

## THE INFLUENCE OF INFORMATION ASYMMETRY ON ACCOUNTING FRAUD TRENDS (Case Study of West Sulawesi Provincial Government)

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### Abstract

*This study aims to determine the effect of information asymmetry on accounting fraud tendencies in the West Sulawesi provincial government. This type of research uses a quantitative approach. This study uses primary data. Collecting data using questionnaires. The population in this study were government structural officials with the rank of echelon II, echelon III, and echelon IV, totaling 813 people. Sampling used the slovin formula method, so that a sample of 89 was obtained. This research used a simple linear regression analysis approach. The results of the study show that information asymmetry has a positive effect on the tendency of accounting fraud.*

Keywords: *Information asymmetry, tendency of accounting fraud*

### 1. INTRODUCTION

Fraudulent behavior is something that has been busy happening to private sector institutions or government agencies, including central and regional. Good governance is a condition that must be achieved in order to fulfill the aspirations of the people and the ideals of the nation and state. In order to realize good governance as it is intended to achieve, a Regional Apparatus Organization (OPD) is needed that has qualified quality. OPD is a regional level government entity or institution that receives and manages the budget in carrying out its functions and duties. Regional Apparatus Organizations have an obligation to make accountable financial reports.

Fraud in accounting is an act that is not justified, because the output resulting from this behavior is not the truth. Accounting fraud can occur due to the desire that the financial statements produced by the entity appear to be in good condition. Signs of the occurrence of accounting fraud tendencies can be reviewed based on the form of intentional policies and actions that have the aim of manipulating or fraudulent efforts that can harm various parties (Amalia, 2018).

The existence of accounting fraud results in organizations or public service agencies experiencing losses. Fraud can occur usually because of misstatements in the financial statements. In addition, the fraud factor from the fraud triangle concept, namely in the form of pressure, opportunity, and rationalization (Diyah, 2020). One example of a case of accounting fraud is the allegation of alleged fraud or corruption committed in connection

with the construction of the class III Mamuju Women's Correctional Institution (LPP) in 2018 which caused losses to state finances of approximately Rp. 1.6 Billion (Muna & Haris, 2019).

In 2018, the Provincial Government of West Sulawesi received a Qualified Opinion (WTP) from the Supreme Audit Agency (BPK) for the 2017 financial statements. This is a good achievement for the Provincial Government of West Sulawesi. However, even though this has reached a WTP opinion, it does not mean that there are no problems found by the BPK. Based on the Summary of Semester II Examination Results (IHPS), the BPK found compliance problems with legislation regarding the object of inspection of Regional Expenditures for the Fiscal Year.

One of the causes of accounting fraud behavior is information asymmetry. Information asymmetry occurs when the agent has better information than the principal. Information asymmetry arises when managers understand internal information and future prospects better than shareholders and other stakeholders (Manossoh, 2016). The existence of information asymmetry can lead to fraud. Usually such fraud occurs at the beginning and end of the budget period.

The emergence of information asymmetry is when a manager, who in this case is the actor who prepares financial reports, has information and prospects regarding the entity in the future, compared to other stakeholders. Under these circumstances, managers can potentially be influenced to make changes and manipulate financial reporting for the benefit of a group (Manossoh, 2016). This has an effect on decreasing the quality of financial reports and raises moral problems which will lead to information asymmetry because the information obtained by stakeholders is not in a perfect state. Things that happen like this are capable of giving rise to the potential for accounting fraud to cover up the actual financial situation by manipulating finances in their presentation to obtain personal or group benefits. In the public sector environment, the occurrence of this information asymmetry has the potential to result in acts of fraud between regional governments and regional parliaments with the existence of information dissimilarities in budgeting which makes the capital expenditure budget in OPD inappropriate.

The fraud triangle theory is a theory that talks about motivation or factors why someone acts fraud (cheating) (Dewi & Suputra, 2019). The fraud triangle has three factors, including:

1. Pressure, is a kind of coercion to commit fraud. Pressure can cover almost all aspects, be it lifestyle, economy, and others in the form of financial or non-financial.
2. Chance. It is a state of opening opportunities that allow fraud to occur. Usually due to weak internal control of the entity, lack of supervision or abuse of power or authority.

3. Rationalization, namely the existence of characters, attitudes and or a series of ethical values that allow certain parties to commit fraud attempts, or people who are in a sufficiently stressful environment that makes them rationalize an act of fraud.

Maulana (2018) suggests that there are two types of agency problems in principal and agent relationships, namely:

1. Bad choice (adverse selection or negative selection)

Bad choices can occur when the ability of the agent is not understood by the principal, therefore, the principal can make bad decisions about the agent.

2. Moral hazard

Moral hazard can arise when there has been a contractual agreement between the principal and the agent, but the agent knows something in the form of more information that triggers management to get excessive facilities. This arises because management has a better understanding of information about the entity and believes that other stakeholders do not know about their actions.

Management in running the organization can be trusted if the financial reports made have been tested. Testing by an independent party will be able to minimize the potential for fraud to occur (Yusran, 2021).

According to Saftarini *et al.*, (2015), information asymmetry is information dissimilarity between principals and agents, information about agent performance is not owned by the principal.

