

CHAPTER II

LITERATURE REVIEW

A. Theoretical Framework

1. Prosocial Behavior Theory

Brief and Motowidlo (1986) describe the theory of prosocial behavior as members' behavior in organizations to address individuals, groups, or organizations where they interact and adhere to organizational rules and are conducted with the intention of improving the well-being of the individual, group or organization itself. Prosocial behavior is not entirely altruistic behavior. According to Staub (1978) cited by Dozier and Miceli (1985), prosocial behavior is a positive social behavior and is intended to benefit others. But unlike altruistic behavior, prosocial behavior can also mean to provide benefits and benefits to itself.

Prosocial behavior is the theory that builds and supports whistleblowing behavior. As Brief and Motowidlo (1986) point out, whistleblowing is one of the 13 forms of prosocial organizational behavior. This is in accordance with the opinion of Dozier and Miceli (1985) who state that the act as a whistleblower can be regarded as a prosocial behavior because in general the behavior will provide benefits to other parties as individuals or as an organization in addition to provide benefits also to the whistleblower itself.

Prosocial behavioral theory has two major groups of antecedent variables, namely the antecedent contextual and individual antecedents. Contextual antecedents have to do with aspects of the organization's environment as well as the organization itself. These aspects include rules, norms, groups, role models, leadership types, organizational climate, organizational commitment, pressure, and other matters affecting one's level of satisfaction. Whereas individual antecedents have links with aspects that are within the perpetrator. These aspects include the ability of individuals to internalize the standards of justice, to view their responsibilities to the social environment, as well as reasoning ability and provide a sense of empathy for others (Brief and Motowidlo, 1986).

Brennan and Kelly in Lestari (2018) define the model of Latane and Darley (1969) interventions that connect whistleblowing to prosocial approaches. Its model describes and explains the offer to the people around to provide assistance in emergency conditions. There are five steps in making a decision on whistleblowing action. The first is the bystander must be careful of every incident. Second is bystander then required to decide that the incident is an emergency. Third, bystander must decide that he has the responsibility to help. Fourth, how to help selected by bystander must be the most appropriate and effective way of helping. And lastly, implement the intervention. If it has arrived at that point a whistleblower will face an ethical dilemma.

2. Planned Behavior Theory

Theory of Planned Behavior (TPB) is a theory in psychology that proposed by Ajzen (1985) through his article entitled "From Intentions to Action: A Theory of Planned Behavior". This theory itself is the development of the Reasoned Action Theory (TRA) proposed by Ajzen and Fishbein (1975). Theory of planned behavior connects faith with behavior. Interest in behavior can be interpreted as a symptom of individual or individual readiness to display behavior or can also be assumed as a thing that precedes action.

Whileas action itself can be interpreted as a response arising from individuals in connection with the given target. In other words, interest can also be assumed to capture the motivational factors that influence a behavior, which is indicated by how hard an individual's effort attempts to do the behavior.

Theory of planned behavior aims to understand and predict the present impact of the intention of behaving and identifying strategies that can alter behavior and explain real human behavior (Ajzen, 1991). This theory arises in response to the failure of determinants of attitude in predicting action and actual behavior directly. This theory presents facts to prove that intention is much more accurate in predicting actual behavior and at the same time can be a proxy that correlates between actual attitudes and behavior.

In this theory, the behaviors that individuals show may be present due to an intention to behave. The individual's intention to display a behavior is the result of a combination of attitudes to display subjective behavior and norms. Thus, any whistleblowing action will be performed by an individual if there is any fraud occurring and should be reported. It is also explained by Ajzen (1991), the theory of planned behavior describes that interest is a function of two basic determinants that are related to personal factors and social influences.

Meanwhile, the individual's intention to behave is influenced by the factors below, such as:

a) Attitude towards the behavior

According to Sulistomo and Prastiwi (2012) quoted by Prasasti (2017) the individual views a behavior as appropriate according to the attitude that they have. Attitudes that are considered positive that have good impact will be selected as an individual guidance in everyday behavior, attitude is a way to guide an individual to be able to behave

b) Subjective norm

According to Ajzen (1991) subjective norm is defined as a combination and combination of expectations of a particular group or an individual who is considered important to meet the expectations.

