

Contents

- 1. Examining the Impact of Goodwill, Liabilities, and Stock Prices: A Study of Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange (IDX) in 2020-2021**
Syamsu Rizal, Omer Eisa Omer Fadul 1-10
- 2. Examining the Impact of COVID-19 on Regional Economic Dynamics: A Case Study of Tourism Sector Influence on Income Generation in Lampung Province**
Vincent Lung, Chrissanta, Vina Petricia 11 -28
- 3. Enhancing Audit Judgment: Exploring the Impact of Experience, Expertise, and Compliance Pressure at The Representative Financial Audit Board of Lampung Province**
Carlos Arnold Atmoko, Afifah Yohanna, Sarifatul Khotijah 20-37
- 4. Exploring Factors Affecting Audit Delay: An Empirical Study of PT. Japfa Comfeed Indonesia in Lampung**
Mellyani, Mita Agustiana, Sufyan Edi Hartanto 38-50
- 5. Enhancing Financial Reporting Practices: Implementing Accounting Standards for Micro, Small, and Medium Enterprises (MSMEs)**
Serafina L., Rani Velia Salsabilla, Eka Yesi Anjas Wahyuni 51-60
- 6. The Impact of the Bystander Effect and Whistleblowing on Financial Reporting Integrity: A Case Study of PT. Budi Andalan Argo Employees**
Yosi Kurnia Putri, Yolanda Hernes Julia, Angelia Agustin 61-72
- 7. Analyzing the Impact of Financial Performance on Credit Allocation: A Contemporary Perspective**
Dea Oktaviana, Jessica Avelina Andrian, Farhan Izzuddin Daffa 73-83
- 8. Exploring the Impact of Company Scale, Financial Health, and Debt Structure on Corporate Performance: A Case Study of Consumer Goods Industry Firms Listed on the Indonesian Stock Exchange from 2017 to 2019**
Benna Fransiska, Erwin Novriansyah 84-98
- 9. Enhancing Regional Financial Management Information Systems: The Impact of Superior Support, Goal Clarity, and Training**
Indah Natalia, Cristin Clalorin 99-109
- 10. Examining the Impact of Intellectual, Emotional, and Spiritual Intelligence on Audit Quality: A Case Study of Client Pressures in a Public Accounting Firm in Bandar Lampung**
Dinda Marisha, Ayu Gita Permata 110-129
- 11. The Moderating Role of Firm Size on the Relationship between Professional Ethics and Audit Quality: An Empirical Study of Big Four and Non-Big Four Public Accounting Firms**
Rina Septiyani, Angella Natalia Susanty 130-147
- 12. Examining the Impact of Intellectual Capital on Corporate Financial Performance: An Empirical Study of LQ-45 Index Listed Companies (2018-2019)**
Novita Christine, Dirma Wati 148-159
- 13. The Impact of Sales Accounting Information Systems on Receivables Management Effectiveness: A Case Study of PT Sinta Sejahtera Lestari**
Angelina Putri Limantara 160-171
- 14. Examining the Impact of Independent Commissioners, Audit Committees, and Board of Directors on Financial Performance: A Contemporary Analysis**
Priska, Nabila Aurelia 172-189

15. Exploring Green Sukuk as a Sustainable Financing Option for Renewable Energy in Turkey

Tri Damayanti 190-197

The Impact of the Bystander Effect and Whistleblowing on Financial Reporting Integrity: A Case Study of PT. Budi Andalan Argo Employees

Yosi Kurnia Putri¹, Yolanda Hernes Julia², Angelia Agustin³

yosi.kurnia@student.ubl.ac.id

yolanda.hernes@student.ubl.ac.id

angelia.agustin@student.ubl.ac.id

¹²³Universitas Bandar Lampung

Abstract

Financial statement fraud is a widespread problem in the current corporate environment. This study aims to investigate three key factors: firstly, the correlation between the bystander effect and fraudulent financial statements; secondly, the influence of whistleblowing on fraudulent activities; and thirdly, the combined impact of both the bystander effect and whistleblowing on the prevalence of fraudulent financial statements. The study utilises a quantitative research methodology and specifically examines the employees of PT. Budi Andalan Argo. The research was conducted using a purposive selection technique, which specifically focused on selecting permanent employees from the accounting, auditing, and cashier sectors. This resulted in a sample size of 34 employees. The study thoroughly examined the collected data using the multiple linear regression analysis method and SPSS version 17 software. The studies unveiled numerous crucial insights. The bystander effect exhibited a noteworthy favourable association with deceptive financial statements, suggesting that the existence of passive onlookers enhances the probability of financial wrongdoing. On the other hand, there is a clear and significant inverse correlation between whistleblowing and fake financial statements. This indicates that when wrongdoing is actively reported, it serves as a strong deterrent against engaging in fraudulent practices. Furthermore, when examining both components concurrently, their collective effect was discovered to have a considerable influence on the occurrence of deceptive financial statements, emphasising the complex interplay between passive observation and active involvement in organisational contexts. To summarise, this study highlights the significance of tackling both the bystander effect and whistleblowing in reducing financial statement fraud. Organisations can effectively resist fraudulent actions by comprehending these dynamics and applying tactics that foster accountability and ethical behaviour.