The existence of a situation of information mismatch will make the internal party of the entity have better flexibility to take advantage of the situation, so that it can benefit the entity and harm external parties from the entity. Saftarini *et al.*, (2015) suggests two types of information asymmetry, namely:

1. Vertical Information Asymmetry

Information circulating from lower levels (subordinates) to higher levels (superiors). Each subordinate can have a good reason to ask or provide information to superiors.

2. Horizontal Information Asymmetry

Information circulating from people and positions with the same level of authority or information moving between people with the same level of positions but occupying different functional areas.

According to the Opinion of Suryandari & Endiana (2019), Fraud is a general term, covering various efforts that can be made with special dexterity, chosen by an individual, in order to receive benefits from other parties by making false representations.

In order to maintain justice and create a deterrent effect, actions that are caught can be subject to sanctions in accordance with applicable regulations (Dewi & Suputra, 2019). These sanctions include administrative sanctions according to company, agency, and legal sanctions (Dewi & Suputra, 2019).

The Public Sector is a complex organization. The complexity of the public sector makes the information needs for management planning and control more varied (Muna & Haris, 2019). This also applies to stakeholders in the public sector. They also need reliable, varied and relevant information in their decision-making efforts.

Yuesti *et al.*, (2020) have the opinion that "public sector accounting has a central role in providing financial reports as a form of implementing public accountability." Accounting and financial reports have the meaning of a process of collecting, processing and communicating information that has uses in decision making and for assessing the performance of an organization (Yuesti *et al.*, 2020).

## 2. IMPLEMENTATION METHOD

### a. Types of research

The type of this research is quantitative research. Sugiyono (2019) argues, quantitative research is a research method based on the philosophy of positivism.

### b. Population and Sample

The population in this study is the State Civil Apparatus (ASN) of the West Sulawesi provincial government with the rank of echelon II, echelon III and echelon IV, totaling 813 people.

In this study, the sampling technique used was nonprobability sampling using the Convenience sampling method, which is a sampling technique based on the convenience of the researcher in obtaining data. In this study, the sample used was 89 people using Slovin Formula based sampling.

### c. Data Types and Sources

In this study, the type of data used was in the form of respondents' answers in a questionnaire that was measured using a Likert scale. The primary data used is the answers to the questionnaires given to the respondents.

### d. Variable Operational Definitions

Dependent Variable : Accounting fraud is an act committed by manipulating transactions, documents or financial reports for a specific purpose, either individually or as a group.

Independent Variable : Information asymmetry is a condition where there is an imbalance of information between those who need information and those who provide information.

### e. Simple Linear Regression Analysis

$$Y = \alpha + \beta_1 X + e$$

Information:

Y : Tendency of Accounting Fraud

$\alpha$  : Constant

$\beta_1$  : Regression Coefficient

e : Confounding variable

#### f. t test

The t test shows how far the level of influence of an independent variable individually explains the variation of the dependent variable. If t count > t table and Sig value < 0.05, it can be stated that the variable has an influence on variable Y. However, if t count < table and sig value > 0.05, it is stated that variable X has no influence on variable Y (Sugiyono, 2019).

### 3. RESULTS AND DISCUSSION

#### 3.1 Research result

##### Simple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.083	4.469		2.480	.015
	ASIMETRI INFORMATION	.274	.087	.338	3.168	.002

Source: *Primary data processed, 2022*

Based on the table values above, the following equation model is obtained:

$$Y = 11,083\alpha + 0,274X + e$$

Information:

Y = Tendency of Accounting Fraud

$\alpha$  = Constant Value

X = Information Asymmetry

e = Errors

#### t test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.083	4.469		2.480	.015
	ASIMETRI INFORMATION	.274	.087	.338	3.168	.002

Source: *Primary data processed, 2022*

From the results of the t test it can be seen that the t value of the information asymmetry variable (X) is 3.168 with a significance level of 0.002 < 0.05. This indicates that the information asymmetry variable has a significant influence on the accounting fraud tendency variable (Y).

### 3.2 Discussion

Based on the results of the tests and analyzes that have been carried out, the results show that the value of the information asymmetry variable has a significance level of  $0.002 < 0.05$  and a t-value of 3.168. This means that the Information Asymmetry variable (X) has a significant influence on the Accounting Fraud Tendency variable (Y). so that the assumption is obtained that the greater the information asymmetry that occurs, the tendency for accounting fraud will also increase.

Information asymmetry is a condition where the lower party has better information than the superior. Information asymmetry can occur when a subordinate understands the information better. Situations like this can give rise to the potential for deviant behavior, one of which is by committing fraud. In relation to accounting fraud, parties that have links with budget management, from preparation, implementation to presentation of financial reports, if these parties have more information than colleagues and superiors, then this can be an opportunity for the presentation of financial statements. which is not in accordance with the actual situation.

The results of the analysis showing that there is an influence between information asymmetry on the tendency of accounting fraud in this study is in line with previous research, namely Randiza (2016) which states that the information asymmetry variable has an influence on the tendency of accounting fraud.

### 4. CONCLUSION

This study aims to determine the effect between information asymmetry and accounting fraud tendencies. The results of this research show that there is a significant effect of the information asymmetry variable on the accounting fraud tendency variable.

Based on the results of the previous research and discussion, the suggestion from the researcher for the object of research is to pay more attention to the disclosure of information held so as to minimize the potential for irregularities that will occur.

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