

Factors Affecting Whistleblowing Intention: A Study of Accounting Undergraduate Students

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Abstract

Whistleblowing has gained more attention worldwide. As many as 43% of fraudulent acts can be detected thanks to tips or whistleblowing. Graduates from the Accounting major are future auditors and accountants who are most likely to face illegal actions in their careers. This study aims to understand the factors that motivate undergraduate accounting students' whistleblowing intention. This study explores how the factors of Consequence's Magnitude (CM), Social Agreement (SA), Proximity (PX) and Fear of Retaliation (FR) can affect Whistleblowing Intention (WI). The results of this study indicate that the CM, SA, and PX factors have no significant effect on WI, while the FR factor has a significant effect on WI. This research is expected to positively contribute to assisting Lecturers of the Accounting Department in designing a curriculum to encourage undergraduate Accounting students to have stronger WI and be ready to be practised in the actual working environment. This research is also useful for future researcher who would like to explore the topic of whistleblowing intention.

Keywords: *Consequence's Magnitude; Fear of Retaliation; Proximity; Social Agreement; Whistleblowing Intention*

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INTRODUCTION

The act and importance of whistleblowing has been more popular worldwide. Whistleblowing is defined as an act of intentional (non-mandatory) disclosure, which is publicly recorded and made by a person who has privileged access to data or information of an organization, about an illegal act or other misconduct, which has implications and is under the control of the organization, to an external entity that has the potential to correct errors (Jubb, 1999). One of the important elements in the definition is the existence of a report, so that illegal acts or fraud can be identified and followed up by the authorities.

The Association of Certified Fraud Examiners (ACFE) reports that 43% of fraudulent acts can be detected thanks to tips or reports from parties related to the organization, including workers, customers, vendors, competitors, and others (Association

of Fraud Examiners, 2020). The high percentage of fraud detected through this report raises the need for a whistleblowing system in every organization as part of an anti-fraud strategy. System implementation cannot run effectively without supporting system actors. For this reason, parties who have access to information on possible illegal acts within the organization need to be encouraged to have the intention or intention to report such actions.

Graduates from the Accounting major are future auditors and accountants who have high possibility to face illegal actions in their careers (Kennett, Downs, & Durler, 2011). They are expected to carry out ethical behaviour and always maintain public trust (Fatoki, 2013). Hence, it is very important to analyse the factors related to their intention to perform whistleblowing and to empower whistleblowing as a mechanism to uncover fraud.

Several previous studies related to factors that influence whistleblowing intention have been carried out, including the ethical climate principle and seriousness of wrongdoing (Setyawati, Ardiyani, & Sutrisno, 2015); subjective norms, attitudes to behaviour, and perceptions of behavioural control (Damayanthi, Sujana, & Herawati, 2017); and Consequence's Magnitude, Social Agreement and Proximity (Apadore, et al., 2018). Some of these factors can be grouped into simpler factors, namely the seriousness of wrongdoing can be a category with the Consequence's Magnitude (CM); ethical climate principle, subjective norm, attitude towards behaviour, and perception of behaviour control can be in one category with Social Agreement (SA); and Proximity (PX). Another interesting factor to study is the Fear of Retaliation (FR). It is related to the level of concern of whistleblowing actors against retaliation that may be carried out by fraud or illegal acts.

This study aims to understand the factors that motivate the whistleblowing intention of undergraduate accounting students at the State University of Surabaya (UNESA). By understanding the factors that influence whistleblowing intention, it is hoped that it can help Lecturers of the Accounting Department to design the course curriculum and materials needed to encourage S1 Accounting students to have stronger whistleblowing intentions and are ready to be practised in the actual working environment.

