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A gendered discourse on truthful disclosure of financial fraud practices among accountants in China: Implications to corporate governance

Abstract

Purpose: With the worsening of corporate fraud and consequential loss, the growing importance of truthful disclosure is globally advocated. This research examines corporate governance's role in accountants' intention to disclose fraudulent practices honestly. At the same time, this study examines inter-gender differences concerning the formation of the disclosure intention.

Method: Based on the theory of planned behavior (TPB), data from 256 accountants working in China have been collected via an online survey. This data is subsequently analyzed with the partial least square structural equation modelling method.

Findings: The results revealed that integrity and corporate governance significantly positively affect employees' attitudes, subjective norms and perceived behavioral control towards disclosure intention. At the same time, it shows that only subjective norm and perceived behavioral control established a significant positive relationship with disclosure intention. It also shows that males display higher attitudes and perceived behavioral control in developing the intention.

Originality: This study helps understand accountants' disclosure intention of fraud practices, especially during shock events such as the COVID-19 pandemic. This study is the first to extend the TPB incorporating corporate governance and integrity as antecedents to disclosure intention. At the same time, this study contributes to the existing literature by being the first attempt to investigate inter-gender differences. Lastly, it advances the body of knowledge on employees' behavior and contributes methodologically by introducing the PLS approach.

Keywords: Corporate Governance, Theory of Planned Behavior, Disclosure, Integrity, China

Introduction

For decades, reports of high-profile financial frauds have made corporate financial statements unreliable, eroding investors' confidence. Fraud can occur when a company uses accounting tricks to increase its reported earnings and revenues for a particular reporting period or fails to disclose material liabilities or adverse events. Typical financial statement and disclosure fraud types include improper revenue recognition or cookie jar accounting. In practice, we see fraudulent practices in the west, such as Enron resulted in its shareholders losing $74 billion in the four years leading up to its bankruptcy (Yang *et al.*, 2017). Like the developed economies, developing economies such as China have also suffered from financial fraud. Fraudulent financial reports produced by so-called blue-chip organizations, such as *Yin Guangxia*, *Lan Tian*, and *Ke Long*, resulted in an unprecedented crisis of investors' confidence. Fraud at *Yin Guangxia*, which has been seen as "China's Enron", led to devastating losses as high as CNY 0.77 billion to its shareholders and significant numbers of investors and creditors (Yang *et al.*, 2017). A recent report also highlighted that the first 11 months of 2021 saw the number of suspects charged with crimes related to securities and futures increase by 90.1 per cent year-on-year to 211 (China Daily, 2022). Combined with the COVID-19 pandemic that changes consumer behavior and disrupts business operations, Ernst and Young (2021) cautioned organizations that do not have a robust anti-fraud program would find increased compliance risks, resulting in them running afoul with authorities and reducing investors' confidence. The Association of Certified Fraud Examiners (2021) has further highlighted that the worsening market conditions would increase payment fraud, bribery, corruption and employee embezzlement, suggesting that financial fraud is an area of concern that is too serious to be ignored.

Employees play a crucial role in disclosing financial fraud practices as they are often the first line of defense in detecting and reporting such activities within an organization. The timely and accurate reporting of financial fraud practices by employees can help deter and identify potentially fraudulent behavior before it becomes established, thus reducing the losses incurred by an organization. However, some employees may be hesitant to report suspected instances of fraudulent activity for fear of reprisals or losing their job if they fail to provide truthful information about such practices within their organization (Khan *et al.*, 2022). Consequently, organizations are increasingly relying on whistleblowers to provide detailed information about suspected financial fraud practices hidden within the organizations (Khan *et al.*, 2022). As financial fraud practices have become increasingly prevalent in recent years, causing significant harm to individuals, organizations, and society, it is essential to understand the determinants that drive employees to disclose financial fraud practices. By examining these factors, organizations can promote a culture of transparency and accountability and create an environment where employees feel comfortable reporting financial fraud practices without fear of retaliation, ultimately contributing to reducing financial fraud practices and protecting

stakeholders.

Underneath this concern of financial fraud is the role of corporate governance (CG). From an organizational perspective, CG instils accountability in employees to ensure that mechanisms intended to reduce fraud stay in workable conditions (van Driel, 2018). As highlighted by Huber and DiGabriele (2021), CG provides the institutional constraints that reflect the "rules of the game" where it seeks to shape and constrain employees' behaviors (Zhao *et al.*, 2021). A key ingredient that shapes employees' perception of how the corporate mechanism can protect and enhance stakeholders' interests is board effectiveness, which includes its composition, size and span of control (Yang *et al.*, 2017). Schnatterly *et al.* (2018) supported this proposition, demonstrating that improving board effectiveness as a focus of CG reduces corporate dishonesty. From a behavioral perspective, board effectiveness would influence an individual's perspective of attitude (ATT), subjective norm (SN) and perceived behavioral control (PBC) toward corporate disclosure. Such perspectives of examining ATT, SN and PBC have also been seen in different behavioral studies such as Tan *et al.* (2022b), Tan *et al.* (2022c), Fam *et al.* (2020). Ajzen (2020) explained ATT as people's positive and negative perceptions of the behavior. SN means the impact of others' perspectives on an individual's social cognition of the behavior, while PBC is the extent to which people's volitional control in executing the behavior (Ajzen, 2020).

