

The Determinants of Ethical Judgments at Local Government Agencies

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Abstract. To ensure survival during the digital technologies' transformation, an organization must pay attention to ethics implemented in the organization and its employees. Ethics supports transparency in financial and sustainability reporting, ensuring that information provided to stakeholders is accurate and honest. This study focuses on the determinants of ethical judgments in local government agencies. This study aims to examine the influence of educational qualification, current position, corporate ethical values, moral idealism, and moral relativism towards ethical judgments of the head and staff of accounting/finance division at local government agencies in South Sumatera. The subjects of this study are the head and staff of accounting/finance division at local government agencies in some regencies in South Sumatera. The samples consist of 100 respondents, selected using a purposive sampling method. The primary data were obtained by distributing questionnaires directly to the respondents. The data analysis used is Partial Least Square using SmartPLS version 3 as an analysis tool. The results of this study indicate that educational qualification and current position does not have significant influence towards ethical judgments. Meanwhile, corporate ethical values, moral idealism, and moral relativism have a positive influence towards ethical judgments.

1 Background

Ethics play a crucial role in human life. Within an organization, ethics include moral principles, a specific set of values, and standards that both employers and employees are required to follow. To ensure survival during the digital technology transformation process, in addition to paying attention to how the organization builds its business, an organization must also pay attention to the moral principles held by the company and its employees. The relationship between ethics and digital technologies is crucial because digital technologies affect almost every aspect of lives. An ethical workforce plays a crucial role in every organization to ensure that employees work ethically in order to achieve the objectives of the organization. To establish an ethical workforce, an organization should perform ethical judgments in every task. Ethical judgements will support an organization's sustainability. Sustainability involves transparency and accountability, ensuring that reported sustainability information is transparent, accurate and accountable. Ethics support transparency in financial

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and sustainability reporting, ensuring that information provided to stakeholders is accurate and honest.

Ethical judgments are described as a cognitive process through which a person decides which course of action is ethically right [1]. Ethical judgment is crucial across all sectors, but it's especially vital in local government. This is due to the core responsibilities of local governments, which involve providing services to the community. Recently, there have been numerous concerns regarding unethical behavior among local government officials, including corruption, misuse of resources, abuse of authority, and falsification of financial reports. The involvement of the head and staff of the accounting and finance divisions in decision-making processes might have contributed to some of these unethical occurrences. Accordingly, Evidence indicates that accountants working in local government agencies often engage in various unethical practices, including mismanaging funds, making false claims, and engaging in bribery [2]. These unethical incidents have raised questions regarding the ethical judgments of accountants at local government agencies.

Unethical behaviors impact negatively on a company's reputation, promotes dysfunctional behavior and lowers its value. Nowadays, there have been numerous problems related to unethical decisions made by local government officials. When public sector accounting practices are unethical, they can erode public trust in the government [3]. According to a 2019 survey by the Association of Certified Fraud Examiners (ACFE), Indonesia reported 239 fraud cases, including 69.9% related to corruption, 20.9% involving asset abuse, and 9.2% related to financial statement fraud. This indicates a high prevalence of unethical behavior in the country. Additionally, a 2021 report by the Corruption Eradication Commission (KPK) highlighted that the South Sumatera region experienced the highest number of corruption cases, with a total of 30. Some of these cases involved government officials, which has alarmed the public and decreased trust in the government. These issues have prompted concerns about the ethical conduct of local government officers.

Ethical behavior involves acting in alignment with established laws, rules, and moral principles. It is essential in various professional fields, including accounting, where adherence to ethics, rules, and standards is crucial for making ethical judgments. Ethical judgment is the process of determining which of two options is morally right or wrong. This capability is vital for performing one's duties effectively. Such judgments are linked to an individual's cognitive ability to discern right from wrong in ethical dilemmas and are largely influenced by Cognitive Moral Development (CMD) Theory. CMD Theory outlines how individuals' understanding of right and wrong evolves over time and is recognized as a key framework for explaining business ethics, organizational behavior, and social responsibility.

According to [4], demographic factors and corporate ethical values can impact the ethical judgments of accounting professionals. A model including variables such as gender, age, current position, and educational background as internal factors, and corporate ethical values as an external factor, showed that corporate ethical values and age have a significant influence, while gender is weakly related. These results highlight the importance of fostering an ethical culture within organizations, as they suggest that accounting practitioners in firms with stronger ethical values are more likely to make ethical decisions. [4] also argues that corporate ethical values are the crucial variable in determining ethical judgments. Furthermore, the research indicates that a person's current position does not impact their ethical judgments as an accounting practitioner. However, when only internal factors are taken into account, educational qualifications do influence these judgments.