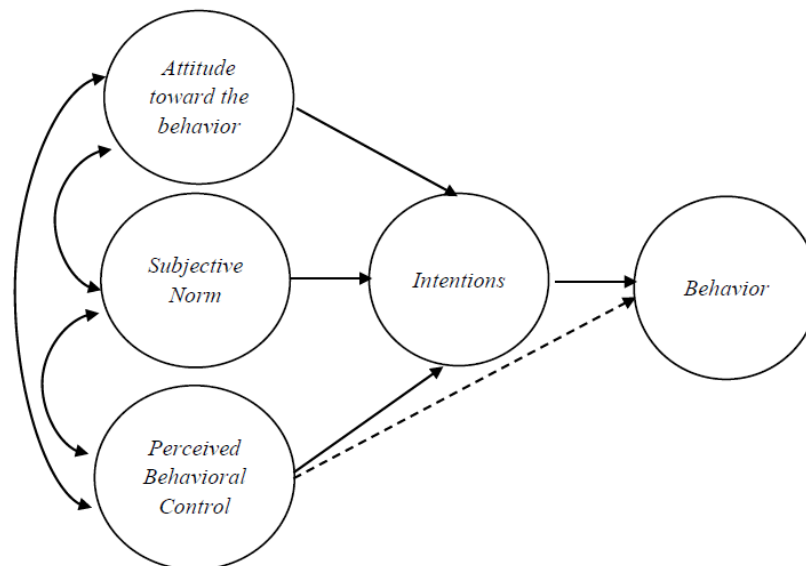
c) Perceived behavioral control

In Jogiyanto (2007) perceptual behavior control is described as the ease or difficulty of perceptions to perform behavior. The control of

perceptive behavior is how one perceives that the behavior shown is the result of self-control.

Whistleblowing action can be seen as a planned behavior because it depends on the intentions of a whistleblower for doing whistleblowing action.

Picture 2.1
Theory of Planned Behavior



Source : Rohmaida, 2018

3. Whistleblowing

Whistleblowing is an act of disclosure of fraudulent accounting, fraud, any kind of unlawful act or contradictory to the law, and any immoral deeds, and any activities that may harm organizations, institutions and stakeholders undertaken by members or the head of the organization either within the scope of the organization itself or in connection with other organizations which may take action on the offense (Panjaitan, 2018).

This reporting action must be accompanied by clear evidence, information, indications, and arguments for violations so that the

authorities can conduct a search or follow-up. Without adequate information and evidence, such reporting will be difficult to disclose and act upon. Disclosure is generally done in secret (confidential). Good faith in disclosure is necessary and not a personal complaint against a particular policy of the company (grievance) or based on bad actions / libel (KNKG, 2008).

Meanwhile, according to Taylor and Curtis (2010) whistleblowing is an act of disclosure by members of the organization (both active and former members) of an illegal activity, against the law, harming the other, immoral, and without leverage under the control of the leadership to individuals or organizations in the future are expected to have an effect of improvement.

According Keraf in Lestari (2018) whistleblowing is categorized into two types, namely:

a) Internal whistleblowing

Internal whistleblowing is an act of disclosure of an offense committed by the civil apparatus of a state or company employee to a superior or another party still in an organization where the offense occurred.

b) External whistleblowing

External whistleblowing is a form of disclosure of an offense committed by an employee or member of an institution to the public

or to any other party outside the organization where the offense occurred.

Whistleblowing is a fairly complex process and involves personal factors as well as organizational factors. This action certainly has its own risks. The response given by the employer to the whistleblower or the whistleblower will greatly affect the employee's intentions and inclinations to take whistleblowing action. The risk that employees receive as a whistleblower varies. Starting from reprimands, social isolation, getting slandered, threatened, ostracized as well as pressure to resign and so forth.

Dasgupta and Kesharwani (2010) in Lestari (2018) explain that in general the cause of someone doing whistleblowing action is divided into three, namely:

a) Altruistic perspective of a whistleblower

Altruistic attitude refers to the attitude of someone who is more likely to put the interests of others above his own interests. The reason for doing whistleblowing in an altruistic perspective is the desire to correct errors that harm the interests of the organization, co-workers, consumers, or the wider community.

b) Motivation and psychology perspective

Motivation to get the benefits of their actions can spur someone to take whistleblowing action. For example in the United States, people reporting violations will be provided with financial incentives.

