

The Interaction Effect between Internal Control and Self Esteem on Ethical Behavior

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Abstract---This study aims to determine the ability of the interaction between internal control and self-esteem in explaining ethical behavior. The study was conducted at SKPD in Cimahi city. The sample used in this study was 110 employees. This research is explanatory research, to see the ability to moderate self-esteem used moderated regression analysis with SPSS software. Likert scales are used to measure attitudes. The results showed that self-esteem was able to moderate the influence of internal controls on ethical behavior

Keywords---Internal Control, Self Esteem and Ethical Behavior.

I. INTRODUCTION

Research in the field of internal control is generally associated with performance, whether individual performance or organizational performance. Some studies, for example, as done by Noorvelembi (2006), Njeri (2014), Shabri, Saad, Abu Bakar (2016) and Oppong, Owiredo, Abedana, and Asante (2016) found that internal control affects performance. In its development research in the field of internal control is also associated with behavior. Research on internal control related to behavior has been carried out in Indonesia, but the results are still not conclusive. This can be seen in the studies conducted by Nugraha (2015), Diny Fitrianti (2015), and Rindi (2017), who found that internal control was able to influence ethical behavior, while the research conducted by Kusuma Agrianto (2014) found that Internal control does not affect ethical behavior.

Internal Control according to the Committee of Sponsoring Organization of the Tread Way Commission (COSO) in Sawyer (2012) is a process that is influenced by the board of directors, management and other personnel, this system is designed to provide adequate confidence in achieving goals in the effectiveness category and operating efficiency, about the level of reliability of financial reporting and compliance with applicable laws and regulations. The purpose of implementing internal controls is the reliability of financial statements, compliance with the law, and applicable regulations, and the effectiveness and efficiency of operations. This shows that if internal controls are implemented properly and correctly, then employees will comply with the rules including the code of ethics that has been set in the company.

Anthony and Govindarajan (2005) suggests that the process of the influence of internal controls on employee ethical behavior does not occur by itself, but can be determined by situational or conditional factors that interact with individual factors. Individual factors are important to consider because a person's behavior cannot be seen only partially from situational factors, but also must consider the factors inherent in individuals who can influence their behavior (Gibson, Donnelly J, Ivancevich, Konopaske,, (2012).

Some studies that examine the influence of individual factors such as moral values and locus of control on one's ethical behavior are carried out by Trevino (1986), Tsui and Ferdinand (1996). The study concluded that moral values and locus of control from a person influence ethical behavior. Research conducted by Suar, Gochhayat and Suar (2016) found that self-esteem influences ethical behavior. This research was conducted to see the interaction between situation factors namely internal control and individual factors, namely self-esteem towards ethical behavior.

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II. LITERATUR REVIEW

II.I. Internal Control

Internal control is a system of administrative and financial checks and balances, designed by management, and supported by corrective actions, to ensure that the organization's main goals can be achieved (Cahill, 2006). Internal control can also be said as a set of mechanisms used to motivate people or groups in order to achieve the desired goals (Saudi, 2018). Kirsch (2002), because internal control can coordinate people with different objectives in an organization, Ouchi (1979). Bodnar and Hoopwood (2010) say that internal control is a process designed to provide assurance regarding the achievement of organizational goals in terms of reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

COSO (2013) in the latest framework states the purpose of internal control which includes 1) operating objectives, 2) reporting objectives; and 3) compliance objectives. The third objective of internal control is the output of an internal control that is well implemented. In order for the purpose of internal control to be achieved, it is necessary to consider the elements of internal control which include: control environment, risk assessment, control activities, information and communication, and monitoring activities..

The control environment element emphasizes the basic understanding adopted by the management of a company to control the organization, determine its attitude to the problem and approach to solve their problems and perspectives on the importance of moral values (Hayali, Dinc, Sarili, Dizman, Gundogdu, 2013). The control environment is a very important foundation, so that the objectives of internal control can be achieved. The emphasis on moral and ethical values will be a trigger for employees to behave ethically. Research conducted by Griffin and Ebert (2007) reveals that personal values and personal morals and social conditions will determine whether a behavior is considered ethical or unethical behavior. The above description can be used to make the first hypothesis: internal control influences ethical behavior.

