

The Influence of Ethical Orientation, Gender, and Religiosity on Ethical Judgment Accounting Students

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Abstract

This study aims to examine the influence of ethical orientation, gender and religiosity on ethical judgement accounting students. This research is a causative research focusing on the context of accounting students at Faculty of Economics, Universitas Negeri Padang. The data for this study were obtained through questionnaires distribution to 92 students as respondents. The data were analyzed by using multiple regression analysis. The results show that ethical orientation idealism has a significant positive influence on ethical judgment. In the other hand, relativism and religiosity has no significant influence on ethical judgment. The results of this study failed to provide support that women tend to be more ethical than men in their judgments.

Keywords: ethical orientation, idealism, relativism, gender, religiosity, ethical judgments

Introduction

Business activities in the digital era are very complex. So, it demands auditors to give positive values to the companies. Auditor's judgments in the form of audit opinions are needed by companies because it is the marker of the reliability of the companies' financial statements. Stakeholders demand transparency, accountability and fairness in the company's financial information. Auditors are required to comply with the ethical standards of professional conduct in carrying out their work. The auditor's professional code of ethics requires an auditor to have objectivity, integrity, competence and professional prudence. In its implementation, it requires high commitment from the auditor, so that it can play a role in creating professionalism. With professionalism, it is hoped that the information presented in the financial statements can be trusted and reliable, so that stakeholders can use this information in decision making.

There are many cases show the failure of the audit practices, the most well-known case of Enron and world-com that inflate the earnings involving Arthur Andersen audit firm in giving an audit opinion in 2001. Other cases that have occurred in Indonesia were Purwanto and Partners audit firm which was an Indonesian partner of Ernst and Young (EY), which has been proven to play a role in the failure to audit the financial statements of PT Indosat in 2011. The audit firm received sanctions from the Public Company Accounting Oversight Board (PCAOB). In this case Purwanto and Partners failed to provide supporting evidence for the lease of 4000 cellular towers that not included in Indosat's financial statements for fiscal year 2011. Nevertheless, the audit firm provide unqualified opinion for the financial statement.

Cases of audit failure do not only occur in the private sector but also in the public sector. Tribunnews (2017) reported that there was a bribery case that hit 23 governmental auditors (*Badan Pemeriksa Keuangan—BPK*). The case was related to the sale and purchase of unqualified audit opinion. The value of the bribes was between eighty million rupiah to 1.6 billion rupiahs.

The cases above show that the auditors ignore ethical judgment in carrying out their duties, resulting in a lot of failure audit. This current study focuses on accounting students, as the future auditors. It is imperative to foster ethical values among accounting students, since most of them will become professional accountants or auditors in the future. They must begin to recognize the value of ethics starting from their university years.

A number of prior studies have used accounting students as a substitute for accountants, such as Ballantine and McCourt (2016) and Azevedo-Pereira (2009). Ethical decision-making process can be formed through the education process in accounting majors. The students' ethical behaviors will continue in the future as they join the accounting profession (McNair & Milam, 1993).

The term ethical judgment is operated as a respondent's attitude to the acceptance of certain ethical situations (Weeks et al., 1999). In other words, ethical judgment is the determination of action based on the most ethical ethics based on professional auditors' ethical code. A series of research in the field of psychology about ethics has been done a lot, such as Forsyth (1984) and Rest (1986).

Ethical judgments lead to the making of considerations as to whether the exact truth of the actions are ethically as it should be done. Rest (1986) initiated a model or framework for the analysis of four framework components to examine the development of individual moral thinking processes and the moral or ethical behavior of individuals in making decisions. Each component in the model affects moral behavior and failure on such components can lead to unethical behavior (Chan, 2006). Rest (1986) states that to behave morally or ethically an individual before must, at least, perform four basic psychological processes. The ethical decision-making model proposed by Rest (1994) can be seen in Table 1 below.

Table 1 Rest's Component Proses Psychology

The Psychology Process		Results
I.	Moral sensitivity	Moral identification dilemmas
II.	Consideration	Moral consideration for ideal dilemma solution
III.	Deep Consideration	Willingness to obey or disobey
IV.	Moral Character	Moral behavior

The first component of the Rest's (1986) framework is ethical sensitivity or ethical perception that begins with the belief that a situation has ethical implications. This second component is ethical judgment, ie. consideration to be taken to anticipate ethical dilemma (Rest, 1994). Ethical judgment concerns the various actions which, as evidenced by the first component, of ethical perceptions are more morally justified (morally right and good). The process of this stage of ethical consideration includes the ethical thought of its professional judgment in an ideal solution to an ethical dilemma (Thorne, 2000 in Wibowo, 2007).

The third component deals with the intention to obey or disobey the ideal solution. This third component is ethical motivation, defined as the importance given to moral values compared to other values. Ethical motivation can occur just as when actualization or protection against the interests of the organization is interpreted more important than doing the right thing (Thorne, 2000 in Wibowo, 2007).

