



The Influence of Machiavellian Character, Love of Money Against Decision of Ethical Auditors with *Manacika Parisudha* as Moderating Variables (Empirical Study on BPK RI Province of Bali)

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Abstract

This research was conducted at BPK RI Bali Province using primary data obtained from questionnaires. The method of determining the sample using a *purposive sampling method* with samples obtained by 33 auditors. The data analysis technique used is the *moderated regression analysis* (MRA) interaction test. The results showed that first; Machiavellian nature has a negative and significant effect on the Ethical Decision of the Auditor, second; *Love of money* affects negatively and statistically significant in Ethical Decision Auditor, third; *Manacika Parisudha* variable is a moderating variable that weakens the influence of Machiavellian Traits on Auditor Ethical Decisions, and fourth; *Manacika Parisudha* variable is a moderating variable that weakens the influence of *Love of money* on Auditor Ethical Decisions.

Keywords: Machiavellian Character; Love of Money; Ethical Decisions of Auditors and *Manacika Parisudha*.

1. Introduction

The emergence of many ethical problems that occur lately related to auditing needs to get attention to the importance of ethical values, especially in auditing.

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Ethical issues that can be encountered by the auditor include the auditor in carrying out the task of compromising his integrity by falsifying, embezzling or bribery, and distorting objectivity by publishing misleading reports [4]. The Supreme Audit Board (BPK) is a high state institution that is free and independent in carrying out its duties. Article 23 paragraph 5 of the 1945 Constitution stipulates that in order to examine the responsibility regarding state finances a Financial Audit Board shall be established, the regulations of which shall be determined by law. The recent phenomenon of bribery cases involving BPK auditors adds to the long list of corruption cases involving BPK auditors. According to *Indonesia Corruption Watch (ICW)*, which estimates corruption cases in Indonesia, there have been at least six cases of bribery involving 23 BPK auditors in the past 12 years. In this case Sigit allegedly received a unit of 883 Harley-Davidson Sportster motorcycles with an estimated value of Rp.115 million from the General Manager of PT Jasa Marga (Persero) branch of Purbaleunyi Setia Budi [6]. Acceptance of bribes by the BPK auditor is an act of corruption that violates ethical principles such as honesty, fairness, objectivity and legality. This study uses the variable *Manacika Parisudha* as a moderating variable, because the concept of *love of money* and the nature of Machiavellian related to greed or greed and behaviors that tend to be manipulative if supported by *Manacika Parisudha* (good thinking / positive thinking) will certainly affect someone in decision making in thinking, said and acted, by including the moderating variable *Manacika Parisudha* which is one of the Balinese Hindu philosophies, where in the concept of the *Tri Kaya Parisudha* there are teachings of moral and ethical values that can strengthen individual values or personal values for ethical decision making

2. Literature Review and Hypotheses

2.1. Ethical Theory

Ethics comes from the Greek word *ethos* which means norms, values, rules and standards for human behavior. Ethics is a set of rules, norms or guidelines that govern human behavior, both those that must be done and those that must be abandoned that are adhered to by a group of people or profession [10]

2.2. Theory of Planned Behavior (TPB)

Theory of Planned Behavior (TPB) is the intention of individuals to carry out certain behaviors. Intentions are assumed to capture motivational factors that influence behavior, which indicate how strong the desire of people to try, or how much effort is done in order to carry out a behavior. In general, the stronger the intention to do something, the more possible it is to attain behavior [2]. *Theory of Planned Behavior (TPB)* postulates that there are three determinants of intention that stand alone. The first is attitude toward behavior which refers to the agreement that someone has been judged good or bad, or the assessment of the behavior in question. The second factor is social factors in the form of subjective norms, which refer to social pressures that are accepted to carry out or not to carry out certain behaviors. The third determinant of intention is supervision of acceptable behavior that refers to the difficulties and perceived ease of carrying out the behavior and is assumed to reflect past experiences such as anticipated obstacles and obstacles.

