in net income of \$ 100 million from the previous period that did not explain the imposition of special accounting costs of \$ 1 billion which caused actual results for the period to be a loss of \$ 644 million.

In Indonesia, several cases ultimately ensnared whistleblowers to become suspects, such as the Daud Ndakularak case, which allegedly reported corruption in the management of APBD cash funds in East Sumba Regency to the East Sumba District Police who finally ensnared themselves as suspects due to the report. Another case also happened to Stanley Handri Ering who reported the alleged corruption committed by the Rector of the University of Manado to the North Sulawesi High Prosecutors Office and the KPK in 2011, where he was finally reported back and received a 5-month prison sentence (Jurnaliston, 2018). Based on this, it can be seen that many consequences can be accepted by whistleblowing actors such as being subject to exile, ignorance to retaliation for reporting the action to another party so that it indirectly affects the individual's intention to report fraud. (Nur, 2017).

On 31, 2017 Student of University xxx held a protest action, because students accused that there was corruption in the rectorate, there were a lot of problems from the lack of class facilities at the university, the alleged extortion by several persons in the university, this information from some of the students interviewed about cases of extortion that occurred at the university, the name of my informant was (name disguised).The

information in the university said that "one of the lecturers forced the students to buy books from the lecturer if they did not buy the book, the score of the students would not come out, separate it or not the students taught by the lecturer had to buy books from the lecturer in question". Sub-directorate services that are less than optimal, as well as allegations of corrupt practices that occur in several faculties, make students furious and take action to seal the campus. Students taking action to seal the classroom is a form of student disappointment with the bureaucratic system in the rector's body. Moreover, case after case continues to occur on campus, both among students and lecturers however, it is as considered windy by the rector.

Several impressions appear that the parties from the rector would instead allow and justify the practice of corruption and illegal levies carried out by some elements in the academic community. Even though the practice is a dirty practice that is not by the principles of education, the rector's have response to cases that have occurred within the campus, not to mention many poor facilities and services that are not optimal to be a condition that aggravates academic life on campus. Several students are expressing what happened, the people involved should have been responsible so that in this case they had to be responsible and the rector had to deal with these individuals. Meanwhile, responding to the action, the Vice-Chancellor of the University said that it was related to the corruption case and the alleged extortion action was being processed and

had already been paid by the campus. So as a student the process should be respected while being watched. Many students also accused the campus of corrupting scholarships for earthquake victims, said several sources, given a lot of money that was cut, and strangely some students who did not register as earthquake victims instead got the scholarship money.

Enstra is a framework of reference in the implementation of Catur Dharma College which contains the direction and achievement and benchmark of success that is based on scientific truths, reasoning, honesty, fairness, benefits, policies, responsibilities, Diversity, and affordability. Although the Renstra is general, but it is the basis of the foundation in the preparation of the operational plans, strategic plans at the level of faculty, institutions, agencies, UPT and units of academic executor in the University of xxx.

Indonesia is still perceived as a country with a high level of corruption, not only by the domestic community but also by the foreign community. Based on the 2013 Corruption Perception Index (CPI) published by Transparency International, Indonesia scored 32 or ranked 114 out of 177 countries surveyed. The assessment results show that the perception of corruption in Indonesia is still high. Compared to 2012, Indonesia's GPA also received the same score of 32. The corruption practice of state administration hurts people's welfare and development in Indonesia.

Corruption always causes losses, for that corruption needs to be eradicated. No matter how small the corrupted funds are, eradicating small corruption is as strategic as eradicating big corruption (Diniastri, 2010). The seeds of small corruption if we let it become a bad habit that results in becoming big corruption. To eradicate corruption that occurs in an organization, of course, corruption must be detected first. One effective tool used to detect corruption is to empower Whistleblowers.

Research from various institutions, such as the Organization for Economic Co-Operation and Development (OECD), the Association of Certified Fraud Examiners (ACFE) and the Global Economic Crime Survey (GECS), concludes that one of the most effective ways to prevent and combat conflicting practices with good governance, is by implementing a whistleblowing system (KNKG, 2008). In Indonesia, general guidelines on the whistleblowing system were officially published in 2008 by the National Committee on Governance (KNKG). The impetus for the issuance of this Code is the existence of research from Institute of Business Ethics in 2007 which states that at least one in four people in the organization are aware of fraud, but as many as 52% of these people prefer to remain silent and do nothing (KNKG, 2008 ). That is due to the lack of security and safety guarantees as a result of whistleblowing systems that are not yet optimal.