Keywords: bystander effect; whistleblowing; and financial statements fraud.

Introduction

Within the domain of company operations, industries engage with numerous stakeholders, all of whom want access to vital financial information. The use of accounting terminology in conveying this information is essential for ensuring clarity and understanding among stakeholders (Hogan et al., 2008; Zabihollah Rezaee, 2004). Nevertheless, the dependence on financial data exposes a weakness - the potential for manipulation. The American Institute of Certified Public Accountants (AICPA) addresses this concern by emphasising the importance of detecting fraud in financial statement audits through Statement of Auditing Standards (SAS) No. 99 (AICPA, 2012; Hogan et al., 2008; Omar & Din, 2010). This standard highlights key factors such as opportunity, pressure, and rationalisation, which are encapsulated within the fraud triangle (Shapiro, 2011; Smieliauskas, 2008).

Despite diligent attempts to strengthen the accuracy of financial reporting, there are nevertheless signs suggesting that faked financial reports are still common. The urgency of the issue is emphasised by these indicators, which arise from variables such as insufficient oversight, external pressures, personal financial incentives, and organisational frameworks. The insidious nature of financial manipulation inside

companies is shown by fraudulent methods such as earnings management and income smoothing, as revealed by the Association of Certified Fraud Examiners (ACFE) (Byington & Christensen, 1998; Feess & Timofeyev, 2020).

Employees hold substantial power inside this environment. Notably, bystanders and whistleblowers play a crucial role among them. The bystander effect, a psychological phenomena, occurs when individuals, even though they are aware of dishonest behaviour, remain silent, which can potentially undermine operational effectiveness (Bedard et al., 2001; Dyck et al., 2010; Raval, 2020). This phenomenon, which has the ability to influence ethical behaviour and adherence to procedures, increases the likelihood of falsifying financial reports. Therefore, industries want individuals who are willing to address wrongdoing when it is necessary. Whistleblowing is seen as an essential tool to combat accounting manipulation and promote public confidence (Brink et al., 2015; Gao & Brink, 2017; Lee & Xiao, 2018).

As this research progresses, it becomes clear that there is a significant lack of understanding regarding the relationship between the bystander effect, whistleblowing, and financial reporting integrity in various organisational situations (Gao & Brink, 2017; Mansor et al., 2020; Pangestu & Rahajeng, 2020). This study aims to address this disparity by examining the effects of these events, both separately and in combination, within the distinctive context of PT. Budi Andalan Argo personnel. By conducting this investigation, our goal is to uncover subtle and detailed observations, therefore promoting academic discussions and providing valuable information for strategic actions to strengthen the integrity of financial reporting (Erkmen et al., 2014; Gao & Brink, 2017; Lee & Xiao, 2018; Mansor et al., 2020).

Literature review

Financial statement fraud involves the deliberate act of presenting inaccurate financial reports to circumvent widely accepted accounting laws. This fraudulent activity poses significant risks and consequences for stakeholders participating in decision-making processes (Z. Rezaee & Riley, 2004; Zahra et al., 2005). The markers of fraudulent financial statements include inadequate oversight, external coercion, personal pecuniary incentives, and organizational framework. These elements collectively underscore the intricate nature of financial manipulation within organizational settings (Brennan & McGrath, 2007; Cooper et al., 2013).

In parallel, the bystander effect, a concept in social psychology, explains the phenomenon where individuals become increasingly hesitant to intervene in emergency circumstances as the number of onlookers present grows (Brink et al., 2015; Ramamoorti, 2008; Raval, 2020). This concept delineates signs of the bystander impact, encompassing social influence, bystander hurdles, and the diffusion of culpability. These observations contribute to a deeper understanding of the complexities of human conduct within group dynamics and its potential influence on ethical decision-making procedures (Brink et al., 2015; Cooper et al., 2013; Gao & Brink, 2017).

