

## CHAPTER I

### INTRODUCTION

#### A. Background

عَنْ أَبِي سَعِيدٍ الْخُدْرِيِّ رَضِيَ اللَّهُ عَنْهُ قَالَ : سَمِعْتُ رَسُولَ اللَّهِ صَلَّى  
اللَّهُ عَلَيْهِ وَسَلَّمَ يَقُولُ : مَنْ رَأَى مِنْكُمْ مُنْكَرًا فَلْيُغَيِّرْهُ بِيَدِهِ، فَإِنْ لَمْ  
يَسْتَطِعْ فَبِلِسَانِهِ، فَإِنْ لَمْ يَسْتَطِعْ فَبِقَلْبِهِ وَذَلِكَ أَضْعَفُ الْإِيمَانِ

[رواه مسلم]

“Whosoever among you sees an evil, let him change it with his hand. If you are unable, then you should verbally. And if you are no longer able, then with his heart, in fact that is the weakest faith”. (Muslim)

The hadiths talk about how difficult it is to become an honest person. In fact, it is common in our lives that honest and good people are usually excluded for fear of preventing those who are bad in achieving their goals by lying. So, as to defend honesty in oneself, it needs a kind of great strength to remain *istiqamah*. Beside that, this hadith affirms the obligation of every muslim to object and reject such un-ethical doing in accordance to one's capability. Those with adequate power must object with their hand; or with concrete action. While those with less power must orally state the objection. Lastly, and which is considered as the weakest faith, those with no power must at least ensure the objection silently within their heart.

In this era of globalization, especially during this 4.0 industrial revolution, many are using machine or computer. In this era, a lot of problems concerning accounting ethics-especially related to matter of public trust in the profession of accountants and auditors in performing their job-frequently occur. Apart from this, problems associated with the practice of moral violations committed by public accountants, management accountants and accountants of government are also common. The whistleblowing policy has become a massive public interest because of the high scandals prevalence rate in which major companies such as Enron, Worldcom, Libor and Volkswagen are involved. Apart from being intended to refrain accountants from violating their work ethics, this policy is also a response to number of accounting company scandall that led to investors withdrawing billionaire dollar. This withdrawal, in turn affects the companies stock market to collapse. This eventually decrease the public trust toward national stock market.

The Asia Pacific edition of RTTN (Report To The Nations). Issued by ACFE (2018) provides global analysis of the costs and effects of employment fraud; e.g fraud committed against the organization by its officers, directors, or employees themselves. This report compiled 2,690 cases of fraud reported in 125 countries. The prevalence of the case, suggested by the report, highlight the extraordinary impact of fraud on the job organizations around the world. This report contains information of the lost caused by the fraud experienced by Asia Pacific countries; along with the methods of how it was committed, how it was detected, the characteristics of the victim organization

and anti-fraud the characteristics of the fraud perpetrators, and the outcome of the case after the fraud was discovered.

Wiryanawan *et al.*, (2011) states that in the last few decades, the terms whistleblower becomes increasingly popular in Indonesia; especially since the advent of Khairiansyah, and then Commissioner General Pol. Susno Duadji who exposed corruption in the institution where they work. The term whistleblower has a variety of meanings. Sometimes it is defined as 'a witness,' 'gong beater' or 'fact disclosure'. Until now, there has been no equivalent word that fits in the Indonesian vocabulary for terms that are called 'whistleblowers'. Whistleblower is usually addressed to someone who initially discloses or reports a crime or actions that are considered illegal in the scope of employment level which is done by particular person to the internal authority or public organizations such as the media or public monitoring agency.

Whistleblower can play a major role in exposing corruption practices of public institutions, government and private companies. Without a system of reporting and whistleblower protection, public participation to dismantle an alleged criminal act or offense is low. That means, abusive practices, violations or crimes are increasingly flourishing.

