**EFFECT OF MORAL REASONING AND GENDER REGULATIONS**

**TOWARDS WHISTLEBLOWING INTENTION**

**Mayar Afriyenti**

**Padang State University**

**Abstract**

*Whistleblowing has been regarded as one of the most effective ways to prevent corruption. Various economic, psychological and ethical factors have been investigated as triggering a person's desire to take whistleblowing action. This research develops previous research by examining the influence of moral reasoning and gender toward whistleblowing intention by conducting local government public servants. The research was conducted using a quasi-experiment approach. Variables of moral reasoning were measured using Mach-IV and gender identified based on demografic data of the participants. Data were analyzed using one-way Anova.*

*The results show that the level of moral reasoning significantly influences whistleblowing intention, while gender does not have a different effect. This finding implies the need for government institutions to build and foster moral standards and codes of conduct in order to support corruption and fraud prevention through whistleblowing mechanisms.*

Keywords: Moral Reasoning, Gender, Whistleblowing, Local Government Apparatus.

**INTRODUCTION**

The Association of Certified Fraud Examiners (ACFE) states that there are three forms of fraud: misuse of assets, fraudulent financial reporting, and corruption. The fact that Indonesia as one of country with a high level of corruption in the world indicates the number of irregularities that occur both at the level of government organizations and the private sector. In Indonesia there are many cases of misuse of assets, fraud in financial reports, corruption, extortion, bribery, and other unethical actions that violate the rules (ACFE, 2016; Diani and Narsa, 2017). Fraud is recognized as a serious socio-economic problem in the world because of the magnitude of the impact of losses incurred and whistleblowing has become an important mechanism to combat it (Darjoko, 2016). Many countries, including Indonesia, have arranged and encouraged every private or public organization to establish a whistleblowing system to prevent and expose fraud (OJK, 2014).

 The whistleblowing system has been regarded as an important form or policy practice in fraud control. ACFE's global study results showed the facts about the role of whistleblowing as preventive and monitoring mechanism in fraudulent disclosure (ACFE 2016, 2014, 2012b). The whistleblowing system is increasingly gaining attention as fraud continues to be the source of the problems affecting various organizations with very serious loss impacts.

 Many Research on whistleblowing has been done. Most of these prior studies try to outline the factors that influence or encourage individuals to do whistleblowing. Some of the economic and psychological factors identified as triggers of a person doing whistleblowing such as the seriousness of the problem, personal responsibility, personal cost, retaliation rate, personal reward, compliant success, and cost and benefit considerations (Ayers and Kaplan; 2005; Liyanarachchi and Newdick; 2009, Brewer and Selden; 1998; Gundlach, Douglas and Martinko; 2003; Keenan; 1990). In addition to economic and psychological factors, the tendency to conduct whistleblowing is also linked to ethical issues. More specifically, the ethical factors expressed include moral equity, personal responsibility and moral reasoning. One factor that has not yet been examined for its role in exposing one's intentions to whistleblowing is the gender factor, whereas in ethical studies in other fields, such as taxation (such as Chung and Trevedi, 2003), gender issues are considered to be decisive. Taylor and Curtis (2013) argue that gender may be able to create inconsistent influences in ethical decision making. In response to these calls, this study seeks to complement ethical literature in whistleblowing by examining the effect of moral reasoning and gender toward whistleblowing intention. The examination of the effects of moral reasoning in this study uses Machiavelinism measure (Mach-IV), in contrast to previous studies conducted by Liyanarachchi and Newdick (2009) which is used DIT Score from Rest (1977). According to Ghosh and Crain (1996), Machiavelinism is a valid instrument to measure individual moral reasoning.

 This study examines whistleblowing intentions by local government employees for several reasons. First, whistleblowing research has so far invoked whistleblowing intentions to auditors, both internal and external auditors (such as Taylor and Curtis, 2013; Darjoko, 2016; Diani and Narsa, 2017). Second, local government in Indonesia is considered as one of the institutions with an alarming level of corruption. No less than 100 Heads of Regions and / or head of governmental unit who are involved in corruption practices and are caught by the anti-corruption body.

**LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

**Whistleblowing**

Whistleblowing is the disclosure of alleged unethical and unlawful practices by members or former members of the organization to parties within the organization deemed capable of taking the necessary corrective action (Near and Miceli, 1985). Rocha and Kleiner (2005) define whistleblowing as an allegiation made by someone within the organization. This term to differentiate allegations made by internal parties with outsiders. Whistleblowing is considered a form of moral protest by a member or supervisory board of an organization through an abnormal communication channel to interested parties about the existence of illegal acts and / or the execution of immoral activities in an organization or practices of the organization which is against the public interest (BPPK-Kemenkeu, 2013).

 Within governmental institutions, whistleblowing can be regarded as an effective response to the failure of the country to develop an adequate community accountability mechanism. This activity will help institutions to reduce or prevent unethical behavior that will bring huge losses.

 The person doing the whistleblowing action called as a whistleblower. Whistleblower is an employee dares to report any irregularities that occur within an organization. For a whistleblower, organized fraud needs to be aware of the destruction of public life such as ineffective law enforcement, loss of state revenues due to corruption or fraud, loss of justice within the organization, or other public adverse effects if the public scandal is not immediately disclosed. Setyawati *et al*. (2015) states that the participation of whistleblower is crucial to the effectiveness of the whistleblowing system because a system becomes useless if no one uses it to report fraud. Whistleblowing action can be done by anyone. Prior studies as focus on examine whistleblowing intention conducted by auditors, both external auditors (such as Taylor and Curtis, 2013) as well as internal auditors (such as Diani and Narsa, 2017).

**Moral Reasoning and Whistleblowing Intention**

According to Rest (1983), a number of psychologists have used various characteristics to describe one's moral behavior. Generally ethics is understood to describe the moral principles or values ​​that a person possesses based on their internalized beliefs and values. Rest (1979) posits that moral reasoning is the basic concept that individuals used to analyze social issues and judge what action they will take. Meanwhile, Kohlberg (in Glover, 1997), defines moral reasoning as value judgment, social judgment, as well as an assessment of the obligation that binds the individual into performing an action. Moral reasoning can be a predictor of a particular action in situations involving morals.

 Moral development theories are often used in ethical research to observe the individual basis in performing an action (Diani and Narsa, 2017). Some of the theories used include Kohlberg's theory of moral development (1969), the moral model developed by Rest (1983) and moral reasoning as measured used Machiavelinism level. The primary basis for knowing the individual's inclination to perform a particular course of action, especially with regard to ethical dilemmas, is through the level of one's moral reasoning (Kohlberg, 1969). While the rest (1983) states four component models that can influence a person to perform ethical actions namely; moral sensitivity, moral judgment, moral motivation and moral character. Most ethical problems in the business world are always developed from these four components to get a detailed explanation of specific individual behaviors. In relation to whistleblowing, whistleblowing is not a new issue in ethical research but has existed since the late 1960s and early 1970s.

 Welton and LaGroune (1994) stated that the level of individual moral reasoning affects the individual's ability to resolve ethical dilemmas. Quoted from Diani and Narsa (2017), some previous research such as Bernardi (1994), Ponemon (1994), and Moroney (2008) concluded that the higher the moral level of an individual the more sensitive the individual would be to ethical issues. In the context of ethical taxation, Ghosh and Crain (1996) found that moral reasoning is positively related to tax compliance behavior. Wilopo's research (2006) found that the higher the level of individual moral reasoning then the individual is less likely to commit accounting fraud. The tendency to do whistleblowing is also closely related to ethical issues. Based on these explanations and findings, hypothesis 1 (H1) is formulated as follows:

H1: Individuals with higher moral reasoning levels are more likely to perform whistleblowing than individuals with lower moral reasoning levels

**Gender and Whistleblowing Intention**

Taylor and Curtis (2013) argue that gender may be able to create inconsistent influences in ethical decision making. Quoted from Taylor and Curtis, gender differences have been found in the DIT scores (St. Pierre et al., 1990), in preferences for decision-making approaches (Jones and Hiltebeitel, 1995), in ethical awareness (Bernardi and Gupti, 2008) and in a response to an ethically challenging situation (Cohen et al., 2001). In their study about whistleblowing, Taylor and Curtis found that men were less sensitive to power distance variations associated with fraud reporting. In the context of tax studies, Chung and Trivedi (2003) found a gender effect on tax compliance behavior. Other studies show that women are more ethical than men in terms of their compliance behavior and tax attitudes (Scholz and Pinney, 1995; Baron *et al*., 1992; Steenberger *et al*., 1992). However, other studies found no gender differences in ethical intentions (Goldman, 2001).