In Indonesia, awareness of the importance of reporting and protection systems for whistleblowers is increasing. Some institutions such as the

National Committee on Governance Policy (KNKKG) continue to socialize good governance practices, including in the private sector Semendawai (2011). Semendawai (2011) explained that large and well-managed companies have also begun implementing a reporting system to receive reports from employees or whistleblowers.

In an organization, it is very important to understand the factors that can influence employee intentions in conducting whistleblowing actions so that a whistleblowing system can be done more effectively. The participation of the whistleblower is very important to the effectiveness of the whistleblowing system because the system will never run and is beneficial for the good of the organization if there are no employees who use the system to report any acts of fraud. Whistleblowing is an act of disclosing information from a private or public organization to open up cases of dangerous corruption to the public (Kumar & Santoro, 2017).

The whistleblower is a party that reports allegations of fraud, abuse of authority, or legal non-compliance or code of ethics in an organization to the public or related parties in power Sweeney (2008). Jeon (2017) revealed that Whistleblowers play an important role in opening up unethical behavior in government and making government more transparent and accountable to the public. Furthermore, Sweeney (2008) states that whistleblowing is more effectively applied to combat fraud compared to an internal audit, external audit, and internal controlling systems. For this reason, it is based on the Qur'an, Sura Al-Maidah verse 8, which explains honest and trustworthy behavior.

يَا أَيُّهَا الَّذِينَ آمَنُوا كُونُوا قَوَّامِينَ لِلَّهِ شُهَدَاءَ بِالْقِسْطِ وَلَا يَجْرِمَنَّكُمْ شَنَاٰنُ قَوْمٍ عَلَىٰ أَلَّا تَعْدِلُوا ۗ اعْدِلُوا هُوَ أَقْرَبُ لِلتَّقْوَىٰ ۗ وَاتَّقُوا اللَّهَ ۚ إِنَّ اللَّهَ خَبِيرٌ بِمَا تَعْمَلُونَ

Meaning:

O you who believe, you should be those who always uphold (the truth) because of Allah, be a fair witness. And do not ever hate you towards a people, encourage you to act unjustly. Be fair, because fair is closer to piety. And fear Allah, verily Allah is well aware of what you do.

QS Interpretation. Al Maa'idah (5): 8 By the Indonesian Ministry of Religion

This verse instructs believers to carry out their deeds and work carefully, honestly and sincerely because of God, both works related to religious matters and work related to worldly affairs. Because only then can they be successful and get the results or rewards they expect. In testimonies, they must be fair in explaining what they are, regardless of who the person is, even if it will benefit the opponent and harm friends and relatives. This verse is in the same breath and tunes with sura An Nisa 'verse 135 which is equally about someone fair and honest in testimony. The difference is that in this paragraph the obligations apply. fair and honest in testimony even though the testimony will harm yourself, mother and relatives, while in this verse it is explained that hatred towards a people must not encourage someone to give an unfair and dishonest testimony, even against an opponent. Furthermore, broadly and comprehensively, Allah commands those who believe, to be just, because justice is needed in all things, to achieve and obtain peace, prosperity, and happiness in the world and the hereafter. Therefore, acting fairly is the

closest way to reach the goal of fearing Allah. At the end of this verse, Allah declares His promise that to those who believe who have a lot of righteous deeds will be given great forgiveness and merit. And God's promises must be kept as stated in His words: Verily, God does not violate promises.

QS Interpretation. Al Maa'idah (5): 8 By Muhammad Quraish Shihab: O you who believe, you must always carry out the commands of Allah and carry out witnesses among people correctly. Do not let your hatred which is very much towards a people leads you to be unfair to them. Stay fair, because justice is the closest path to piety to God and away from His wrath. Fear you to God in every matter. Verily Allah is All-Knowing all that you do and He will reward you in kind. Islam has called on humanity to always be consistent with justice, both with rulers and with enemies. Then, it is an act that is not true if hatred results in unfair treatment. This applies to relations between individuals and relations between institutions or countries. Being fair to the enemy is explained by the Koran very clearly, as an attitude that draws oneself closer to piety. If the principle of justice is applied in international law, there will be no war. And if every religion has its characteristics, then the characteristics of Islam are the concepts of monotheism and justice.

