

The Influence of Personal Cost of Reporting, Organizational Commitment, Fraud Seriousness Level, and Gender on Intentions to Whistle-blowing

Nayang Helmayunita¹

¹Dept. of Accounting, Faculty of Economics, Universitas Negeri Padang, Padang, Indonesia

✉ (e-mail) nayang.helma@gmail.com

Abstract

This study aims to look at the influence of personal cost of reporting, organizational commitment, gender and level of seriousness of fraud against the intention of doing whistle-blowing. The population in this study was all civil servants in the regional organization in Payakumbuh, Indonesia. The sample in this study was selected using the Slovin formula resulted with a sample of 313 civil servants. The data were collected by a survey questionnaire. The data were analyzed using multiple regression with F test and t test. The results showed that the personal cost of reporting has no significant negative effect on whistle-blowing intention. The organizational commitment has a significant positive effect on whistle-blowing intention. The degree of seriousness of the fraud has a significant positive effect on whistle-blowing intention. Further, gender has a significant positive effect on whistle-blowing intention. This research is limited only to personal cost of reporting, organizational commitment, fraud seriousness, and gender. So, it is suggested that future research to examining other variables that influence whistle-blowing intention.

Keywords: personal cost of reporting, organizational commitment, gender, the seriousness level of fraud, whistle-blowing intention.

Introduction

The number of fraudulent acts revealed over the past few years has received serious attention from the public, especially the fraud that occurred in the Indonesian government sector. One of cheating the public spotlight is corruption. Based on the Corruption Case Handling Performance Report by Law Enforcement Officials in 2016 issued by ICW (Indonesia Corruption Watch,) there are 482 corruption cases with 1,101 suspects with a state loss of IDR 1.45 trillion and a bribe of IDR 31 billion. This condition implies that corruption cases involving State Civilian Officials in Indonesia are still increasing from the previous year.

Corruption must be eradicated because it would hamper economic growth and may cause losses to the state. One of the most effective ways to combat corruption is by whistle-blowing. Participation in the whistle-blowing system can be a response to provide information about corruption indications (Winardi, 2013). Bouville (2008) defines whistle-blowing as an act of an employee (or former employee) to uncover what he believes as conduct illegal or unethical to higher management (internal whistle-blowing) or to the authorities outside the organization as well as to the public (external whistle-blowing). Whereas, the person or party that discloses cheating is called a whistleblower. The whistleblower may come from members of the organization itself (internal parties) and external communities (external parties).

Since whistle-blowing systems are considered effective for detecting fraud, almost most government agencies today have complaint handling systems to reduce the phenomenon of corruption in public institutions. Effective, transparent and responsible whistle-blowing systems will encourage and increase employee participation to report the alleged fraud (Rustiarini, 2015). According to the National Committee on Governance Policy, whistle-blowing system is part of the internal control system to prevent the occurrence of irregularities and fraud practices and strengthen the implementation of good governance. In addition, the effectiveness of whistle-blowing also provides an opportunity for the organization leader to solve the problem internally, before the problem spreads to the public that can affect the organization reputation (KNKG, 2008).

The high level of fraud occurring in the public sector makes whistle-blowing considered as a must for every employee, supported by the provision of an effective whistle-blowing system to facilitate employees in reporting fraud. The existence of whistle-blowing is believed to be able to detect earlier cases of fraud that occurred, so that the fraud does not continue and cause greater impact loss. So, based on the issues described above, research on whistle-blowing in the government sector is needed to determine whether these factors do affect a person's intention to become a rapporteur. This research also give input to the organization to know the weakness of internal control in designing the necessary corrective action.

The intention will come firstly, before people do whistle-blowing action. Intention defines as an individual component that refers to a person's desire to perform an action. So, in the absence of intention, the whistle-blowing action will not happen. Based on the theory of planned behavior, it explains that individuals do actions because of the intention to behave. Intent plays an important role in determining whistle-blowing action. The stronger the intention to take action, the more likely the intention is actualized in the form of action. Therefore, to design effective whistle-blowing policies and systems, organization is necessary to understand the factors that influence employees' intentions to take whistle-blowing action.