The fourth component is the ethical character, which refers to traits or personalities such as ego strength, perseverance, fortitude, and courage necessary to overcome obstacles in completing right action (Rest, 1996 in Wibowo, 2007). There are several factors that influence ethical judgment which will be discussed in this research, including ethical orientation, religiosity and gender.

Forsyth (1984) explains that there are two dimensions of ethical orientation, namely idealism and relativism. Idealism is a concept that refers to things that individuals believe to do the right thing to produce good reality and vice versa, wrong actions will result in bad actions. Individuals who hold this concept have a firm belief in the prevailing universal moral code.

An auditor who has an idealistic concept tends to provide ethical judgment disagrees with the unethical behavior performed by auditors or accountants. In other words, the higher the level of auditor idealism, the higher the ethical judgment. This is in accordance with the results of research Ballantine and McCourt (2011) which states that the level of student idealism that has completed the audit course if faced with the ethical dilemma situation will tend to follow the professional code of ethics auditors. From the above explanation then the hypothesis that can be built is:

H_{1a}: Idealism has a positive influence on ethical judgment

The second dimension of ethical orientation is relativism. Relativism is a concept of individual belief that rejects universally applicable moral rules and further supports a moral approach that depends on a particular individual and situation (Forsyth, 1984). Auditors within the audit assignment often face a dilemma when faced with an offer from clients to make audit decisions that benefit the client and the auditor's personal self and ignore the professional auditor's ethical code. Auditors who have a relativism mindset will respond to the dilemma situation by acting unethically. This is in accordance with research Ballantine and McCourt (2011) which relate negatively to ethical judgment. In other words, the higher the relativism level, the lower the ethical judgment. Based on the above discussion the following hypothesis is proposed:

H_{1b}: Relativism has a negative influence on ethical judgment

Gender is a trait attached to men or women socially and culturally. Based on Gillian (1982), women are more ethical than men. Men will be more rational than women in the face of problems and tend to prefer the challenge than women. Women, on the contrary, are more emotional and tend to avoid problems (Weeks, et al., 1999). This theory is in agreement Shaheen (2015), that women tend to be more assertive in dealing with unethical things happening around him than men. So, the proposed hypothesis is:

H₂: Women tend to be more ethical in their judgments than men

Religiosity is another factor indicated to influence ethical judgment. According to Hofstede (1980), culture is the norm, value and belief of a particular group or community in a particular area or geographical location, and shared by its members. Therefore, values are regarded as the deepest and most difficult cultural level to change, and in turn will affect the social systems and institutions of a particular country (Khan et al., 2010).

Religion is an important part of a culture (Hunt & Vitel, 1986). This is because religion influences the way individuals behave and influence individual perceptions. Religion is the source of the development of ethical codes that will be implemented and believed by the individual. Religious ethics depends on the guidance of a supreme person, who sets the standards of right and wrong. Thus, the source of ethics is identified as God. God gives ethical direction through written command or through prayer (Keller et al., 2007). In Islam, the written command of God is contained in the Quran. According to Halim (1990), one of the basic elements of the religion of Islam is that *akhlaq* (moral and values), a code of ethics that must be observed by a Muslim in doing all aspects of his life (Khan et al., 2010). The Quran clearly provides direction to Muslims with a set of rules and values that are perfect and can be applied in all circumstances. This is in contrast to other cultural factors that may be affected by changes in the economic and political environment (Abdullah and Siddique, 1986, in Khan et al., 2010).

Comprehensively, religiosity in Islamic perspective can be divided into 3 dimensions, namely; faith, *sharia* (Islamic law), and *ihsan* (moral). All these dimensions are interconnected with one another (Hisna, 2018). A Muslim with a high level of religiosity will be more responsible for himself and his environment, compared with those who do not. Because a Muslim will combine three dimensions in an Islamic perspective. The results of research conducted by Jaafar, Kolodinsky, McCarthy, and Schroder (2004), teenagers who represent Muslim teenagers bring Islamic values in ethical judgment, when compared with American teenagers represent teenagers in a secular country that is more concerned with the consequences of self personally for his actions. Thus, it can be concluded that Muslims will bring the values of Islamic goodness in doing ethical judgment. The higher the religiosity level of auditors or accountants, the better their ethical judgments.

H₃: Religiosity positively influences ethical judgments

Methods

This research was conducted through a survey administered to students majoring in accounting at Faculty of Economics, Universitas Negeri Padang, Indonesia. The students chosen as respondents were those who have enrolled in Auditing courses and reported their ethnicity as Minangkabau. There were 92 final-year accounting students participated in this study.

The criteria used for selecting respondents ensure the students can serve as the proxy of auditors and represent the Minangkabau people which are famous for their viscosity of Islamic values. Indeed, the most famous Minangkabau philosophy is *adat basandi syarak, syarak basandi kitabullah*. The philosophy means that Minangkabau people apply the values of the Quran in their daily life.

