

Factors Affecting Whistleblowing Intention of Employee in Village-Owned Enterprise to Reduce Fraud in Village Fund (Empirical Study on Village-Owned Enterprise in Bantul Regency)

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Abstract - This study aimed to determine the effect of personal cost, perception about seriousness of fraud, and organizational commitment as moderating factor to the whistleblowing intention of employees in Village-Owned Enterprise in Bantul Regency, Special Region of Yogyakarta. This study used a convenience sampling method with consideration of the ease of obtaining data on Village-Owned Enterprise. The total sample in this study was 14 Village-Owned Enterprises in the Bantul Regency area. The type of data used was primary data. The results showed that personal costs negatively affected whistleblowing intention, perception about seriousness of fraud and organizational commitment perceptions had a positive effect on whistleblowing intention, organizational commitment did not succeed in moderating the effect of personal cost on whistleblowing intention, and organizational commitment managed to moderate the influence of perception about seriousness of fraud against the whistleblowing intention.

Keywords : *Personal Cost, Perception About Seriousness of Fraud, Organizational Commitment, and Whistleblowing Intention*

I. INTRODUCTION

The rise of news about fraud, especially in the financial sector that occurred during the last few years becomes a public spotlight. Starting from the Enron case in 2001 that occurred in America and effect on world of accounting, it became the biggest accounting scandal in that period. Not only abroad, accounting fraud cases that present the whistleblower figures have also occurred in Indonesia. Among them was Susno Duaji case who revealed the existence of tax mafia in his agency (Lestari, 2018). Other examples are the case of Agus Condro in the election of Senior Deputy Bank Indonesia and John Wowuruntu in the case of Legal Administration System (Semendawai, et al., 2011).

The case of corruption doesn't only occur at a central government, but also on the village government. Meanwhile in law No. 6 of 2014 on Villages in Chapter 8 Article 77, it has been explained that the management of village property must be carried out based on the principles

of public interest, functional, legal certainty, openness, efficiency, effectiveness, accountability and economic certainty (Suryono and Chariri, 2016).

Since the village funds were firstly launched in 2015, the government has spent Rp 127.74 trillion on the development. As many as 74,910 villages have received funding from 2015 to 2017 as much as Rp 20.76 trillion, Rp 49.98 trillion and Rp 60 trillion. Each related village in the first year received cash of approximately 300 million, followed by 600 million in the next year, and in 2017, it received 800 million (Aliyah, 2015).

As a proof, in 2016-2017, there was a corruption case for village fund allocation for Village-Owned Enterprises in Purwosari Village, South Lampung which caused a loss of up to Rp 142 million. Another similar case occurred in Sumbernongko Village, Jombang, East Java where corruption occurred in the allocation of village funds for Village-Owned Enterprises in the amount of Rp. 100 million in 2017. Stepping back, in the beginning of 2016, which was still the beginning of the development of Village-Owned Enterprises in Indonesia, there were corruption cases and misappropriations of Village-Owned Enterprises funds that happened in Babulu Darat Village, Penajam Paser Utara District. Unmitigated, losses allegedly reached Rp 900 million. Another series of cases occurred, the latest occurred in 2018 in Sukaraja Village, Pesawaran District, there was embezzlement of funds reaching up to Rp. 80 million. These cases are evidence and facts that corruption cases on Village-Owned Enterprise funds are no longer rarity in the government.

Therefore, based on this case, this research needs to be done to re-examine the factors that influence the whistleblowing intention in the employee's environment in the Village-Owned Enterprise so that the factors affecting the whistleblowing itself can be identified. Therefore, it is expected that this research can help eradicate or reduce fraud on the management of village funds, especially in the Village-Owned Enterprise.

II. THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

A. Prosocial Behavior Theory

Brief and Motowidlo (1986) described 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.

B. Theory of Planned Behavior

Theory of Planned Behavior (TPB) is a theory in psychology that was 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.