Whistleblowing measures can also be measured from other personal motives such as retaliation against the organization and redeployment.

c) Hope of appreciation

Certain organizations will sometimes offer rewards in the form of rewards when they disclose violations committed by employees. For example, a United States law that allows whistleblowers to get an award from the government in the form of finance, about 30% of the total money recovered.

4. Fraud

Association of Certified Fraud Examiners in SAS 99 defines corruption or fraud as a deliberate act to produce misstatements in the material of financial statements. Fraud financial reporting is an act of deliberate or careless in doing a financial reporting action or by doing something that is not supposed to be done, which causes the financial statements to be misleading or not in accordance with the facts and conditions that material.

Fraud can also be interpreted as unlawful acts committed intentionally with certain purposes that the perpetrators are internal people or external parties to gain personal gain or group benefit either directly or indirectly may harm the other parties (research by Association of Certified Fraud Examiners).

In various studies that were done by PricewaterhouseCooper (2009), it is reported that 30% of respondents from survey conducted claimed to

have experienced fraud within the last 12 months. There are three types of fraud that occur such as accounting fraud, bribery and corruption, as well as misappropriation of assets. From the three types of fraud above, the type of fraud the most and often happens is accounting fraud that even increased to almost four-fold. In other studies, it is stated that according to executives at companies who become respondents, cheating is a risk that often occurs and must be faced in their company. Although fraud is common, it is often internal and external auditors are unable to disclose the fraud case.

According to the survey of the Association of Certified Fraud Examiners (ACFE, 2010), the average external auditor is only able to detect 4.2% of the total reported fraud cases while for internal auditors slightly higher in capability of detecting cases of fraud occurring by 13.7%. To examine the difficulty of detecting cases of fraud committed by internal auditors and external auditors, the presence of whistleblower figures or whistleblowing systems can be one of the best methods to report fraud both occurring and what will happen that can be detected by the employee as an internal party an institution.

5. Personal Cost

Personal cost is the perception of employees or members about the risk of retaliation or revenge that may occur from members of the organization in relation to the activities undertaken (Lestari, 2018). While it reduces the interest of employees or members of the organization to

report fraud or wrong doing that occurred. Members of the organization may be from colleagues, management, or employers. The retaliation may be intangible, such as barriers to salary increases, not subjective assessments of promotion, unbalance of work portion, removal of positions without consent, and even termination of employment contracts. Other acts of retaliation may be in the form of steps taken by the organization in order to isolate the whistleblower figure, weaken the grievance process, or engage in socially isolated acts that may make the whistleblower discriminate in dealing socially with others (Lestari, 2018).

Personal cost is not only calculated from the impact of retaliation committed by a fraudster to a whistleblower but can also be derived from the reporter's ethical value. For example, feel that reporting to the fraud committed by superiors is an unethical action because it is considered to be against reason (Hanif and Odiatma, 2017). Personal cost itself is a form of behavior based on objective assessment. This means that individual perceptions of personal cost may vary. Some may assume that revenge by the reported will greatly affect his life. While some people think that it does not have much effect.

Members of the organization or employees of an institution with a high regard for personal cost will have low interest in taking whistleblowing action. This is because the fear they have for the impact that can occur after the reporting process or whistleblowing system occurs. Such minded people are usually the least influential in an institution or

organization itself. Thus, the effects of retaliation as socially ostracized will make them prefer to be passive rather than actively voicing corruption and the fraud that occurs.

6. Perception About Seriousness of Fraud

The perception of the seriousness of fraud is the perception of the magnitude of the consequences which have certain relation to the amount of harm (or gain) that a particular party or victim (if loss) or a party of (certain advantages) of a moral behavior may have (Bagustianto and Nurkholis, 2015). Perceptions about the seriousness of this fraud can be measured from the amount of losses that will be experienced by a particular individual or organization related to the fraud that occurred. Individuals tend to report cases with a large or high fraud perception as compared to cases with a relatively low fraud perception. Individuals in this case organizational members or institutional employees also often feel responsible for protecting their organizations or institutions from the threat of harm and possible harm.

