

The Effect of Asymmetric Information and Unethical Behaviour towards Tendency of Accounting Fraud in the Rural Government of Empang Sub-District, Sumbawa Regency

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Abstract:- This Study aims to examine the effect of asymmetric information and unethical behaviour on the tendency of accounting fraud in village governments in Empang Sub-District, Sumbawa District. The test was carried out in 10 villages scattered in the Empang Sub-District area with total number respondents is 70. The respondents in this study were the head of the village, village head secretary, section head, head of financial affairs, and the head of the Village Consultative Body. The results showed that asymmetric information affects the tendency of accounting fraud, then unethical behaviour affects the tendency of accounting fraud.

Keywords:- Tendency of Accounting Fraud, Asymmetric Information, Unethical Behaviour.

I. INTRODUCTION

The tendency of accounting fraud has caught the attention of the media and has become a fairly prominent issue in the business world. This fraud is a form of fraud that is intentionally carried out so that it results in losses. Accounting fraud is a misstatement that will eventually lead to fraud in financial reporting where it is misstated or intentionally omits the amount of disclosure in the financial report to trick users of financial statements (Zainal, et al, 2013).

There is a tendency for accounting fraud not only to occur in the private sector but also in the public sector. One of the public sectors that tends to create accounting fraud is the Village Office. In accordance with the issuance of Law Number 6 of 2014 concerning Villages. Villages are starting to get additional income every year that comes from the Village Revenue and Expenditure Budget (APBDes). So that villages are required to be careful in managing their finances. However, with the additional funds, it is also undeniable that several villages have fallen into cheating in terms of village financial management.

One of the villages that committed fraud was Pamanto Village were the results of the investigation by the Sumbawa District Prosecutor found irregularities in the use of Pamanto Village funds that occurred for the 2015 and 2016 fiscal years

with state losses for 2015 amounting to Rp. 800 million and 2016 amounting to Rp. 1.4 billion. These deviations include the existence of several programs that use village fund allocations that are not implemented but administratively reported as if these programs have been carried out such as the drainage development program and the procurement program (samawarea.com, 2017).

The case above shows that this deviation is partly due to the tendency of accounting fraud by the parties involved. In line with the research of Zainal, et al (2013), wherein the rural government, public openness is needed in order to minimize an information asymmetry that occurs in the rural government. Both internal and external information asymmetry. This information asymmetry occurs due to the inequality of knowledge held so that one party presents a biased and useful financial report for them, such as obtaining high compensation or just getting an appreciation for the performance made. Aranta (2013) explains that the occurrence of information asymmetry will lead to fraud committed by the village government. So that the village head is the spearhead in determining whether the tendency of accounting fraud can be minimized or even eliminated.

Then the tendency of accounting fraud is also caused by unethical behaviour. Where the rural government owns behaviour, which deviates from the main task or main objective that has been set. Ahriati, et al (2015) explained that if the unethical behaviour is allowed, it will eventually develop into behaviour that is very complex and difficult to trace and has adverse consequences. This unethical behaviour is reflected in the current rural government, including behaviour that abuses office, organizational resources, and power.

This research is a replication of research conducted by Aranta (2013). However, this research tries to add variable behaviour unethical, because researchers are interested in wanting to know what behaviour unethical has an effect on the tendency of accounting fraud. Then this research is tried to be carried out in the rural government accordingly phenomenon and the location of research conducted at the rural government in Empang Sub-District, Sumbawa District. So, this study

aims to examine the effect of information asymmetry and unethical behaviour on the tendency of accounting fraud in the rural area Empang Sub-District, Sumbawa District.

II. THEORETICAL BASIS AND HYPOTHESIS DEVELOPMENT

A. Stewardship Theory

Stewardship theory is coming from a paradigm in management accounting that thinking which is based on psychological and sociological theories (Anton, 2010). Stewardship theory describes that the village head as a representative of the government, which has authority in financial management is not motivated by personal interests, but public interests. So the rural government and their staff will working on the sake community for the welfare program.