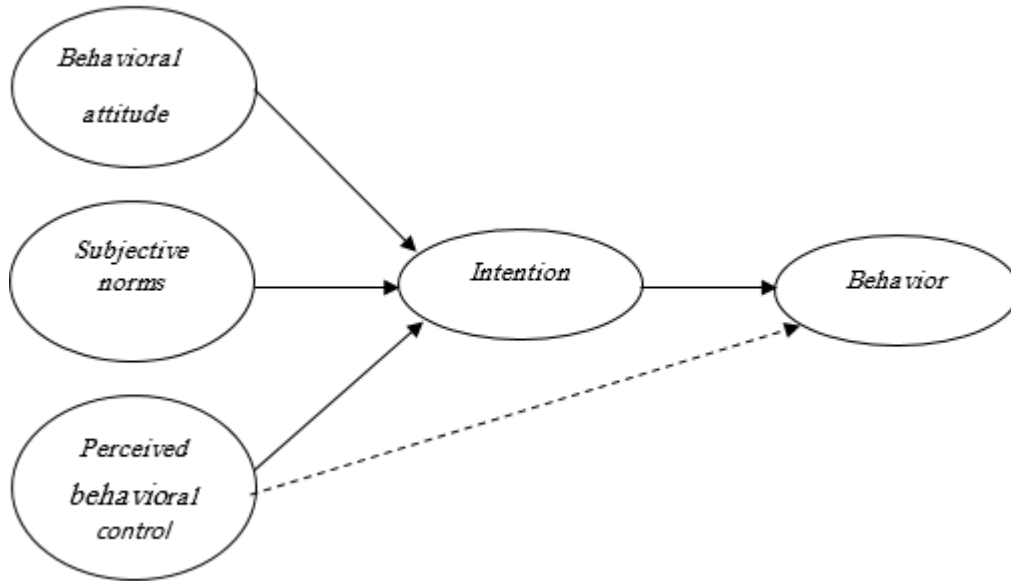


Figure 1: Theory of Planned Behavior (TPB)

2.3. Machiavellian Character

The Machiavellian nature was first introduced by Niccolo Machiavelli in the 16th century. The name Machiavelli, then associated with a bad thing, to justify the means to achieve goals. People who carry out actions like this are called Machiavelli. Machiavellian traits have a negative tendency to show unethical ways to manipulate others to achieve goals [12].

2.4. Love Of Money

Money is one of the most important aspects in daily life [5]. The concept of *love of money* is a characteristic of a person who has a love of money. Someone's love about money, especially to employees will affect the performance and this will affect the performance of the organization.

2.5. Ethical Decision of Auditors

Ethical decision is a decision that is both legally and morally that can be accepted by the wider community [18]. Every organization has a code of ethics or legislation that is a reference in making decisions that deserve to be accounted for as ethical decisions. Accounting talks about the consideration and decision making of individuals such as investors, managers, and auditors. Consideration and decision making become important issues for accounting practitioners and researchers [15].

2.6. Manacika Parisudha

Manacika parisudha (positive thinking / thinking right) is one part of the *Tri Kaya Parisudha*. Between these

Tri Kaya Parisudha, the mind determines and plays a role. The mind is the source of everything that a person does. *Tri Kaya Parisudha* can also be interpreted as three basic human behaviors that must be purified, namely *Manacika* (good thoughts), *Wacika* (good words), *Kayika* (good deeds). Their good thoughts would constitute a kind word, so that the realization of a good deed [16].

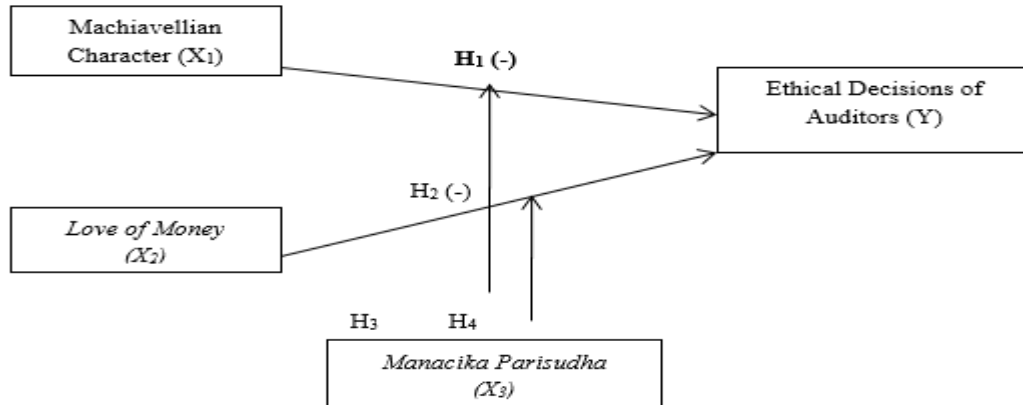


Figure 2: Conceptual Framework

Based on the conceptual framework, the hypotheses proposed for this study are as follows:

- H₁ : Machiavellian Character negatively influences the auditor's ethical decisions
- H₂ : *Love of money* negatively affects the ethical decisions of the auditor
- H₃ : *Manacika Parisudha* weakens the influence of Machiavellian traits on the auditor's ethical decisions
- H₄ : *Manacika Parisudha* weakens the influence of *love of money* on the ethical decisions of auditors

3. Research Methods

This research was conducted at BPK RI in Bali Province and this study was conducted in 2018. This study uses primary data collected through questionnaires in the form of case statements related to the nature of Machiavellian, *love of money*, *Manacika Parisudha* and the ethical decision of auditors. This method uses quantitative methods. The population in this study is the government external auditor who is an employee of the Bali Provincial Representative Audit Board that carries out the inspection task directly. Based on the results of the sample selection using the *purposive sampling method*, the number of BPK RI Bali Province auditors selected as the sample of this study amounted to 33 auditors. All research hypotheses were tested using *Moderated Regression Analysis (MRA)*. Next, interpret the results of the analysis based on theoretical and empirical studies to answer the subject matter in this study and as material to confirm the theory and previous empirical studies, the latter making conclusions and suggestions for further research.

4. Results and Discussion

4.1. Descriptive statistical evaluation

Descriptive statistics are statistical methods used to describe data that have been collected into clearer and easier to understand information. Table 2 below presents descriptive statistical test results.

Table 1: Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Machiavellian Character (X_1)	33	19.00	32.00	25.6970	5.68158
Love of money (X_2)	33	16.00	25.00	21.1212	2.71290
Manacika parisudha (X_3)	33	30.00	40.00	34.5152	2.43825
Ethical Decisions of Auditors (Y)	33	33.00	39.00	35.1818	2.76648
Valid N (listwise)	33				

Based on Table 1 there are 33 observational data, the explanation of the descriptive statistical results is as follows:

The minimum value of the total score of respondents' answers to the variable Machiavellian (X_1) of 19.00 and the highest value of 32.00. The middle value (mean) of the total score of respondents' answers was 25.6970, then respondents' answers can be categorized high. This shows that BPK RI auditors in Bali Province who are Hindus have high Machiavellian behavior. The minimum value of the total score of respondents' answers for the variable *love of money* (X_2) is 16.00 and the highest value is 25.00. The middle value (mean) of the total score of respondents' answers amounted to 21.1212, then respondents' answers can be categorized as high. This shows that the BPK RI auditor in the Hindu Province of Bali has a high need for money. The minimum value of the total score of respondents' answers for the *Manacika Parisudha* (X_3) variable is 30.00 and the highest value is 40.00. The middle value (mean) of the total score of respondents' answers amounted to 34.5152, then respondents' answers can be categorized high. This shows that the auditor of BPK RI in the Hindu Province of Bali has high confidence in *Manacika Parisudha*. The minimum value of the total score of respondents' answers to the auditor's ethical decision variable (y) is 33.00 and the highest value is 39.00. The middle value (mean) of the total score of respondents' answers amounted to 35.1818, then the respondents' answers can be categorized high. This shows that BPK RI auditors in Bali Province are Hindus in making high ethical audit decisions.

4.2. Classical assumption test

The classical assumption test is a statistical requirement that must be fulfilled in multiple linear regression analysis. This test aims to determine and test the feasibility of the regression model used in the study. The classic assumption tests used in this study include the normality test, the autocorrelated test, and the heteroscedasticity test .

4.2.1. Normality test

Based on the normality test explains that the value of *Kolmogorov Smirnov* (KS) is 0.761, while the value of *Asymp. Sig. (2-tailed)* of 0.609. These results indicate that the regression equation model is normally distributed because of the *Asymp. Sig. (2-tailed)* 0.609 is greater than the *alpha* value of 0.05.