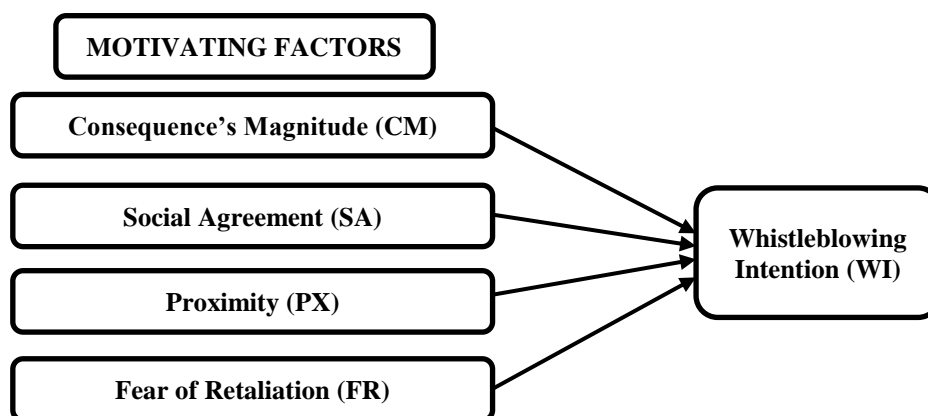


Figure 1. Research Model **Source:** adopted from Apadore et al., 2018

According to (Jubb, 1999), Whistleblowing is an act of intentional disclosure, which is publicly recorded and made by a person that has access to data or information of an organization about an illegal act or other wrongdoing, whether actual, suspected or anticipated and under the organization's control to an external entity that has the potential to correct the error. The definition fully covers the action, outcome, actor, subject, target, and recipient of the report.

Consistent with the above definition, research by Heumann et al. (2013) explains that the perpetrators of whistleblowing actions are internal parties (insiders), the object reported is an act that violates the rules, there are reasons that the perpetrator believes are the motivation for their actions, carried out according to applicable regulations and done with diligence or perseverance. In terms of the scope of the perpetrators, Heumann et al. (2013) emphasize more on internal parties as perpetrators, while Jubb (1999) has a wider scope, namely allowing for internal and external parties to carry out Whistleblowing if those parties have access to the reported object. The interesting thing from the research of Heumann et al. (2013) and Jubb (1999) is the motivation and rationalization of perpetrators to carry out Whistleblowing. This motivation strengthens the intention or intention of the perpetrator so that he finally takes real action.

Several previous studies have attempted to reveal in more detail what factors influence Whistleblowing Intention. Based on Setyawati, Ardiyani, and Sutrisno (2015) research, two factors have a significant influence on WI, namely ethical climate principle and seriousness of wrongdoing. Another study conducted on Accounting students (Damayanthi, Sujana, & Herawati, 2017) concluded that the factors influencing WI include subjective norms, attitudes to behaviour, and perceptions of behavioural control. Another study by Apadore et al. (2018) showed that Consequence's Magnitude (CM), Social Agreement (SA) and Proximity (PX) had a significant effect on WI. Apadore et al. (2018) also investigated the effect of Fear of Retaliation (FR) on WI, with the results of FR not having a significant effect on WI.

H1: CM, SA, PX and FR simultaneously has a significant effect on WI on undergraduate accounting students

Shawver and Clements (2014) define CM as a good or bad result for a party caused by a certain action. For example, an act that impacts the people of a country has a greater CM than an action that has an impact on a single person. Previous research by Apadore et al. (2018) showed that CM significantly affect WI. The size of the CM is measured subjectively by a party by imagining the consequences of an action, including whistleblowing. Thus, the second hypothesis was formulated in this study as follow.

H2: CM significantly affects WI on undergraduate accounting students

One of the previous studies on SA was conducted by Chen and Lai (2014), who defined SA as an agreement regarding whether an action is good or bad. Another study by Musbah, Cowton and Tyfa (2014) showed that SA had a limited significant effect on WI. Research by Sweeney and Costello (2009) explores how Moral Intensity affects identifying ethical dilemmas, ethical judgments, and ethical intentions for the students of accounting and business major. Their research exhibited evidence that when compared to other aspects

which has relationship with ethical decision making, SA was the strongest one. Thus, the third hypothesis is as follows.