C. 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).

D. Hypotheses Development

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

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

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). In

researches conducted by Lestari (2018), Bagustianto and Nurkholis (2015), and Setyawati et al (2015) indicated that the perception about seriousness of fraud had a positive effect on whistleblowing intention. Thus, based on these studies, the researcher proposed a hypothesis:

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

Organizational Commitment

According to Porter, et al (1979) organizational commitment is defined as the relative strength of individual identification and involvement in a particular organization. On researches conducted by Bagustianto and Nurkholis (2015), Wahyuningsih (2016), and Prasasti (2017), it was shown that organizational commitment had a positive influence on whistleblowing intention. They found empirical evidence that members of high commitment organizations will tend to take whistleblowing action. Therefore, based on these studies, the researchers made the following hypothesis:

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

Organizational Commitment Towards Personal Cost

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. Therefore, based on the theory, the researchers made the following hypothesis:

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

Organizational Cost Towards Perception about Seriousness of Fraud

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 made the following hypothesis:

H₅: Organizational commitment strengthens the positive effect of perception about seriousness of fraud towards whistleblowing's intention.

III. RESEARCH METHODS

A. Object and Subject of the Research

The objects of this research were employees in the environment of the Office of Village-Owned Enterprise in Bantul Regency, Special Region of Yogyakarta.

B. Type of Data

The data used was primary data. The definition of the primary data itself is the research data that researchers obtain directly from the source (Suryono & Chariri, 2016). Primary data in this study were obtained by using the instrument in the form of questionnaires given to the respondents which was the employee of Village-Owned Enterprise at Bantul Regency.

C. Classification Shifting's Variable Measurement

1. Dependent Variable

Measurement of variable intention to conduct whistleblowing action in this study was conducted by using whistleblowing scenario used by Porter, et al (1979). The scenario consisted of three kinds of corruption cases that occurred in Village-Owned Enterprise. The first case related to the misuse of assets, the second case related to corruption, and the third case had to do with reporting fraud. Respondents were asked to answer the questionnaire questions by using Likert scale 5.

2. Independent Variable

Measurement of independent variables was conducted by using scenarios used by Porter, et al (1979). The scenario consisted of three kinds of corruption cases that occurred in Village-Owned Enterprise. The first case related to the misuse of assets, the second case related to corruption, while the third case related to reporting fraud. In this study, respondents were asked to answer the questionnaire questions using Likert scale 5.

3. Moderating Variable

The organizational commitment in this study was measured by using a questionnaire instrument developed by (Porter, et al., 1979) in (Lestari, 2018). The questionnaire model is known as OQC (The Organizational Commitment Questionnaire) which consisted of 15 questions, in which, 6 of them were inverted questions. This is intended to reduce the likelihood of bias response given by the respondent. Respondents were asked to answer the questionnaire using Likert scale 5.

D. Data Analysis Technique

Data analysis was used to perform hypothesis by using multiple linear regression for the three first hypothesis and moderating regression analysis for the fourth and fifth hypothesis. Here are the equations of the research:

$$I. WB = \alpha + \beta_1.PC + \beta_2.PSF + \beta_3.OC + e$$

$$II. WB = \alpha + \beta_1.PC + \beta_2.OC + \beta_3.[PC.OC] + e$$

$$III.WB = \alpha + \beta_1.PSF + \beta_2.OC + \beta_3.[PSF.OC] + e$$

WB : Whistleblowing Intention

α : Alpha

β : Constant

PC : Personal Cost

PSF : Perception about Seriousness of Fraud

OC : Organizational Commitment

e : Error

III. HYPOTHESIS TEST AND FINDINGS

This study aimed to obtain empirical evidence of factors that affecting whistleblowing's intention of employee in Village-Owned Enterprise

A. Hypotheses Test

Table 1
Result of Multiple Regression Analysis Test

	Unstandardized Coefficient		Beta	Sig
	B	Std. Error		
(Constant)	13.376	4.388		
Personal Cost	-0.500	0.177	- 0.361	0.008
Perception about Seriousness of Fraud	0.513	0.233	0.310	0.034
Organizational Commitment	0.125	0.056	0.295	0.031