4.2.2. Multicollinearity Test

Based on the multicollinearity test explains that the *tolerance* and VIF values of all these variables indicate that the *tolerance* value for each variable is greater than 10% and the VIF value is less than 10, which means the regression equation model does not occur multicollinearity symptoms.

4.2.3. Heteroscedasticity Test

The regression model was good there was a model that does not contain heteroskedasticities symptoms. One test that can be done to test the presence or absence of heteroscedasticity is to do the Glejser test. If the significance level of the regression results has an absolute residual for the independent variable greater than 0.05, the regression model involved does not contain symptoms of heteroscedasticity.

4.3. Moderated Regression Analysis (MRA)

The analysis used is moderated regression analysis. Regression analysis aims to determine the effect of independent variables on the dependent variable, which is measured using a regression coefficient

Table 2: Moderated Regression Analysis (MRA)

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
1 (Constant)	19.514	5.906		3.304	.003
Machiavellian Character	-.196	.067	-.402	-2.928	.007
Love of money	-.604	.239	-.593	-2.532	.017
Manacika parisudha	.318	.139	.280	2.291	.030
X1.X3	.005	.002	.401	2.790	.010
X2.X3	.024	.006	.902	4.186	.000
R Square	0,723				
Adjusted R Square	0,672				
F-Statistics	14,114				
Significance level	0,000				

4.3.1. The coefficient of determination (R^2)

The test results provide results which gained the magnitude of the *adjusted R²* (coefficient of determination adjusted) was 0.672. This means the variations Auditor Ethical Decision may be affected significantly by the variable nature of Machiavellian (X_1), *Love of money* (X_2), *Manacika Parisudha* (X_3), interaction of $X_1.X_3$ and interaction of $X_2.X_3$ by 67.2 percent, while the remaining 32.8 percent is explained by other factors not explained in the research model.

4.3.2. Goodnes Of Fit (F)

Based on the results of the F test showed that the nature of Machiavellian (X_1), *Love of money* (X_2), *Manacika parisudha* (X_3), the interaction of Machiavellian Traits with *Manacika parisudha* and the interaction of *Love of money* with *Manacika parisudha* simultaneously had a significant effect on the Ethical Decision of the Auditor.

4.3.3. Hypothesis Test (t Test)

The T test is used to determine whether the independent variable partially influences the dependent variable. To determine whether a hypothesis is accepted or rejected is to look at the significance value in this study using a significance level of 0.05.

1) First Hypothesis (H_1)

Statistical test results obtained Machiavellian nature variable regression coefficient -0.196 with a significance level of 0.007 t statistics are based on test results, the hypothesis 1, which states the nature Machiavellian negative effect on the auditor accepted ethical decisions (H_1 accepted).

2) The second hypothesis (H_2)

Statistical test results variables *love of money* obtained regression coefficient of -0.604 with a significance level of 0,017 t statistics are based on test results, the hypothesis 2 stated *love of money* negatively affect the auditor accepted ethical decisions (H_2 received).

3) Third Hypothesis (H_3)

Machiavellian nature of the regression coefficient (β_1) negative amounting to 0.196 with a significance value of 0.007 and the regression coefficient interaction variables $X_1.X_3$ (β_4) positive significance value of 0.005 to 0.010, then the variable *Manacika Parisudha* is moderating variables that weakened the influence The Machiavellian Nature of the Auditor's Ethical Decisions .

4) Fourth Hypothesis (H_4)

The regression coefficient *Love of money* (β_2) negative at -0.604 with a significance value of 0.017 and the regression coefficient interaction variables $X_2.X_3$ (β_5) positive amounted to 0,024 with significant value 0,000, then the variable is a variable *Manacika Parisudha* moderation Weakened the influence of *Love of money* on the Auditor's Ethical Decisions .