B. Trends in Accounting Fraud

According to Fahmi (2011) accounting fraud is an act that is carried out deliberately both individually and in groups, where the actions have caused losses to certain parties or institutions. Someone in committing fraud is caused by pressure, opportunity, and rationalization or what is known as the fraud triangle theory. Deficiency stems from the existence of a pressure squeeze where someone will think towards cheating. Then followed by the opportunity for someone to cheat. This situation brings a person to the matter of solving problems securely and confidentially. Finally supported by rationalisation, where perpetrators can digest their unlawful behaviour in order to maintain their identity as a trusted person (Tuanakotta, 2020).

C. Asymmetric Information

Asymmetric Information is a condition in which there is an imbalance between the agent and principal which causes inequality of information between the two parties, so that one party has more or better information than the other (Kurniawan, 2012). The village government as the manager of village finances is obliged to convey information related to finances to external parties, including to the village community, the Village Consultative Body, local governments, and interested parties. So that what causes information asymmetry in the village can be minimized.

D. Unethical Behaviour

Basically, an organization or a company used to behave ethically towards workers, consumers, or society in general. Current ethical dilemmas often arise when it comes to management to maximize the benefits that can be obtained by consumers, or society in general generated by the organization. This situation is the basis for its formation behaviour unethical as well as biased policies in society. So that unethical behaviour is behaviour that deviates from the main tasks that have been determined and agreed upon. The existence of this behaviour causes harm to others and the environment. If unethical behaviour is allowed, it will cause harm (Thoyibatun, 2018).

E. Relationship between Asymmetric Information and Accounting Fraud Tendencies

Asymmetric Information is a problem of inequality of information held by the rural government and the village community, the Village Consultative Body, local government, and interested parties. When information asymmetry occurs in the village, the resulting financial statements are biased and useful for one of the parties used to maintain his position, obtain high compensation or just forget appreciation from superiors for their performance (Zainal, 2013).

Research conducted by Aranta (2013); Zainal (2013); Bartenputra (2016); Indriastuti, et al. (2016); Lestari and Supadmi (2017) show that information asymmetry affects trends fraud accounting. Where there is an information gap between the user and the manager, there will be opportunities for the manager to commit fraud. So that the researchers draw a hypothesis:

H1: Asymmetric Information Affects the Tendency of Accounting Fraud

F. Relationship of Unethical Behaviour and Accounting Fraud Tendencies

Unethical behaviour is deviant behaviour carried out by a person or group of people from a mutually agreed task. This is basically morally and ethically unacceptable, because it causes harm to others and the environment. If unethical behaviour is allowed to continue, it will be difficult to treat the later even day and incur losses.

In line with this, the results of research conducted by Ahriati, et al. (2015); Thoyibatun (2018) shows that unethical behaviour affects accounting fraud. Where the lower the unethical behaviour carried out by the rural government, the lower the tendency for accounting fraud committed by the rural government. So that the researchers draw a hypothesis:

H2: Unethical Behaviour Affects the Tendency of Accounting Fraud

III. RESEARCH METHODS

A. Research Design

This research using is quantitative descriptive with an associative approach.

B. Population and Sample Research

This research was conducted in villages in the Empang Sub-District, Sumbawa District, with a number responden is 424 rural government officials. The sampling technique used in this study was purposive sampling with criteria namely rural government officials who are directly involved in village financial management including the village head, village secretary, section head, head of financial affairs, and the head of the Village Consultative Body. With the total of samples in this research is 70 respondents.

C. Data Collection Technique

The data collection technique carried out by researchers was by distributing questionnaires to respondents spread across 10 villages in the Empang Sub-District, Sumbawa District, including Boal Village, Empang Atas Village, Jotang Village, Ongko Village, Empang Bawah Village, Lamenta Village, Gapit Village, Pamanto Village, Jotang Beru Village, and Bunga Eja Village.