Source: SPSS output from processed primary data

Table 2
Result of Multiple Regression Analysis Test

	Unstandardized Coefficient		Beta	Sig
	B	Std. Error		
(Constant)	13.382	4.902		
Personal Cost	-0.321	0.317	- 0.232	0.318
Organizational Commitment	0.247	0.066	0.583	0.001
Personal Cost*Organizational Commitment	-0.007	0.005	-0.205	0.188

Source: SPSS output from processed primary data

Table 3
Result of Multiple Regression Analysis Test

	Unstandardized Coefficient		Beta	Sig
	B	Std. Error		
(Constant)	7.661	2.704		
Perception about Seriousness of Fraud	0.193	0.302	0.117	0.527
Organizational Commitment	0.091	0.061		0.143
Perception about Seriousness of Fraud *Organizational Commitment	0.010	0.004	0.597	0.007

Source: SPSS output from processed primary data

Equations :

$$WB = 13.376 - 0.500PC + 0.513PCF + 0.125OC + \varepsilon$$

$$WB = 13.382 - 0.321PC + 0.247OC - 0.007PC \cdot OC + \varepsilon$$

$$WB = 7.661 + 0.193PCF + 0.091OC + 0.010PCF \cdot OC + \varepsilon$$

Test of Hypothesis 1

The results showed that the level of significance (Sig) for the personal cost variable was 0.008 and this variable had a regression coefficient (Beta) with a negative value of 0.361. Because this variable had a $0.008 < \alpha 0.05$ sig which meant that the independent variable personal cost affected the intention to take a whistleblowing action and had a negative direction, the first hypothesis (H₁) was **accepted**.

Test of Hypothesis 2

The results showed that the level of significance (Sig) for perception variables about the seriousness of fraud was 0.034 and this variable had a regression coefficient value (Beta) with a positive value of 0.310. Because this variable had $0.034 < \alpha 0.05$ sig which meant that the independent variable perception about the seriousness of fraud affected the whistleblowing intention and it had a positive direction, then, the second hypothesis (H₂) was **accepted**.

Test of Hypothesis 3

The results showed that the level of significance (Sig) for organizational commitment variable was 0.031 and this variable had a regression coefficient value (Beta) with a positive value of 0.056. Because this variable had a sig $0.031 < \alpha 0.05$, which meant that the independent variables of organizational commitment affected the intention to take a whistleblowing action and had a positive direction, then, the third hypothesis (H₃) was **accepted**.

Test of Hypothesis 4

The results showed that the level of significance (Sig) for personal cost variables on the whistleblowing intention influenced by organizational commitment of 0.188 which was $> \alpha 0.05$ and this variable had a regression coefficient (Beta) with a negative value of 0.205. Because the sig value was $0.188 >$, it meant that the organizational commitment variable did not weaken the negative personal cost effect on the intention to carry out whistleblowing actions, thus the fourth hypothesis (H₄) was **rejected**.

Test of Hypothesis 5

The results showed that the level of significance (Sig) for perception variables about the seriousness of fraud to whistleblowing intention influenced by organizational commitment was 0.007 and this variable had a regression coefficient (Beta) with a positive value of 0.597. Because the sig value was $0.007 < \alpha 0.05$ which meant that the organizational commitment variable strengthens the positive influence of perceptions about the seriousness of cheating on intentions to carry out whistleblowing actions and had a positive regression coefficient, thus the fifth hypothesis (H₅) was **accepted**.

B. Research Findings

1. The Effect of Personal Cost Towards Whistleblowing Intention

Personal costs will make employees less willing to report fraud. Personal cost itself is a perception held by employees related to the risk that will be received if the individual performs an

action (Lestari, 2018). These risks can come from the work environment or from personal relationships with other individuals. Employees with high personal cost perceptions assume that the risk they will receive after taking a “reporting” action will be more frightening than feeling satisfied after they have successfully reported the fraud. Bad consequences that can be received then become the main benchmark before taking a whistleblowing action. Therefore, the higher one’s perception of personal costs will be followed by the lower intention to conduct whistleblowing actions.