Various factors can influence ethical judgments. This study will only focus on examining how educational qualifications, current position, corporate ethical values, moral idealism, and moral relativism affect ethical judgments, particularly within local government agencies. What sets this research apart from others is its focus on treating moral idealism and moral relativism as key variables. Although numerous researchers have examined the influence of

various individual variables and moral intensity, there remains gap in empirical evidence regarding this research, particularly in developing countries such as Indonesia [5]. [6-7] stated that one's individual moral philosophy influences one's ethical judgments. Personal moral philosophy is concerned with the rules and principles that individuals use to determine what is right and wrong [8]. An individual's ability to make ethical judgments is influenced by two factors: idealism and relativism. Idealism is the belief that it is possible to achieve desired outcomes without breaching moral principles, and it holds that causing harm is inherently wrong and should be avoided. On the other hand, relativism pertains to the extent to which individuals disregard universal rules in guiding their behavior. Moral relativism is the philosophical view that moral values and ethical principles are determined by individual perspectives, cultural contexts, and societal norms [9]. This implies that relativistic individuals are more adaptable than idealistic ones, leading them to have differing views on ethical issues related to a particular [10].

This study is a replication of the previous study entitled "Factors Influencing Ethical Judgments of Accounting Practitioners: Some Malaysian Evidence" by [4]. This research is distinguished from previous studies by incorporating variables of moral idealism and moral relativism, as well as by focusing on different locations and research subjects. Individual's moral philosophy may influence their ethical judgment's ability [6-7]. Moral idealism and moral relativism pertain to the rules and principles individuals use to decide what is right and wrong. In their professional role, accountants should adhere to personal values and principles to guide their decision-making process [10]. The prevalence of unethical incidents among accountants has made research into individual moral philosophies, such as moral idealism and moral relativism highly significant. The research results by [11-13] conclude that different moral philosophy among individuals (idealism and relativism) can create the different judgment and decision.

Previous research on factors affecting ethical judgments has produced varied results, indicating that higher education levels may improve an individual's capacity to make ethical decisions. Those with advanced qualifications are often better equipped with the knowledge necessary for making ethical choices. Additionally, it is expected that higher qualifications are associated with greater maturity and adulthood. [4] discovered that educational qualifications impact ethical judgments when considering only internal factors such as gender, age, current position, and ethical judgment in the research. Some of prior studies concluded that there is no significant relationship between educational qualification and ethical judgments [14-15]. Meanwhile, the current position has a negative relationship with ethical judgments. Another study by [15] has also suggested that greater work experience does not necessarily lead to higher ethical judgment compared to those with less experience. This finding contrasts with earlier research that established a significant relationship between current position and ethical judgments. There is a significant contrast in ethical judgments between career levels, individuals in more advanced career stages showing a higher level of ethical judgment [16]. Previous research also highlights the importance of work experience, showing that individuals with more work experience tend to provide more ethical responses [17]. Furthermore, some previous research about corporate ethical value also shows the inconsistency results. [4] discovered that it is critical to foster an ethical culture within an organization as this implies that practitioners in accounting working in organizations with the higher level of ethical values make decisions more ethically. There is no significant correlation between corporate ethical values and internal auditors' ethical perspective in the United States of America [18]. In China, ethical leadership was associated with both positive and significant employee performance [19]. These results highlight the vital role of management's dedication to promoting an ethical corporate culture and its impact on performance.

Previous studies have included respondents such as accounting practitioners, auditors, accounting students, and managers. This study, however, focuses on the heads and staff of the accounting and finance divisions in local government agencies, which sets it apart from previous research. Due to the prevalence of unethical decisions, inconsistencies in prior findings, and the different sample used, the researcher is motivated to explore further the impact of educational qualifications, current position, corporate ethical values, moral idealism, and moral relativism on ethical judgments.

2 Literature review

2.1 Cognitive moral development

Cognitive moral development of Kohlberg is based on the study in psychology on children and their cognitive development. In the past 50 years, Kohlberg's (1969) CMD theory has been regarded as the most significant moral development theory. This theory explains how individuals develop an understanding of what is right and wrong throughout time. The Cognitive Moral Development (CMD) theory has been recognized as a framework to explain corporate ethics, organizational phenomena and social responsibility. CMD theory is largely concerned with moral judgment. Moral judgments are about the point of view of measurements of what is right or wrong. The purpose of the research has been to identify people's moral judgment methods by providing them with hypothetical moral problems and asking them to choose what is right and wrong and justify their decisions. Then, their justifications and explanations are employed to characterize their moral reasoning [20].

2.2 Ethical judgment

Ethical judgment is an individual's personal assessment of the degree to which a particular action is ethical or unethical [21]. Ethical judgments, according to [22], is a process in which people use their basis to determine whether a particular issue is right or wrong. Ethical judgments refer to the cognitive process by which an individual determines which course of action is ethically right [1]. Therefore, ethical judgments can be concluded as a decision that is morally and legally acceptable to a large portion of society.