D. Research variable

In this study, there are two independent variables including asymmetry information and unethical behaviour. Furthermore the dependent variable is the tendency of accounting fraud. Below is presented the thickness related to the research variables.

Table 1. Research Variables, Variable Operational Definition, and Indicators

No.	Variable	Operational Definition of Variables	Variable Indicators
1	Tendency of Accounting Fraud (Association of Certified Fraud Examinations - ACFE, 2000 in Zainal, et al., 2013)	An action that is carried out deliberately, either individually or in groups, where the action has caused losses to the state and the community in the village area	1. Fraudulent financial statements 2. Misuse of assets 3. Corruption
2	Information Asymmetry (Indriastuti, et al., 2016)	A condition in which the rural government has an imbalance with the village community, the Village Consultative Body, local government, and other interested parties which causes inequality of information between the two parties, so that one party has more or better information than the other party.	1. The information held by the rural government and village consultative bodies is not the same 2. Input-output relationships that exist in internal operations 3. Potential performance 4. Technical work 5. Be able to assess potential impacts 6. Achievements in the field of activity
3	Unethical Behaviour (Ariati, et al., 2015)	Deviant behaviour carried out by a person or group of people from mutually agreed tasks.	1. Behaviour that abuses position / position 2. Behaviour that abuses power 3. Behaviour that misuses organizational resources 4. Behaviour that doesn't do anything

Source: Some Previous Research (2020)

As for measuring the research indicators, researchers used a Likert scale, namely strongly agree, agree, neutral, disagree, and strongly disagree.

E. Data analysis technique

The data analysis techniques in this study include: (1) data quality test consisting of validity and reliability tests, (2) classical assumption tests include normality test, test multicollinearity, and heteroscedasticity test, (3) Multiple linear regression analysis (4) determination coefficient test (R²), (5) model suitability test, and (6) individual parameter statistical test or t test, which in this study has multiple linear equations such as the following:

$$TA = a + b1IA + b2UB + e \dots$$

Information:

- TA = Tendency of Accounting Fraud
- A = Constant
- b1-b2 = Regression Coefficient
- IA = Information Asymmetry
- UB = Unethical Behaviour
- E = Error/Confounding Variable

IV. RESEARCH RESULTS AND DISCUSSION

A. Overview of Research Objects and Overview of Respondents

This research was conducted in villages in the Empang Sub-District area. Empang Sub-District is located at the eastern end of Sumbawa District with a longitudinal position from west to east ranging from 117059'50" east longitude to 11802 'east longitude and 8031'36" south latitude. Empang Sub-District is directly opposite Tarano Sub-District in the north, in the south it is bordered by the Indian Ocean, in the west it is bordered by Plampang Sub-District, and in the east, it is bordered by Tarano Sub-District (Badan Pusat Statistik, 2020).

The results of the distribution of the questionnaires that have been distributed by researchers to respondents are listed below.

Table 2. Questionnaire Distribution

Information	Total
Distributed questionnaire	70
Non-returnable questionnaire that cannot be processed	(3)
Number of feedback questionnaire from respondent	67

Source: Researcher (2020)

According to table 2, the questionnaires returned and can be processed are 67 out of 70 questionnaires that have been distributed. The reason why not all of the questionnaires returned was due to vacancies. The description of the respondents in this study is as shown in the table below.

Table 3. Overview of Respondents

Information	Total	Percentage
Based on Gender		
Male	53	79%
Women	14	21%
Total	67	100%
Based on Age		
25-33	15	23%
34-42	19	28%
43-51	22	33%
52-60	10	15%
61-69	1	1%
Total	67	100%
Based on Education Level		
High school	42	63%
D-1	1	2%
D-3	2	3%
S-1	22	32%
Total	67	100%
Based on the Service Period		
<5 years	38	57%
5-10 Years	24	36%
> 10 Years	5	7%
Total	67	100%

Source: Researcher (2020)

According to the table above, the majority of respondents is male, with presentation is 79%. With age range of the most respondents is 43-51 years as much 33%. Based on the education level of the respondents, the majority of them is high school graduates 63%. Then based on the majority service period <5 years of 57%.

