

# CHAPTER I

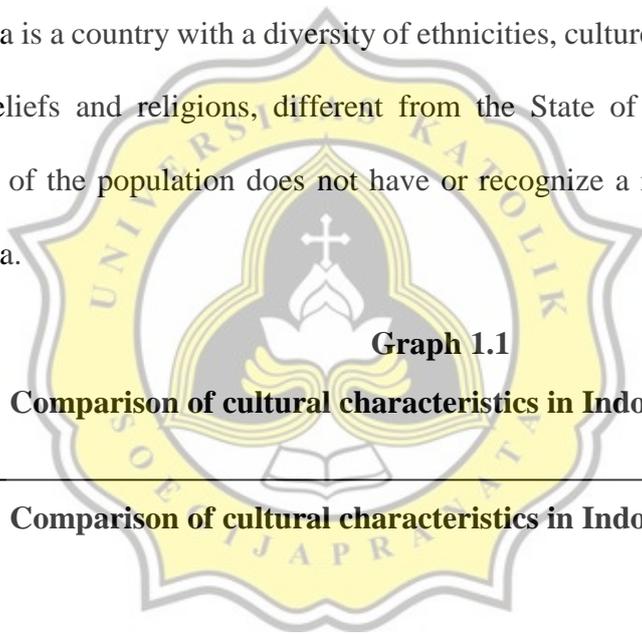
## INTRODUCTION

### 1.1. Background

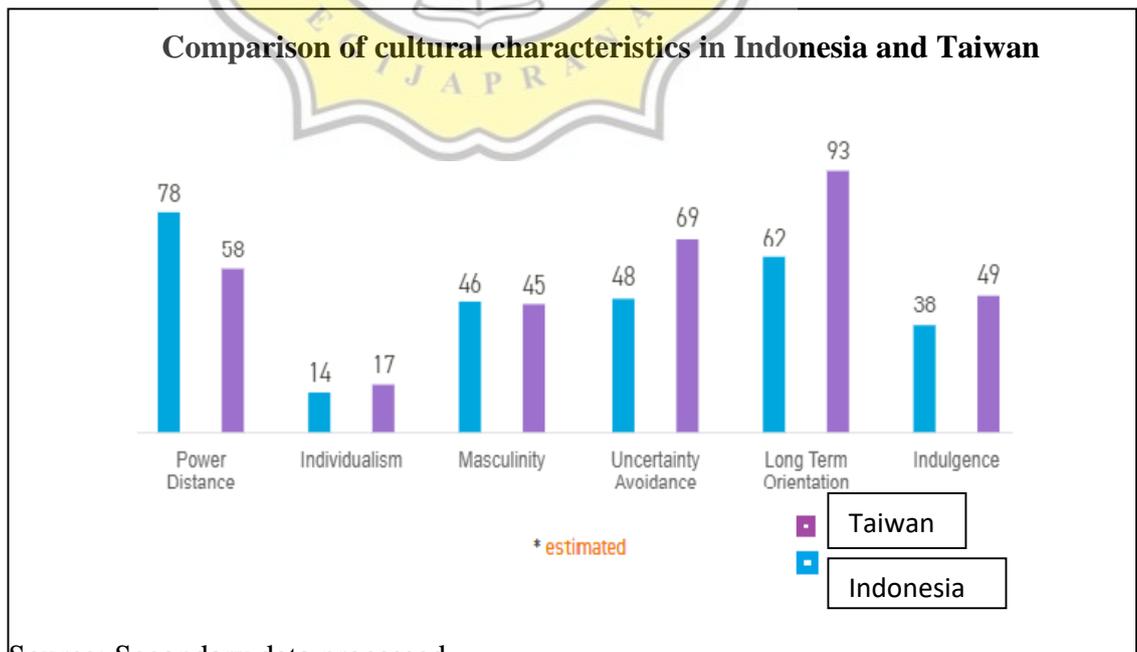
Ethics has become a long standing issue in an organization activities. The business world is growing rapidly and become a challenge as well as a threat to organisations in order to win competition and to maintain survival. This situation leads ethics to be compromised. People in organisations perceive ethics in many ways based on their intention and interest. The rapidly growing business world is a challenge and threat to business people in order to win competition and maintain the survival of their companies. Companies that want to grow and want to gain a competitive advantage sometimes ignore the ethics that exist to achieve this. In Big Indonesian Dictionary states perception is a direct response (acceptance) which comes from something or is a person's process of knowing things through their five senses. Matlin in Wati (2016) defines perception is something that is obtained through prior knowledge that describes factors from outside and oneself.

ethics definition, in Latin "ethica", means moral philosophy which is a guide to how to behave well from a cultural, moral and religious perspective. ethics talks about the values and moral norms that determine human behavior in his life. The term ethics when viewed in the Big Indonesian Dictionary, has a meaning that is a value of right and wrong which is adopted by a group or society.

