

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **A. Theoretical Framework**

##### **1. Prosocial Behaviour Theory**

Prosocial behavior which is commonly known as helping behavior in daily life, can be understood as any behavior that benefits others. The behavior of this prosocial can also be interpreted as any actions that benefit others. Brief and Motowildo in Islamiyah (2018) describe the theory of prosocial behavior as the behavior of members in the organization to overcome the bad things that occur between individuals, groups and organizations where they should interact and obey the rules that exist within the organization and this is done with a view to improving the welfare of individuals, groups and organizations themselves.

In general this term is applied to actions that do not provide direct benefits to the people who carry out these actions, and even contain certain degrees of risk (Baron & Byrne, 2005). Williah in Dayaskini (2009) limits this prosocial behavior in more detail as behavior that has the intention to change the physical or psychological state of the recipient of assistance that is previously unfavorable to be better, in the sense of material and psychological. In this case it can be said that prosocial behavior aims to help improve the well being (welfare) of others, because someone who does prosocial actions also

contribute to the welfare and happiness of other people's lives or recipients of assistance.

Prosocial behavior ranges from altruism that is selfless or selfless to helpful actions that are fully motivated by self-interest. For more details, the notion of prosocial behavior is slightly different from altruism, namely by emphasizing the benefits to those who are given help. Prosocial behavior is defined as behavior that has positive consequences for others. The clearest form of prosocial behavior is helping. The word help here, if seen more specifically, Einsenberg and Mussen in Dayaskini (2009) give examples of prosocial behavior including actions: sharing, cooperatives, donating, honesty, generosity, and considering rights and the welfare of others.

## **2. Planned Behavior Theory**

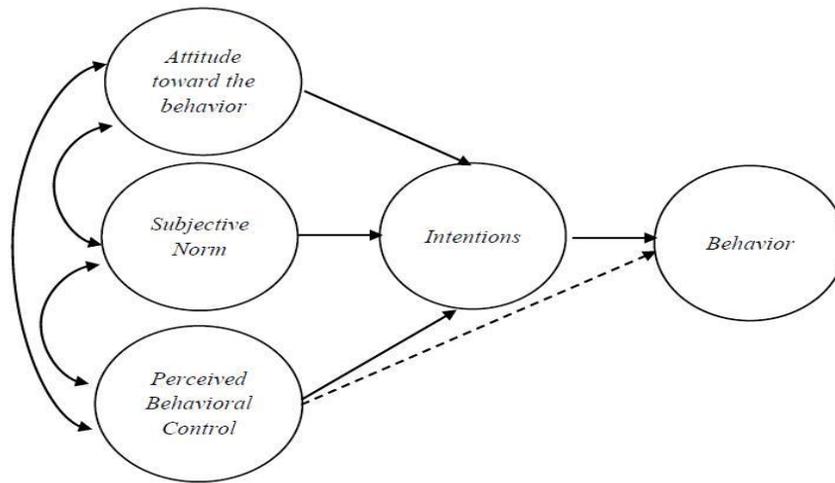
Theory of Planned Behavior (TPA) is a development of Theory of Reasoned Action (TRA). In the TRA explains that one's intention towards a behavior is based on two main factors namely attitude behavior and subjective norms (Fishbein & Ajzen, 1975). While in the TPA, one factor is added, namely the behavior control (Ajzen, 1991). TPA is very suitable to explain various behaviors that occur in entrepreneurship. As said by Ajzen (1991) that TPA is very suitable to be used to explain any behavior that requires planning, such as entrepreneurship.

Humans usually behave in a way that makes sense, they consider their behavior based on available information, and implicitly or explicitly also

consider the consequences of their actions. Ajzen (2005) explains that behavior is based on will factors that involve considerations for doing or not doing a behavior which in the process, various considerations will form the intention to perform a behavior. It is not only entrepreneurship that certainly requires planning but in order to take action whistleblowing must also have a plan for how we as whistleblowers do that how and the causes and consequences that we will receive from the treatment.