Despite the advances in this area of research, three gaps have not been discussed, which our study will address. First, most previous studies focused on examining the effectiveness of CG based on secondary data. For instance, studies such as Matuszak *et al.* (2019) tested non-financial listed organizations in the Chinese stock market to examine the impact of CG on disclosure. Little existing works examine individual behavioral perspectives towards honest disclosure of fraud practices. A report by Deloitte (2022) highlighted that most of the egregious acts of misconduct have had quite impressive, formalized ethics and compliance guidelines. Following this argument, we contend that the presence of systems and processes does not drive the concealment of wrongdoings, but the motive of individuals do. This proposition aligns with Ajzen (2020) theory of planned behavior (TPB), where an individual's decision to engage in a specific behavior can be predicted by their intention to engage in that behavior. Given a lack of literature on this, this study complements existing works by examining how CG influences ATT, SN and PBC towards truthful disclosure.

Second, the effect of CG affecting truthful disclosure has rarely been explored from the perspective of employees' integrity. The analysis of the impact of CG on employees so far has focused mainly on the constructs such as psychological well-being (Piao *et al.*, 2022), work performance (Abun *et al.*, 2022) and employee mobility (Lee, 2021). Analyzing from the perspective of integrity is critical as it plays a vital role in allowing investors to trust the information they receive about organizations in which they invest. Besides, scholars paid little

attention to China regarding disclosing organizations' financial fraud practices. Even though studies such as Matuszak *et al.* (2019) proposed that organizations can create a safe environment for employees to disclose wrongdoings and provide management support, their conclusion was based on the western context. It may not be applicable in an Asian context. After all, China has a unique CG structure distinct from its western counterparts, which adopted a gradual and experimental approach toward economic reform (Yang *et al.*, 2017, Ma *et al.*, 2022).

Third, we address the conspicuous gap of gender differences in truthful disclosures. While this has been a constant debate among scholars, there has not been conclusive evidence. As pointed out by Huang and Hung (2013), decision-making processes involving integrity across gender would differ according to context. For instance, while Stedham *et al.* (2007) found women to display higher morality judgement, some studies, such as Allen *et al.* (2005), did not find any significant difference between men and women concerning integrity or ethical issues. These inconsistent results supported Khazanchi (1995)'s perspective that "the existence of statistically significant differences vary depending upon the nature of the ethical dilemma" (p. 14). Facing the above, we must revisit the literature and examine the role of gender in honest disclosure, where the outcomes will not only advance the body of knowledge but provide insights complementing strategies encouraging truthful disclosures among accountants.

Based upon the above gaps, we aim to reveal the relationship between CG, especially the effectiveness of board behavior, and the intention of honest disclosure based on TPB. Additionally, we examine the role of integrity and gender in this model. Overall, this study can help design an effective board mechanism to promote employees' truthful disclosure intention. Also, stakeholders are more likely to benefit from the reliable information received through full and honest communication with organizations.

Literature review

Theory of planned behavior

The research is based on Ajzen (1991) theory of planned behavior (TPB), which includes three components of ATT, SN and PBC. An individual's ATT can be theorized as a favorable or unfavorable assessment of a specific behavior (Ajzen, 2020). TPB describes the formation of behavioral attitude through an expectancy-value framework, represented by a function of behavioral beliefs, which is a thought that a specific behavior will lead to a particular expected outcome (Ajzen, 2020).

SN is the influence of society on an individual's perception of behaviors (Ajzen, 1991). Within SN, Ajzen (2020) introduced two main types of normative beliefs, which are integral to SN - injunctive and descriptive normative beliefs. Briefly speaking, injunctive normative beliefs are an individual's beliefs about the importance of another individual or group's approval or

disapproval of certain behaviors, thereby informing the individual's willingness to inform the behaviors (Ajzen, 2014). Meanwhile, an individual's descriptive normative beliefs depend primarily on whether they believe others in a reference population would perform the behavior themselves (Ajzen, 2020).

PBC is based on a combination of the interaction of an individual's control beliefs and perceived competence (Ajzen, 2020). PBC is related to factors that can hinder or facilitate behavior, such as money, time, skills, and other available or lacking resources (Ajzen, 2020). PBC is often found in research, such as Ajzen (2020), as a construct that can be considered a substitute for actual behavioral control.