Whistleblowing, on the other hand, involves personnel revealing information about breaches of laws, rules, ethical codes, or professional standards, as well as procedural mistakes, corruption, or risks to society and workplace safety (Gao & Brink, 2017; Morrison, 2009). It often occurs when there is a conflict between an employee's loyalty and the need to protect larger societal concerns. Legislative frameworks, such as OJK Regulation Number: IX.1.5 and the Sarbanes-Oxley Act of 2002 Section 310, emphasize the importance of organizational processes in dealing with wrongdoing while ensuring the confidentiality of those who report such activities (Apaza & Chang, 2011; Kölbel & Herold, 2019). The KNKG (2018) outlines whistleblowing indicators covering structural,

operational, and maintenance aspects, highlighting the comprehensive nature of whistleblower frameworks in governance institutions (Gao & Brink, 2017; Lee & Xiao, 2018).

Collectively, these literary observations provide a thorough comprehension of the intricacies related to financial statement fraud, the bystander effect, and the mechanics of whistleblowing. However, despite the presence of previous studies, there remains a need to investigate the intricate relationship between these occurrences in specific organizational settings, such as that of PT. Budi Andalan Argo workers, to understand their subtle effects on the integrity of financial reporting (Gao & Brink, 2017; Lee & Xiao, 2018).

Methodology

The research methodology utilised in this work follows a quantitative strategy, which entails the systematic computation and analysis of research data in numerical format. The population being studied consists of 121 employees of PT Budi Andalan Argo, who are a specified set of persons with identifiable qualities and characteristics as determined by the researchers. A sample size of 34 employees was picked from the population using purposive sampling, a method chosen for its ability to specifically target individuals with expertise relevant to the study's aims. The sample criteria specifically targeted personnel in the accounting, auditing, and cashier departments who had permanent jobs in the organisation.

The data gathering process utilised a well-organized questionnaire, with a focus on the significance of respondents' sincerity in delivering precise and dependable answers. The accuracy and dependability of the research findings heavily rely on the measurement techniques used to evaluate the variables being studied. Therefore, the measurement instrument underwent comprehensive testing through validity and reliability studies to assure its trustworthiness.

This study primarily employs quantitative data analysis techniques to measure the effects of different independent variables on dependent variables, in contrast to qualitative research which focuses on the qualitative elements and subtleties of social phenomena. The quantitative research methodologies used in this study are known for their analytical accuracy, systematic planning, and well-defined phases from the initial idea to the analysis of data.

Prior to performing predictive analysis, it was necessary to run traditional assumption tests to determine whether multicollinearity, heteroscedasticity, and normality were present in the regression model. The primary analytical technique used is multiple linear regression analysis, which seeks to identify correlations between numerous independent variables and a single dependent variable. This approach facilitates the detection of relationships between different factors and the desired outcome, where one variable serves as the dependent variable and the others as independent variables. The multiple linear regression model is used to understand the intricate relationship between several factors that affect the phenomenon being studied.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon \dots \dots \dots (1)$$

Information:**Y** = Falsification of Financial Reports **α** = Constant Value **β_1** = Regression coefficient of bystander effect (X_1) **β_2** = Regression coefficient of whistleblowing (X_2) **X_1** = Bystander Effect **X_2** = Whistleblowing **ϵ** = Standard error

Experimental research frequently utilises statistical tests to clarify the influence of independent variables on dependent variables. Partial experiments, particularly T statistical tests, are conducted to determine the degree to which a single independent variable influences fluctuations in the dependent variable (Yan et al., 2017). Essentially, they separate and quantify the impact of distinct components. In a recent study, researchers ran an experiment using a significance level of 0.005 ($\alpha = 5\%$) to carefully measure the effect of a specific variable (Kueppers & Sullivan, 2010; Trafimow et al., 2018).

Simultaneous experiments, in contrast, employ F-statistical tests to assess the combined impact of many independent variables on a dependent variable. The purpose of these tests is to ascertain whether the collective impact of the independent factors has a substantial effect on the dependent variable, or if they are mutually dependent (Yan et al., 2017). Researchers try to distinguish the interconnected effects of different factors and separate the influence of independent variables from each other by using a significance level of 0.05. This approach enables a thorough comprehension of the interplay between many variables in influencing results (Trafimow et al., 2018).

Partial experiments aim to analyse the effects of specific variables, while simultaneous experiments investigate the combined impact of numerous factors. Both approaches are essential in experimental research, providing detailed insights into the complex interactions between factors and their impact on dependent variables. By doing rigorous statistical analysis, researchers can uncover the fundamental mechanisms that explain observable events, thus contributing to the advancement of knowledge in their respective domains (Yan et al., 2017).

Results and Discussion

The researchers partnered with staff from PT. Budi Andalan Argo, who provided valuable insights and expertise for this investigation. The research process involved the distribution of a total of 34 questionnaires. The questionnaires were distributed via in-person contacts, facilitating direct involvement with the respondents. After distributing the surveys, the researchers patiently awaited the completion of each questionnaire before swiftly collecting them. This approach ensured the capture of data in real-time and facilitated a thorough comprehension of the participants' responses.