Fisbein and Ajzen in Yuliana (2004) explained that planned behavior theory is based on an approach to beliefs that can encourage individuals to perform certain behaviors. The approach to beliefs is done by associating a variety of characteristics, qualities, and attributes based on the information that is already owned, then the intention will automatically form to behave. The approach in planned behavior theory is specific to the specific behavior of individuals and can be used for all behaviors in general (Ajzen in Yuliana, 2004).

The magnitude of the effect of attitude toward behavior, subjective norm and perceived behavioral control on the intention to perform a behavior is determined by the intention to behave to be described. The magnitude of the effect of attitude toward behavior, subjective norm, and perceptioncontrol may also vary from one individual to another, or from one population to another population.



**Picture 2.1**

**Planned Behavior Theory**

**3. Whistleblowing**

Whistleblowing is an act of disclosure of accounting fraud, all forms of unlawful or unlawful acts, and all immoral actions, and all activities that can endanger the organization, institutions and stakeholders carried out by members or heads of organizations both within the scope of the organization itself or in connection with another organization that can take action for violations, (Panjaitan in Islamiyah, 2018).

Whistleblowing is a term that has emerged since the Sarbanes Oxley Act (SOX) incident in the United States which prompted company employees to report the violations that occurred without fear of the party being reported. In Indonesia, the guidelines for the Reporting and Violation system or the Whistleblowing System were published by the National Committee on

Governance (KNKG) on November 20, 2008 (Handika and Sudaryanti, 2017). Whistleblowing is disclosed to internal parties (higher management) or to external authorities and to the public who can take action on the violation, (Dianingsih, 2018).

The act of reporting a fraud must, of course, be supported by evidence, information or clear indications of the reported violations, so that they can be traced or followed up. Whistleblowing disclosure is generally done in secret (confidential). Disclosure must be done in good faith and is not a personal complaint over a particular company policy or based on bad intentions such as revenge or slander. According to Aprani (2017), whistleblowing is divided into 2 types, namely:

a. Internal whistleblowing

Internal Whistleblowing occurs when the whistleblower reports the violation to those entitled to handle such handling, such as superiors and operational management. This type of whistleblowing reporting is only for parties in management or other organizations. The purpose of internal whistleblowing is to uphold the truth because employees know that what is done is detrimental to the organization or their own management.

b. External whistleblowing

External Whistleblowing is usually carried out by employees who consider violations committed by other employees to be detrimental

to the company and the community. The method of reporting used by them is to report to outside parties (outside the organization) such as the authorities or the police and mass media. External Whistleblowing is usually done when internal whistleblowing is not successful in handling the violation.

According to Islamiyah (2018) whistleblowing is a fairly complex process and involves personal factors and organizational factors. This action certainly has its own risk. The response given by the employer to the reporter will greatly affect the intention and inclination of employees to take the reporter's actions. The risks received by employees as reporters vary starting from reprimand, isolation, slander, threats, exclusion and pressure so that the reporter resigns and so on.

Dasgupta and Kesharwani in Islamiyah (2018) explains that in general the cause of someone doing an act of whistleblowing is divided into three, namely:

- 1) An altruistic perspective from the reporter

Altruistic attitude refers to the attitude of someone who is more likely to place the interests of others above his own interests. The reason for whistleblowing in an altruistic perspective is the desire to correct mistakes that endanger the interests of the organization, coworkers, consumers, or the wider community.

## 2) Motivation and psychology perspectives

Motivation to benefit from their actions can spur someone to take the reporter's actions. For example in the United States, people reporting violations will be given financial incentives. Acts of disclosure of facts can also be measured by personal motives such as retaliation against organizations and transfers.

## 3) Expectations of appreciation

Certain organizations will sometimes offer / give rewards when they express violations committed by employees in the company. For example, regulations in the United States allow reporters to receive awards from the government in the form of finance, about 30% of the total money recovered.

## **4. Good University Governance**

Good University Governance (GUG) is a derivative of Good Corporate Governance (GCG) which is the key to success of company growth and provides benefits for companies in the long term while being able to compete in the global business world.

In the position of the higher education as a non-profit company which is not profit-oriented, it must aim to benefit as an effort to support itself and improve its institutions properly. It must apply the principles of GUG in managing higher education financial management in a professional manner.

So the main goal of GUG is to realize an accountable higher education that can be achieved.