Intention to conduct whistle-blowing can be disrupted by personal cost of reporting problems. Personal cost of reporting is an employee's view of the risk of retaliation or sanction from members of the organization, which may reduce the employee's intention to report wrongdoings/frauds (Schultz et al., 1993). According to Curtis (2006), the risk of retaliation may occur in intangible forms, such as uneven performance appraisals, salary increases, termination of employment, or transfer to undesirable positions. Perception personal cost of reporting a person greatly affects to the person's intentions in doing whistle-blowing action. This is because the person is likely to consider the safety and the status and position himself after doing the reporting.

This is in line with the theory of needs hierarchy conveyed by Abraham Maslow (1954) which explains that every human needs a sense of security (safety needs), which includes the desire to be protected from physical and emotional dangers. The study results conducted by Kaplan (2001), Curtis (2006), Alleyne (2012), and Hanif (2017) indicate that the action or intent to conduct whistle-blowing is influenced by perceptions about how much personal cost will be received by the complainant. Logically if a person or a particular party is reported, they will consequently consider the adverse effects that will be received after reporting. If the impact of such reporting is large, it will certainly reduce a person's desire to report. So, someone will tend to do reporting (whistle-blowing) if the effect will be small. If he thinks that the effect he will receive is large, it is likely that the person will make a judgment about not reporting or they will withdraw by pretending not to be aware of the fraud. In sum, personal cost of reporting gives a significant influence on the high whistle-blowing action. Furthermore, personal cost of reporting is considered to have a negative effect with whistle-blowing action. So, the first hypothesis can be drawn as follows.

H₁ Personal cost of reporting negatively affects the intention of doing whistle-blowing

Brief and Motowidlo (1986) linked the intention to conduct whistle-blowing with pro-social organizational behavior theory. Pro-social organizational behavior is defined as the behavior / actions undertaken by members of an organization to improve the welfare of the individual, group or organization. These forms of pro-social behavior are described by Brief and Motowidlo (1986) in 13 forms of behavior. One of the behaviors is when a member of the organization object to the direction, procedure, or policy that he or she thinks may be unethical, illegal or catastrophic for the organization's long-term goals, but cannot directly change it. These behaviors may be able to persuade whistle-blower to deliver the fraud to an individual or body that can handle it. Thus, by referring to the pro-social organizational behavior theory, it can be concluded that an employee's whistle-blowing action indicates the commitment of the employee to protect his organization from the threat of unethical and illegal matters.

Based on the above description, the second factor that is considered to affect one's intentions in conducting whistle-blowing action is an organizational commitment. Mowday et al. (1979) defines organizational commitment as a relative strength of individual identification and involvement in a particular organization that can be characterized by three related factors: strong belief and acceptance of organizational goals and values, willingness to exert sufficient effort on behalf of the organization, a strong desire to maintain membership in the organization (loyalty). Employees with high organizational commitment should be loyal, care about the organization, ready to defend their organization and not hesitate to disclose alleged fraud to protect the organization.

This is in line with research conducted by Bagustianto (2014), Setiawati (2016), Alleyne (2016), and Husniati (2017) who found a significant influence between organizational commitment and intent to do whistle-blowing. Logically, an employee with high organizational commitment will emerge a sense of belonging to organization so he will not hesitate to take whistle-blowing action. He/she believes that action will protect his organization from destruction. In sum, the higher of the level of one's organizational commitment, the higher the person's tendency to take whistle-blowing action. Thus, the organizational commitment factor is considered to have a positive effect on employees' intentions to take whistle-blowing action. Hence the second hypothesis can be drawn as follows.