Members of organizations that have a perception of alleged fraud or wrong doing seriously will have higher whistleblowing intentions because the organization will be affected much greater losses when the wrong doing is serious compared to the wrong doing less serious. The perception of each member of the organization or the staff of the institution on fraud may vary from person to person. Formers of such perceptions of difference will always have a relationship with the amount of fraud and the type of

fraud that occurs. Each member will have different reactions to the fraud that occurs in each institution (Hanif and Odiatma, 2017).

The size of the seriousness of fraud varies greatly. In some studies used quantitative perspective as a measuring tool in the size of the seriousness of fraud. As the use of the concept of materiality in the perception of accounting, so that the size of the seriousness of fraud can be measured by the variation of the value of wrongdoing, fraud, and loss that becomes the impact. There are also other perspectives that can be used to measure the degree of cheating that qualitative perspectives such as the possibility of wrongdoing can harm others, the level of wrongdoing, and the degree of certainty wrongdoing can harm others (Aliyah, 2015).

7. Organizational Commitment

Organizational commitment can be interpreted as a pride or love of the profession that is lived or the organization followed which includes responsibility, results obtained, goals and values of the profession. Review of organizational commitment is important because it relates to a major part of their profession or organization. In Porter, et al (1979) defined organizational commitment as the relative strength of individual identification and involvement in a particular organization that can be characterized by three related factors first, strong beliefs and acceptance of organizational goals and values; secondly, a willingness to exert sufficient effort on behalf of the organization; and third, the strong desire to maintain

membership in the organization or associated with a sense of loyalty to the organization.

Employees or members who have a high commitment to their organization or institution will demonstrate positive attitudes and behavior towards the institution itself, have a steady soul to defend the institution, strive to improve performance, and have a firm belief in realizing the organization's goals. Likewise with employees who have high organizational commitment in their will arise a sense of belonging to the organization (sense of belonging) is high so there will be no hesitation that appears to them when doing whistleblowing action in case of fraud or fraud on the organization.

Commitment to high organization will make employees or members increase their desire to make every effort and responsible in improving the welfare and success of the organization to achieve the goals that have been planned (Wahyuningsih, 2016). Likewise with employees who have high organizational commitment then as much as possible all the efforts undertaken by the employee will seek to advance the organization, and save the organization from the losses that might happen. Organizational commitment is one of the important factors that can influence a member's behavior toward his organization. It will affect how he behaves and performs, as well as his abilities within the organization itself.

B. Previous Research

Lestari (2018) conducted a study on the influence of organizational conditions, organizational commitment, locus of control, personal cost, and seriousness of fraud against whistleblowing intention by civil state apparatus working at the Ministry of Finance of Indonesia in the Special Region of Yogyakarta. The results show that the seriousness of fraud is the independent variable that has the most significant effect on the whistleblowing intention of civil servants in the scope of the Ministry of Finance of DIY.

Research on whistleblowing in the public sector has also been conducted by Bagustianto and Nurkholis (2015) who conducted research on civil apparatus of state working units at the Agency of the Supreme Audit Agency Indonesia. The study discussed about attitude, organizational commitment, personal cost, seriousness of violation, and intention to do whistleblowing. Result of the research shows that attitude has the highest coefficient of influence in explaining one's background (in this case civil servant) to conduct whistleblowing action.

Other studies related to the whistleblowing of the public sector were also carried out by Prasasti (2017). However, there is not any previous research has examined the whistleblowing of village administrations. Thus, there is no supporting research on village governance in the summary of previous research. The table about the summary of previous research about whistleblowing intention has been attached to the appendix.

C. Hypotheses Development

1. Personal Cost and Whistleblowing Intention

Personal cost is an employee's view of the risk of retaliation or sanction from members of an organization or institution that may reduce employee's interest to report wrongdoing (Aliyah, 2015). Members of the organization referred here may be from management, superiors, or co-workers. The forms of retaliation that occur can be in forms of intangible work assessments that tend to be unbalanced, salary increase barriers, termination of employment contracts, and so forth. Personal cost is not only an impact on the act of retaliation from the perpetrators of fraud, but also the decision to be a reporter which is considered unethical. For example, reporting a fraud conducted by a boss can be considered unethical because it is against the boss.