GUG can be applied to every level of the higher education or the organization of higher education, starting from the lowest staff to the highest leadership both at the central and regional levels. Therefore each organ of each tertiary building unit has the same understanding of the vision and mission of the tertiary institution and makes each individual more and more responsible for their respective duties. Each individual from each unit must work in accordance with the principles that underlie good higher education governance, such as transparency, accountability, responsibility, independence (in decision making), fairness (honest and fair), quality assurance and relevance, effectiveness and efficiency, and non-profit.

The most fundamental thing that makes GUG so important is because there are binding regulations in the 1945 Constitution article 31 concerning citizens who have the right and obligation to receive education (in paragraph 1) and the government strives and organizes a system national education which increases the faith and piety and noble character in the context of educating the children of the nation (paragraph 3). That is one of the reasons why GUG is important for every teaching institution especially universities.

## **5. Intention**

In the Great Indonesian Dictionary (KBBI) the intention is interpreted as the intent or purpose. Meanwhile The Oxford Dictionary of Psychology

defines intentions as a tendency for behavior to be done intentionally and not without purpose. Furthermore, according to Engel et al in Sutarmanto (2007) intention is individual self-competition which refers to the desire to perform a behavior. From the definition of intention according to several figures and dictionaries, it can be concluded that intention is an action that arises within oneself due to a cause and is carried out for a specific purpose.

According to Jogiyanto in Mellisa (2017), intention is defined as a person's desire to perform a behavior. Intention is an important topic in relationships that are predictive of behavior. Basically, the individual will carry out a behavior or action only when he really wants to take care of it and of course there is the purpose of the action. Therefore the individual forms an intention.

## **6. Fraud**

Fraud is literally identified as cheating. Generally cheating is an act that takes rights that are not supposed to be taken and is detrimental to the cheated party. The Black's Law Dictionary Fraud outlines the notion of fraud encompassing all kinds of things that humans can think of, and that one strives to benefit from others in the wrong way and impose a truth in a variety of unexpected, tricky, scheming, and highly planned ways to get people fooled. In short, fraud is an act of cheating that is related to a sum of money, goods or property.

Association of Certified Fraud Examiners states that fraud is also interpreted as an unlawful act that is done intentionally with the specific purpose that the culprit is an internal person or an external party to gain personal or group benefits either directly or indirectly that can endanger the other party.

Pricewaterhouse Cooper study in Islamiyah (2018), reported that 30% of respondents from a survey claimed that they had experienced fraud in the last 12 months. There are three types of fraud that occur such as fraud in accounting, bribery or corruption, and misappropriation of assets. Of the three types of fraud, the type of fraud that mostly happen turns out to be accounting fraud that has even nearly quadrupled. Very different from the information we usually hear on television news that mostly tells about corruption or bribery cases, the survey shows that the most common is accounting fraud. Cases that are generally rarely raised in the news instead become the most frequent cases. In another study, it was stated that according to executives in the companies that were respondents, cheating is a risk that often occurs and must be faced at their company. Although fraud has indeed become commonplace often internal and external auditors cannot disclose the fraud.

According to a survey of the Association of Certified Fraud Examiners (ACFE) in Islamiyah (2018), the average external auditor is only able to detect 4.2% of the total cases of fraud reported while internal auditors can detect 13.7% of cases. It means internal auditor have a little higher ability to

detect cases of fraud. To examine fraud cases committed by external and internal auditors is very difficult. The existence of a whistleblower or whistleblowing system is one of the best methods for reporting the existing and the future fraud. This fraud can be detected by employees as an internal party of an institution.

## **7. Personal cost**

According to Septian in Yaya (2017), the most considered personal cost is resistance from people in organizations who oppose reporting. Some people view personal cost with different perspectives. According to Miceli and Near in Yaya (2017) members of organizations who highly regard personal cost will assume that by carrying out whistleblowing actions, he will receive bad consequences.