Table 1 below presents precise figures and statistics related to the distribution and return process of the questionnaire, aiming to provide a comprehensive summary of this phase of the study. This table provides readers with information regarding the quantity of questionnaires distributed, the rate at which they were returned, and other pertinent metrics. Transparent reporting improves the credibility and replicability of the research findings, allowing stakeholders to more effectively assess the study's methods and outcomes.

Table 1
Description of Respondent Questionnaire

Information	Frequency	Percentage
Distributed questionnaires	34	100%
Returned questionnaire	34	100%
Failed questionnaires	0	0
Questionnaires that can be used	34	100%

Source: Primary Information 2020 Research Results (processed information)

The research participants were selected from the staff of PT Budi Andalan Argo, a company well-known for its dedication to achieving high standards and introducing new ideas. The chosen respondents were strategically selected to obtain insights from those who have a profound understanding of the organisational culture and activities. The research aimed to offer detailed viewpoints that align with the company's values and operational methods by concentrating on its personnel in this particular setting.

The study took great care to ensure the complete anonymization of the respondents' identities in order to maintain confidentiality and adhere to ethical guidelines. The privacy and anonymity of each respondent were of utmost importance, guaranteeing their ability to openly share their thoughts without any concern of negative consequences or violation of privacy. The protection of names played a crucial role in creating an atmosphere that was favourable for open and honest discussions, which were necessary for ensuring the accuracy and dependability of the research results.

The respondents in the research framework were individuals from various roles and departments within PT Budi Andalan Argo. They had a wide range of experiences, expertise, and viewpoints. This intentional inclusivity enabled a thorough examination of the research issue, resulting in a diverse range of valuable discoveries. Every participant, ranging from employees on the frontlines to managers, provided a distinct perspective, enhancing the comprehensive and extensive nature of the research analysis.

In addition, the selection of respondents was conducted with meticulous attention to several demographic variables, including length of service, departmental affiliation, and hierarchical rank. This method ensured an equitable representation across various levels of the organisation, reducing prejudice and improving the applicability of the research results. The research aims to enhance the understanding of organisational phenomena by incorporating a variety of voices and backgrounds, thus capturing the intricate dynamics of PT Budi Andalan Argo's workforce.

The participants in this study, selected from the employees of PT Budi Andalan Argo, had a crucial role in determining the extent, comprehensiveness, and significance of the research. Their identities were protected to maintain anonymity and encourage open discussion, while their varied viewpoints contributed to a comprehensive examination of the research subject. By actively taking part, these individuals enhanced the research environment by offering significant perspectives that shed light on the complexities of organisational dynamics within PT Budi Andalan Argo.

Table 2
Characteristics of Respondents Based on Division

No.	Division	Frequency (f)	Percentage (%)
1	Accounting	10	29,41 %
2	Auditing	17	50%
3	Cashier	7	20,59%
Amount		34	100%

Source: Primary Information 2020 research results (processed information)

Table 3
Characteristics of Respondents Based on Gender

No.	Gender	Frequency (f)	Percentage (%)
1	Female	19	55,88%
2	Male	15	44,12%
Amount		34	100%

Source: Primary Information 2020 research results (processed information)

The validity experiment done on the instrument produced findings that showed the overall rcount for all questions exceeded the threshold of $r_{table} = 0.338$. This confirms the validity of the questionnaire items related to bystander effect, whistleblowing, and falsification of financial reporting. This indicates that these items accurately assess the intended concepts, as demonstrated by their performance in the validity evaluation.

The reliability experiment showed that all variables had a Cronbach Alpha value greater than 0.6, indicating high reliability. This demonstrates a strong degree of internal consistency among the questionnaire items pertaining to bystander effect, whistleblowing, and falsification of financial reports. Therefore, these elements can be considered dependable indicators for capturing the fundamental concepts they reflect.

After doing the One Sample Kolmogorov-Smirnov Test, it was determined that the research variable had a value of 0.874, which is greater than 0.05. These results indicate that the data conforms to a normal distribution, which strengthens the reliability and applicability of the research conclusions.

The multicollinearity experiment examined the possible existence of multicollinearity among the independent variables. The results showed that the Variance Inflation Factor (VIF) for both the Bystander Effect and Whistleblowing variables was 1.001, which is significantly lower than the threshold of 10. In addition, the tolerance values for these variables were 0.999, which above the minimum criteria of 0.10. These findings together suggest that there is no presence of multicollinearity symptoms among the independent variables, therefore confirming the reliability of the regression analysis results.