2.3 The influence of educational qualification towards ethical judgments

Educational qualification refers to an authorized record of educational attainment awarded upon the successful completion of a training course or the passing of an [23]. According to [24], exposure to and engagement with increasingly sophisticated and complex moral circumstances enhances one's ability to make more effective moral judgements. In conclusion, education and even experience enhance one's moral judgment. [4] discovered that educational qualification has the influence on ethical judgments when only internal factors (gender, age, current position, and ethical judgment) are brought into the research.

Educational qualification advances the ability of individuals to be watchful to be objective in dealing with ethical dilemmas. [25] suggested that an individual's level of education can influence their cognitive moral development growth. Based on the Cognitive Moral Development theory by Kohlberg, a rise in cognitive morality will influence a person's ability to consider moral concerns, which will influence the ethical decisions that person takes. Based on the CMD theory, the cognitive moral development stages become more complex as individuals begin to develop, and one of the strong factors influencing the stages is the

educational level. Education not only determines the intellectual capacity but also trains and maintains good personal qualities, and the capacity to develop good choice-making behavior.

Some previous research by [26-5] discovered that educational level has a positive significant influence on performance and ethical judgments. This indicates that individuals with higher level of education will perform well and will be more ethical in various situations. A higher level of education may enhance an individual's capacity to make ethical decisions. Those with advanced educational qualifications are likely to have the necessary knowledge for making ethical choices. Additionally, a higher level of education is generally expected to correlate with greater age or maturity. Based on this explanation, the first hypothesis of this study can be stated as follows:

H1: Educational qualification has positive significant influence towards ethical judgments on the head and staff of accounting and finance division at local government agencies.

2.4 The influence of current position towards ethical judgments

Current position is employee's current function within the organization. Individual's position in organization usually influenced by the job experience. The job experience of an individual will provide a description of the finished work, and it will serve as an excellent opportunity for the individual's future career. A higher position is generally expected with greater responsibilities. Therefore, senior roles, which typically require more decision-making, are filled by individuals who can be relied on and who act ethically [4]. A higher job position indicates a higher level of work experience. Work experience is a significant part of most individuals' lives. Thus, work experiences may constitute a stimulant for future individuals' moral development.

According to the CMD theory, the work experiences of an individual have an impact on its moral development. The individuals' work experiences may enhance their morality and ethical behavior. Job position plays an important role in the continuous moral development. According to [27], there are two things of job that may help an individual's moral development, such as the chance to play different roles and to responsible in solving moral dilemmas. Hence, individuals with higher positions will have more understanding about different roles in an organization and will also experience more ethical issues. Research by [28] indicated a positive relationship between work experience and ethical decision making. This means the higher level of work experience of individuals will likely enable them to be more ethical in facing ethical issues. Another research finding from [29] argued that lower level of position is more likely to be unethical than higher level position like managers. It is because higher level position is generally more knowledgeable. Therefore, from the explanation above, the hypothesis two of this research can be formulated as follows:

H2: Current position has positive significant influence towards ethical judgments on the head and staff of accounting and finance division at local government agencies.

2.5 The influence of corporate ethical values towards ethical judgment

Corporate ethical values are the part of organizational cultures that can influence the potentials of individuals in an organization to behave ethically or unethically. [30] define that corporate ethical values are the part of organizational culture, representing the multidimensional interplay among formal and informal behavioral control systems. CEV can include formal systems such as company policies, codes, procedures, and rules. Informal systems such as norms, organizational practices, and trust are built. According to the conventional level of Cognitive Moral Development theory, what is determined right is fulfilling duties and adhering to the rules of the organization. Hence, if a company has good

rules and good values, the employees will be able to perform well and more ethically. The corporate values in an organization are influencing individuals' ethical judgment. According to Cognitive Moral Development theory, individuals' values improve individuals to act in accordance with rules and regulations by utilizing ethical judgment. The research finding from [12] stated that organizational and individual variable has an impact on ethical judgments. Organizational values can guide the behavior of its employees. Individual's values influence the relationship between individual's intentions of their moral judgment.

According to the [4], higher levels of corporate ethical values can affect to more ethical in individuals' judgments. This indicates that there is a positive relationship between corporate ethical values and ethical judgments. The research from [31] also found that ethical organization climate is important in assuring moral decision-making. From these findings, it indicates that management's commitment in creating an ethical corporate environment is important because corporate environment can influence performance. Corporate ethical values can help the individual's value to be modified. Organization that carries out the activities ethically will be able to deter the employees from behaving unethically. It is the role of top management to ensure that all levels in the organization practice ethical values. The employees will be motivated to engage in unethical action if the management gives an example of it. Corporate ethical values and organizational support must be able to give a signal to the individuals or members of the organization to understand whether to accept or not of an action. Hence, from the explanation above, the corporate environment is positively influencing the ethical judgments of the employees. Therefore, from the explanation above, the hypothesis three of this research can be formulated as follows:

H3: Corporate ethical values have a positive significant influence toward ethical judgments on the head and staff of accounting and finance division at local government agencies.