Indonesia is the country with the largest population in the world, based on Worldometers data, Indonesia currently has a population of 269 million people or 3.49% of the total world population. Indonesia is ranked as the fourth most populous country in the world after China (1.42 billion people), India (1.37 billion people), and the United States (328 million people). While Taiwan currently has a population that is much lower than Indonesia, which is in the range of 23.78 million people. This becomes interesting considering that Indonesia is a country with a diversity of ethnicities, cultures, customs, and the many beliefs and religions, different from the State of Taiwan where the majority of the population does not have or recognize a religion like that in Indonesia.



**Graph 1.1**  
**Comparison of cultural characteristics in Indonesia and Taiwan**



Source: Secondary data processed

At a distance of power Indonesia has a high score of 78 where Indonesia has a hierarchical style, unequal rights between power holders and non-holders of power, power is centralized in the leadership where superiors are inaccessible and subordinates are just waiting for direction from the leadership. Taiwan has a score that does not differ much from Indonesia, which means that the two countries have a strong hierarchy level, inequality between superiors and subordinates.

For the level of Individuality, the two countries have relatively low scores which means that both Indonesia and Taiwan have a good kinship and kinship system in dealing with and socializing with the community, they have high concern between one community and other communities.

Indonesia has a low score in terms of masculinity, Indonesian people think about what is assessed and seen by the general public, Indonesian people attach great importance to "prestige" in social life not much different from the state of Taiwan which means both countries focus on working for life.

Indonesian people get a low score for the uncertainty avoidance dimension meaning that the Indonesian people will avoid things that are uncertain. Based on the uncertainty that will occur in the future the Indonesian people avoid things that are not desirable by not showing emotions in public and keep smiling when they are upset. Such a phrase is quite a trend in Indonesia that is "the important thing is that the boss are happy" if someone has a good relationship with superiors, of course someone will be judged well by the company and this will prevent the person from economic uncertainty in

the future. In contrast to Taiwan which has a high score for avoiding uncertainty. Taiwan maintains a code of beliefs and behavior that is rigid and intolerant of unorthodox behavior and ideas.

Indonesia's high score on long-term orientation shows that Indonesia has a pragmatic culture. people believe that truth really depends on the situation, context and time. Taiwan also has a high score for this, making it a pragmatic long-term orientation culture. Communities with this orientation demonstrate the ability to adapt tradition to the modern context, namely pragmatism, a strong tendency to save and invest, savings, perseverance in achieving results.

Interestingly enough in the pleasure dimension, Indonesia has a fairly low score of 38 in this dimension which shows that Indonesia has a culture of restraint. People with low scores in this dimension have a tendency to be cynical and pessimistic. People with this orientation have the perception that their actions are limited by social norms and feel that pampering themselves is somewhat wrong. This is slightly different from what happened in Taiwan where Taiwan has an intermediate score of 49 which does not show a dominant preference on this dimension. Taiwanese people still think that fun is still a part of life.

There are a number of things and characteristics possessed by Indonesia and Taiwan to be interesting to see how the ethical perceptions held by the two countries remember there have been many large cases that have occurred in companies or large organizations in the world who commit ethical violations

because they do not have good ethical persessions that have a negative impact on various parties.

Various kinds of problems that have occurred and involve many large companies such as Worldcom, Enron, and KAP Arthur Andersen due to the non-implementation of the established code of ethics so that the negative impact on various parties becomes a challenge and its own problems. September 2001, KPMG-Siddharta Siddharta & Harsono must bear the shame. This famous public accounting firm was proven to have bribed the tax apparatus in Indonesia for US \$ 75 thousand. As a strategy, a fake invoice was issued for KPMG's professional service fees to be paid by his client PT Easman Christensen, a subsidiary of Baker Hughes Inc. listed on the New York exchange. Thanks to this bribery, Easman's tax obligations have indeed dropped drastically. From the original US \$ 3.2 million to only US \$ 270 thousand. However, Baker's Anti-Bribery Adviser was apparently alarmed by his subsidiary's policy. So, rather than bear greater risk, Baker voluntarily reported the case and fired his executive. The US capital market watchdog, the Securities & Exchange Commission, ensnared it with the Foreign Corrupt Practices Act, an anti-corruption law for American companies abroad. As a result, nearly Baker and KPMG were dragged into the Texas district court. However, because Baker apologized, the case was finally settled out of court. KPMG was saved. Garuda Indonesia has also tripped over cases until it was fined Rp. 100 million. The fine was due to a violation of the financial statements for the 2018 fiscal year. Violation of OJK Regulation Number 29 /