An organizational member or employee of an institution who views high personal cost will have the assumption that by taking whistleblowing action he / she will receive adverse consequences. They may either lose their jobs or be excluded from the organization. Individuals of this type are usually members who have no power to influence others or have no power in organization. That is, the higher the perception of a person to the personal cost the lower his intention to take action whistleblowing.

In a study conducted by Aliyah (2015), Hanif and Odiatma (2017) and Lestari (2018) have similar research results related to the influence of personal cost on whistleblowing intention that personal costs negatively

affect whistleblowing. It means that if someone has a high perception of personal cost it will be accompanied by lower whistleblowing's intention. While research conducted by Setyawati et al (2015) and Bagustianto and Nurkholis (2015) show that personal cost has no effect on whistleblowing intention. So based on these studies, the researcher hypothesized:

H₁ : Personal cost has negative effect to the whistleblowing's intention of employee in village-owned enterprise

2. Perception about Seriousness of Fraud and Whistleblowing Intention

Ahmad (2012) in Lestari (2018) mentions that the seriousness of fraud has a resemblance to one of the moral intensity models developed by (Jones, 1991). The seriousness of the fraud can be defined as the effect that may result from a fraud of both financial and non-financial size. This means that in knowing the effects arising from the existence of a violation can be measured both qualitatively and quantitatively. Several previous studies have used these two types of measurements to examine the effects of violation in financial.

The perception of the seriousness of the offense can be judged by how much harm the organization can suffer. Individuals tend to report more serious fraud than less serious fraud. This happens because of the individual's perception that the organization will suffer a greater loss if it is not immediately reported. In addition, individuals often feel they have a responsibility to protect their workplace from the threat of harm.

However, the perception of each member of the organization to the seriousness of an offense may vary from one individual to another. Factors forming perceptions of the seriousness of fraud other than related to the magnitude of the value of fraud also cannot be separated from the type of violation or fraud that occurred. The current tendency is that the higher the seriousness of the violations that occur the higher the intention to conduct whistleblowing because employees certainly do not want the workplace to lose due to violations that occurred.

In a study conducted by Hanif and Odiatma (2017) and Aliyah (2015) showed the results that perceptions about the seriousness of fraud have no effect on whistleblowing intention. It is contrast to researches conducted by Lestari (2018), Bagustianto and Nurkholis (2015), and Setyawati et al (2015) which indicate that there is a link between the two, that is the perception about seriousness of fraud that has a positive effect on whistleblowing intention. So based on these studies, the researcher put forward a hypothesis:

H₂ : Perception about seriousness of fraud has positive effect towards whistleblowing intention of employee in village-owned enterprise

3. Organizational Commitment and Whistleblowing Intention

According to Porter, et al (1979) organizational commitment is defined as the relative strength of individual identification and involvement in a particular organization. Members of the organization

with high commitment will pay attention to organizational goals in making ethical decisions.

Each organization requires a commitment for all members including employees in it to perform various activities and activities that become tasks, subject matter, and functions for each member in one organization. Organizational commitment makes human beings as the main support of any organization like whatever form and function of the organization.

A high commitment of an employee to an organization can influence an individual's desire to make every effort and responsible for improving the performance, well-being, and success of the organization in achieving its objectives Bagustianto and Nurkholis (2015). The commitment that employees have in their organizations will make employees commit to showing positive attitudes and behaviors toward their organizations or institutions. Employees will have a desire to keep defending their organization, as well as to realize the ultimate goal of the organization.

In study by Aliyah (2015) and Setyawati et al (2015) it shows that there is no influence between organizational commitment and whistleblowing intention. While on researches conducted by Prasasti (2017), Bagustianto and Nurkholis (2015), and Wahyuningsih (2016) shows that there is an influence between organizational commitment and whistleblowing intention. The effect is, organizational commitment has a positive influence on whistleblowing intention. In some of these studies, they found empirical evidence that members of high commitment

organizations will tend to take whistleblowing action. So based on these studies, researcher make a hypothesis:

H₃ : Organizational commitment has positive effect towards whistleblowing intention of employee in village-owned enterprise

4. Organizational Commitment Towards Personal Cost and Whistleblowing Intention

Organizational commitment is a sense of commitment and loyalty, a sense of protection and a sense of pride owned by members of the organization in which they become part or element in it. While personal cost is the individual's perception of the risk of retaliation or acceptable grudge relating to the activity that will, is or has been done by that individual (Lestari, 2018).