2.6 The influence of moral idealism towards ethical judgments

Moral idealism refers to the extent to which an individual concentrates on the underlying rightness or wrongness of activities regardless of the consequences or the outcomes of it. Individuals with moral idealism perspective believe that the actions taken must conform to universal moral rules and lead to positive consequences.

The study by [13] found that moral idealism is positively significant in influencing ethical judgments of accounting professionals. This means that the higher moral idealism leads to more ethical judgments. This relationship between moral idealism and ethical judgments is also supported by [12] who find that there is a positive significant relationship between moral idealism and ethical judgments.

The findings from [11] and [32] are also consistent with the findings above. According to [11], there is a significant positive relationship between idealism and moral judgment. [32] also found that highly idealistic auditors would be aware of ethical content, thus potentially increasing moral intensity when dealing with ethical dilemmas.

Based on the Cognitive Moral Development theory, individuals may be driven to maintain society's fundamental rights, values, and legal contract. In addition to what society has democratically and constitutionally agreed upon, the right can be a matter of individuals' beliefs and morality. In other words, individuals may respond to ethical dilemmas based on the moral philosophy of the individual itself. Individuals with idealism moral philosophy will perceive that specific objective will always be achieved without violating the ethics code. Hence, it can be concluded that individuals with higher personal values and morality lead to more ethical behavior. Therefore, from the explanation above, the hypothesis four of this research can be formulated as follows:

H4: Moral idealism has positive significant influence towards ethical judgments on the head and staff of accounting and finance division at local government agencies.

2.7 The influence moral relativism towards ethical judgments

According to the post-conventional level in Kohlberg's Cognitive Moral Development theory, individuals at this stage do not focus on conforming to others' expectations, rules, or laws. Instead, they aim to establish and apply valid moral values and principles independently of any authority or their affiliation with a particular group. Moral relativism is about the level to which individuals ignore universal rules to guide their behavior. Relativism does not accept the probability of depending on universal moral regulations when formulating conclusions regarding morality concerns [9]. Relativistic individuals believe that ethical rules and moral values are relative to individuals and values. Individuals with the philosophy of moral relativism believe that negative behavior should not always be avoided because harming someone is sometimes needed to obtain results that are beneficial to many individuals. For example, relativist individuals will tolerate theft committed by a person for benefit of many people, while idealistic individuals consider the act is not an action that is allowed [5].

The study by [13] found that there is a negative relationship between moral relativism and ethical decision making of accounting professional in Nigeria. This means that the lower level of moral relativism, the higher level of ethical judgments. This finding is also supported by [11] who stated that there is a negative significant correlation between relativism and assessment of behavior intentions. Hence, it can be concluded that individuals with high relativism philosophy will be unethical in facing ethical issues. This is because individuals with moral relativism reject the universal rules to guide their perspective towards ethical judgments. Therefore, from the explanation above, the hypothesis five of this research can be formulated as follows:

H5: Moral relativism has negative significant influence towards ethical judgments on the head and staff of accounting and finance division at local government agencies.

3 Methodology

3.1 Research object and subject

The object of this study is local government agencies in South Sumatera. The object of this study was chosen because a previous study was conducted on financial companies and audit firms. Therefore, it is expected that choosing a public organization such as local government agencies can add the diversity in this study. This research took the head and staff of the accounting or finance department at local government agencies in South Sumatera as the samples.

3.2 Data collection technique

Data collection involved distributing questionnaires directly to the heads and staff of the accounting and finance departments at local government agencies in South Sumatera. The questionnaires included questions on ethical judgments, corporate ethical values, educational qualifications, current position, moral idealism, and moral relativism. Respondents were asked to indicate their level of agreement or disagreement with various statements in the questionnaires.

Ethical judgment is described as a cognitive process by which an individual determines which action is ethically right [1]. This variable will be measured by using scenarios

developed by [33] and [34]. The scenarios from [33] has already been used in the previous study conducted by [4]. The scenario from [34] has already been used and tested by [2] and [35]. The scenarios presented ethical dilemma situations. The respondents were required to indicate the level of acceptance in the scenario on a 5-point Likert scale model, 1= strongly disagree to 5= strongly agree. Hence, a higher score would indicate a higher ethical attitude. In this research, the researcher developed five scenarios from [33] and [34]. The construct to measure corporate ethical values variable will use the statements from the previous research by [4] referring from [36]. Moral relativism and moral idealism variable are measured using the questions adopted from [9].