 Stedham *et al*. (2003) provide some inssights into these gender differences. They assert that, in assessing the ethical content in a decision, women tend to focus more on the interpersonal aspects of the ethical situation, as well as in their acceptability of the decisions, whereas men tend to take an impersonal approach and abstract the moral content from the interpersonal ethical situation. Stedham *et al.* (2003) further explained that women had higher scores relative on a relativistic dimension, as compared to a justice perspectives. This condition indicates that women tend to act when they see relativistic conditions rather than when faced with justice conditions. Fraud is a reflection of the relativistic or injustice conditions. Nevertheless, Taylor and Curtis (2013) found that women are more sensitive to power distance than a man. Rehg *et al.* (2009) found that men perceived retaliation lower than women. For women, in any position, the risk of retaliation is high enough. Based on these arguments, in relation to the tendency or intent to conduct whistleblowing, it is predicted that men will tend to report fraud rather than women. Thus, the hypothesis 2 of this study is formulated as follows:

H2: Men have a higher intention to do whistleblowing than women

**RESEARCH METHODS**

**Research Design and Experimental Task**

The study was conducted using a quasi-experimental approach. Participants in this experiment are Civil Servants in Pasaman Resident (Kab. Pasaman). Participants are selected based on 2 (two) criterias that include minimum education of Diploma 1 and working period of at least 5 (five) years. The experimental task in this research is the case of fraud in the procurement of government goods and services.

**Research Variables**

The independent variables in this study are moral reasoning and gender. Moral reasoning is measured using Machiavelism (Mach-IV) while gender in-dummy becomes male and female based on respondents' demographic data. The mach-IV measure consists of 20 statement items, where the statements on items 1,3,4,6,7,9,12, 16,18, and 19 are positive items and apart from the item each score is a negative item (reverse measured). To determine the level of moral reasoning of Mach-IV measure, the data is split using mean. The dependent variable is whistleblowing intention which is measured using a Likert scale on a scale of 1-7. The higher the respondent gives the scores, indicates a higher whistleblowing intention, and vice versa.

**Data analysis**

The objective of this study is to determine the effect of moral reasoning and gender toward whistleblowing intention. Since this study would like to scrutiny the difference in response of two levels of moral reasoning (high and low) then the level of moral reasoning is split down on a mean basis. Thus, respondents will be classified as high moral reasoning level group and low level of moral reasoning group. Data were analyzed using one-way Anova.

**RESULTS AND DISCUSSION**

**Respondents' Overview**

Of the 156 dispersed questioners, there were 128 questionnaires returned. Of the 128, 119 questionnaires can be processed, while the other 9 can not be processed because of incomplete response from participants. Demographic data of respondents showed there were 65 male respondents (54.62%) and 54 female respondents (45.38%). Based on years of experience (working period), respondents with a working period of 0-5 years are 25 people (21.01%), employment with a > 5-10 years are 17 people (14.29%), tenure years> 10-20 years are 31 people ( 26.05%), the working period of> 20-30 years are 32 people (26.78%), and the remaining 14 people (11.76%) have a working period of more than 30 years. Based on education level, respondents with master degree are 9 people, undergraduate are 81 people, Diploma 3 are 9 (nine) people and remaining 20 have senior high school certification.

**Descriptive Statistics and Hypothesis Testing Results**

There are two hypotheses in this study. Hypothesis 1 predicts that the level of moral reasoning affects the whistleblowing intention. In other word, the staff of the local government with higher moral reasoning levels will indicates a stronger whistleblowing intention than those with lower levels of moral reasoning. Meanwhile, hypothesis 2 predicts that men have a stronger whistleblowing intention than women. Descriptive statistics for the first variables are presented in table 1 below:

**Table 1.**

**Descriptive Statistic for Moral Reasoning**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean |
| Lower Bound | Upper Bound |
| 0 | 60 | 4,5667 | ,83090 | ,10727 | 4,3520 | 4,7813 |
| 1 | 59 | 5,0678 | 1,12747 | ,14678 | 4,7740 | 5,3616 |
| Total | 119 | 4,8151 | 1,01653 | ,09318 | 4,6306 | 4,9997 |