B. Data Quality Test

In testing data quality, the researcher used two kinds of tests, including the validity test and the reliability test. Where the validity test results show that all the statements used by the researcher, a total of 18 statements are declared valid. This is because r count from each statement is more than r_{table} is 0.237 so that it is declared valid. Meanwhile in reliability test results show that the variable tendency of accounting fraud, information asymmetry, and unethical behaviour is declared reliable. This is because the Cronbach alpha score is greater than 0.60.

C. Classic assumption test

In the classical assumptions test, researchers used three kinds of tests, including the normality test, test multicollinearity, and heteroscedasticity test. Testing the normality of the data in this study using the test *kolmogorov-smirnov*. The results of the normality test in this study indicate that the data is residual distributed normally due to the asymp value. sign. (2-tailed) more than 0.05. Then the researchers

conducted testing multicollinearity. Where the variables of information asymmetry and unethical behaviour are free from problems of multicollinearity. This is because the tolerance value is more than 0.1 and the variance inflation factor value is less than 10. Finally, the researchers conducted a heteroscedasticity test. In testing heteroscedasticity, researchers used the Spearman rank test. Where the test results show that the variables of information asymmetry and unethical behaviour are free from heteroscedasticity problems. This matters because the significance value of the two independent variables is more than 0.05.

D. Multiple Linear Regression Analysis

The results of multiple linear regression analysis in this study are as contained in the equation below.

$$TA = a + 0.158IA + 0.164 UB + e \dots\dots$$

Information:

- KKA = Tendency of Accounting Fraud
- a = Constant
- b1-b2 = Regression Coefficient
- AIN = Information Asymmetry
- PTE = Unethical Behaviour
- e = Error / Confounding Variable

Based on the above equation, it can be seen that the coefficient of the information asymmetry variable is positive at 0.158 and unethical behaviour is positive at 0.164, which means that the tendency of accounting fraud increases with information asymmetry and unethical behaviour.

E. Determination Coefficient Test

The coefficient of determination test obtained an adjusted R2 value of 0.486. This means that as many as 48.6% of the variable accounting fraud tendency can be explained by the variable information asymmetry and unethical behaviour. Then the remaining 51.4% is explained by other variables which are not included in this research.

F. Model Fit Test (Simultaneous Test)

To test the suitability of the model in this study, researchers looked at the F value and the level of significance. Where the model fit test results show that the F value is 16,114 with a significance level of 0,000. This shows that the variables of information asymmetry and unethical behaviour simultaneously have an influence on variable tendency of accounting fraud. This is because the F value is more than 4 and level significance less than 0.05.

G. Individual Parameter Statistical Test (Partial Test)

The results of the individual parameter statistical test in this study are as shown in the table below.

Table 4. Statistical Test Results for Individual Parameters

Variable	Value of t	Value of Significance	Decision
Information Asymmetry	3,959	0,000	Hypothesis Accepted
Unethical Behaviour	3,899	0.001	Hypothesis Accepted

Data source Processed SPSS (2020)

According to table 4, it can be seen that the information asymmetry variable has a value of $t = 3.959$ and a significance value of 0.000. This shows that the information asymmetry variable has an effect on the tendency of accounting fraud, because the t value is more than the t table ($t \text{ count} = 3.959 > t \text{ table} = 1.996$) and the significance value is less than 0.05. So that the first hypothesis is accepted.

Then the unethical behaviour variable has a value of $t = 3.899$ and a significance value of 0.001. This shows that the variable unethical behaviour affects the tendency of accounting fraud, because the t value is more than the t table ($t \text{ count} = 3.899 > t \text{ table} = 1.996$) and the significance value is less than 0.05. So that the second hypothesis is accepted.