3.3 Sampling technique

This research used purposive sampling technique, which means that the sample must meet certain criteria. The criteria of the research object in this study are the respondent must be the head or staff of the accounting or finance department at local government agencies in South Sumatera with a minimum of one year’s work experience.

3.4 Data analysis method

The data analysis was conducted using the Structural Equation Modeling Partial Least Square (SEM PLS) method through the SmartPLS 3.0 application as a tool to analyze variable relationships and confirm the adopted theory [37]. There are three analysis stages were carried out, namely outer model, inner model, and hypothesis test.

4 Result and discussions

4.1 Sample and questionnaire return rate

A summary of sample data and the rate of return of research questionnaires can be seen in the following table:

Table 1. Sample and questionnaire return rate.

Description	Total	Percentage
Questionnaire sent	115	100.0%
Questionnaire returned	108	93.9%
Questionnaire that did not return	7	6.1%
Questionnaire that could not be processed	8	7.0%
Questionnaire returned and processed	100	87.0%

Source: Primary data processed (2022)

4.2 Descriptive statistics

Table 2. Descriptive statistics.

Variable	N	Std. Deviation	Theoretical Range			Actual Range		
			Min	Max	Mean	Min	Max	Mean
Ethical Judgments	100	5.574	15	75	45	43	75	59.83
Corporate Ethical Value	100	2.952	10	50	30	34	49	40.97
Moral Idealism	100	3.810	10	50	30	33	50	41.70
Moral Relativism	100	4.468	10	50	30	29	50	38.57

Source: Primary data processed (2022)

Table 2 shows the descriptive statistics of variables included in this research. Ethical judgment variable in the actual range shows the lowest answer of respondents is 43 and the highest answer is 75, with a 59.83 average answer and a standard deviation of 5.574. Corporate ethical values variable shows the lowest answer of respondents is 34 and the highest answer is 49, with a 40.01 average answer and a standard deviation of 2.952. Moral idealism variable shows the lowest answer of respondents is 33 and the highest answer is 50, with 41.70 average answer and a standard deviation of 3.810. Moral relativism shows the lowest answer of respondents is 29 and the highest answer is 50, with a 38.57 average answer and the standard deviation of 4.468.

4.3 Outer model analysis

The measurement model or outer model can explain an indicator that can be correlated to the latent variable to be measured. This analysis consists of convergent validity, discriminant validity and reliability.

4.3.1 Convergent validity

The indicator of convergent validity can be identified from the value outer loading and average variance extracted (AVE). The rule of thumb for outer loading is the value of construct should be >0.7 while the rule of thumb for AVE is the value should be >0.5 for every latent variable. The following are the results from PLS Algorithm calculation:

Table 3. Outer loadings value.

	CEV	CP	EJ	EQ	MI	MR
CEV1	0.822					
CEV3	0.825					
CEV4	0.791					
CEV5	0.815					
CEV2	0.762					
CP		1.000				
EJ10			0.758			
EJ11			0.768			
EJ13			0.712			
EJ6			0.752			
EJ7			0.843			
EJ8			0.804			
EJ9			0.805			
EQ				1.000		
MI2					0.727	
MI3					0.807	
MI4					0.752	
MI5					0.799	
MI6					0.823	

	CEV	CP	EJ	EQ	MI	MR
MI7					0.819	
MR1						0.795
MR2						0.755
MR3						0.859
MR4						0.761
MR5						0.744

Source: Primary data processed using SmartPLS v3.0

Based on table 3, all the indicators showed the outer loading value >0.70. Therefore, all the indicators can be stated as valid indicators and have fulfilled convergent validity. Convergent validity test is continued by looking at the value of AVE for all constructs. Based on the data processed, the following results are obtained:

Table 4. Average Variance Extracted (AVE) value.

	AVE
CEV	0.645
CP	1.000
EJ	0.606
EQ	1.000
MI	0.622
MR	0.615

Source: Primary data processed using SmartPLS v3.0

Based on table 4, it can be concluded that all the variables have the value of AVE >0.50. Therefore, all variables can be stated as valid or have good convergent validity.

4.3.2 Discriminant validity

The indicators of discriminant validity test can be seen from the root of AVE and cross loading value. The value of root of AVE for each variable should be higher than the value of the relationship between variables. Cross loading shows the value between the construct and its indicator. The value between the construct and its indicators must be higher than the value of the construct with other construct indicators so that the construct is able to predict its indicators better than other construct indicators.

Table 5. Root of AVE value.

