

Individual Morality To Accounting Fraud Tendency At Whole BMTs In Kudus

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Abstract: This research has purposes to find out individual morality to accounting fraud tendency at whole BMTs in Kudus. This quantitative field research uses primary data through survey by using questionnaire distribution. There are two variables (X) individual morality and (Y) accounting fraud tendency. All BMTs' employees in Kudus joining PBMT, 302 employees are the population. Meanwhile, 173 respondents selected by purposive sampling are the sample. The findings show individual morality influences accounting fraud tendency shown by direct effect coefficient of individual morality to accounting fraud tendency (lance c) of model (1) -0.37 and is significant (0.01).

Keywords: individual morality, accounting fraud tendency

INTRODUCTION

The modes of the fraud may vary, started from fictitious sales, fictitious payment, fictitious withdrawal, and others committed by each BMT's employees. Due to such actions, BMTs suffers huge losses and even runs out of business (Husnurrosyidah, 2018). Besides fraud committed by employees of banks and external party of banks, loan fraud also exists. It commonly involves several types of frauds and collusions between internal and external parties. Fraud cases at banking committed by its employees in 2015 – 2016 occurred at Bank Tabungan Pensiunan Nasional or National Retirement Saving Sharia Bank, suffering 169 million IDR loss, taken by its employee named Elisa. The mode was creating fictitious report and client's data. It was done when the perpetrator officiated as central builder at Sharia BTPN so the action (Tribun Lampung, 2017). To execute this action, the perpetrator usually cooperates with cellular outlets or agents to gain access of victims' SIM cards. The latest fraud mode is indicated by Russian made devices which are capable of intervening signals of ATM machines to bring out the money (Yudistira, 2017). Fraud as an intentional action to use sources of company abnormally and mistakenly, it is factually used to gain personal benefits. Fraud is an action breaching law as referred by article 278 criminal code and 268 criminal code (Priantara, 2013:4). Association of Indonesian Accountants (IAI) explains accounting fraud as: 1) mistakenly presenting caused by financial statement fraud such as miss-presenting or intentional embezzlement the amount or statement of financial report to deceive its users, 2) mistakenly presenting caused by misappropriation to assets (embezzlement) related to stealing asset entity to have caused misappropriate financial report presentation to general accepted accounting principle in Indonesia (PABU) (IAI, 2018:316). Cressey states three conditions generally emerge when fraud occurs: pressure, opportunity, and rationalization. Pressure appears due to needs of financial problems but most of them are triggered by greed.

An individual's greed gets higher when he has lower morality so he cannot act properly and morally (Priantara, 2013:44). Rationalization occurs since an individual seeks a rationalization upon his fraud. merupakan peluang yang memungkinkan terjadinya fraud. Agency theory is a theory explaining accounting fraud tendency (Jensendan Meckling in Udayani et al, 2017). When individual morality gets worse then it allows unethical behaviors and accounting fraud tendency to occur. Bad morality of an individual is assumed to motivate an individual to act unethically and commit accounting fraud (Wilopo, 2006). Morality occurs when an individual takes a good thing based on obligation and responsibility instead of seeking personal benefit. It is defined that individual morality is good behavior and attitude of an individual to not demand reward or appreciation (Budinarsih, 2004:24). This research is done at whole BMTs in Kudus because they are moderate sharia financial institution closest to society and micro business people. However, based on observation, several BMTs suffer losses due to accounting fraud such as misappropriation of authority done by managers, and fictitious sales by their employees. Based on the phenomena, the question is how the influence of individual morality to accounting fraud tendency is.

LITERATURE REVIEW

Agency Theory

The owner has interest to obtain maximal outcome of the already invested fund. Meanwhile, the management has personal interest to obtain incentives upon company's fund management (Jensen and Meckling in Udayani et al, 2017).

Individual Morality

Morality means an individual reasoning ability to decide problem in dilemmatic ethics by initially assessing values and social values of what actions to do (Cohen et al, 2011).

Levels of Morality Development

Morality development theory by Kohlberg defines that morality develops through three stages: pre- conventional, conventional, and post- conventional (Puspasari, 2012). Ability of an individual to solve dilemmatic ethics is influenced by their reasoning level of morality (Welton in Puspitasari, 2012). Findings by Liyanarachi (2009) shows that reasoning level of morality influences ethical behaviors. Individuals with low moral reasoning level behave differently

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to those with higher one while facing ethical dilemmas. Higher level of an individual's moral reasoning allows him to behave properly.