According to Ajzen (2020), if an individual has positive ATT and SN towards a specific behavior, their PBC will be stronger, enhancing their intention to perform that behavior. TPB also acknowledges the influence of contextual factors and helps researchers locate the antecedents of specific behavior, demonstrating flexibility (Ajzen, 2020). Many scholars have used TPB across different contexts, including purchasing behavior (Tan *et al.*, 2022b), education (Tan *et al.*, 2022a), tourism (Liu *et al.*, 2021), and environment friendly (Tian *et al.*, 2019, Hou and Hou, 2019).

Integrating CG and integrity into TPB

CG and integrity are two essential concepts that can be linked to the TPB in the context of financial fraud practices and the role of employees. CG refers to the rules, practices, and processes by which a company is directed and controlled. It directly impacts the ethical behavior of employees within the organization (ElGammal *et al.*, 2018). Integrity, on the other hand, refers to the adherence to ethical principles and values, and it is a key factor in shaping the behavior of individuals within an organization (Zakaria *et al.*, 2020). As proposed by the TPB, behavior is determined by an individual's ATT, SN and PBC. Studies have shown that these factors, in turn, are influenced by personal and situational factors (Khan *et al.*, 2022, Arkorful, 2022, Vierina and Mazda, 2021, Lee *et al.*, 2021, Sarikhani and Ebrahimi, 2021).

In the context of our study, integrity can be integrated into the TPB model to uncover the influence of personal factors. At the same time, CG can be adopted to understand the situational factor influencing the TPB constructs. We argue that both personal (lack of integrity) and situational (lack of sound CG) factors may inhibit the disclosure of fraudulent practices. By examining the interplay between personal and situational factors through the integration of CG and integrity into the TPB framework, our study offers a more nuanced understanding of the factors that drive employees to report financial fraud practices. In this way, the extended model can help to shed light on the complex and interrelated factors that influence the reporting behavior of employees. The resulting conceptual framework, including the proposed relationship between CG, integrity and TPB constructs, is presented in Figure 1.

*** insert figure 1 ***

Effect of CG on integrity

Integrity denotes a high adherence to socially accepted morals or principles (Haselhuhn *et al.*, 2017). It is defined by Huber and DiGabriele (2021) as the extent to which one fully discharges professional duties and considers stakeholders' interests. From an organizational viewpoint, integrity is essential for an individual to act following the moral values, standards and rules accepted by the members of the society and the organization (Bauman, 2013). Therefore, integrity is believed to influence individual actions in the organization, and for this to manifest, management has an essential role in shaping it (Kaptein, 2003). Empirically, Islam Chowdhury *et al.* (2020) supported this proposition when they found that effective corporate governance enhances employees' integrity, ultimately resulting in a more motivated workforce with higher productivity. Based on these arguments, we hypothesize that:

H1. CG positively influences a sense of integrity.

Effects of CG on ATT, SN, and PBC

CG refers to the mechanism of corporate control that protects and enhances stakeholders' interests (Huber and DiGabriele, 2021). CG falls into three main components. First, the board has a fiduciary duty to the owners and provides macro-level guidance (Upadhyay *et al.*, 2014). The second is the capital structure (Reddy and Locke, 2014). Third, the corporate charter is a tool for distinctive CG and can balance the power of shareholders and the board (Upadhyay *et al.*, 2014). The board is considered the most prominent component as it oversees the company's resources and balances various stakeholders' requirements (Taghavi Moghaddam *et al.*, 2018). This perspective is further reinforced by Bravo (2018), who believes the more effective board is, the more disclosure will be since the interests of all parties are balanced well. According to Tejedo-Romero and Araujo (2020), if the board is guided by the interests of their stakeholders in setting policy, they will create a disclosure-friendly corporate environment and efficient disclosure channels. From these perspectives, we can surmise that employees in such an environment will have more positive attitudes toward disclosure and feel that the corporate expects proactive disclosures. At the same time, employees will easily access the resources and channels needed for disclosure. These pieces of evidence point towards the direction that CG positively influences employees' attitudes, shaping their expectations and enhancing their ability to do the right actions. Strong CG mechanisms, such as clear codes of ethics and effective reporting systems, can shape individuals' attitudes towards reporting financial fraud practices, their perceptions of what is normative, and their perceptions of control over their own behavior. This leads us to our first set of hypotheses:

H2a: CG positively influences ATT towards the disclosure of financial fraud practices.

H2b: CG positively influences SN towards the disclosure of financial fraud practices.

H2c: CG positively influences PBC towards the disclosure of financial fraud practices.