H₂ Organizational commitment positively affects the intention of doing whistle-blowing

A third factor considered to affect a person's intentions in taking whistle-blowing action is the degree of seriousness of fraud. The interpretation of the seriousness of fraud by everyone may vary, depending on the individual's judgment and perception of the fraud. The degree of seriousness of fraud can be seen and measured in terms of its impact on the organization, the motivation of the fraudster, and the ethical or unethical fraud. Consideration of the seriousness of fraud can be aligned with the financial or financial impact of the fraud. The degree of seriousness of cheating may vary but greatly affects a person's decision to conduct whistle-blowing. A person will be less likely to report fraud if it causes significant financial loss, or he will report a fraud that has a negative impact on more than one person. The person will assume that losses involving many people have a higher level of seriousness and deserve to be reported; it's compared to cheats that only have an impact on the cheating party.

Research conducted by Bagustianto (2014), Winardi (2013), Fatoki (2013), and Curtis (2006) found that there is a significant influence between the seriousness of cheating with the degree of occurrence of whistle-blowing. Logically, if someone sees a very negative impact of an offense around him, then the chances to do reporting by someone is also increasing. If the problem is taken seriously, the individual is likely to report to minimize the possibility of losses the organization receives and the losses that may also involve the individual. So, the third hypothesis can be drawn as follows.

H₃ The seriousness level of fraud has a positive effect on the intention of doing whistle-blowing

In addition to the above factors, other factors that may affect a person's intention to take a whistle-blowing action are demographic factors. In this study, demographic factors are devoted to gender factors. Napitulu and Bernawati (2016) stated that there is a significant influence between men and women in reporting fraud. This is due to differences in construction and personality between men and women. Men think that cheating has a negative impact and they feel responsible for cheating and doing whistle-blowing. In addition, strong male attitudes make them to be not afraid in accepting the risk of reporting actions taken. The research results conducted by Sims and Kenan as cited in Napitulu and Bernawati (2016) show that women do not really want to engage in whistle-blowing actions compared with men. So, the fourth hypothesis can be formulated as follows:

H₄ Gender has a significant positive effect on the intention of doing whistle-blowing.

Methods

This study belongs to causative research. The population in this study is all civil servants who work in the local government organizations in Payakumbuh regional area. In this study, the sample was selected by using simple random sampling technique. This means that every employee is likely to report. Sampling use the Slovin formula which resulted with the number of samples 313 employees. This study administered the questionnaires to 34 Regional Device Organizations. The

number of questionnaires distributed in each organization of regional devices varies due to the varying number of employees in each organization.

The type of data in this study is the subject data in the form of opinion, attitude, experience, character of a person/group of people who become research respondents. The data needed in this study are primary data. The data collection techniques used in this study was a survey questionnaire technique. Questionnaires were given directly to the respondents' addresses (regional device organization in Payakumbuh). The returned questionnaires were picked up directly to the organization.

This study uses one dependent variable that is the intention to conduct whistle-blowing, and four independent variables, namely personal cost of reporting, organizational commitment, fraud seriousness, and gender. The research instrument grid was modified to suit the existing situation in Regional Device Organizations in Payakumbuh.

The questionnaire was tested for its validity by using Pearson's product moment correlation. The statistical test results show that the lowest corrected item-total correlation value for all items is 0.382. Whereas, the questionnaire was also tested for its reliability by using Cronbach alpha coefficient. The instrument is reliable if it has Cronbach alpha value higher than 0.6. The data analysis from pilot test data show that Cronbach alpha value for each item in the questionnaire is greater than 0.6.

The data were analyzed using multiple regression analysis based on the following formula:

$$Y = a - b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Y = Intention to do whistle-blowing

X₄ = Gender

X₁ = Personal cost of reporting

a = constant

X₂ = Organizational commitment

b = Coefficient X₁, X₂, X₃, X₄

X₃ = The degree of seriousness of cheating

e = error term

Results and Discussion

A total of 313 questionnaires were distributed and 297 questionnaires were returned, but the final total questionnaires that can be processed were 289. This was because 8 respondents did not completely fulfil the questionnaires.

In regards to personal cost of reporting (X₁), the results show that the mean value is 35,04 with a standard deviation of 5,303. The variable maximum value is 49, and its minimum value equal to 16. The mean value of the organizational commitment variable (X₂) is 40,06 with a standard deviation of 3,677. Its maximum value is 50, and its minimum value is 31.