Personal cost of reporting is one's view of the risk of retaliation or revenge or sanctions from members of the organization, which can reduce one's interest in reporting wrongdoing, according to Schutlz et al., In Nurkholis (2015). The intended member of the organization can come from management, superiors, or colleagues. According to Curtis in Nurkholis (2015) some retaliation can occur in the form of intangibles, such as assessing unbalanced performance, barriers to salary increases, termination of employment contracts, or being transferred to undesirable positions. Sabang in Nurkholis (2015) also added that personal cost is not only the impact of retaliation from the perpetrators of fraud, but also the decision to become a

reporter is considered as unethical action. For example reporting a superior's fraud is considered an unethical act because it opposes the superior's to take the whistleblowing action.

Organizational members who lose or have been interfered with after reporting wrongdoing may view reporting as an act that has to be paid and punished. Therefore, whistleblowing is a function of the perception (expectation) of individuals that the possibility of whistleblowing action will produce outcomes such as management's attention to complaints, efforts to stop wrongdoing, and no retaliation.

#### **8. Perception about Seriousness of Fraud**

The seriousness of fraud according to Lestari and Yaya (2017) is defined as the effect that might result from a violation both financially and non-financially. Bagustianto and Nurkholis (2015) found that the level of seriousness was one that affected the intention to carry out whistleblowing.

Perceptions about the seriousness of these violations can be measured by the amount of loss that will be experienced by certain individuals or organizations related to the fraud that occurred. Individuals tend to report cases with large or high fraud perceptions compared to cases with relatively low fraud perceptions, because if a large number of cases occur, it is detrimental to a significant amount. Individuals in this case are members of the organization or employees who feel they have a responsibility to protect

their organization or institution from the threat of danger and the possibility of fraud.

## **9. Attitude**

The attitude towards whistleblowing according to Park and Blenkinsopp in Saud (2017) is about the extent to which individuals have favorable or unfavorable evaluations of whistleblowing. Whistleblowing is the number of beliefs a person has about the consequences of whistleblowing and subjective evaluations of those consequences. Thus, someone who wants to be a whistleblower must have a component of the belief that whistleblowing is an act that has positive consequences such as preventing losses in an organization, controlling corruption, increasing public interest and corporate interests. Even though we do know the security of being a whistleblower. Anyone can guarantee besides yourself. The attitude of being brave in telling the truth and reporting the acts of fraud that occur in an organization is a step forward from us to avoid cheating continuously, because when we know that there is a fraud and we choose to be silent or not dare to speak up then we will continue to be oppressed and more fooled by people who are not responsible and who only think about themselves.

## **10. Organizational Commitment**

Organizational commitment according to Robbins in Husniati (2017) is defined commitment to the organization, which is to the extent to which a person stands for a particular organization and its objectives, and intends to

maintain membership in the organization. Meanwhile, according to Hatmoko in Husniati (2017), organizational commitment is one's loyalty to the organization through maintaining the means, organizational values, sadness, and willingness to try to become a part of the organization, as well as the desire to survive in the organization.

Organizational commitment is one of the strengths that can identify the extent of an individual's involvement in a particular organization which is characterized by three factors, namely first, strong beliefs and acceptance of the goals and values in the organization. The second factors is willingness to try hard for the name of the organization, and third, a very strong desire to maintain membership in an organization or commonly called a sense of loyalty to the organization itself. Someone who is committed to the organization tends to show a positive attitude and behavior towards the institution because in their souls they have a sense of belonging to the organization so that they will always defend and maintain the position of their organization and they remain in the best position or even try to achieve more and believe with certainty that the goals of the organization can be achieved, (Kuryanto in Nurkholis, 2015). Someone who has a high organizational commitment in himself will naturally arise a sense of love for the organization so that there is no doubt that arises in them to take action whistleblowing because basically this whistleblowing act is an act that saves the organization from negative things namely cheating.

Previous studies have produced findings that are related to the influence of organizational commitment to the interest in conducting whistleblowing. Some have stated that organizational commitment is an independent variable which is one of the factors that influence intentions in whistleblowing actions. But there are also those who say that organizational commitment is an amplifier or even weakens the relationship of several independent variables.