Effects of integrity on ATT, SN, and PBC

Integrity is an essential element in any profession. As explained by Huang and Hung (2013), integrity in the workplace comes in many forms, including having upstanding character traits and work ethics. For this research, we argue that employees with integrity would be more aware of the presence of fraud and recognize the negative impact it would result on the organization and the stakeholders (O'Brien, 2019). This perspective is further supported by Martin (2011), who suggested that differences in individual employees' integrity can affect individuals' attitudes towards the essential aspects of work, such as ethical fairness and meeting commitments. In the same spirit, a person with integrity would be committed to investigating all suspected acts of financial fraud, such as misappropriation or other similar irregularity. Therefore, an organization that operates with a sense of integrity can shape the culture, thus influencing its tolerance level towards financial fraud (Chesnut, 2020). At the same time, such a culture would provide employees with legitimate means and a safe environment to report, investigate, and take corrective actions against financial fraud practices (Soltani and Maupetit, 2013).

In the context of the TPB, a growing body of literature across different context supports the idea that personal factors can significantly influence the constructs of TPB. These include panic buying behavior (Tan *et al.*, 2022a), participating in campus security preparedness exercises (Tan *et al.*, 2022a), travelling intention in the post-COVID environment (Liu *et al.*, 2021) and waste classification (Lou *et al.*, 2022). In the same vein, we argue that personal factors such as integrity can shape individuals' attitudes towards reporting financial fraud practices, their perceptions of expected behavior, and their perceptions of control over their behavior. For instance, individuals with a high level of integrity may view reporting financial fraud practices as the right and responsible thing to do and feel a strong sense of moral obligation to do so (Soltani and Maupetit, 2013). Integrity, in turn, can positively influence their attitudes towards reporting such practices and increase their perceived control over their behavior, as they are more likely to feel confident in their ability to report such practices. Besides, individuals with high levels of integrity may also be more likely to perceive that reporting financial fraud practices is the norm in their organizational culture. Hence, they may be more likely to conform to this norm. Based on the above points of view, our next set of hypotheses are:

H3a: Integrity positively influences ATT towards the disclosure of financial fraud practices.

H3b: Integrity positively influences SN towards the disclosure of financial fraud practices.

H3c: Integrity positively influences PBC towards the disclosure of financial fraud practices.

Effects of ATT, SN, and PBC on employees' intention to disclose financial fraud practices

Expectedly, the intention of behavior is not the same as the actual behavior (Ajzen, 2020). It can be interpreted as a measure of self-prediction, pointing out the possible outcomes of having that intention (Ajzen, 1991). On this note, Ajzen (1991) suggested that ATT is a strong determinant of behavioral intention. This perspective is further supported by Kwakye *et al.* (2018), suggesting that accountants having a good attitude towards sustainability reporting will be more encouraged to produce more detailed and truthful disclosure reports. Gao *et al.* (2014) echoed the same views, suggesting that whether employees choose to enter a whistleblowing process is positively influenced by individual attitudes. Therefore, the stronger the ATT is, the stronger the intention of the behavior, leading to this hypothesis.

H4a: ATT positively influences the intention towards the disclosure of financial fraud practices.

Due to people's fear of non-conformity and exclusion, SN is usually positively correlated with the intention of a particular behavior (Ajzen, 2020). According to Tan *et al.* (2022b) Gao *et al.* (2014), the stronger the social expectation for corporate transparency, the stronger the disclosure intention of enterprises. Additionally, Tuan Mansor *et al.* (2020) indicated that the internal auditor's disclosure intention was influenced by people around him. In other words, the intention to report will increase if those around him have similar thoughts or practices. Similar results are also reflected in other contexts, such as travelling (Tan *et al.*, 2022c), green consumerism (Yadav and Pathak, 2016) and technology adoption (Leong *et al.*, 2020). Align with these arguments, we hypothesize,

H4b: SN positively influences the intention towards the disclosure of financial fraud practices.

Armitage and Conner (2001) suggested that PBC can be another predicting variable for intention. However, PBC has been showing inconsistent results. For instance, Khan *et al.* (2022) explained that employees' PBC would not influence the whistleblowing intention out of fear of possible retaliation, such as seclusion, demotion and insult. Zakaria *et al.* (2020) studied the whistleblowing intentions of accountants in Indonesia and provided empirical evidence to support this view. On the other hand, Tuan Mansor *et al.* (2020) stated that if one wants to increase whistleblower intention, it is necessary to strengthen whistleblower support and reduce predictable resistance. In the same vein, Keong (2020) indicated that providing knowledge and access to resources related to Sustainability Accounting & Reporting (SAR) can enhance internal auditors' PBC and increase the intention to disclose SAR. Based on these inconsistent findings, it warrants additional examination, leading to the following hypothesis:

H4c: PBC positively influences the intention towards the disclosure of financial fraud practices.