Intention is a strong desire to do something that comes from within. The intention will influence behavior because before committing behavior the intention must first arise to encourage the individual to conduct the



behavior. Without the intention, the behavior will not occur. Intentions may change due to time differences. The wider the interval time, the more likely there is a change in intention (Dianingsih, 2018).

Being a whistleblower is full of risks including losing his position or job, accepting safety threats, or being shunned by colleagues in the office. Some research has been carried out to investigate the whistle-blowing issue and relate it to individual characteristics (see for example Curtis and Taylor (2009); Trongmateerut and Sweeney (2012); Maroun and Solomon 2014; Dyck et al. 2010).

There are three reasons that encourage someone to do whistle-blowing (Dasgupta and Kesharwani (2010)). First, the altruistic perspective of a whistle-blower, namely the desire to correct mistakes that harm the interests of the organization, coworkers, and the wider community. Second, motivational and psychological perspectives, namely whistleblower motivation benefit from their actions. Third, the hope of appreciation where the organization sometimes offers rewards when someone exposes an act of theft committed by an employee.

Understanding the factors that can influence employee interest in taking a whistle-blowing action is important so that the organization can design the most effective whistle-blowing policy and system. Whistleblower participation is crucial to the effectiveness of the whistle-blowing system because the system will be useless if no one uses it to report fraud.

In general, the results of previous studies indicate that the more senior an employee (in terms of experience or age) the tendency to do whistleblowing is higher Elias (2008). This is interpreted by the fact that employees whose age and experience have a strong organizational commitment and thus are more likely to report fraud that can endanger the sustainability of their organization (Elias, 2008).

## **B. Research Questions**

1. Does attitude have a positive effect on the locus of commitment?
2. Does organizational support have a positive effect on the locus of commitment?
3. Does attitude behavior have a positive effect on employee intentions to take whistleblowing action?
4. Does organizational support have a positive effect on employee intentions to take whistleblowing action?
5. Does locus of commitment have a positive effect on employee intentions to take whistleblowing action?
6. a. Does attitude behavior have a positive effect on employee intentions to take whistleblowing action with locus of commitment as an intervening variable?  
b. Does Organizational Support have a positive effect on employee intentions to take whistleblowing action with locus of commitment as an intervening variable ?

### **C. Research Objectives**

Based on the research above, this research has a purpose :

1. To obtain empirical evidence about the positive influence of attitudes on the locus of commitment.
2. To obtain empirical evidence of a positive influence on organizational support for the locus of commitment.
3. To obtain empirical evidence about the positive influence of attitude on employee intentions to take whistleblowing action
4. To obtain empirical evidence about the positive influence of organizational support on employee intentions to take whistleblowing action
5. To obtain empirical evidence about the positive influence of locus of commitment on employee intentions to take whistleblowing action
6. a. To obtain empirical evidence about the positive influence of attitude on employee intentions to take whistleblowing action with locus of commitment as an intervening variable  
b. To obtain empirical evidence about the positive influence of organizational support on employee intentions to take whistleblowing action with locus of commitment as an intervening variable.

### **D. Significance of the Study**

From this research it is expected to provide the following benefits:

1. Theoretical Benefits

The results of this study are provide empirical evidence related to the influence of attitude, organizational support and locus of commitment to the intention to take action whistleblowing and is expected to provide more knowledge for the academic community about the factors that can encourage accounting students to conduct whistleblowing behavior in revealing cheating that can influential for their future to become an accountant or auditor. Also, the authors of this research can be a source of scientific development and further research studies, especially those relating to the prevention of fraud.

## 2. Practical Benefits

The practical benefit of these research is to be a reference for further research related to the topic of whistleblowing and as a consideration for decision-makers in building a more effective whistleblowing system, especially for public sector organizations.