H3: SA significantly affects WI on undergraduate accounting students

Previous study of PX conducted by Mencl and May (2009), stated PX as the level of closeness between the perpetrator and beneficiary or victim of an action. While Shawver (2011) defined PX as how close a beneficiary of an action to a decision maker. When the victim has a close relationship with someone, there are high possibility for them to feel worried, and will improve their willingness to report an illegal action (Lincoln & Holmes, 2011). From these several studies, there is consistency in the results that PX has a significant influence on WI, so the fourth hypothesis is formulated as follow:

H4: PX significantly affects WI on undergraduate accounting students

Rehg et al. (2008) define retaliation as an unexpected action taken by a whistleblower directly responding to his report. According to Liyanarachichi and Adler (2010), a person may evaluate the possibility of retaliation and how strong the retaliation will be if the person commits a whistleblowing act. Research by Fatoki (2013) shows that WI will become weaker if the threat of retaliation is more serious. Or in other words, FR affects WI so that the fifth hypothesis is formulated as follow.

H5: FR significantly affects WI on undergraduate accounting students

RESEARCH METHOD

This study uses quantitative methods. The target population of the research is Undergraduate Accounting FEB UNESA students who are taking Auditing courses in 2019/2020 Even semester or as many as 83 students. Of the questionnaires distributed online to the 83 students, there were 77 questionnaires returned, so the response rate was 92.8%. The data was then processed using multiple linear regression analysis through a statistical data processing program, the Statistical Package for Social Sciences (SPSS). The tests carried out include (1) Data Quality Test: Validity Test and Reliability Test, (2) Classical Assumption Test: Normality Test, Multicollinearity Test, and Heteroscedasticity Test, and (3) Hypothesis Testing: t-Test, F Test, and Coefficient Test determination.

The variables in this study include the dependent variable and the independent variable. The dependent variable is Whistleblowing Intention (WI), and the independent variable consists of 3 (three) variables according to previous research (Apadore, et al., 2018), namely Consequence's Magnitude (CM), Social Agreement (SA), Proximity (PX) and Fear of Retaliation (FR). There are 18 questions presented in the questionnaire, and these questions were adapted from previous research (Apadore, et al., 2018) and further developed to be relevant to the condition of respondents who are still students in Indonesia academic atmosphere.

Table 1. Item Questions for Variables

Description	Item Questions
Consequence's Magnitude (X1)	<p>If all kind of violations deserve to be reported</p> <p>The common impact of whistleblowing on the organizational environment</p> <p>Positive impact of whistleblowing on the organization</p>
Social Agreement (X2)	<p>Whistleblowing is a good action done for the greater good</p> <p>Everyone has the right to report violations</p> <p>Everyone is obliged to report violations</p> <p>Whistleblowing system can educate perpetrators of violations</p>
Proximity (X3)	<p>Whistleblowing must still be carried out even though the perpetrator of the violation is a close relative</p> <p>Whistleblowing only needs to be done against perpetrators who are strangers</p> <p>Whistleblowing is only carried out if someone witnesses a violation firsthand</p>
Fear of Retaliation (X4)	<p>One can report violations to the authorities without worrying about reprisals from the perpetrators</p> <p>Authorities' protection to the one who report violations</p> <p>Confidentiality of the reporter's identity from the perpetrator of the violation</p>
Whistleblowing Intention (Y)	<p>Courage to reprimand offenders</p> <p>Belief that reporting violations is a good deed for the organization</p> <p>Violation reports are only for serious matters</p> <p>Violation reports are only for perpetrator who is not a friend</p> <p>Violation reports are only for perpetrators who are not the owner of power</p>

Source: Adapted from (Apadore, et al., 2018), further developed for research

This study uses a Likert scale of 5 (five) points for each item in the questionnaire. To measure the CM variable, a scale is used with the range of 1 (not very serious) to 5 (very serious). The scale to measure other variables are range from 1 (strongly disagree) to 5 (strongly agree).