II.II. Self Esteem

Self-esteem is one part of a person's personality that shows one's perspective describing himself about his strength, meaning, virtue and abilities. Pierce, Gardner, Cummings and Dunham (1989) revealed that self-esteem is an attitude of agreement or self-disapproval; this is a personal evaluation that reflects what someone thinks of himself as an individual; individual beliefs about her worthiness. This is in line with that expressed by McColl-Kennedy and Anderson, (2005), that self-esteem is a self-perception in terms of feelings of worthiness and self-esteem, especially in the social environment or within the organization. Research conducted by Lacobuci, Daly, Lindell and Griffin (2012) found that self- esteem was not related to ethical confidence

Self-esteem seen from its characteristics can be grouped into two types, namely high self-esteem shows the suitability of behavior with his ideal, or low self-esteem when someone rejects himself as something valuable and not responsible for his own life (Nelson and Quick, 2012). Someone with high self-esteem tends to be satisfied with their character and ability. Positive acceptance and self-esteem provide security in reacting to stimulus and the social environment. Someone with low self-esteem lacks self-confidence to assess their abilities and characteristics, so they are less able to express themselves to their social environment and are less able to accept pressure. Someone with high self-esteem will tend to be more careful in behaving because they want to keep their self-esteem, while someone who has a low self –esteem. The description explains that a person's self-esteem will influence his or her behavior including ethical behavior.

The research conducted by Ziaran (2015) found that self-esteem influences ethical behavior. Suar, Gochhayat and Suar (2016) also found that self-esteem had a positive effect on ethical behavior. The second hypothesis can be stated as follows: Self Esteem affects ethical behavior.

II.III. Ethical Behavior

Ethical behavior is behavior that is in accordance with social norms that are generally accepted in relation to right and good actions. This ethical behavior can determine the quality of individuals (employees) who are influenced by factors obtained from outside, which then become the principle that is lived in the form of behavior. (Griffin and Ebeert, 2007). In business, ethical behavior is a fair and correct practice. This includes a set of desirable activities for employees such as sticking to organizational rules and policies, keeping secrets about sensitive organizational information, not imposing personal expenses on an organizational account, not falsifying time, quality, or quantity reports. Compliance with ethical norms mobilizes employees to engage in desired practice work, prevent lawsuits, improve business prospects and increase the goodwill of the organization (Becker & Fritzsche, 1987).

Most organizations have a code of ethics to encourage their employees to behave ethically. However, just a code of ethics is not enough. Organizations must establish high moral standards and ethical values, such as indicators contained in the dimensions of the control environment. In addition, the application of moral standards and ethical values needs to be monitored. Many studies in Indonesia have found that internal control can influence ethical behavior. However, Kusuma Agrianto (2014) found that internal control does not affect ethical behavior. Nelson and Quick (2012) say that behavior-forming factors are conditions that interact with individual differences. This individual difference characteristic is very many forms, including personality.

Previous research using personality factors as moderating the relationship between internal control and ethical behavior was carried out by, Brownell, (1982), Artha, Agus and Gerianta Wirawan Yasa, (2016), etc. In their research the concept of locus of control was used to describe personality. This research uses personality seen from the concept of self-esteem. The third hypothesis developed based on the above description is: self-esteem is able to moderate the influence of internal controls on ethical behavior.

III. RESEARCH METHODOLOGY

This research was conducted at “Satuan Kerja Perangkat Daerah” (SKPD) of Cimahi City. SKPD is executing executive functions that coordinate with each other so that government administration runs well. The object of research is the employees at the SKPD. The sample in this study was 110 employees who were determined by quota sampling in order to be able to fulfill the assumption of the number of samples in multivariate. This study is an explanatory study with internal control variables as explanatory and ethical behavior as variables that are explained and strengthened by the variable self-esteem

Internal control is measured by an instrument developed by the COSO Framework (2013) which consists of 36 statement items. Internal Control items are measured using the Likert scale 1-5. The statement used to measure Ethical Behavior of Employees was developed by Tang, T.L.P. and Randy K. Chiu (2003) which consists of 4 items using the Likert scale 1-5. The instrument for measuring ethical behavior consists of 10 items developed by Rosenberg, Morris (1965) in Mas'ud (2004), with a likert scale. The collected data is processed using moderated regression analysis.

IV. RESULTS AND DISCUSSION

The number of questionnaire that is suitable to be processed is one hundred and ten. Test the validity of the questionnaire carried out using the Pearson Product Moment correlation test, all items are valid with a calculated R above the critical point of 0.30. Reliability testing was carried out using the Cronbach's Alpha method the three variable questionnaires had a coefficient above the critical point of 0.7 which means the three variable instruments are reliable. Classic assumption test shows that the data for the three variables are normally distributed, there is no multicollinearity or heteroscedasticity.