	CEV	CP	EJ	EQ	MI	MR
CEV	0.803					
CP	-0.079	1.000				
EJ	0.508	-0.106	0.778			
EQ	0.003	0.094	-0.042	1.000		
MI	0.086	0.077	0.156	0.152	0.788	
MR	0.708	-0.022	0.453	0.068	-0.007	0.784

Source: Primary data processed using SmartPLS v3.0

Based on table 5, it can be concluded that the value of root of AVE for all variables in this research showed a value that is higher compared to the value of the relationship between variables. Each indicator has the highest correlation on its own construct compared to the correlation on other constructs.

Table 6. Cross loading value.

	CEV	CP	EJ	EQ	MI	MR
CEV1	0.822	-0.057	0.466	0.061	0.083	0.562
CEV3	0.825	-0.097	0.353	0.090	0.015	0.584
CEV4	0.791	-0.049	0.400	-0.035	0.073	0.528
CEV5	0.815	-0.069	0.434	-0.149	0.022	0.539
CEV2	0.762	-0.051	0.367	0.064	0.154	0.647
CP	-0.079	1.000	-0.106	0.094	0.077	-0.022
EJ10	0.396	-0.138	0.758	-0.044	0.235	0.247
EJ11	0.433	-0.129	0.768	-0.030	0.089	0.390
EJ13	0.356	0.013	0.712	-0.080	0.201	0.254
EJ6	0.388	-0.050	0.752	-0.092	0.067	0.497
EJ7	0.492	-0.041	0.843	-0.030	0.145	0.426
EJ8	0.335	-0.065	0.804	-0.047	0.025	0.235
EJ9	0.306	-0.176	0.805	0.120	0.066	0.340
EQ	0.003	0.094	-0.042	1.000	0.152	0.068
MI2	0.032	0.081	0.088	0.069	0.727	0.080
MI3	-0.007	0.069	0.105	0.189	0.807	-0.115
MI4	0.105	0.014	0.154	0.047	0.752	0.104
MI5	0.094	0.076	0.157	0.134	0.799	-0.034
MI6	0.090	0.035	0.110	0.227	0.823	-0.033
MI7	0.042	0.133	0.065	0.028	0.819	-0.086
MR1	0.429	0.020	0.361	0.127	-0.014	0.795
MR2	0.644	-0.033	0.348	0.070	0.132	0.755
MR3	0.602	-0.048	0.320	0.107	-0.090	0.859
MR4	0.615	0.000	0.440	-0.000	-0.022	0.761
MR5	0.443	-0.041	0.247	-0.055	-0.046	0.744

Source: Primary data processed using SmartPLS v3.0

Table 6 shows that each indicator has the highest correlation on its own construct compared to the correlation on other constructs and the value of cross loading is > 0.7 . Therefore, all variables have good discriminant validity.

4.3.3 Reliability test

The results of the reliability test can be seen by looking at the composite reliability and Cronbach's alpha values in the following table:

Table 7. Composite reliability and cronbach alpha.

Variable	Composite Reliability	Cronbach Alpha
CEV	0.901	0.863
CP	1.000	1.000

EJ	0.915	0.892
EQ	1.000	1.000
MI	0.908	1.880
MR	0.888	0.844

Source: Primary data processed using SmartPLS v3.0

Table 7 indicates that the composite reliability is > 0.70 and cronbach alpha is > 0.70 . Therefore, Corporate Ethical Value, Current Position, Ethical Judgment, Educational Qualification, Moral Idealism and Moral Relativism variables are reliable. Therefore, it can be concluded that the indicators used in this research have high discriminant validity in compiling its respective variables.

4.4 Inner model analysis

Inner model is the interaction between independent and dependent variables that demonstrates a direct effect between variables to predict causality between latent variables. The inner model will be evaluated using coefficient of determination (R-Square).

Table 8. Adjusted R-Square value.

	R-Square	Adjusted R-Square
Ethical Judgments	0.303	0.266

Source: Primary data processed using SmartPLS v3.0 (2022)

The value of Adjusted R-Square is used to measure the level of variation of changes in the independent variable to the dependent variable. Table 8 shows that ethical judgments are influenced by the independent variables as much as 26.6% while the rest is influenced by other factors outside this study.

4.5 Hypothesis test

There are three indicators that must be considered as criteria for hypothesis testing, namely the original sample, t-statistics, and p-values. The original sample is used to conclude the direction of the hypothesis (positive or negative) while t-statistics and p-values are used to show significance. If the t-statistic value is > 1.66 and p-values < 0.05 , it can be said to be significant. Original sample values, t-statistics, and p-values are shown in the following table 9.

Table 9. Path coefficient.