## **B. Previous Research**

In the previous year, 2018, Nurul Islamiyah conducted research on the influence of personal cost, the seriousness of fraud and organizational commitment as a moderating variable for whistleblowing intentions by employees in the Village-Owned Enterprises (BUM-DES) of Bantul Regency, Yogyakarta Special Region. The results showed that personal cost is an independent variable that has a negative effect on whistleblowing intentions. While the seriousness of fraud is an independent variable that has a positive effect on whistleblowing intentions. And finally, organizational commitment is a moderating variable that reinforces the influence of the seriousness of fraud and weakens the influence of personal cost on whistleblowing intentions.

Research on whistleblowing was also carried out by Bagustianto and Nurkholis in 2015. Their focus was on the public sector, namely conducting research on civil servants in the State Work Unit at the Indonesian Audit Board (BPK). This study discussed the attitude, organizational commitment, personal costs, the seriousness of the violation, and the intention to do whistleblowing. The results showed that all

independent variables, namely attitudes, organizational commitment, customer seriousness, had a positive influence on a person's intention to take a whistleblowing action. Meanwhile personal costs still have a negative influence as in Islamic research (2018).

## **C. Hypotheses Development**

### **1. Personal Cost and Whistleblowing Intention**

Personal cost is an individual's perspective to assess their own position. Personal cost is related to the individual's perception of the risks that will be experienced if the individual carries out the whistleblowing action, for example as shunned by members of the organization. Lestari in Islamiyah (2018) believes that personal costs are the employee's view of the risk of retaliation or sanctions from members of an organization or institution that might reduce employee interest in reporting errors. In this case the researcher wants to apply personal costs which consider the risk that occur in the first place. In this study employees will be respondents later on an act of retaliation for something that should not have happened (cheating). There are several forms of retaliation that can occur in the form of an assessment of intangible work that tends to be unbalanced, barriers to salary increases, termination of employment contracts and so on. Basically, personal costs not only have an impact on retaliation from perpetrators of fraud, but also the decision to become a reporter who is considered unethical because it is contrary to superiors. Personal cost is basically supported by Theory Planned of Behavior

because this action is something that was planned beforehand. In the previous study conducted by Mesmer-Magnus and Viswesvaran in Nurkholis (2015) showed that the threat of retaliation had a negative relationship / correlation with the interest in whistleblowing.

Some previous research also mostly shows that testing for personal costs has a negative correlation or does not affect a person's intention to perform the whistleblowing action. According to Ramadhany (2017) personal cost is one of the main reasons why someone does not want to report suspected violations because they believe that if they do the reporting action it will be retaliated. If more people think about personal cost perceptions, there will be less intention for people to whistleblowing.

There is also finding from Winardi in Nurkholis (2015) which concludes that it turns out that the personal cost of reporting variable is not able to be a factor that explains the interest in whistleblowing at lower level civil servants. The higher the personal cost of eating, the lower the interest in whistleblowing. The research by Alleyne et al in Indriyani (2019) finds that personal cost has a negative influence on internal and external whistleblowing.

From the findings above, the statement further explains that personal cost negatively affects the intention to take action whistleblowing. Based on the statement above and the results of previous studies, the first hypothesis proposed is:

**H1:** personal cost has a negative effect on employee intentions to take whistleblowing actions.

## **2. Perception about Seriousness of Fraud and Whistleblowing Intention**

The seriousness of the fraud can be defined as an action that is more concerned with the violations that occur, meaning that these actions are learning from an act of violation that has occurred before so that the error that will never happened again in the future. Seriousness in cheating is supported by Theory Planned of Behavior which requires planning that must be prepared to make people concerned about this perception.

According to Hanif and Oditama in Indriyani (2019) Seriousness of Fraud can be measured from how great the losses the institution might suffer as characterized by its materiality. Setyawati et al in Indriyani (2019) find that seriousness of fraud level has a significant influence on intention to do internal whistleblowing.

In addition, the seriousness in violations is also strengthened by the Good Higher education Governance theory which explains good governance, with concerning on the fraud that can help create governance that is in line with what is expected together. According to Bagustianto and Nurkholis (2015), the seriousness in this violation can affect the intention of implementing whistleblowing.