4.4. Discussion

The first hypothesis states that, Machiavellian nature negatively affects the ethical decisions of auditors. The results of this study indicate that the high machiavellian nature of an individual causes the individual to be more

likely to make unethical decisions. individuals with high Machiavellian traits tend to be more lying, less moral, and more manipulative. Therefore, high Machiavellian traits are more likely to engage in unethical behavior than individuals with low Machiavellian traits. The results of this study are consistent with studies conducted by [7,8,1,11,3] which state that the Machiavellian nature negatively influences ethical decisions. Based on the results of this study, it can be recommended to the Director of BPK RI BALI Province to carry out a test of Machiavellianism from the BPK auditor. The goal is for this policy to be able to minimize the number of BPK auditors who have the tendency to be Machiavellianism. That is because if BPK auditors tend to have Machiavellianism, it will be viewed badly by clients who use their services and are hard to believe for their honesty. The Second Hypothesis states that, *love of money* negatively influences the ethical decisions of auditors. The results of this study indicate that the higher the level of love of money a person has, the lower the ethical decision he has, and vice versa. This is because if someone has a love of high money, then he will try to do everything possible so that his needs are met but not in accordance with ethics. This is because if the BPK auditor tends to have the *love of money* nature, then the auditor cannot make decisions in accordance with ethics. So there can be cases of bribery at the BPK, especially the BPK Auditor. The results of this study are consistent with research conducted by [19] which says that *love of money* negatively influences ethical decisions. The results of this study consistent with [17,13] which states that *love of money* negatively affects ethical decisions. Based on the results of this study, it can be recommended to the Director of BPK RI Bali Province to conduct a *love of money* test from the BPK auditor. The aim is that this policy can minimize the number of BPK auditors who have a high tendency of *love of money*. That is because someone who has a high *love of money* will tend to view money as a necessity and will try to do various ways to fulfill it, even though the method used deviates from his behavior. The Third Hypothesis states that *Manacika Parisudha* weakens the influence of Machiavellian nature on the auditor's ethical decisions. These results indicate that if a BPK auditor who is Hindu has a high level of *Manacika Parisudha* (good and positive thoughts), it will be able to control the high Machiavellian nature of the auditor. Good thoughts will weaken the bad behavior that exists in someone, especially Hindu BPK auditors who will conduct a field audit process in making good ethical decisions so as not to harm any party. Like the case of bribery that had been experienced by BPK could not happen again. This *Machiavellian* nature becomes a proxy for moral behavior that influences ethical decision-making behavior [18]. So it can be indicated that individuals with high Machiavellian traits will be more likely to commit unethical actions than individuals with low *Machiavellian* traits. Reference [14] also found that individuals with high *Machiavellian* traits would be more likely to commit unethical actions compared to individuals with low Machiavellian traits. The fourth hypothesis states that *Manacika Parisudha* moderates the influence of *love of money* on the auditor's ethical decisions. This indicates that if a BPK auditor who is Hindu has a high level of *Manacika Parisudha* (good and positive thoughts), it will certainly be able to control the auditor's high *love of money*. Good thoughts will weaken the bad behavior that exists in someone, especially Hindu BPK auditors who will conduct a field audit process in making good ethical decisions so as not to harm any party. Like the case of bribery that had been experienced by BPK could not happen again. The results of this study are consistent with research conducted by [9] which suggests that someone who has a high level of *Manacika Parisudha* will be able to control the *love of money* they have, so that the attitude that becomes the output in thinking will also be good. Good thoughts will weaken the bad behavior that exists in someone, when they are able to think good (positive) they will behave in accordance with the rules so as not to harm any party.

5. Conclusions and Recommendations

Machiavellian character negatively affects the ethical decisions of BPK RI Bali Province, *love of money* negatively affects the ethical decisions of BPK RI auditors in Bali Province, *Manacika Parisudha* weakens the influence of Machiavellian nature on the ethical decisions of BPK RI auditors in Bali Province, *Manacika Parisudha* weakens the influence of *love of money* on the ethical decision of the BPK RI auditor in the Province of Bali. Based on the results of discussions and conclusions researchers suggest *Manacika Parisudha*, which is one of the local wisdoms weakens the internal factors of individuals such as the nature of Machiavellian and *love of money*. BPK RI of Province of Bali is advised to continue to improve audit standard training and code of ethics for its auditors by considering ethical values that exist in local wisdom. As stated in the BPK RI code of ethics number 3 of 2016 in Chapter III article 5 that the code of ethics must be realized in the attitudes, words, and actions of BPK members in carrying out their duties, further research can use the variable of belief in the Karma Law as a moderating variable to test other individual internal factors that can influence behavior, and decision making. Limitations of this study is this research was only conducted at the BPK RI of the Province of Bali, so that these results could not represent auditors in all provinces in Indonesia. Variables used to examine the outside of the province of Bali will better adapt to the environment auditors.

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