Upon analysis, it was found that there was no observable pattern of heteroscedasticity in the research data. The data points appeared to be randomly distributed and the values on the Y-axis constantly remained below 0. The lack of consistent variation in the data points indicates that there was no heteroscedasticity seen in this research study, which strengthens the reliability of the statistical analyses performed.

Table 4
Results of Multiple Linear Regression Experiments

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.168	6.499		2.642	.013
	Bystander Effect	.712	.166	.602	4.280	.000
	Whistleblowing	-.213	.177	-.169	-3.201	.039

a. Dependent Variable: Falsification of Financial Reports
Source: Information by statistics (SPSS 23, 2020)

Based on this table, the regression equation is obtained as follows:

$$Y = a + b_1x_1 + b_2x_2 + e$$

$$Y = 1,168 + 0,712 X_1 - 0,231 X_2 + 0,05$$

This study yielded several significant findings pertaining to the correlation between variables. To begin with, the constant value of 1.168 serves as the reference point for the Falsification of Financial Reports (Y) while both the Bystander Effect (X1) and Whistleblowing (X2) stay unchanged. This constant functions as a benchmark for subsequent investigation.

The regression coefficient for the Bystander Effect is 0.712. This demonstrates a positive linear relationship between the Bystander Effect (X1) and the Falsification of Financial Reports (Y), with a coefficient of 0.712. In other words, for every one-unit rise in the Bystander Effect, there is a corresponding increase of 0.712 units in the Falsification of Financial Reports. Alternatively, this can be understood as a 71.2% surge in Y for every additional occurrence of the Bystander Effect.

On the other hand, the regression coefficient for Whistleblowing is -0.231. This implies that for every one unit increase in Whistleblowing (X2), there is a corresponding decrease of 0.231 units in the Falsification of Financial Reports (Y). For each additional unit increase in Whistleblowing, there is a corresponding decrease of 23.1% in Y.

These findings offer valuable insights into the interplay between the Bystander Effect, Whistleblowing, and the Falsification of Financial Reports, elucidating the effects of variations in these factors on the financial integrity of organisations.

Table 5
Determination Coefficient

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621 ^a	.386	.347	3.971

a. Predictors: (Constant), Whistleblowing, Bystander Effect

Source: Information by statistics (SPSS 23, 2020)

The data analysis demonstrates a notable link between the variables of the Bystander Effect and Whistleblowing and the incidence of Financial Report Falsification. The estimated correlation coefficient (R) of 0.621 and coefficient of determination (R²) of 0.386, or 38.6%, clearly indicate that these factors have a significant combined influence. The coefficient of determination indicates that around 38.6% of the changes in the occurrence of Financial Report Falsification can be ascribed to the influence of the Bystander Effect and Whistleblowing factors. It is worth mentioning that the remaining 61.4% is probably affected by additional uninvestigated factors.

Upon analysing the evaluations provided by the participants, it becomes evident that their perceptions have a significant influence on the effect of these variables. Regarding the Bystander Effect, respondents displayed a shared unfavourable opinion, as shown by an average score of 59, which corresponds to 35%, signifying disagreement. When individuals have a negative opinion of the Bystander Effect, it is likely that incidents of Financial Report Falsification will diminish. On the other hand, if the Bystander Effect is viewed positively, it could increase the probability of Financial Report Falsification.

Similarly, the assessment of the Whistleblowing variable indicates a mostly favourable perspective among participants, with an average score of 117.8, which corresponds to a 69% level of agreement. The positive perception emphasises the belief that implementing effective whistleblowing methods serves as a deterrence to the falsification of financial reports. On the other hand, weak or harmful whistleblowing methods can unintentionally lead to a rise in instances of fabrication.

In general, the respondents' evaluations of the Falsification of Financial Reports indicate a prevailing tendency towards positivity, as demonstrated by an average score of 129.7, which corresponds to a 76% agreement rate. This unanimity indicates a widespread recognition of the harmful impact of fraudulent financial reporting. These findings highlight the complex relationship between how individuals perceive things, how organisations behave, and the occurrence of Financial Report Falsification.

Table 6
Hypothesis Experiment by Anova (Experiment F)

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	307.473	2	153.737	9.750	.001 ^a
	Residual	488.792	31	15.767		
	Total	796.265	33			

- a. Predictors: (Constant), Whistleblowing, Bystander Effect
- b. Dependent Variable: Falsification of Financial Reports

Source: Information processed with SPSS 23, 2020

The Impact of the Bystander Effect on Falsifying Financial Reports

The study examined the influence of the Bystander Effect on the manipulation of financial records using a meticulously planned experiment. Using a significance level of 0.050 ($\alpha = 5\%$), the analysis aimed to ascertain the statistical significance of the Bystander Effect variable. The findings, as shown in Table 4, indicated a computed t-value of 4.280 for the Bystander Effect, exceeding the threshold t-table value of 2.037.