	Original Sample	T-Statistics	P Values
CEV → EJ	0.333	2.630	0.004
CP → EJ	-0.079	1.075	0.141
EQ → EJ	-0.073	0.893	0.186
MI → EJ	0.146	1.699	0.045
MR → EJ	0.221	1.840	0.033

Source: Primary Data Processed Using SmartPLS

4.5.1 Educational qualification towards ethical judgments on the head or staff of accounting/finance division at local government agencies

The hypothesis testing in this study indicates that educational qualification does not significantly impact ethical judgments. This is supported by a P-value of 0.186, which is greater than the alpha level of 0.05. This suggests that higher educational qualifications do not have a significant effect on enhancing ethical judgments among heads or staff of the

accounting/finance divisions at local government agencies. This result has the same result with [14] and [15] who found that educational qualification has no significant influence on ethical judgments. The first hypothesis is rejected. This indicates that the educational level of head or staff in the accounting/finance divisions at local government agencies does not improve their ability to remain objective when facing ethical dilemmas. In other words, a higher education level does not enhance an individual's capacity to make ethical decisions.

Based on the respondent's data, most of the respondents' educational qualification is bachelor's degree (S1). The rejection of this hypothesis indicates that educational qualification cannot directly support the head or staff of accounting/finance division to have better ability to make ethical judgments. This result means that the higher level of formal education or educational qualifications of the head or staff of accounting/finance does not significantly influence their ethical judgments. This is due to the high level of educational qualification obtained by respondent which does not guarantee that they have the ability and adequate level to understand ethical judgment because each respondent has different abilities and understanding even though the educational qualifications of respondents are mostly same. Therefore, educational qualification has no significant effect towards ethical judgments.

4.5.2 Current position towards ethical judgments on the head or staff of accounting/finance division at local government agencies

The hypothesis testing in this study reveals that current position does not significantly impact ethical judgments. This is evidenced by a P-value of 0.141, which exceeds the alpha level of 0.05. Therefore, the position held by heads or staff in the accounting/finance divisions at local government agencies does not have a significant effect on their ability to make ethical judgments. In other words, a higher position does not influence their capacity to make ethical decisions. This research result is consistent with [4] who found that current position does not matter in influencing ethical judgments of the head or staff of accounting/finance division. A high position among respondents does not affect to be more ethical in facing ethical dilemmas.

The result in this research shows that current position does not influence ethical judgments of head or staff of accounting/finance division at local government agencies. It is likely because most of the respondents in this research are in the staff position which is 94% and 6% for head of accounting/finance position, meaning that there was significant different amount between the head and staff of accounting/finance division. Thus, it cannot fully represent the effect of current position towards ethical judgments. In addition, the result indicates that most of respondents have 1-5 years of work experience in their current position, meaning that most of respondent's experience in dealing with ethical issues is also still limited.

4.5.3 Corporate ethical value towards ethical judgments on the head or staff of accounting/finance division at local government agencies

The hypothesis testing in this research states that corporate ethical values have positive significant influence toward ethical judgments on the head or staff of accounting/finance division at local government agencies. This can be proven from the t-statistic value that is $2.630 > 1.66$ and the P-value is $0.004 < 0.05$ (alpha) and original sample value which is 0.333 (positive direction), meaning that the higher levels of corporate ethical values can affect to more ethical judgments. Hence, if a company has good rules and good values, the employees will be able to perform well and be more ethical. This research result is consistent with [4] who found that corporate ethical values have positive significant influence toward ethical

judgment on accounting practitioners. The research finding from [12] also stated that organizational values can guide the behavior of its employees.

From the result, it can be concluded that an organization that carries out the activities ethically will be able to deter the employees from behaving unethically. It is the role of the head of accounting/finance division to ensure that all levels in the organization practice ethical values. The staff will be motivated to engage in unethical action if the management gives the example in it. The same result with different respondents was conducted by [38] who took samples of internal auditors at a bank in Malaysia and found that organization ethical value is positively significant in influencing ethical judgments, and better management team in executing procedures will be more effective in achieving ethical judgments. Good ethical values in local government agencies will encourage their staff to be more ethical in facing ethical dilemmas. It is because the staff will be more likely to follow their leader's behavior and the organization's cultures. Therefore, a higher level of corporate ethical values will guide the staff to be more ethical in their decisions.

4.5.4 Moral idealism towards ethical judgments on the head or staff of accounting/finance division at local government agencies

The hypothesis testing in this research states that moral idealism has a positive significant influence towards ethical judgments. This can be proven from the P-value $0.045 < 0.05$ (alpha) and original sample value of 0.146 (positive direction), meaning that the higher moral idealism leads to more ethical judgments. This research finding is consistent with [11] who found that there is a significant positive relationship between moral idealism and judgments. [32] also found that highly idealistic auditors would be aware of ethical content, thus potentially increasing moral intensity when dealing with ethical dilemmas. The study by [13] also found that moral idealism is positively significant in influencing ethical judgments of accounting professionals. This means that the higher moral idealism leads to more ethical judgments. This relationship between moral idealism and ethical judgments is also supported by [12] who found that there is a positive significant relationship between moral idealism and ethical judgments

Moral idealists hold that desired outcomes can always be achieved without breaching moral codes. They believe that harming others is inherently wrong and should be avoided. Consequently, moral idealism improves ethical judgments in situations involving ethical dilemmas. As a result, heads or staff in accounting/finance divisions who are idealistic are more likely to make ethical judgments.