The results of moderated regression analysis are as follows.

Tabel 1.1:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609 ^a	0.371	0.365	1.39726
a. Predictors: (Constant), PI				

Tabel 1.2:

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.203	1	124.203	63.618	.000 ^b
	Residual	210.851	108	1.952		
	Total	335.055	109			
a. Dependent Variable: PE						
b. Predictors: (Constant), PI						

Tabel 1.3:

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.8	1.715		1.633	0.105
	PI	0.098	0.012	0.609	7.976	0

a. Dependent Variable: PE

Tables 1.1, 1.2 and 1.3 showed that variations in the value of ethical behavior can be explained at 36.5% by variations in internal controls. Regression models can be used to predict ethical behavior because the probability value is smaller than 0.05. Internal control variables affect the variable ethical behavior by 60.9%

Tabel 1.4:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611 ^a	0.373	0.361	1.40126

a. Predictors: (Constant), SE, PI

Tabel 1.5:

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.958	2	62.479	31.82	.000 ^b
	Residual	210.096	107	1.964		
	Total	335.055	109			

a. Dependent Variable: PE
 b. Predictors: (Constant), SE, PI

Tabel 1.6:

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.361	1.943		1.729	0.087
	PI	0.098	0.012	0.609	7.951	0
	SE	-0.015	0.024	-0.047	-0.62	0.537

a. Dependent Variable: PE

Tables 1.4, 1.5 and 1.6 3 showed that the variation in the value of ethical behavior can be explained at 36.1% by variations in internal control and self-esteem. Regression models can be used to predict ethical behavior because the probability value is smaller than 0.05. Internal control variables have an effect of 60.9% on ethical behavior and self-esteem does not affect the ethical behavior variable.

Tabel 1.7:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998 ^a	0.996	0.996	0.11434

a. Predictors: (Constant), PIxSE, SE, PI

Tabel 1.8:

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	333.669	3	111.223	8507.436	.000 ^b
	Residual	1.386	106	0.013		
	Total	335.055	109			

a. Dependent Variable: PE
 b. Predictors: (Constant), PIxSE, SE, PI

Tabel 1.9:

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.229	0.188		86.12	0
	PI	-0.115	0.002	-0.72	-58.881	0
	SE	0.003	0.002	0.009	1.467	0.145
	PIxSE	0.007	0	1.547	126.35	0

a. Dependent Variable: PE

Tables 1.7, 1.8 and 1.9 indicate that variations in the value of ethical behavior can be explained at 99.6% by variations in internal control, self-esteem and moderating variables. Regression models can be used to predict ethical behavior because the probability value is smaller than 0.05 or it can be said that internal control, self-esteem and moderating jointly influence ethical behavior. Moderate variables indicate a significant value of 0.000 which means that self-esteem is able to moderate the influence of internal control on the variable ethical behavior.

V. DISCUSSION

The results of the study showed that self-esteem was able to strengthen (as pure moderator) the relationship between internal control and ethical behavior. Nelson and Quick (2012) say self-esteem is a general feeling about self-worth. Someone who has high self-esteem will have positive feelings about him, perceives that he has strength and weakness and feels confident that his strength is more important than his weaknesses. Someone who has high self-esteem will strengthen the influence of internal control on ethical behavior, because the internal control system that is based on integrity and ethical values that interact with individual positive feelings will be able to explain the occurrence of variations in ethical behavior.

VI. CONCLUSIONS AND RECOMMENDATIONS

The conclusions from the results of this study can be explained below.

1. Internal control influences ethical behavior, which means that variations in the value of internal control can explain variations in the value of ethical behavior
2. Self-esteem does not affect ethical behavior, meaning that the variation in the value of ethical behavior cannot be explained by variations in the value of self-esteem
3. Self-esteem is able to moderate the influence of internal control on ethical behavior, which means the relationship between internal control will be stronger with the presence of self esteem

VI.I. Suggestion

The results of the study found that self-esteem interaction with internal control was able to explain variations in ethical behavior, so it was suggested that managers be able to encourage their employees to improve their self-esteem by providing appropriate opportunities and challenges, managers should also clarify the integrity and ethics that apply in the company. Both of these should be accompanied by an adequate reward system.

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