

Academic Dishonesty and Financial Reporting Fraud Intention

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Abstract

The Covid -19 pandemic has significant impact on education system. In mitigating health risks for educators and students, many higher education institutions across the globe opt to apply new ways of teaching and testing; online distance learnings (ODL). The ODL however lead to adverse effect on academic integrity as the online platform provided more opportunity for students to defraud the system and cheat. Thus, the main objective of this study is to investigate the student's attitude towards academic dishonesty on ODL and how such attitude affect financial reporting fraud intention. Using a questionnaire survey of 158 accounting students of Malaysian public university, the results show that academic dishonesty attitudes is significantly positive associated with financial reporting fraud intention.

Keywords: Academic Dishonesty, Financial Reporting Fraud, Intention, Online Distance Learning, Malaysia

1. Introduction

Coronavirus disease 19 (Covid-19) that has been declared officially by the World Health organization (WHO) as pandemic on March 11, 2020 lead to the suspension of all educational activities around the globe. Most universities worldwide have either suspended or canceled their campus events such as classroom lectures, conferences, workshops, and sports. Faculty members transitioned their teaching to distance online teaching. Upon the abrupt transition to distance online education, many challenges have been observed by educational institutions including students assessment and the way for exam conducted. Nowadays, most universities use electronic examinations as a students' assessment tool. Prior studies document several challenges on electronic examinations/assessment including technical problems related to internet connectivity/electronic platforms, increasing of students' stress (Lazarevic, & Bentz, 2021) and academic dishonesty (Bilen & Matros, 2020; Moralista & Oducado, 2020). Elsalem et al. (2021) highlight that academic dishonesty/misconduct appears as one of the major challenges of online distance learning system which consequently might affect business scandals and misconducts (Ullah Khan et al., 2019).

Duarte (2008) stresses that ethics education at university level play important role in shaping future management behaviors which ultimately limit corporate misconducts. Nahar (2018) stress that academic curricula mold future corporate players including accountants and auditors by equip them with basic accountability and integrity knowledge to guide their decision making. Considering the significant consequences Covid-19 on academic dishonesty and its impact on future corporate misconduct, this paper, based on the theory of reasoned action (TRA), aims to examine the influence of students' academic dishonesty attitudes on their intention to commit financial reporting fraud in future.

2.0 Literature Review

2.1 Financial Reporting Fraud Intention

ACFE (2020) has divided fraud into three categories. First, asset misappropriation, which occurs when an employee steals or misuses the employer's resources. Second, financial statements fraud, in which the perpetrator deliberately introduces a material mistake or omission in the company's financial statements. Third, corruption, which includes bribery, conflicts of interest, and extortion. The survey of ACFE in 2018 and 2020 reported that financial statement fraud represented the most severe problem for all types of organizations and the costliest category of fraud (ACFE, 2018, 2020).

Financial statement fraud (hereafter refer as FSF) is the deliberate misrepresentation of an enterprise's financial position with the intent of deceiving those involved or by omitting material information from the financial statements (Erdogan and Erdogan, 2020). Evidence shows that companies carry out FSF, which misrepresent their financial statements (Hail and Wang, 2017). International corporations such as Enron, WorldCom, Bernard Madoff, Lehman Brothers, and Charles Ponzi have engaged in extraordinary FSF over the last two decades (Ballard, 2018). For example, in Enron's case, the management had manipulated financial statements to keep massive debt off-balance sheets, resulting in a \$74 billion loss to the shareholders. Other FSF cases are WorldCom and Lehman Brothers. FSF occurred in WorldCom when the management inflated its assets by almost \$11 billion. Meanwhile, in Lehman Brothers, the company used the financial statement to hide over \$50 billion in loans. These examples, indicated that FSF had become a critical problem practiced by big companies to mislead their shareholders and stakeholders.

However, as the actual unethical financial reporting is not easily detected, (Awang & Ismail, 2018) thus, a proxy is needed to measure the likelihood of its occurrence by looking at the individuals' intention to commit financial reporting fraud. It is because behaviour intentions acts as a proxy for behaviour, as the intention to behave unethically provides a basis to influence the behaviour (Buchan, 2005).