4.5.5 Moral relativism towards ethical judgments on the head or staff of accounting/finance division at local government agencies

The hypothesis testing in this research states that moral relativism does not have negative significant influence on ethical judgments. It can be seen from the value of original sample which is 0.221 or positive direction. Thus, even though the P-value is $0.033 < 0.05$ (alpha) and the t-statistic is $1.840 > 1.66$, the hypothesis five which is moral relativism has negative significant influence towards ethical judgments is rejected. The result for this hypothesis is not consistent with [11] who stated that there is a negative significant correlation between relativism and assessment of behavior intentions.

There are still limited empirical evidence that found moral relativism has positive influence towards ethical judgments. Most of previous studies such as studies conducted by [13], [11], and [5] showed that moral relativism has negative influence towards ethical judgments. The inconsistent finding is likely to be caused by the strength of corporate ethical values that is more influential, therefore, in this situation moral relativism philosophy do not

tend to bad ethics. This statement is similar to the research conducted by [39] who found that strongly ethical corporates values are likely constrain bad ethical judgments in higher moral relativism people whose moral philosophy do not serve as a buttress against bad ethical judgments. The positive significant result in this research is likely to be caused by the guidelines and values of the agencies that focus on describing what the agencies believe is right, with clearly management support, rewarding good ethics and sanctioning bad ethics. Therefore, individual with higher moral relativism can be more ethical in facing ethical dilemmas.

5 Conclusions, implications, and limitations

This study aims to analyse how educational qualifications, current position, corporate ethical values, moral idealism, and moral relativism as independent variables impact ethical judgment as the dependent variable. The findings underscore the significance of fostering an ethical environment within organizations. The research focused on heads or staff members of the accounting/finance divisions at local government agencies in South Sumatera as the sample. The result implies that educational qualification and current position has no significant influence toward ethical judgments and this is in line with the previous research by [14, 15], and [4] which show that educational qualification and current position do not influence ethical judgments.

The result shows that corporate ethical values positively influence ethical judgments. This result is consistent with [4] and supports Kohlberg's theory of moral development suggesting that organizational cultures which encourage ethical values may lead individuals to be more ethical. The results related to moral idealism and moral relativism shows surprising result that is both of this moral philosophy has positive significant influence towards ethical judgments. This is likely due to the strong influence of corporate ethical values, which means that, in this context, moral relativism is less likely to lead to unethical behavior. The result also supports Kohlberg's theory, which posits that an individual's moral philosophy can affect their moral judgments.

This study has theoretical and practical implications. This study enhances understanding of the factors influencing ethical judgments, including educational background, current position, corporate ethical values, moral idealism, and moral relativism. It also offers insights for future research. Practically, the findings are valuable for heads of accounting and finance division in local government agencies, guiding them on fostering an ethically driven workforce. The research provides strategies for creating a work environment where all activities and processes are conducted ethically. Additionally, it can aid in managing ethical issues by clarifying how factors such as educational qualifications, job roles, corporate values, moral idealism, and moral relativism impact ethical behaviour.

This research has limitations that require improvement and development for further research. Factors affecting ethical judgment in this research are still limited to individual internal factors as the independent variables. The test results indicate that there are additional factors beyond the research model that can impact the ethical judgments of heads or staff in the accounting/finance divisions at local government agencies. This study focused exclusively on samples from these divisions in South Sumatera, with a total of 7 local government agencies. Thus, it can only represent the characteristics of ethical judgments in the region of South Sumatera. Research data collection only relies on questionnaire. There is a high possibility of the respondents not providing data in accordance with the actual situation. Therefore, it can produce biased answer because the respondents are not consistent in answering the questions. With the limitations in this research, there are some suggestions to improve future research. First, future research should aim to broaden the scope by including additional factors that could influence ethical judgments. Incorporating variables

such as age, gender, economic status, and others could introduce more variation into the study. Second, it would be beneficial to expand the research to cover a wider geographical area, including regions beyond South Sumatera, such as West Sumatera, North Sumatera, Aceh, and other areas with different regional characteristics. Third, employing alternative data collection methods, such as interviews with heads or staff of accounting/finance divisions at local government agencies, could enhance the accuracy of the data collected.

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