Gender as a moderating variable

Women are playing an increasingly more critical role in today's society. Compared to men, the

traditional gender role would see women taking on a heavier burden of managing the household and workplace (Gupta *et al.*, 2020). Besides, scholars have also discussed the systemic differences in gender and how decisions are made. According to Stamarski and Son Hing (2015), women make decisions based on hedonistic stimuli where they are looking for emotional appeals that match their beliefs. However, men tend to be utilitarian where decisions are made based on practical reasons. At the same time, exceptions have also been observed due to the changes in the social family structure where family roles and economic responsibilities are being redistributed between men and women. For instance, Gunkel *et al.* (2007) saw that women in Japan seek physically demanding professions that are once more welcoming by men. At the same time, Gupta *et al.* (2020) have contended that when women are at the upper echelons of the corporate hierarchy, they tend to make decisions that are not influenced by their executive gender. In this regard, there has been a multitude of studies examining the role of gender in influencing one's behavioral intention. For example, Maes *et al.* (2014) study on entrepreneurial intention found that women, compared to men, are motivated by different drivers toward entrepreneurship. Another study by Tan *et al.* (2022c) established that inter-gender differences exist towards the formation of the intention of third-generation Chinese migrants to participate in diaspora tourism.

Putting these arguments into our study's context, research has also shown that females have higher moral awareness than males (Gammie and Gammie, 2009) and that females tend to make stricter ethical judgements than males (Nguyen *et al.*, 2007). Yet, some studies, such as Prysmakova and Evans (2020), have failed to find a significant gender effect on ethical behavior. These mixed findings have led scholars such as Liyanarachchi and Adler (2011) to contend that the display of ethical behavior is situation specific. In particular, they echoed Hoffman (1998) views that gender has a complex effect on whistle-blowing intention. Given the inconsistent results, we argue that more clarity is needed to understand the different perspectives of men and women regarding their intention of honest disclosure. At the same time, we respond to Gupta *et al.* (2020) for a more detailed examination of gender differences in honest disclosure. Therefore, our final set of hypotheses are:

H5a. Gender moderates the relationship between ATT and disclosure of financial fraud practices.

H5b. Gender moderates the relationship between SN and disclosure of financial fraud practices.

H5c. Gender moderates the relationship between PBC and disclosure of financial fraud practices.

Methodology

Sampling

Using snowball sampling, the responses were collected from accountants working in China over two months, from December 2021 to February 2022. As the custodian of an organization's financial processes, accountants ensure that the control systems are in the right place, which in turn lessens the chances of financial fraud (Bierstaker *et al.*, 2006). Accountants are the first line of defence in identifying fraud in procurement, distribution, and inventory management (Thomson, 2019). Hence, it is a natural choice to use them as the research context in understanding their intention to disclose financial fraud practices.

This study uses the power analytics method to determine the minimum required sample size. Unlike the traditional "10-times rule" that would yield imprecise estimates, the power analysis can avoid insufficient power caused by too few samples or excessive power (Kang, 2021, Kock and Hadaya, 2018). Through G*Power, the prior power analysis can be conducted before the actual study by imputing the desired power. The minimum sample size required is 85 for 80% power, 0.15 effect size with four predictors. Between December 2021 and February 2022, data from 288 respondents were collected, among which 256 were valid (see Table 1), exceeding the minimum requirement. At the same time, this study would like to highlight that the 256 valid samples met Kock and Hadaya (2018)'s recommendation that the minimum sample size of 146 for PLS-SEM method of analysis.

*** Insert Table 1 ***

Data collection

As the COVID-19 pandemic is still evolving in different parts of China, data was collected using the online platform *Wenjuanxing*. *Wenjuanxing* is a popular data collection tool in China because of the high penetration rate of smartphones and online applications (Mei and Brown, 2017). Besides, China's cybersecurity regulations mean that traditional survey platform could be inaccessible (Mei and Brown, 2017). Hence, *Wenjuanxing* is a more reliable platform that has been used by many researchers doing studies involving respondents from China (e.g. Xu and Ye, 2020, Zhong *et al.*, 2022). Through *Wenjanxing*, a web link was generated and disseminated to all respondents. The link contains information about the purpose of the survey, the assurance of confidentiality and anonymity, as well as the researchers' contact details. Before accessing the survey, respondents are needed to give their consent where they agree that they understood the purpose of the survey. Additionally, filter question has been set

Instrument

The instruments are adapted from different established studies. All items are measured on the 7-point scale (1=extremely disagree to 7=extremely agree). CG is adapted from van Ees *et al.* (2008). Sample items include "The board ensures the company's activities to be adequately

controlled." and "The board monitors the company's financial position.". The composite reliability score is 0.968.