2.2 Academic Dishonesty and Financial Reporting Fraud Intention

Academic dishonesty refers to a set of behaviors that intentionally breaking of academic rules for personal gain. Such definition reflected in multifaceted models of academic dishonesty including plagiarism, lying, cheating in exams and falsifications (Bashir & Bala, 2018). Prior studies document that the majority of students admit to having engaged in academic dishonesty during their studies (Bernardi et al., 2004; McCabe, 2005). Recently, Janke et al. (2021) investigate whether students cheat more often using online education/assessment platform than traditional teaching/assessment method. Using 1,608 students from various higher education institutions in German, the study finds that the students cheated more frequent on online than on-site exams method, which ultimately give adverse impact on academic integrity.

Theory of reasoned action (TRA) suggests that individual's intention to perform (or not to perform) the behaviour is a function of two basic determinants – attitude and subjective norm (Ajzen and Fishbein, 1980). Attitude reflects one's feelings towards performing a behaviour or whether one is in favour of doing it. It is predicted that if an individual evaluates performing a particular behaviour as favourable, it is more likely he or she will intend to perform that particular behaviour (Fishbein and Ajzen, 1975). Thus, if student's attitude is positive towards violating academic rules and regulations and engaging in academic dishonestly activities, it is most likely that his or her decision intentions are inclined toward unethical corporate behavior in future including financial reporting fraud. Therefore, we hypothesize:

H₁. Academic dishonesty attitude is positively associated with the financial reporting fraud intention

3. Research Methods

3.1 Sample, Data and Research Instrument

This study utilized a questionnaire survey, where the data was collected from 158 accounting students from one of public universities in Malaysia. The samples were selected randomly among final year Diploma students. The questionnaire, consisting of two parts; Section 1 and 2. Section 1 consisted of demographic information, such as gender, CGPA, and aspiration education goal. Meanwhile, Section 2 contained all variables contributing to academic dishonesty and financial reporting fraud intention. All variables were calculated using a five-point Likert scale, allowing respondents to decide whether they very unlikely somewhat unlikely, neutral, somewhat likely, very likely for academic dishonesty scenario and extremely improbable to extremely probable for financial reporting

fraud intention. The number of items representing the questions in Section 1 and 2 as well as source of measurements of the questionnaire is shown in Table 1 and Table 2 respectively.

Table 1 Questionnaire Structure

Section	Item	Question Number
Section 1 Respondents' Profile	The respondents' profile contains gender, CGPA, and aspiration education goal.	Question 1 to Question 3
Section 2 Statements for Independent and Dependent Variables	Part A: Academic dishonesty	Question A1 to Question A8
	Part B: Financial reporting fraud intention	Question B1 to Question B3

Table 2 The source of measurements

Questionnaire Items	Adopted from	No. of question adopted
Academic dishonesty	Sutton (1991)	5
	Nahar (2018)	3
Financial reporting fraud intention	Awang & Ismail (2018)	3

4. Results and Discussion

4.1 Data Analysis

This study analyses the collected data using descriptive statistics, factor analysis, and cross-sectional regression. Initially, the standard statistical procedures confirm the validity of data. Kaiser-Meyer-Olkin test checks the adequacy of data; Kolmogorov-Smirnov (K-S), Shapiro-Wilk tests and graphical analysis are executed to ensure the normality of data; and the homoscedasticity of data is examined by F-test and Bartlett Sphericity test. Thereafter, correlation analysis and variance inflation factor (VIF) are performed to check the multicollinearity problem. Finally, the reliability of the data is tested by using the Cronbach's alpha test.

4.2 Respondents' Profile and Descriptive Statistics

Table 3 shows the respondents' profile based on 158 valid responses. Among the respondents, 34.81 per cent are males (n=55), and 65.19 per cent are females (n=103), respectively. Majority of the respondents (51.90%) have CGPA more than 3.75. Approximately 42.41 per cent or 67 respondents aim to complete bachelor degree in future. With regards to the peer cheating experience, only 17.72 per cent have no experience on such academic dishonesty.