$$WI = \beta_0 + \beta_1 CM_1 + \beta_2 SA_2 + \beta_3 PX_3 + \beta_4 FR_4 + \varepsilon$$

- WI : Whistleblowing Intention as dependent variable
- CM : Consequence’s Magnitude as independent variable
- SA : Social Agreement as independent variable
- FR : Fear of Retaliation as independent variable
- β : slope of the regression
- ε : constant variable

RESULTS AND DISCUSSION

The characteristics of the respondents in this study are undergraduate accounting students in the Accounting Department of FEB UNESA who are taking auditing courses. Of the 77 respondents, 19.5% were male and 80.5% were female. The age range of respondents is between 18 to 25 years with a distribution of 32% for 18-19 years, 16% for 19-20 years, 17% for 20-21 years, and 35% for 21-25 years. The age group of 18 to 25 years is a productive age group and is ready to welcome the world of work. All respondents are undergraduate accounting students who are taking auditing courses, so they have sufficient theoretical basis on whistleblowing and have certain opinions regarding these actions.

The first test to the data is validity test. The results of the data validity test showed that the data had $r_{count} > r_{table}$ value ($r_{table} = 0.2319$) and a significance level of < 0.05 with a positive Pearson Correlation. Thus, all questions are valid. The results of the data reliability test showed the Cronbach's Alpha of 0.444 to 0.786 so that the level of reliability was moderate.

Table 2. Validity Test Results

Item Questions	r_{count}	significance
CM1	0.810	0.000
CM2	0.786	0.000
CM3	0.618	0.000
SA1	0.752	0.000
SA2	0.742	0.000
SA3	0.646	0.000
SA4	0.754	0.000
PX1	0.736	0.000
PX2	0.695	0.000
PX3	0.667	0.000
FR1	0.805	0.000
FR2	0.880	0.000
FR3	0.824	0.000
WI1	0.498	0.000
WI2	0.363	0.001
WI3	0.697	0.000
WI4	0.795	0.000
WI5	0.685	0.000

Source: summarized from the SPSS Validity Test, 2021

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	N of Items
CM	.583	3
SA	.671	4
PX	.444	3
FR	.786	3
WI	.607	5

Source: summarized from the SPSS Reliability Test, 2021

The normality test in this study uses the Normal Probability Plot graph, which shows that the data spread around the diagonal line and follows the direction of the diagonal line so that the regression model meets the assumption of normality. The results of the multicollinearity test showed that all variables had a Tolerance value > 0.100 and a VIF < 10.00 , so it was concluded that there were no symptoms of multicollinearity. The results of the heteroscedasticity test using the Scatter Plot Diagram show that there is no pattern in the scatterplots image, and the points spread above and below the number 0 on the Y axis, so it can be concluded that there are no symptoms of heteroscedasticity.

The next test carried out is multiple linear regression analysis which aims to determine the magnitude of the influence of the independent variables on the dependent variable either simultaneously or partially. F test results show the value of Sig. > 0.05 , and $F_{\text{count}} < F_{\text{table}} (2.5)$ so that it can be concluded that the independent variables simultaneously have no effect on the dependent variable.

Table 4. F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	74.411	4	18.603	1.867	.126 ^b
Residual	717.407	72	9.964		
Total	791.818	76			

a. Dependent Variable: Whistleblowing Intention

b. Predictors: (Constant), Fear of Retaliation, Social Agreement, Proximity, Consequence's Magnitudes

Source: Processed primary data, 2021

The results of the t-test showed that there was only 1 (one) independent variable with a value of Sig. < 0.05 , namely the Fear of Retaliation variable, so it was concluded that of the four independent variables, only Fear of Retaliation had an effect on Whistleblowing Intention. Meanwhile, Consequence's Magnitudes, Social Agreement, and Proximity have no effect on Whistleblowing Intention.