POJK.04 / 2019 concerning Annual Reports of Issuers or Public Companies. The sanctions were given after the Ministry of Finance (Ministry of Finance) examined the Kasner Sirumpea Public Accountant (AP) and Tanubrata Public Accountant Office (KAP) related to the problem of the financial statements. It is known, in the examination the Ministry of Finance found violations, specifically the recognition of revenue from the cooperation agreement with PT Mahata Aero Teknologi which was indicated to be not in accordance with accounting standards.

The Enron case manipulated numbers and disclosures of financial statements by inflating revenues of US \$ 600 million and not publishing their debts of US \$ 1.2 billion. The same thing happened to the company Worldcom. The largest telecommunications company in the world that has cheated on its financial statements that do not publish the decline in profits they get. Worldcom, which has recorded interconnection expenses with other telecommunications companies as capital expenditures, where these transactions should be recognized and recorded as costs but recognized as company assets. In dealing with society, a person needs to pay attention to good ethics when communicating with others. Ethics must be understood and applied in everyday life is no exception in the business world. Someone who conducts business activities must also have ethics and implement the rules that apply in society

Based on these problems there are several previous studies that have been conducted to find out the factors that influence the ethical perceptions of

accounting students. Research conducted by Permatasari and Surayya (2019) shows that the love of money does not significantly affect the ethical perceptions of accounting students. This result is different from Tang (2008) which confirms that there is a significant influence of money love on unethical behavior in business students. This study aims to emphasize and examine the gap research by seeing whether there is an influence of the relationship between love of money with ethical perceptions, as well as developing by adding gender and religiosity as moderating variables to be able to find out whether gender and religiosity can weaken or strengthen the relationship between love of money with ethical perceptions.

Most men are motivated to meet their needs and ambitious to get a high position. The love of money can have an impact on unethical behavior. Women are more sensitive to moral issues, while men show a more rational attitude than women. Men tend to have lower ethical reasoning than women, because men are willing to be risk takers when they try to achieve their goals. This is supported by Hoffman (2011) who found that female managers were more ethical than men in relation to the use of unsafe products.

Religiosity can control people's behavior to act more ethically. In a study conducted by Lung and Chai (2010), it was found that religiosity has an effect on the ethical behavior of students. People who have a high level of religiosity will be able to control unethical behavior, so people with a high love of money will be controlled not to do unethical acts..

Men and women carry different values and attitudes at work. These gender differences in values and attitudes affect men and women in making decisions and practices. Men will compete for success and are more likely to break the rules because they regard achievement as competition, while women focus more on good execution and harmonious work relationships. Therefore, female accountants are more obedient to the rules and less tolerant of individuals who break the rules.

Male characters tend to have a higher level of love for money than women. Men generally have higher concerns about career advancement, so they are more likely to engage in unfair practices than women Betz (1989). Malinowski (2012) Most men are motivated to meet their needs and ambitious to get a high position.

This research is important because if this continues to occur, the events of ethical action that will occur will increase and various kinds of problems that occur in the company that occur due to ethical perceptions that are not in accordance with the code of ethics. This study will also update the research previously conducted by Wati (2016) that examines the influence of business ethics education, gender, religiosity, and academic performance on ethical perceptions of accounting students at Gajah Mada University in Yogyakarta. In a study conducted by Wati (2016) there were limitations, the study only used a sample of accounting students at one University, namely Gajah Mada University, Yogyakarta, so an external validity test was needed to generalize the results of the study by changing the sample into accounting students in

Indonesia ( Soegijapraata Catholic University, Semarang) and in Taiwan (Providence University, Taichung) as well as replacing existing variables with new variables namely love of money.