Based on the explanation, the researcher proposes can be drawn a hypothesis:

**H2:** Seriousness of the Violation has a positive effect on the employee's intention to take a whistleblowing action.

### **3. Attitude and Whistleblowing Intention**

Attitude is basically a person's conviction to take a positive action that could benefit him. Confidence in positive consequences is evaluated by a person's individual value system and results in attitude. Determination of attitude is supported by Prosocial Behavior Theory that is doing something to help and make a good impact on an agency. A positive attitude is able to encourage one's tendency to take whistleblowing action, because basically whistleblowing is one of the positive actions aimed at protecting the organization or institution. Thus, the greater the tendency for a person's positive attitude, the greater the intention to become a whistleblower.

In line with the concept stated above, empirically several studies have proven that attitudes have a positive relationship with someone's intention to act whistleblowing. The research of Tongmateerut and Sweeney in Saud (2017) comparing American and Thai culture also reveals that whistleblowing intentions are influenced by attitude. As for other studies found that attitude also has a positive effect on internal whistleblowing intentions, (Winardi in Saud, 2017).

Based on this explanation from several previous studies, researchers can draw conclusions to submit hypotheses:

**H3:** Attitude has a positive effect on the employee's intention to take a whistleblowing action.

#### **4. Organizational Commitment Towards Personal Cost and Whistleblowing Intention**

Organizational commitment is a sense of commitment and loyalty, a sense of protection and pride possessed by members of the organization in which they are part or element in it. Kuryanto in Nurkholis (2015) argues that someone who is committed to an organization tends to show positive attitudes and behaviors towards his institution, because in their souls they have a sense of belonging to their organization so that they will always defend and maintain their organizational position in order to remain in the best position even try more to achieve and believe with certainty that the goals of the organization can be achieved. Meanwhile personal costs are individual perceptions about the risk of retaliation or revenge that can be received related to activities that will, have been carried out by that individual, (Lestari in Islamiyah, 2018).

According to Ramadhany (2017) personal cost is one of the main reasons why someone does not want to report suspected violations because they believe that if they do the reporting action it will be retaliated. if more people think about personal cost perceptions, there will be less intention for people to whistleblowing.

The effect of organizational commitment on personal costs and whistleblowing intentions comes from the theory of prosocial behavior. Prosocial behavior theory describes the behavior of members in organizations to be addressed to individuals, groups, or organizations in which they interact and comply with organizational rules and carried out with the aim of improving the welfare of individuals, groups, or the organization itself.

With the existence of organizational commitment as a form of behavior derived from Prosocial Behavior Theory that considers the sustainability of organizational well-being to weaken personal costs that tend to consider the negative impact of the activities undertaken.

Based on the theory, the researcher can make a conclusion to submit hypothesis:

**H4:** Organizational Commitment weakens the negative effect of personal costs on employee intentions to take action whistleblowing.

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

Perceptions of the seriousness of fraud is perceptions of the extent of violations or acts of fraud committed by a person in an organization or agency. Perceptions of the seriousness of fraud according to each individual may be different. However most reveals seriousness of fraud influence the perception of each person. Meanwhile organizational commitment is a sense of commitment, loyalty, a sense of protection and pride that is owned by

members of the organization where it is a part or element in it, (Lestari in Islamiyah ,2018).

Both of the behaviors above have a positive influence on whistleblowing intentions. Thus the relationship of perceptions about the seriousness of violations will be strengthened by organizational commitment that acts as a moderating variable. This is based on prosocial behavior theory that describes the behavior of members in organizations to be addressed to individuals, groups or organizations where they interact and comply with organizational rules and carried out with the aim of improving the welfare of individuals, groups, or the organization itself.

The moderation variable that is organizational commitment is part of prosocial behavior theory which aims to make the condition of an organization to remain stable and run well.

From the explanation above organizational commitment that acts as a moderating variable strengthens the relationship between the perception of the seriousness of violations with the intention to take action whistleblowing.