H. Discussion

1) Relationship between Asymmetric Information and Accounting Fraud Tendencies

Based on the individual parameter statistical test which shows that asymmetric information has a positive effect on the tendency of accounting fraud. In other words, the higher the information asymmetry that occurs in the rural government in the Empang Sub-District area, the higher the tendency for accounting fraud to be. The rural government certainly knows the real village finances because the rural government is directly involved in managing village finances, while external parties have less information than the rural government, so that the rural government will have the freedom or opportunity to manipulate the financial reports that are presented.

The results of this study are the same with the Stewardship theory. The existence of information asymmetry can lead to a tendency for accounting fraud between the principal, the community represented by the Village Consultative Body and the steward, the rural government. The results of this study are same with the results research conducted by Aranta (2013); Zainal (2013); Bartenputra (2016); Indriastuti, et al. (2016); Lestari and Supadmi (2017) show that information asymmetry affects trends fraud accounting. The existence of information asymmetry will lead to fraudulent acts at both the village head and village officials. The village head determines whether fraud can be minimized or not. Basically, any information relating to the use of the village budget needs to be submitted to the Village Consultative Body, the local village community, and the local government. With this balanced information, the tendency of ac.

According to the individual parameter statistical test which shows that unethical behaviour has a positive effect on the tendency of accounting fraud. This shows that the more someone behaves unethically, the more likely it is that there will be fraud in the rural government in the Empang Sub-District area. Where the results of the respondents' answers in this study indicate that they tend to be neutral in answering statements related to unethical behaviour. This behaviour will direct the rural government to commit accounting fraud tendencies.

The results of this study are the same with research conducted by Ahriati, et al. (2015); Thoyibatun (2018), which shows that unethical behaviour affects accounting fraud. Where this unethical behaviour is deviant behaviour carried out by a person or group of people from the task that has been done agreed upon together. So that with the behaviour unethical this can be Upgrade the tendency of accounting fraud in the rural government in the Empang Sub-District area.

V. CONCLUSIONS AND SUGGESTIONS

A. Conclusion

According to the description of the results and discussion, it can be concluded that asymmetric information has a positive effect on the tendency of accounting fraud, where the higher the information asymmetry that occurs in the rural government in the Empang Sub-District area, the higher the tendency for accounting fraud. Then unethical behaviour affects the tendency of accounting fraud, this shows that the more a person is behaving unethical, the more likely it is that there will be fraud in the rural government in the Empang Sub-District area.

B. Implications

Practically the result of this finding can contribute to the village government in the Empang Sub-District area to be more responsible in managing village finances in order to increase understanding, accuracy, and foresight in anticipating factors that can cause the tendency of accounting fraud in the rural government to occur. In terms of policy, the results of this study are expected to provide input for the rural government in the Empang Sub-District area in particular and the rural government in the Sumbawa District area in general as well as the Regional Government of the Sumbawa District in terms of formulating policies to reduce the tendency of accounting fraud and Policy in an effort to prepare human resources who behave ethically.

C. Limitations and Suggestions

This study has several limitations that can be fixed by further researchers, including: (1) the scope of this study only focuses on villages in the Empang Sub-District area which only focus on 10 villages, so the generalization of these findings cannot be applied to rural governments in the Sumbawa District. Therefore, further researchers can examine all villages in the Sumbawa District area. (2) The researcher did not explore other variables that might have an effect, this can be seen from the results of the determination coefficient test, the adjusted R^2 value was 48.6%, the variable information asymmetry and unethical behaviour used by the researcher were able to explain the variable tendency of accounting fraud, the rest influenced by other variables. Included in this research. (3) The number of samples used was too small. Future researchers can reproduce the sample to be used, so that it will approach a clearer and closer picture of the results condition which is actually.

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