The mean value of the seriousness level of fraud (X₃) is 22.52 with a standard deviation of 3.823. Its maximum value is 30, and its minimum value is 9. The mean value of gender variable (X₄) is 1.4775, with a standard deviation of 0.5003.

Table 1 Results of multicollinearity test

Model	Collinearity Statistics	
	Tolerance	VIF
1	(Constant)	
	X ₁	0.947
	X ₂	0.990
	X ₃	0.955
	X ₄	0.998

a Dependent Variable: Y

Before hypotheses test was conducted, the data was checked for its adherence to the regression assumption criteria. The results Kolmogrov-Smirnov test show a value of 0.163 that show the data are normally distributed. Similarly, the results of multicollinearity test find that no correlation exist between independent variables with VIF value lower than 10 and tolerance value higher than 1 as

shown in Table 1. Likewise, the results of heteroscedasticity test using Glejser test show no heteroscedasticity issue with a significance value higher than 0,05 as shown in Table 2.

Table 2 Results of Glejser test

		Coefficients^a				
Model		Unstandardized		Standardized	T	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	8.016	2.289		3.502	0.001
	X ₁	0.026	0.031	0.049	0.825	0.410
	X ₂	-0.050	0.044	-0.065	-1.127	0.261
	X ₃	-0.159	0.043	-0.216	-3.663	0.506

a. Dependent Variable: RES2

The results also reveal that all the independent variables together have a significant effect on the dependent variable as indicated by the significant value 0,000 which is lower than 0.05. This means that the fix model is used for statistical t tests that partially test independent variables on the dependent variable. Further, the adjusted r-square shows a value of 0.123. This shows that the involvement of personal cost of reporting, organizational commitment, the seriousness level of fraud, and gender can explain 12.3% of whistle-blowing intention. Whereas, the rest 87.7% is influenced by other variables that are not examined in this study.

The detailed results on the influence of the independent variables on the dependent variable, the t-test results are presented Table 3 below. The results of regression analysis show that the personal cost of reporting (X₁) has a significant value of 0.995 which greater than the 0.005. As such, the first hypothesis is not supported. The organizational commitment variable (X₂) has a significance value of 0.038 which was smaller than 0.05. As such, the second hypothesis is supported. The seriousness level of fraud (X₃) has a probability value of 0.000 which is smaller than 0.05. As such, the third hypothesis is supported. Finally, gender (X₄) has a significance value of 0.024 which is smaller than 0.05. So, the fourth hypothesis is supported.

Table 3 Coefficients(a)

Model		Unstandardized		t	Sig.
		Coefficients			
		B	Std. Error		
1	(Constant)	20,051	3,709	5,407	0.000
	X ₁	-0.001	0.050	-0.006	0.995
	X ₂	0.148	0.071	2.090	0.038
	X ₃	0.422	0.069	6.103	0.000
	X ₄	0.658	0.517	1.272	0.024

a Dependent Variable: Y

The multiple linear regression equation obtained is as follow.

$$Y = 20,051 - 0,001PC + 0,148KO + 0,422TKK + 0,658G$$

The results of hypotheses test show that the influence of personal cost of reporting on whistle-blowing intention has a significance value of 0.995, with coefficient of -0.001. This indicates that hypothesis 1 is not supported. The results implied that personal cost of reporting has no effect on employees' whistle-blowing intention. It may be because whistle-blowing intention is not specifically defined on the channel and certain whistle-blowing forms. For example, the internal or external whistle-blowing intention as well as anonymous or unidentified whistle-blowing intention. This may be one of the limitations of this study. The respondents who measured their whistle-blowing intentions may assume that they have whistle-blowing intention but only on a particular channel or

form that ensure no or minimum personal costs. Another possible explanation for the results for hypothesis 1 is due to differences in research subjects. The differences of condition and characteristics of the respondents may be one of the factors that cause different results compared to previous research.