2. The Effect of Perception About Seriousness of Fraud Towards Whistleblowing Intention

The results of this study confirmed the theory of prosocial behavior, namely individual antecedents, which includes aspects that exist in the individual in looking at their responsibilities to the organizational environment, the ability of individuals to internalize standards of justice and reasoning ability, and empathy for the surrounding environment. The higher the employee’s perception of the seriousness of the fraud, the employee will feel responsible for reporting the fraud. By remembering various kinds of losses that might occur both for the organization and for individuals who work in the organization, including those who know of an act of fraud that occurred.

3. The Effect of Organizational Commitment Towards Whistleblowing Intention

An employee who has a high organizational commitment to the institution will reflect the actions that will be taken to save the organization. If the commitment to the organization has been applied to employees, there will be a sense of employee or individual loyalty to certain organizations. Employees who have high organizational commitment value will always do everything they can to protect the organization from destruction. The higher the commitment a person has to his organization, the more he will increase the intention of someone to report fraud that is known with the aim of minimizing fraud in the organization. This result is also in line with the concept of prosocial organizational behavior and the concept of organizational commitment, that whistleblowing is a positive social behavior that can provide benefits to the organization in the form of protecting the organization from the danger of fraud.

4. The Effect of Organizational Commitment Towards the Relationship of Personal Cost and Whistleblowing Intention

The strong perception of personal costs results in employees of Village-Owned Enterprises tend to still think about the impacts and risks that may arise due to the reporting activities that employees do so they tend to ignore their commitment to the organization due to fear of the possible impact. This has resulted in the moderating variable of organizational commitment that has not succeeded in weakening the negative influence of personal costs on the intention to carry out whistleblowing actions.

5. The Effect of Organizational Commitment Towards the Relationship of Perception About Seriousness of Fraud and Whistleblowing Intention

This is in line with the concept of prosocial behavior theory which explains the behavior of members in an organization to be aimed at individuals, groups, or organizations where interaction and adherence to organizational rules are carried out with an intention to improve the welfare of individuals, groups, or the organization itself. Perceptions of the seriousness of fraud and organizational commitment together have a positive influence on the intention to conduct whistleblowing actions. So, when organizational commitment is present as a moderating variable resulting in a stronger positive relationship between the influence of perceptions of the seriousness of fraud and intentions to carry out whistleblowing actions. This shows that the employees of the Village-Owned Enterprises see the importance of organizational commitment and perceptions of the seriousness of fraud.

C. Conclusion, Limitation, and Suggestion

Conclusion

Based on testing and analysis that has been done, the following conclusions can be drawn: if there is a significant negative effect of personal cost towards whistleblowing intention of employee in Village-Owned Enterprise, then, there is a significant positive effect of perception about seriousness of fraud and organizational commitment towards whistleblowing intention of employee in Village-Owned Enterprise.

While for the moderating variable, organizational commitment does not moderate the significant negative relationship of personal cost towards whistleblowing intention of employee in Village-Owned Enterprise and organizational commitment strengthen the significant positive effect of perception about seriousness of fraud towards whistleblowing intention of employee in Village-Owned Enterprise.

Limitations

This study has several limitations, including the following: First, the study sample area is only in villages in Bantul Regency, Special Region of Yogyakarta. Therefore, it only represents the whistleblowing intention of employee in Village-Owned Enterprise in Bantul Regency. Second, the variables used in this study were personal cost, perception about seriousness of fraud, and organizational commitment.

Suggestions

Based on the results of the research and the discussion described previously, the suggestions that can be given for further research are as follows: First, further research needs to extend the research sample area not only in Bantul Regency, but also the other villages in other city and regency. Second, further research needs to add other variables such as anticipatory socialization and locus of control. Third, further research needs to provide an assesment of whistleblowing intention not only from an internal point of view within the organization but also from an external perspective.

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