Whistleblowing system is very important for the organization. Thus, an effective whistleblowing system is required to encourage employee's participation in reporting fraud. The importance of whistleblowing to detect and uncover wrongdoing occurring in an organization has been recognized by

many regulators that exist throughout the world. However, in reality, it is often the case that the whistleblower receives lot of threats instead for the absence of legal protection for whistleblowers. The currently existing laws so far has been towards covering general clauses such as witness, reporters and victims. None of them are specifically adressed whsitleblower. This has been the fear of whistleblowers to retaliate. The results of Fatoki's research (2013) reveals that retaliation has a significant negative effect on whistleblowing intentions. It is inversely proportional to the results of the research by Liyanarachchi and Adler (2010) which concludes that there is no effect between retaliation and whistleblowing intentions.

Considering the importance of whistleblowing, it is urgent to design an effective scheme which encourages wrongdoing disclosure happening within an organizations. Sarbanes-Oxley Act of 2002, Section 301 and 806, is designed specifically to encourage whistleblowing and provide protection from retaliation for employees who reveal things that are not clear on accounting and auditing issues. Understanding the factors that may affect the intention of the action whistle-blowing action is important so that organizations can design the most effective policies and whistle-blowing system.

Religiosity is believed to prevent someone from comitting fraud and wrongdoing. As stated by Bloodgood, Turnley and Mudrack (2008), religiosity will be negatively related to one's tendency to cheat; as a result highly religious business students will be less likely to cheat than those of

less religious business students. This condition occurs because religiosity is directly related to the moral improvement of the individual. In line with it, religiosity effects job satisfaction and there is a positive correlation between job satisfaction and ethical judgment (Walker, Debode, & Smither, 2012). However, other studies also states that ethics is separated from the concept of religiosity. From several studies above, there is an inconsistency correlation between ethics and religiosity.

A good organizational environment will positively affect the growth and development of the organization. On the contrary, a bad organizational environment will make the organization experiences a setback. Organizational commitment shows the desire of employees of a company to stay, work, and devote themselves to the company (Amilin & Dewi, 2008). This proves that organizations and humans have a degree of dependence on each other, so that the commitment of members of the organization becomes important for an organization ensuring the survival of the organization.

The research by Pratiwi (2015) indicates that organizational commitment held by employees of the Health Office and Regional Technical Implementation Units in Semarang District has a positive effect on the intention to disclose violations. Meanwhile, Andrie (2016) argues that organizational commitment does not affect the intention of whistleblowing; the high or low level of organizational commitment held by East Java BPKP employees does not affect the level of intention of the whistleblowing. These researchs prove that there are still differences in the results of research

regarding the influence of employee organizational commitment in carrying out the whistleblowing act.

Someone who is indeed highly committed to the organization is likely able to identify in advance a situation that can endanger the organization so that can take a measurement in order to maintain the reputation and sustainability of the organization (Kreshastuti, 2014). Employees who show high commitment to the organization have a desire to provide more energy and responsibility to support the welfare and success of the organization they work for.

So, to encourage whistleblowing act, company must create employees who are committed to increasing the intention of carrying out whistleblowing actions. Employees who have high organizational commitment will have a high sense of organization, so they will not hesitate to do a whistleblowing act because they believe their action will protect the organization from destruction. This is supported by research conducted by Setyawati, Ardiyani and Ragil Sutrisno (2015) which states that organizational commitment has a significant influence on one's intention to carry out whistleblowing actions. Similarly, research conducted by Agustin (2016) shows that organizational commitment has a significant effect on the intention of employees to carry out whistleblowing actions. This is because the higher a person's commitment to the organization, the higher the intention to do whistleblowing. However, it is different from previous research conducted by Ahmad (2012) which states

that organizational commitment does not affect the intention to carry out whistleblowing actions

Siegel & Marconi (1989) state that personality is a variable related to auditor behavior. Each individual will have two components from locus of control, namely internal and external locus of control. However, one of them will be more dominant and more likely to affect individual behavior including decision making. Various studies have provided empirical evidence related to the influence of locus of control especially on individual performance. Employees who have an internal locus of control will have a better performance compared to employees who have external locus of control. However, when associated with the intention to do a whistleblowing, it still gives varied empirical evidence.