ATT is measured (five items), SN (three items), PBC (four items) and intention (three items) were adapted from Ajzen (1991). Sample items for ATT includes "For me to truthfully disclose company's financial fraud practices is beneficial." and "For me to truthfully disclose company's financial fraud practices is important.". The composite reliability score are 0.931

Regarding SN, include " Most people who are important to you think you should truthfully disclose company's financial fraud practices." and "The people in your life whose opinions you value would approve your truthful disclosure of company's financial fraud practices.". The composite reliability score is 0.917

Sample items measuring PBC include "If I want to, I can truthfully disclose company's financial fraud practices.", and "I can fully control that fact that I will truthfully disclose company's financial fraud practices.". The composite reliability score is 0.938.

Sample items measuring disclosure intention are, "I intend to truthfully disclose company's financial fraud practices.", and "I will try to truthfully disclose disclose company's financial fraud practices.". The composite reliability score is 0.950.

Integrity was measured using six items adapted from Kankaraš (2017). Sample items are, "It is important for me to feel that I have not compromised my principles.", and "My principles should not be compromised regardless of the possible gain.". The composite reliability score is 0.950.

Analytical method

A descriptive analysis of the respondent questionnaire data was carried out using the SPSS version 26, while the nine hypotheses were tested using PLS-SEM through SmartPLS. PLS-SEM is based on a composite factor model for studying causal models of theory development and prediction (Hair *et al.*, 2011). The PLS-SEM model involves two portions - the measurement model and the structural model. The former examines latent variables' reliability and validity (Ringle *et al.*, 2020). The latter explores the influence and interaction between latent variables and requires path analysis of latent variables (Hair *et al.*, 2017). PLS-SEM adopts a causal-predictive approach to SEM, and it is more appropriate to explain the causality of the target structure (Hair *et al.*, 2017). It provides a better understanding of complex structural measurements and path models and requires a smaller sample size (Hair *et al.*, 2017). PLS-SEM has been deployed in the various context of studies, including consumer behavior (Tan *et al.*, 2022b, Zhong *et al.*, 2022, Le *et al.*, 2021), tourism (Tan *et al.*, 2022c, Fam *et al.*, 2020, Tan *et al.*, 2020a), education (Tan *et al.*, 2022a) and human resources (Tan and Yeap, 2021, Tan *et al.*, 2020b, Fam *et al.*, 2020).

Common method bias

As this is a cross-sectional study, multicollinearity is a potential threat that must be minimized. Following Podsakoff *et al.* (2003) recommendations, we adopted several measures to reduce common method bias. First and foremost, we pre-tested the survey form to prevent misinterpretation of the items by making the wording clear, concise, and accurate. Additionally, promises of anonymity and confidentiality were made to reduce respondents' tendency to provide socially desirable responses. At the same time, we created proximal separation by putting demographic questions in-between the predictors and criterion variables. Finally, the VIF are within 3.3, which according to Kock (2015), signifies that common method bias is not a serious consideration in this model.

Results

Measurement model

In testing the measurement models, we focused on convergent and discriminant validity. Convergent validity, which purports the same or similar constructs should be highly correlated, requires the average variance extracted (AVE) to be greater than 0.5, outer loading of all items to be no less than 0.7, and composite reliability of no less than 0.7 (Hair *et al.*, 2017). As seen in Table 2, the results achieved the required threshold is achieved.

*** Insert Table 2***

Discriminant validity, which examines measurements that are not supposed to be related and are unrelated, is assessed using the HTMT criterion (Hair *et al.*, 2017). HTMT criterion measures the average correlations of the indicators across constructs and is more rigorous than other conventional methods, such as cross-loading (Hair *et al.*, 2017). Following Henseler *et al.* (2015), the acceptable level of discriminant validity is less than 0.90, and table 3 demonstrates that discriminant validity is established.

*** Insert Table 3***

Structural model

According to Hair *et al.* (2017), multicollinearity can prompt skewed or delude results by making significant variables statistically insignificant. Hence, it is essential to examine the variance inflation factor (VIF) scores before assessing the structural model. Table 4 shows that the VIF scores of all variables are below 3.3, indicating the possibility of multicollinearity is ruled out (Hair *et al.*, 2017). Table 4 concluded that the presence of CG positively influences the respondents' integrity (H1: $\beta=0.714$, $p<0.001$). At the same time, CG has a positive significant effect on ATT (H2a: $\beta=0.258$, $p<0.05$), SN (H2b: $\beta=0.212$, $p<0.05$) and PBC (H2c: $\beta=0.274$, $p<0.05$). Likewise, integrity positively influences ATT (H3a: $\beta=0.431$, $p<0.001$), SN (H2b: $\beta=0.426$, $p<0.001$) and PBC (H2c: $\beta=0.566$, $p<0.001$). Among the different TPB

dimensions on intention to disclose, only ATT did not establish a significant relationship (H4a: β=0.034, p=0.345). The remaining dimensions of SN (H4b: β=0.168, p<0.005) and PBC (H4c: β=0.658, p<0.001) positively influence the disclosure intention.