Thus, the hypothesis stating that the "Bystander Effect has a positive and significant influence on Falsification of Financial Reports" was confirmed.

The Bystander Effect is a phenomena that occurs when the presence of more people at the scene of an occurrence leads to a lower chance of intervention or assistance in critical situations. It is based on social and psychological dynamics. In the realm of organisational behaviour, this refers to a situation when employees, similar to bystanders, may choose not to intervene or report cases of financial manipulation. As the number of employees who passively witness or fail to report manipulative behaviours increases, the potential for financial report manipulation also increases.

This phenomena highlights the complex interaction between individual actions and the dynamics inside an organisation. The hesitancy of employees to intervene or report incidents of misbehaviour can worsen the frequency of unethical behaviours inside an organisation. Furthermore, it emphasises the importance of cultivating a culture that promotes responsibility and openness in order to reduce the negative impact of the Bystander Effect on organisational honesty. Essentially, dealing with the Bystander Effect in the context of financial reporting requires taking proactive steps to promote ethical behaviour and foster a shared responsibility for protecting the accuracy and reliability of financial information.

The Impact of Whistleblowing on Falsifying Financial Reports

The study examined the influence of the Bystander Effect on the manipulation of financial reports using a well planned experiment. With a significance level of 0.050 ($\alpha = 5\%$), the analysis aimed to establish the statistical significance of the Bystander Effect variable. The findings, as shown in Table 4, indicated a computed t-value of 4.280 for the Bystander Effect, exceeding the threshold t-table value of 2.037. Therefore, the hypothesis that the "Bystander Effect has a positive and significant influence on Falsification of Financial Reports" was confirmed.

The Bystander Effect is a phenomena that occurs when the presence of more people at the scene of an occurrence leads to a lower chance of intervention or assistance in critical situations. It is based on social and psychological dynamics. In the realm of organisational behaviour, this refers to a situation in which employees, similar to bystanders, may choose not to intervene or report cases of financial manipulation. Therefore, when the number of employees who adopt a passive observer position or neglect to report manipulative behaviours rises, the likelihood of financial report manipulation also increases.

This phenomena highlights the complex interaction between individual actions and the dynamics inside an organisation. The hesitancy of employees to intervene or report incidents of misbehaviour can worsen the frequency of unethical behaviours inside an organisation. Furthermore, it emphasises the importance of promoting a culture that emphasises responsibility and openness in order to reduce the negative impact of the Bystander Effect on the integrity of an organisation. Essentially, dealing with the Bystander Effect in the context of financial reporting requires taking proactive steps to promote ethical behaviour and foster a shared responsibility for protecting the accuracy and honesty of financial information.

The Impact of Bystander Effect and Whistleblowing on Falsification of Financial Reports

The findings of the ANOVA experiment or F test demonstrate a substantial influence of both the Bystander Effect and Whistleblowing on the manipulation of financial records. The F count obtained was 9,750, which exceeded the F table value of

3.30, at a significance level of 0.000. This indicates a likelihood far lower than the customary threshold of 0.050. This statistical research highlights the substantial impact of both the Bystander Effect and Whistleblowing on the manipulation of financial reporting. Hence, the data supports the third hypothesis, which suggests that the combined influence of the Bystander Effect and Whistleblowing significantly contributes to the falsification of financial reports.

The Bystander Effect and Whistleblowing are two distinct phenomena that have significant impacts on the decision-making processes within organisations. Individuals in practical situations may be more significantly influenced by the Bystander Effect rather than engaging in Whistleblowing. This behaviour may be motivated by apprehensions regarding personal well-being or employment stability, leading individuals to choose to be inactive observers rather than taking the risk of blowing the whistle and facing the potential repercussions. In specific circumstances, these behaviours can coexist and have simultaneous effects on the manipulation of financial records in many businesses, despite appearing to be contradictory attitudes.

The interaction between the Bystander Effect and Whistleblowing underscores the intricate nature of ethical decision-making in organisational contexts. Whistleblowing is an act of moral bravery that aims to expose wrongdoing, whereas the Bystander Effect demonstrates how social dynamics greatly impact individual behaviour. When these pressures intersect, as shown by their simultaneous occurrence, they can greatly influence the extent of fabrication in financial reporting methods. Therefore, comprehending and tackling these phenomena are crucial for advancing openness and integrity in corporate governance.