Jalil (2012) conducted a research in which he puts locus of control as a moderating variable between auditor's professional commitment and intention to do whistleblowing act and concludes that it doesn't provide empirical evidence regarding the correlation of both variables. The research conducted by Curtis & Taylor (2009) indicates that locus of control has a significant positive effect on intention to do whistleblowing. This means, the higher a person's locus of control is, the higher the intention of someone to do whistleblowing. Research result by Lidianti (2016), Lestari and Yaya (2017) and Putri (2016) also supports the results of this study. Thus, the results of the study regarding the influence of locus of control on intention whistleblowing still provides varied empirical evidence.

Recently there have been more and more people who report the form of fraud in an organization or company where they work; proving that whistleblower is developing in terms of quantity. This is caused by the increasing number employees or individuals who have the awareness to disclose and report actions that can harm either the company or the country as well as awareness to use the principles of Good Governance.

Theoretically, a person's desire to perform a behavior can be explained through psychology and behavioral information systems, for example theory of planned behavior (TPB). The application of Theory of Planned Behavior (TPB) is generally implemented in the scope of the world of economics and psychology. Amaliah (2008) states that TPB claims that individual's intention to behave is influenced by three factors namely attitudes toward behavior, subjective norms and perceptions of behavioral control. Someone will have an intention within himself before doing what he wants to do.

This research will apply the TPB concept which states that individuals have intentions that underlie to their behavior. Intention is the desire of individuals to do or not carry out a behavior or action. Individual intention is influenced by three factors to conduct a behavior in TPB.

There had been many studies on the implementation of TPB before, but scientific publications on this research indicate that accounting students are still rare to show such behavior. Accounting students are considered interesting to be studied because they are prospective accountants and prospective business people. A prospective accountant or business person



must have the courage to expose fraud that is in his organization or in the surrounding environment. Disclosure of fraud must be done by an individual who has a strong intention to do so because it is likely that some parties will not favor the existence of a whistleblower. Based on the phenomena that occurred in previous researches, the differences lie on their variables (Religiosity, Organizational Commitment, locus of control and retaliation). Thus the title of the research is **The Factors Influencing Whistleblowing Intention**. This research is a replicate from Nafisah and Purnamasari (2018).

#### **B. Research Scope**

Research objective functions to steer and focus the research to solve problems that have been formulated. Beside that, researcher wants to know to what extent empathy toward the organization affect someone's decision to do fraud. This study aims to analyze the influence of the level of religiosity , organizational commitment , locus of control and retaliation to do the intention whistleblowing.

#### **C. Research Question**

1. Does degree of religiosity have positive effect towards whistleblowing intention?
2. Does organizational commitment have positive effect towards whistleblowing intention?
3. Does locus of control have positive effect towards whistleblowing intention?
4. Does retaliataion have negative effect towards whistleblwoing intention?

#### **D. Objectives of the Study**

The objectives of the study are as follows:

1. To obtain the empirical evidence of the positive effect of religiosity towards whistleblowing intention.
2. To obtain the empirical evidence of the positive effect of organizational commitment towards whistleblowing intention.
3. To obtain the empirical evidence of the positive effect of locus of control towards whistleblowing intention
4. To obtain the empirical evidence of the negative effect of retaliation towards whistleblowing intention

#### **E. Significance of the Study**

##### 1. Theoretical Significance

This Research is expected to enrich an insight and knowledge for researcher in particular and for the readers in understanding the whistleblowing due to the scarcity of the discussion about whistleblowing. Other benefit of this study is to assist the next researcher to obtain information related to the discussion of whistleblowing.

##### 2. Practical Significance

Given the importance of whistleblowing systems to be implemented, the research is expected to be a consideration to implement a whistleblowing system. In addition, this study may also provide information about the level of religiosity, organizational commitment, locus of control and retaliation that may affect whistleblowing intentions;

especially in particular institution that haave been implementing  
whsitleblowing system in hope og bringing about a more efeective systems.