Measurement of Individual Morality

Morality measurement uses Multidimensional Ethics Scale (MES) to measure an individual's moral reasoning level. It specifically identifies rationalization behind moral reasons and reasons of the respondents to believe an action is ethical. There are five constructs of moral reflected by MES:

1. Justice atau Moral Equity
This construct states that doing something right is determined by existence of moral justice principle. This constructs reflect that an individual's action is fair or unfair, equitable or inequitable, and normally correct or incorrect. .
2. Relativism
This construct is a pragmatic reasoning model assuming that ethics and values are general in nature but it is closely bind to cultures. It reflects an individual's action culturally are acceptable or unacceptable, or traditionally acceptable or unacceptable.
3. Selfishness or Ego
This construct states that an individual always struggles in maximizing individual wellbeing and considers an action is ethical if it gives benefits personally. It reflects an individual's action whether showing promotion (or not) from the doers and satisfying personality or not.
4. Utilitarianism
This construct states that moral reasoning is one of philosophy consequences. Morality of an action is a function the gained uses and occurred costs. It reflects an individual's action whether it has great benefits or less benefits and it can minimize any disadvantage or maximize benefits.
5. Deontology atau Contractual This construct is a logical- reasoning manner to identify tasks or responsibilities to do. Current rules related to auditing profession is a guidance to dothe task. This construct reflects an individual's action breaking or not breaking written contract or spoken agreement.

Accounting Fraud Tendency

Fraud is defined as irregularity or distortion. It is done by various organization both public and private at public sectors. The motives are to enrich an individual's self/a group of people. The modes are similar, by using illegal ways (Priantara, 2013:44). Delf (2004) added another one typology called as cybercrime fraud. It is the most frightening fraud in the future where technology will develop faster and be more advance (Priantara, 2013:66). Fraud triangle theory is a notion investigating fraud causes. It was firstly created by Cressey (1953), named fraud triangle. It consists of three common conditions occurred during fraud: incentive/pressure, opportunity, and attitude/rationalization (Priantara, 2013:44).

Indicators of Measuring Accounting Fraud Tendency

The instruments to measure the tendency consists of five items developed by the researchers from SPAP, section 316 IAPI, 2011 as following: (1) tendency to manipulate,

falsify, and change accounting notes; (2) tendency to mistakenly present or removing transaction event and significant information upon financial statement; (3) tendency to intentionally commit a mistake in implementing accounting principles; (4) tendency to mistakenly present financial statement toward assets causing entity pays unaccepted good/service. Based on the explanations, thus the hypothesis is:

H₁: There is influence of internal control to accounting fraud tendency at whole BMTs in Kudus.

METHODOLOGY

This quantitative field research used primary data from survey done by questionnaire (Kuncoro, A & Sutomo, Y, 2018). There are two independent variables: (X) individual morality and (Y) accounting fraud tendency. The population of the research is whole employees of BMTs in Kudus, joining PBMT, with total numbers of 302 employees. The sample involves 173 respondents taken by purposive sampling. Techniques of analyzing data are research instrument and hypothesis tests by using regressive statistic method technique. FINDINGS AND DISCUSSION Hypothesis Test Result Based on analysis of each lane for each variable: internal control, individual morality, and accounting fraud tendency:

H₁: There is influence of individual morality to accounting fraud tendency

The result test shows direct effect coefficient of individual morality to accounting fraud tendency (lane c) of model (1) is -0.37 and significant (0.01). It shows that (H₂) is accepted.

DISCUSSION

Influence of Individual Morality to Accounting Fraud Tendency

The finding shows individual morality influences accounting fraud tendency of the BMTs. Better individual morality of the employees lowers levels of accounting fraud tendency. Individual morality is an ability to decide a problem within dilemmatic ethical situation by initially assessing values and social of any action to do (Cohen et al, 2001). This research is consistent with Eliza's research titled "Influence of Individual Morality and Internal Control System to Accounting Fraud Tendency of Padang Regional Work Unit". The finding shows internal system negatively influences and is significant to the tendency, stated by t test, in which $x_2 = 0.026 < 0.05$ (Eliza, 2015). The finding shows individual morality influences accounting fraud tendency with $t_{\text{calculated}} = 2.108 > t_{\text{table}} = 1.682$ and significance $0.001 < 0.05$ (Novikasari et.al, 2017). By using limit of significance under 5%, then H₀ is denied and H₁ is accepted. It shows that individual morality influences negatively to the fraud at Umalas Villa (Udayani, 2017).

CONCLUSION

It can be concluded that individual morality negatively influences accounting fraud tendency at BMTs in Kudus. It is shown by direct effect coefficient of individual morality to accounting fraud tendency (lane c) of model (1) is -0.37 and

significant (0.01). It means lower individual morality leads to higher accounting fraud tendency. It is in line with Eliza (2015), Novikasari et al, (2017) and Udayani et al (2017).

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