The data in this study were analyzed multiple regression analysis. The analysis was conducted based on a research model as follows.

$$Y = \alpha + \beta_1 X_{1a} - \beta_1 X_{1b} + \beta_2 X_2 + \epsilon$$

Notes: Y	= Ethical judgments	X ₂	= Gender
α	= Constant	X ₃	= Religiosity
β	= Regression coefficient		
X _{1a}	= Idealism		
X _{1b}	= Relativism		

Results and Discussion

A total of 92 responses were used for analysis in this study. The demographic statistics show that the respondents consist of 67 females (72%) and 25 males (28%). The results of F test show that the value of F score was 4.424, which is greater than the value of F table of 2.47. further, the significance level of 0.00 is smaller than 0.05. The results also show the adjusted R₂ value of 0.131 which means that the research variables can explain 13.1% changes in the value of the dependent variables, namely the students' ethical judgments. Whereas, the rest 86.9% changes in students' ethical judgments are explained by other factors that are not examined in this study. The analysis then continued with hypotheses testing with t test.

The first hypothesis formulated for this study was that idealism has a positive influence on ethical judgments. The results of regression analysis show a positive regression coefficient of 3.841. The results indicate that idealism (X_{1a}) has a positive effect on ethical judgment of accounting students who have taken audit subject (Y). Moreover, the results of regression analysis provide a significant value of 0.00 which is smaller than the level of significant of 0.05. This means that idealism significantly influences the students' ethical judgments. As such, H_{1a} is supported.

In a dilemma situation, auditors with good ethical judgments should give a disagreeable answer. People who are high ideals will tend to resist or cannot tolerate actions that violate ethical values. Students with high ideals will have a high ethical judgment in rejecting unethical behavior that violates professional auditors' ethical code. The results of this study are consistent with Aziz (2015) which states that idealism has a significant positive effect on ethical judgment of accounting students for the ethical dilemma they face.

The second hypothesis formulated was that relativism has a negative influence on ethical judgments. The regression results show a negative regression coefficient of -0.30 which indicates a negative relationship between relativism (X_{1b}) and ethical judgments (Y). however, the results show a significant value of 0.761 which is greater than significant level of 0.05. These results show that relativism has no significant influence on the students' ethical judgments. As such, H_{1b} is not supported.

The results of this study are not in accordance with Forsyth (1980) that support the negative relationship between relativism and ethical judgments. However, the results in line with Ballantine and

McCourt (2011) who report that the ethical orientation of relativism is not a strong determinant for auditors and accounting students in determining ethical judgment in dilemma situations.

The third hypothesis proposed that women tend to be more ethical than men in their judgments. The regression results show a coefficient value of -1.041 which indicates a tendency to support that that women are more ethical in their ethical judgments compared to men. Further, the results of regression analysis show a significant value of 0.301 which is greater than the significant level of 0.05. The results of the study show that female students who have taken the audit subject do not always chose the more ethical choice their judgments when facing audit dilemma. The results show that gender (X_2) has no significant influence on ethical judgments. As such, H_2 is not supported.

The results of this study are in line with Ballantine and McCourt (2011) who found that male and female accounting students who have taken audit courses have the similar ethical judgments in dealing with audit dilemmas. This is because the emphasis on gender equality between men and women, which is different from the past. This makes women considered to have the same rights in doing the job and appreciate themselves in various areas of life similar to men. The patterns of women's thinking in the past are slightly different in now, including the courage in taking risks. In deal with a situation of ethical dilemmas, women are no longer ashamed as they once were. Women today are more courageous in determining attitudes and taking risks to perform actions that are of benefit to themselves. This is in accordance with the structural socialization approach, where men and women will shape attitudes.

Finally, the third hypothesis formulated was that religiosity has a positive influence on ethical judgments. The results showed that the level of religiosity (X_3) of accounting students does not always resulted with ethical judgments (Y) when facing audit dilemma. The regression coefficient value shows a negative relationship of -1.304. Further, the regression results show a significant value of 0,196 which is greater than the level of significant 0,05. This means that the results failed to find support that religiosity has significant influence on the students' ethical judgements. As such, H_2 is not supported.

The results indicate that there is no significant difference in ethical judgments between students with high and low degree of religiosity. This situation may exist because the practice of Islamic teaching in Minangkabau life has begun to decrease. Hanani (2015) argues the decline in the adoption of Islamic values in Minangkabau was due to the reduced role of *Surau* (mosque) and *Ulama* (Islamic scholars/preachers) in socializing Islamic values in the social life of the community. It means that being a Muslim may be only a symbol of identity while not necessarily mean a practicing one.

Conclusions

This objective of this study is to empirically examine the influence of ethical orientation, gender and religiosity on accounting students' ethical judgements. The data for this study were collected through a survey questionnaire administered to 92 final year accounting students at Faculty of Economics, Universitas Negeri Padang. The data were analyzed by using multiple regression analysis.

Several important results of the study are as follows. Idealism, a dimension of ethical orientation, has a significant positive influence on ethical judgments. Whereas, the other dimensions, namely, relativism has no significant influence on ethical judgments. The study's results find that religiosity has no significant influence on ethical judgments. Finally, the results failed to provide support that women tend to be more ethical than men in their judgments.

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