On the role of moderation, gender moderates the relationship between attitude and disclosure intention (H5a: β=0.138, p<0.05) and the relationship between PBC and disclosure intention (H5c: β=-0.250, p<0.05). However, our results show that gender did not moderate the relationship between SN and disclosure intention (H5b: β=0.121, p=0.181). In sum, all hypotheses, other than H4a and H5b, are supported. Taking the leaf from the above, we further examine the moderation results using the interaction plot. Figure 2 and Figure 3 shows that the positive relationship between (i) ATT and disclosure intention and (ii) PBC and disclosure intention are stronger for the men group.

*** Insert Table 4 ***

*** Insert Figure 2 ***

*** Insert Figure 3 ***

Table 4 displays that 51% of the variance in integrity is explained by CG, with a large effect size of 1.040. At the same time, 41.1%, 35.6% and 61.6% of the variance ATT, SN and PBC are accounted for by CG and integrity, respectively. The effect sizes of CG on ATT, SN and PBC are small at 0.056, 0.034 and 0.096, respectively. On the other hand, the effect sizes of integrity on ATT, SN and PBC range from medium to large, at 0.155, 0.138 and 0.409, respectively. Finally, 64.9% of the variance in disclosure intention is attributed to ATT, SN and PBC. However, only PBC (f^2=0.600) exhibited a strong effect on disclosure intention, with SN demonstrating a medium effect (f^2=0.029) and ATT demonstrating a non-measurable effect (f^2=0.001), which explained its insignificant relationship. Given that the Q^2 value is larger than 0, Hair *et al.* (2017) conclude that it has predictive power.

Discussion

From the study results, we concluded that CG significantly influences one's integrity, ATT, SN, and PBC towards disclosing possible wrongdoings. These results match those observed in earlier studies such as Tejedo-Romero and Araujo (2020). A possible explanation is that CG tends to be accompanied by a perception of good disclosure practices (Huber and DiGabriele, 2021). Islam Chowdhury *et al.* (2020) indicated that if employees are in a company that has a sound disclosure system, this can make employees feel that disclosure is more meaningful and more important. Organizations with strong CG systems may foster a culture of transparency and accountability, and employees may be more likely to view reporting financial fraud practices as a normative and expected behavior. This can influence their attitudes towards reporting such practices and increase their subjective norms. Furthermore, organizations with

effective reporting systems may also increase employees' perceived control over their behavior, as they are more likely to feel confident and supported in reporting financial fraud practices. At the same time, in a disclosure-friendly corporate atmosphere, employees are influenced to behave less unethically, which indicates that employees will have easier access to disclosure-related resources and channels.

Similarly, integrity has also been a critical ingredient in shaping one's perspective towards disclosure intention. This result is not surprising, considering that integrity is a personality trait involving strong principles to guide one's actions (Huang and Hung, 2013). Besides, integrity means individuals would not turn a blind eye to wrongdoing and take ownership of setting up a positive work environment and speaking up about wrongdoings without fear of repercussions (Martin, 2018).

In contrast to results obtained by Tejedo-Romero and Araujo (2020), our results indicated no significant effect of ATT on the intention to disclose fraud practices. The possible reason could be the context of our respondents. Accountants are responsible for safeguarding the accuracy of the results (Bierstaker et al., 2006). Besides, accountants are held responsible for any inaccuracies and as a result, they can face legal charges or monetary losses. Due to this fiduciary duty, it is expected that their attitude towards disclosure should not have any influence on their intention.

On the other hand, SN and PBC display a significant positive effect on disclosure intention, following the result of Tarjo et al. (2019). Our results show that individuals will only take specific actions when the action is deemed appropriate and is expected to arise in a group. In the context of this research, it shows that proper CG and building a sense of integrity would shape one's commitment toward disclosing fraudulent practices, which is essential in creating a cooperative environment for reporting irregularities. Our result also shows that the more resources employees have, the more willing they are regarding disclosure. Considering PBC refers to one's perception of the ability to display certain behaviors, the result shows that accountants are only willing to disclose when they have the means to do. That is, it may be the convenience that is important for participants to disclose organizations' possible wrongdoings. A plausible explanation is that accountants are often preoccupied with their work, and any form of convenience in the process is something they would welcome.

Finally, the difference between gender runs contrary to existing studies such as Vierina and Mazda (2021). Our result further reinforces the social role theory where men tend to assume a more dominant role in society where they are often seen to have a higher sense of courage (Gupta et al., 2020). In workplaces, such a sense of courage could be seen as taking more risks, being strong in the face of pressures, being able to control a situation better, and overcoming workplace resistance (Vierina and Mazda, 2021). On the other hand, women tend to be more gentle and sacrifice for the benefit of others (Hofmeister, 2019). These results align with the

context of our research – China, an Asian country with deep-rooted cultural norms that still uphold the role of gender within their social system (Qing, 2020). In such a culture, men may be expected to be more assertive, competitive and confident, which could lead to higher ATT and PBC when it comes to reporting fraud. Putting these arguments together clarifies our results of why men demonstrate higher ATT and PBC when it comes to disclosure intention.