In addition, this study also updates the previous research by testing whether love of money influences ethical perceptions by testing the effect of love of money on ethical perceptions and makes gender and religiosity a moderating variable that moderates the relationship of love of money with ethical perceptions on Accounting Students in Indonesia and in Taiwan. Research conducted by Permatasari and Surayya (2019) shows that the love of money does not significantly affect the ethical perceptions of accounting students. This result is different from Tang (2008) which confirms that there is a significant influence of money love on unethical behavior in business students. The love of money is the attitude of individuals who prefer money.

Men generally have higher concerns about career advancement, so they are more likely to engage in unfair practices than women Betz (1989). Religiosity can control people's behavior to act more ethically. In a study conducted by Lung (2010), it was found that religiosity has an effect on the ethical behavior of students. People who have high religiosity are able to control unethical behavior, so people with a high love for money will be controlled not to do unethical deeds. The sample in this study used accounting undergraduate students (morning and evening classes) Soegijapranata University, Masters of Accounting Soegijapranata University, Providence

University undergraduate accounting students and Providence University accounting master students in the even semester of the 2018/2019 school year.

This research is important to update the results of Wati (2016) research and aims to confirm and examine the existing research gap by seeing whether there is an influence of the relationship between love of money with ethical perceptions, as well as developing by adding gender and religiosity as moderating variables. to find out whether there is an influence of love of money on the ethical perceptions of accounting students who in Indonesia and Taiwan by making gender and religiosity a moderating variable that moderates the relationship of love of money with ethical perceptions. In the end the results of this research can be used to change and advance the practices used by accounting studies programs at a University in order to improve the ethical perceptions of accounting students in providing ethical considerations and ethical decisions, and can be used by companies to determine policies in recruiting employee then the title of this research is "**Gender and Religiosity Moderation on the Relationship between Ethical Perception and Love of Money of Accounting Students in Indonesia and Taiwan**"

## **1.2. Formulation of the problem**

1a. Is there a negative influence between love of money with the ethical perceptions of existing accounting students in Indonesia?

1b. Is there a negative influence between love of money with the ethical perceptions of existing accounting students in Taiwan?

2a. Do gender weaken the relationship love of money with the ethical perceptions of accounting students in Indonesia?

2b. Do gender weaken the relationship love of money with the ethical perceptions of accounting students in Taiwan?

3a. Do religiosity weaken the relationship love of money with the ethical perceptions of accounting students in Indonesia?

3b. Do religiosity weaken the relationship love of money with the ethical perceptions of accounting students in Taiwan?

### **1.3. Research Objectives and Benefits**

#### **1.3.1. Research Purposes.**

1a. To test whether there is a negative influence between love of money with the ethical perception of accounting students in Indonesia.

1b. To test whether there is a negative influence between love of money with the ethical perception of accounting students in Taiwan.

2a. To test whether gender weaken the love of money relationship to the ethical perceptions of accounting students in Indonesia.

2b. To test whether gender weaken the love of money relationship to the ethical perceptions of accounting students in Taiwan.

3a. To test whether religiosity weaken the relationship of love of money to the ethical perceptions of accounting students in Indonesia.

3b. To test whether religiosity weaken the relationship of love of money to the ethical perceptions of accounting students in Taiwan.

### **1.3.2. Benefits of Research.**

#### 1. Contribution of Practice.

For the University. This research is useful to provide advice to universities to increase religious education in Accounting or University Studies programs in improving the ethical perceptions of accounting students.

For practitioners. The results of this research can be used for companies to provide advice and input in recruiting employees.

#### 2. Contribution of Research.

This research is useful to re-examine the gap research on the results of previous studies and to use a different sample from previous studies, namely in Indonesia and Taiwan.

#### 3. For Academics.

This study provides empirical evidence whether love of money affects the ethical perceptions held by accounting students in Indonesia and Taiwan and whether religiosity and gender moderate the relationship between love of money with ethical perceptions in accounting students in Indonesia and Taiwan.

#### **1.4. Research methodology.**

The research methodology in this research is :

- Chapter I Introduction

Chapter I contains the background, the formulation of the problem, the objectives and benefits of research and research methodology.

- Chapter II Theoretical Basis

Chapter II discusses the literature review which begins with a theoretical basis to the hypotheses developed and the research framework.

- Chapter III Research Methods

Chapter III will contain the source and type of data to be used, population and sample, definition and measurement of variables needed in this study and data analysis methods.

- Chapter IV Results and Discussion

Chapter IV contains the analysis of various calculations to answer the problem in this study.

- Chapter V Conclusions and Recommendations

Chapter V contains conclusions and suggestions obtained from this study that can be useful for the parties involved in the problem of ethical perception.