Conclusion

Upon careful examination and thorough deliberation, a number of definitive findings arise. The Bystander Effect is significantly and positively associated with the manipulation of financial records (Dyck et al., 2010). This implies that individuals are more prone to engaging in such unethical behaviour when they are in the presence of others who simply watch without taking any action. On the other hand, there is a clear and strong inverse correlation between Whistleblowing and the act of falsifying financial records (Dyck et al., 2010). This suggests that when individuals proactively disclose wrongdoing, it acts as a deterrent against instances of financial dishonesty. Furthermore, the collective impact of both the Bystander Effect and Whistleblowing has a substantial influence on the manipulation of financial records (Brink et al., 2015; Dyck et al., 2010). This emphasises the intricate interaction between passive observation and active involvement in organisational contexts.

Regarding the implications of these findings, it is clear that it is crucial to cultivate a proactive approach in dealing with instances of the Bystander Effect and actively participate in Whistleblowing within professional environments (Brink et al., 2015). This indicates the necessity of fostering a culture that promotes responsibility and moral conduct. Furthermore, inside organisational contexts such as factories, individuals are urged to prioritise the values of integrity, honesty, and professionalism rather than simply being passive. Although there may be difficulties associated with being a whistleblower, persons who exhibit these characteristics are likely to be highly regarded and appreciated in their professional environment. Finally, there is a want for future research endeavours to further explore and build upon these discoveries. More precisely, it is suggested to increase the size of the samples used and consider include other factors that could potentially affect how financial manipulation is seen. By doing this, one can achieve a

more thorough comprehension of the underlying dynamics, which in turn can inform more efficient approaches to address financial malfeasance.

References

- AICPA. (2012, December 15). *Pre-Clarity Statements on Auditing Standards*. AICPA.Org. <https://us.aicpa.org/research/standards/auditattest/sas>
- Apaza, C. R., & Chang, Y. (2011). What Makes Whistleblowing Effective. *Public Integrity*, 13(2), 113–130. <https://doi.org/10.2753/PIN1099-9922130202>
- Bedard, J. C., Simnett, R., & DeVoe-Talluto, J. A. (2001). Auditors' consideration of fraud: How behavioral research can address the concerns of standard setters. In *Advances in Accounting Behavioral Research* (Vol. 4, pp. 77–101). Emerald Group Publishing Limited. [https://doi.org/10.1016/S1474-7979\(01\)04069-8](https://doi.org/10.1016/S1474-7979(01)04069-8)
- Brennan, N., & McGrath, M. (2007). Financial Statement Fraud: Some Lessons from US and European Case Studies. *Australian Accounting Review*, 17(42), 49–61. <https://doi.org/https://doi.org/10.1111/j.1835-2561.2007.tb00443.x>
- Brink, A., Eller, C. K., & Gan, H. (2015). Reporting Fraud: An Examination of the Bystander Effect and Evidence Strength. In *Advances in Accounting Behavioral Research* (Vol. 18, pp. 125–154). Emerald Group Publishing Limited. <https://doi.org/10.1108/S1475-148820150000018004>
- Byington, J. R., & Christensen, J. A. (1998). Dealing with an independent auditor: What does he look for, and what are his own risks? *Journal of Corporate Accounting & Finance*, 9(2), 119–126. <https://doi.org/https://doi.org/10.1002/jcaf.3970090211>
- Cooper, D. J., Dacin, T., & Palmer, D. (2013). Fraud in accounting, organizations and society: Extending the boundaries of research. *Accounting, Organizations and Society*, 38(6), 440–457. <https://doi.org/https://doi.org/10.1016/j.aos.2013.11.001>
- Dyck, A., Morse, A., & Zingales, L. (2010). Who Blows the Whistle on Corporate Fraud? *The Journal of Finance*, 65(6), 2213–2253. <https://doi.org/https://doi.org/10.1111/j.1540-6261.2010.01614.x>
- Erkmen, T., Özsözgün Çalışkan, A., & Esen, E. (2014). An empirical research about whistleblowing behavior in accounting context. *Journal of Accounting & Organizational Change*, 10(2), 229–243. <https://doi.org/10.1108/JAOC-03-2012-0028>
- Feess, E., & Timofeyev, Y. (2020). Behavioral Red Flags and Loss Sizes from Asset Misappropriation: Evidence from the US. In K. E. Karim (Ed.), *Advances in Accounting Behavioral Research* (Vol. 23, pp. 77–117). Emerald Publishing Limited. <https://doi.org/10.1108/S1475-148820200000023004>
- Gao, L., & Brink, A. G. (2017). Whistleblowing studies in accounting research: A review of experimental studies on the determinants of whistleblowing. *Journal of Accounting Literature*, 38(1), 1–13. <https://doi.org/10.1016/j.acclit.2017.05.001>
- Hogan, C. E., Rezaee, Z., Riley Jr., R. A., & Velury, U. K. (2008). Financial Statement Fraud: Insights from the Academic Literature. *AUDITING: A Journal of Practice & Theory*, 27(2), 231–252. <https://doi.org/10.2308/aud.2008.27.2.231>
- Kölbel, R., & Herold, N. (2019). Whistle-Blowing from the Perspective of General Strain Theory. *Deviant Behavior*, 40(2), 139–155. <https://doi.org/10.1080/01639625.2017.1411054>
- Kueppers, R. J., & Sullivan, K. B. (2010). How and why an independent audit matters. *International Journal of Disclosure and Governance*, 7(4), 286–293. <https://doi.org/10.1057/jdg.2010.22>