 As can be seen from table 1, and consistent with H1, the average whistleblowing intention was higher for the local government apparatus with higher moral reasoning on a scale of 5, 06 (standard deviation 1.127) than apparatus with lover moral reasoning level (4.56, standard deviation= 0.830). This difference (main effect of moral reasoning) is statistically significant (F=7,636; p= 0,007), thus, H1 is supported. Anova model is showed table 2 below:

**Table 2**

|  |
| --- |
| **Anova Model for Whistleblowing Intention (Moral Reasoning)** |
| NiatWB  |
|  | Sum of Squares | Df | Mean Square | F | Sig. |
| Between Groups | 7,471 | 1 | 7,471 | 7,636 | ,007 |
| Within Groups | 114,462 | 117 | ,978 |  |  |
| Total | 121,933 | 118 |  |  |  |

 Descriptive statistics for gender variables are presented in table 3 below:

**Table 3.**

**Statistic Descriptive for Gender**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean |
| Lower Bound | Upper Bound |
| 0 | 54 | 4,7037 | 1,00244 | ,13642 | 4,4301 | 4,9773 |
| 1 | 65 | 4,8462 | 1,03427 | ,12829 | 4,5899 | 5,1024 |
| Total | 119 | 4,7815 | 1,01814 | ,09333 | 4,5967 | 4,9663 |

 From table 3 above, it can be seen that the local government apparatus of male gender has the intention to conduct whistleblowing on the scale of 4,846 (standard deviation 1,034) while female sex apparatus have average intention to conduct whistlebowing on 4.703 scale (standard deviation 1,002 ). This difference is not statistically significant (F = 0.575; p =0.450). This result indicate that hypothesis 2 is not supported. The results of hypothesis 2 (H2) testing presented in table 4 below:

**Table 4**

|  |
| --- |
| **Anova for Whistleblowing Intention (Gender)** |
| NiatWB  |
|  | Sum of Squares | Df | Mean Square | F | Sig. |
| Between Groups | ,599 | 1 | ,599 | ,575 | ,450 |
| Within Groups | 121,721 | 117 | 1,040 |  |  |
| Total | 122,319 | 118 |  |  |  |

**Discussion**

Hypothesis 1 predicts that differences in the level of moral reasoning result in differences in whistleblowing intention. The study found that individuals with higher moral reasoning level showed a higher whistleblowing intention than individuals with lower moral reasoning level. The result of this study is consistent with the study of the Welton *et al.* (1994), Wilopo (2006), Ponemon (1992), Liyanaarchhi and Newdick (1999) and Diani and Narsa (2017). These findings raised expectation that by paying attention to build ethical standards and codes of condeuct in local governance institutions, fraud and corruption practices can be prevented and eradicated. This condition will support the implementation of an integrated whistleblowing system.

 The study found that gender did not influence whistleblowing intention among local governments’ public servants. Refers to the findings of some prior research that gender does not always affect ethical behavior (Goldman, 2001). In certain situations, women are more likely to behave ethically than men as found in Scholz and Pinney (1995), and Baron et al. (1992) but not so in other context as found by Taylor and Curtis (2013). This finding has implications for the importance of finding the setting under what conditions gender can influence individual ethical decisions.

**CONCLUSIONS AND LIMITATIONS**

This study aims to examine whether individual moral reasoning and gender influence a person's whistleblowing intention. The result of hypothesis testing show that the level of moral reasoning of the local government apparatus has a significant influence on whistleblowing intention, while gender does not affect the individual's intention to conduct whistleblowing. This finding implies that the moral consciousness of local government apparatus needs to be continuously built so as to create a work environment that supports the prevention and eradication of corruption through whistleblowing mechanisms. Guidance and development of moral standards also need to be supported by formalizing the code of ethics so that the local government apparatus always feels tied to its ethical obligations and moral standards.

 There are some limitations in this study that need to be of concern. First, the procurement of goods and services might be not too relevant for the study refers to centralization of procurement through Procurement Services Unit. This condition indicates that not all local government officials know the procurement processes. Second, whistleblowing decisions are not only triggered by ethical issues, therefore future research need to combine ethical factors with other factors such as whistleblowing channel, recipients’ accountability and organizational response.

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