Based on the explanation above, the fifth hypotheses can be drawn as follows :

**H5:** Organizational Commitment reinforces the positive influence of Perceptions of Seriousness of Violations on the employee's intention to take a whistleblowing action

## 6. Organizational Commitment Towards Attitude and Whistleblowing Intention

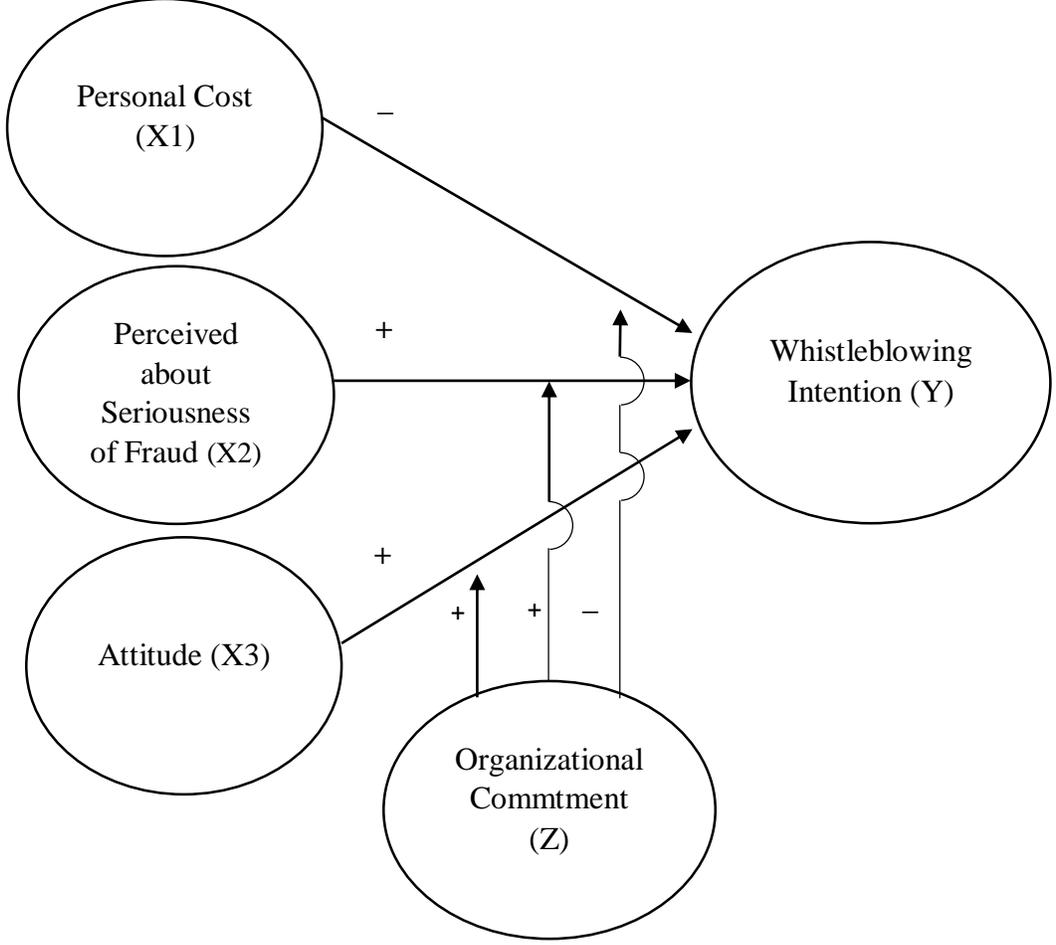
Basically attitude is a belief from someone to take a positive and beneficial action for themselves or for many people. Positive actions from attitudes are derived from the Theory Planned Behavior which put the attitude in a more positive direction thus, it can encourage someone to take whistleblowing action .

Meanwhile the basic organizational commitment is a sense of love for the organization that gave birth to a sense of loyalty and commitment to protect the organization. When someone has felt the support of organizational commitment they will automatically feel they have an obligation to do things that support the goals of the organization. Organizational commitment is part of prosocial theory. in prosocial theory, individual behavior is directed to achieve individual, group and institution's welfare, based on Brief and Motowildo in Indriyani (2019). In line with the Prosocial behavior theory and the norm of reciprocity, organizational commitment can create an individual's sense of reciprocity towards the organization. This shows that organizational commitment strengthens the relationship between attitude towards one's intention to take action.

Based on the above explanation, the hypothesis conclusions can be drawn:

**H6:** Organizational Commitment reinforces the positive influence of Attitudes on employee intentions to take action whistleblowing.

**D. Research Model**



**Picture 2.2**  
**Research Model for Hypothesis 1-6**