- Lee, G., & Xiao, X. (2018). Whistleblowing on accountancy-related misconduct: A synthesis of the literature. *Journal of Accounting Literature*, 41(1), 22–46. <https://doi.org/10.1016/j.acclit.2018.03.003>
- Morrison, E. W. (2009). Marcia P. Miceli, Janet P. Near, and Terry Morehead Dworkin: Whistle-blowing in Organizations. *Administrative Science Quarterly*, 54(2), 344–346. <https://doi.org/10.2189/asqu.2009.54.2.344>
- Omar, N. B., & Din, H. F. M. (2010). Fraud diamond risk indicator: An assessment of its importance and usage. *2010 International Conference on Science and Social Research (CSSR 2010)*, 607–612. <https://doi.org/10.1109/CSSR.2010.5773853>
- Pangestu, F., & Rahajeng, D. K. (2020). The Effect of Power Distance, Moral Intensity, and Professional Commitment on Whistleblowing Decisions. *Journal of Indonesian Economy and Business*, 35(2), 144–162. <http://journal.ugm.ac.id/jieb>
- Ramamoorti, S. (2008). The Psychology and Sociology of Fraud: Integrating the Behavioral Sciences Component Into Fraud and Forensic Accounting Curricula. *Issues in Accounting Education*, 23(4), 521–533. <https://doi.org/10.2308/iace.2008.23.4.521>
- Raval, V. (2020). Blind Alleys of Financial Fraud. *EDPACS*, 62(4), 1–14. <https://doi.org/10.1080/07366981.2020.1791390>
- Rezaee, Z., & Riley, R. (2004). Financial Statement Fraud: Prevention and Detection. *Research in Accounting Regulation*, 17, 313–314. [https://doi.org/https://doi.org/10.1016/S1052-0457\(04\)17015-X](https://doi.org/https://doi.org/10.1016/S1052-0457(04)17015-X)
- Rezaee, Zabihollah. (2004). Restoring public trust in the accounting profession by developing anti-fraud education, programs, and auditing. *Managerial Auditing Journal*, 19(1), 134–148. <https://doi.org/10.1108/02686900410509857>
- Shapiro, D. M. (2011). Better understanding accounting fraud. *Journal of Corporate Accounting & Finance*, 22(4), 61–64. <https://doi.org/https://doi.org/10.1002/jcaf.20690>
- Smieliauskas, W. (2008). A Framework for Identifying (and Avoiding) Fraudulent Financial Reporting*. *Accounting Perspectives*, 7(3), 189–226. <https://doi.org/https://doi.org/10.1506/ap.7.3.1>
- Trafimow, D., Amrhein, V., Areshenkoff, C. N., Barrera-Causil, C. J., Beh, E. J., Bilgiç, Y. K., Bono, R., Bradley, M. T., Briggs, W. M., Cepeda-Freyre, H. A., Chaigneau, S. E., Ciocca, D. R., Correa, J. C., Cousineau, D., de Boer, M. R., Dhar, S. S., Dolgov, I., Gómez-Benito, J., Grendar, M., ... Marmolejo-Ramos, F. (2018). Manipulating the alpha level cannot cure significance testing. *Frontiers in Psychology*, 9(MAY). <https://doi.org/10.3389/fpsyg.2018.00699>
- Mansor, T. M. T., Ariff, A. M., & Hashim, H. A. (2020). Whistleblowing by auditors: the role of professional commitment and independence commitment. *Managerial Auditing Journal*, 35(8), 1033–1055. <https://doi.org/10.1108/MAJ-11-2019-2484>
- Yan, F., Robert, M., & Li, Y. (2017). Statistical methods and common problems in medical or biomedical science research. *Int J Physiol Pathophysiol Pharmacol*, 9(5), 157–163.
- Zahra, S. A., Priem, R. L., & Rasheed, A. A. (2005). The Antecedents and Consequences of Top Management Fraud. *Journal of Management*, 31(6), 803–828. <https://doi.org/10.1177/0149206305279598>