The indicators used to measure the personal cost of reporting in this study are based on potential threats of retaliation acceptable to whistleblowers as proposed by Curtis (2006). These include barriers to promotion, unfair performance appraisals, lack of peer supports (e.g. exclusion), and fear after whistle-blowing action. The results of this study find that these indicators are not able to influence employees' whistle-blowing intention. This may be due to the anonymous reporting method that protects the whistleblower's confidentiality, so as to minimize the fear of whistle-blowing the fraudulent acts committed in the organization where he/she works and; thus, it has no effect on employee's whistle-blowing intention.

The second hypothesis proposed in this study is to examine the effect of organizational commitment on whistle-blowing intention. The results show a significance value of 0.038. This implies that the second hypothesis is supported. The results imply that organizational commitment has a significant positive effect to whistle-blowing intention. This means that the higher the employees' organization commitment, the higher their whistle-blowing intention. The results of this study are in line with research conducted by Bagustianto (2014) and Setiawati (2016) who find that organizational commitment significantly influences whistle-blowing intention. It can be concluded that organizational commitment which is an individual factor can influence one's intention to do whistle-blowing.

Organizational commitment is a factor that can increase a person's whistle-blowing intention. Organizational commitment deals with the relationship of emotional attachment between members of the organization and its organization. Employees who are committed to their organizations will demonstrate positive attitudes and behaviors towards their organization. So that employee will try to protect the organization from the bad likelihood that will happen to the organization where he works. It also means that employees who are committed to their organization will undertake a whistle-blowing action. The employee's intent to engage in whistle-blowing action can be increased by improving the commitment of the employee organization, for example by providing adequate compensation, rewards and punishment, as well as creating a conducive and open working environment. Thus, it is expected that employees feel involved in the execution of tasks and achieving organizational goals.

The third hypothesis proposed in this study is to examine the effect of the seriousness of fraud on whistle-blowing intention. The results show a significance value of 0.000. This suggests that the third hypothesis is supported. The results of this study indicate that the seriousness level of fraud has a significant positive effect on whistle-blowing intention. It means that, the more serious the fraud act, the higher the employees intention to blow the whistle. The results of this study confirm the concept of materiality of the seriousness of fraud and consistent with previous research conducted by Menk (2011) and Bagustianto (2014). The higher the materiality of the fraud, the higher the extent of its harmful consequences, that means the more unethical the act of cheating is. Violation of ethics is one of the factors driving a person who behaves pro-social for reporting (whistle-blowing). When an act of fraud has a serious effect to the organization, the responsibility of the organizational members to behave pro-socially will encourage them to take whistle-blowing action.

The fourth hypothesis proposed that gender affects whistle-blowing intention. The results show a significance value of 0.024 which is smaller than 0.05, so for the fourth hypothesis is acceptable. The results of the regression analysis show that there is a significant influence between men and women in terms of reporting violations. This is based on differences in construction and personality between males and females. Male employees view the fraud as negative and have a devastating effect if it's left perpetually. Therefore, they feel responsible for the violation and conduct whistle-blowing. In addition, the strong attitude of men also makes them not afraid to accept the risks of whistle-blowing.

The results of this study are consistent with the results of research from Napitupulu and Bernawati (2016).

Conclusions

This study aims to examine the influence of personal cost of reporting, organizational commitment, gender and seriousness level of fraud on whistle-blowing intention. The data for this study were collected by a survey questionnaire administered to 313 employees at Regional Device Organizations in Payakumbuh, West Sumatera. The data were analyzed using multiple regression to test four hypotheses formulated in this study.

The results of this study can be summarized as follows. First, personal cost of reporting has no significant negative effect on whistle-blowing intention. Second, organizational commitment has a significant positive effect on whistle-blowing intention. Third, the seriousness level of the fraud has a significant positive effect on whistle-blowing intention. Fourth, gender has a significant positive effect on whistle-blowing intention.

This study has a limitation of a low adjusted R-square. This means that there are other relevant variables that explain the employees' whistle-blowing intention in this study context. As such, future research should examine other variables that may provide richer insights into whistle-blowing intention.

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