Table 3 Respondents' profiles

Profiles	Frequency	Percentage
Gender		
Male	55	34.81
Female	103	65.19
CGPA		
3.75 to 4.00	82	51.90
3.50 to 3.74	40	25.32
3.00 to 3.49	25	15.82
2.50 to 2.99	11	6.96
Below 2.50	-	-
Aspiration degree		
Diploma	43	27.22
Bachelor	67	42.41
Master	12	7.59
Professional	36	22.78
Cheating		
Many times	11	6.96
A few times	79	50.00
Once	40	25.32

Profiles	Frequency	Percentage
Never	28	17.72

Sample (n) = 158

4.3 Correlation Analysis

According to Coakes (2005), correlation is an analysis that help researchers to identify whether one variable is related to another by examining the relationship between two variables in a linear fashion. Thus, for this study, the correlation analysis is performed to examine the relationship between academic dishonesty and control variables with the financial reporting fraud intention of accounting students in Malaysian public university. A Pearson correlation test is used to ascertain whether there are any multicollinearity problems occurring among the variables in this study. In general, the multicollinearity problem will exist when the independent variables are highly correlated to each other and the values of coefficient is 0.8 or 0.9, and above (Field, 2000). Table 4 shows the summary of the correlation analysis results between the variables. The statistical results show that the correlation values among the variables range between 0.014 and 0.373. These values indicate that there is no multicollinearity problem among the variables in this study as none of the correlation is more than 0.8.

The results also indicate a statistically significant positive relationship between academic dishonesty and peer cheat influence with the financial reporting fraud intention.

Table 4 Correlation Analysis

Variables	FinancialReporting FraudIntention	Academic Dishonesty	PeerCheat	Gender	CGPA	AspirationDegree
FinancialReporting FraudIntention	1	.136**	.122**	-.289**	-.373**	.102
AcademicDishonesty	.136**	1	-.114**	-.277**	-.135	-.014**
PeerCheat	.122**	-.114**	1	-.089**	-.313**	.190
Gender	-.289**	-.277**	-.089**	1	-.240	.255
CGPA	-.373	-.135	-.313**	-.240	1	-.150
AspirationDegree	.102	-.014**	.190	.255	-.150	1

note: **Significant at 5 percent level

4.3 Regression Analysis

Table 4.3 shows the regressions output to inquire if the academic dishonesty attitude is significantly associated with the financial reporting fraud intention among accounting students in Malaysia. Based on the result, the R² value indicates that about 34.50 percent of the financial reporting fraud intention can be explained by this model.

The results in Table 5 indicate that academic dishonesty attitude is positively related to financial reporting fraud intention ($\beta = 0.092$, $p=0.036$) among Malaysian accounting students. The findings is consistent with previous studies by Ullah Khan et al. (2019) and Duarte (2008), who argue that academic dishonesty behaviour/attitude affect corporate misconducts. Therefore, H₁ is supported.

Table 5 Regression Analysis

Variables	Coefficient	Std. Error	t-statistic	p-value
Constant	8.462	2.356	3.592	.001
AcademicDishonesty	.092	.302	.302	.036
PeerCheat	.091	.260	.353	.026
AspirationDegree	-.347	.281	-2.853	.007
CGPA	-.347	.281	-1.237	.224
Gender	-1.753	.616	-2.848	.007
R			58.7	
R ²			34.5	
Adjusted R ²			22.9	
No. of Observation			158	

5. Conclusion

Adoption of online education in response to the Covid-19 pandemic across the globe give adverse impact on academic integrity. Thus, this study aims to examine how academic dishonesty attitudes affect financial fraud intention among Malaysian accounting students. The result shows that there is a significant and positive relationship between academic dishonesty and financial fraud intention. The results suggest that if accounting students student's attitude is positive towards violating academic rules and regulations and engaging in academic dishonestly activities, it is most likely that his or her decision intentions are inclined toward unethical corporate behavior in future including financial reporting fraud. Therefore, it is crucial for higher education providers in particular Malaysian public universities to strategically plan to create an ethical and integrity education environment.

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