The influence of organizational commitment to personal cost and whistleblowing intention is derived from the theory of prosocial behavior theory. The theory of prosocial behavior describes the behavior of members within the organization to be addressed to individuals, groups, or organizations where they interact and adhere to organizational rules and are conducted with the intention of improving the welfare of the individual, group, or organization itself

With the existence of organizational commitment as a form of derivative behavior of prosocial behavior theory which considers the continuity of organizational welfare can weaken personal cost that tends to

consider the negative impact of the activity done. So based on the theory, researchers make the hypothesis:

H₄ : Organizational commitment weakens the negative effect of personal cost towards whistleblowing's intention of employee in village-owned enterprise

5. Organizational Commitment Towards Perception about Seriousness of Fraud and Whistleblowing Intention

The perception of the seriousness of fraud is the perception of the individual about how serious and how big the fraud that occurred both by members and bosses at an institution and organization (Bagustianto and Nurkholis, 2015). Perceptions of the seriousness of fraud on each individual may vary, but in outline, the magnitude of the value of the fraud rate is that mostly affect the perception of each person (Aliyah, 2015). While organizational commitment is a sense of commitment, loyalty, a sense of protection and a sense of pride owned by members of the organization in which it becomes part or element in it (Lestari, 2018).

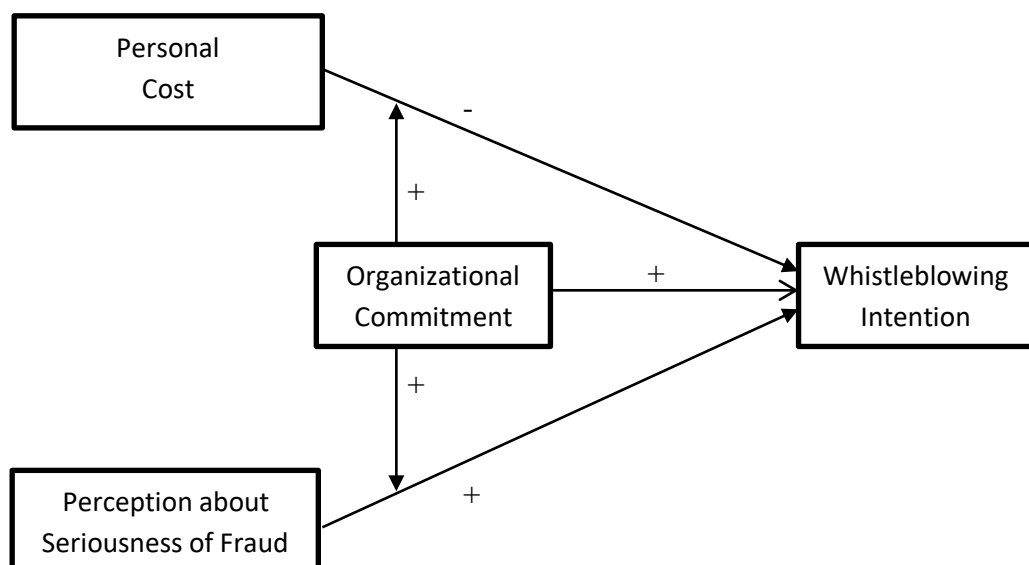
Both behaviors have positive influence on whistleblowing intention. The relationship of perception on the seriousness of fraud will be strengthened by organizational commitment as moderating variable. This is in accordance with the prosocial behavior theory that describes the behavior of members in the organization to address to individuals, groups, or organizations where they interact and adhere to organizational rules and

are conducted with the intention of improving the welfare of individuals, groups, or organizations themselves.

With the presence of organizational commitment variable as a moderator it can be a derivative of variables of prosocial behavior theory that aims to maintain the condition of the organization or group to be able to be fine. Thus, the presence of organizational commitment can support or strengthen the positive relationship between perceptions about the seriousness of fraud against whistleblowing intention. Therefore, the researchers make the hypothesis:

H₅ : Organizational commitment strengthens the positive effect of perception about seriousness of fraud towards whistleblowing's intention of employee in village-owned enterprise

D. Research Model



Picture 2.2
Research Model for Hypothesis 1-5