Table 5. t Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	25.805	4.679		5.516	.000		
CM	-.306	.223	-.206	-1.373	.174	.561	1.782
SA	-.069	.189	-.052	-.365	.716	.630	1.588
PX	-.029	.229	-.018	-.128	.899	.651	1.537
FR	-.548	.215	-.391	-2.549	.013	.533	1.875

Source: Processed primary data, 2021

The last statistical test performed was the coefficient of determination test. Based on the results of the F test, it can be predicted that the value of the coefficient of determination is relatively small because the independent variable does not have a simultaneous effect on the dependent variable. The result of the statistical test shows the coefficient of determination is 9.4%.

Sig CM, SA and PX values are 0.174, 0.716, and 0.899 or > 0.05 so that H1, H2, and H3 are rejected. These results are inconsistent with previous studies, which state that CM, SA and PX have a significant effect on WI, either partially or simultaneously (Apadore, et al., 2018). Several other studies also mention the influence of independent variables on WI, including CM has a significant effect on WI (Apadore, et al., 2018), SA has a limited significant effect on WI (Musbah, Cowton, & Tyfa, 2014), and PX affects willpower. To report a bad act (Lincoln & Holmes, 2011).

On the other hand, FR has a Sig value of 0.013 or < 0.05 , so H4 is accepted. These results are interesting and cause a warning for S1 Accounting educators because these results reflect the factors that affect WI only the FR variable. In other words, undergraduate Accounting students only have a strong intention to report illegal acts. They know if there is no concern that the perpetrators of the illegal acts will retaliate against the whistleblower's actions.

The results of this study also indicate the possibility of other factors that can influence undergraduate Accounting students' intention to perform whistleblowing. The existence of other factors that are different from what has been proven by previous studies can be related to the level of students' understanding of whistleblowing, experience, differences in socio-cultural backgrounds, or other aspects.

As undergraduate students who are taking Auditing courses, students can have different levels of understanding about the meaning of whistleblowing. It gives rise to varied attitudes regarding the intention to take such action. This is in line with Wahyu and Mahmudah (2018) research, which showed that the level of student understanding of the importance of ethics will affect their attitude towards acts of cheating and the importance of maintaining a professional code of ethics, and attitudes towards this behaviour will later affect the student's intentions towards behaviour. Another study by Lasmini and Ramantha (2019) states that the experiences students have influenced their intention to take whistleblowing actions. Someone with work experience can have more knowledge, and there is a shift in idealism because of the difference between what is learned in college theoretically with practical things that are applied in the workplace. Differences in the socio-cultural background can also affect WI, as researched by Findandari and Wijayanto (2016). The results of this study indicate the influence of different socio-cultural dimensions on WI, especially in the dimensions of power distance, collectivism, long-term orientation, and masculinity.

Considering the results of this study and other studies above, further research must consider factors outside of the moral intensity environment, such as the level of student understanding, experience, and socio-cultural background. By considering more of these factors, it is hoped that a more relevant model can be found to reflect what things can significantly affect WI. Then based on the results of this study and other research above, it

is hoped that it will be able to help Lecturers of the Accounting Department to design the curriculum of courses and materials needed to encourage undergraduate Accounting students to have stronger WI and be ready to be practised in the actual work environment.

CONCLUSION

This research has a positive contribution by exploring the aspects that motivate undergraduate Accounting student's WI. This study proved that CM, SA and PX do not significantly affect undergraduate Accounting student's WI. On the other hand, FR has a significant influence on the whistleblowing intention of these students. The implications of those results indicate that the strongest factor influencing WI of undergraduate accounting students is Fear of Retaliation.

This research can provide benefits and positive contributions for future research exploring whistleblowing intention in-depth, both among students and practitioners. However, this study also has limitations as it only involves four independent variables. Based on the study results, which showed that only one independent factor had a strong influence on WI, it is possible that other unidentified independent factors could affect WI. For further research, it is recommended to learn more of the factors that affect WI to know more clearly what factors the drivers of WI are for undergraduate Accounting students.

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