Implications

Theoretical implications

This study contributes to the discourse on disclosure intention. It extends the understanding of existing works such as Tarjo *et al.* (2019) by investigating the influence of CG through the lens of different genders in an Asian developing economy – an area commonly overlooked in most literature. Incorporating CG and integrity into the TPB framework is one of the first few attempts to develop a holistic model encapsulating personality traits and perspectives toward CG in measuring disclosure intention. Hence, our results contribute to the extant literature demonstrating the necessity of putting in place CG mechanisms and building employees' integrity as key antecedents in creating motivation towards disclosure intentions.

The other contribution lies in the context in which this study is being conducted. First and foremost, this is the first study that examines disclosure intentions during the COVID-19 pandemic. As highlighted earlier, the uncertainty and disruption caused by the COVID-19 pandemic create opportunities for crime and fraud (Ernst and Young, 2021). This situation is further exacerbated when employees are pressured to meet financial indicators despite a drop in financial performance. This gives them subjective reasons to justify fraud behavior and potential collusion with external actors. Secondly, many existing studies, such as Gupta et al. (2020), focus on western society, which makes the direct application of the recommendations to an Asian society questionable due to the different cultures (Qi and Ploeger, 2019).

Managerial implications

Good disclosure by people can boost a company's performance, protect its good human resources and attract quality investment (Tarjo *et al.*, 2019). Organizations should issue a straightforward disclosure procedure to encourage disclosure intention so that employees know what possible wrongdoings are covered and how to disclose those. Additionally, these procedures should be transparent, not cumbersome, and with anonymity guarantees. Secondly, education is also an important conduit to help employees understand the importance of disclosing fraudulent practices. Such efforts can also focus on increasing awareness of available resources and reducing the stress and discomfort involved throughout the process.

For managers, they must lead by example. They must be trusted leaders by demonstrating and embracing integrity in their decision-making process (Bi *et al.*, 2022, Chu *et al.*, 2022). In other

words, they cannot be seen as cutting corners, as this would send an implicit message to the employees that behavior of lesser integrity is tolerated (Chesnut, 2020). At the same time, managers must be mindful of creating a working climate that creates fear or uncertainty in employees. For instance, setting an audacious goal during a pandemic would trigger apprehension of the consequences of not achieving it, or using words such as "whatever it takes" would trigger thoughts of ends justifying the means.

Limitations and future research directions

In this research, efforts have been made to recruit as many respondents as possible from different geographical regions of China through the online platform. However, the snowball sampling method has led to overrepresentation and underrepresentation in the research sample in specific regions. Future studies should use probability sampling methods to approach the population, such as systematic or clustered sampling. That is because probability sampling guarantees equal chances for each sample to be selected and reduces the chance of over-or-under representation (Heckathorn, 2011). The second limitation is that this research was a cross-sectional study in the context of COVID-19, making it difficult to establish causality. Future scholars can adopt longitudinal studies or multiple waves to collect data in the future.

Additionally, future scholars can supplement empirical results with qualitative comments to provide more substantial evidence. Through our study, the R^2 values demonstrated that other factors might play a role that could affect one's disclosure intention. We encouraged future researchers to consider adding other constructs, such as perceived organizational support, perceived threat of retaliation, and rationalization mindset, to examine this phenomenon further.

Conclusion

Using the TPB to study the reporting of fraudulent financial activities, we can gain deeper insights into the psychological process and give managers the tools they need to encourage employees to disclose such practices. Management experts and practitioners should continue to make a sustained effort to comprehend the psychological factors influencing employees' decisions to report misconduct and to continue researching and refining the model based on theory and evidence. This will ultimately foster an environment where employees feel comfortable speaking up and reporting concerns positively and productively.

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Table 1. Respondents' profile

Demographic Variable	Category	Frequency (n=256)	Percent
Gender	Male	113	44.1
	Female	143	55.9
Age	18-44	234	91.4
	45-59	21	8.2
	60-74	1	0.4
Education	Junior middle-high school education or below	1	0.4
	High school education or equivalent	10	3.9
	College degree or equivalent	186	72.7
	Postgraduate degree or above	59	23

Table 2. Measurement model

Items	Attitude	Composite Reliability (CR)	Average Variance Extracted (AVE)
ATT1	0.878	0.931	0.732
ATT2	0.802		
ATT3	0.910		
ATT4	0.873		
ATT5	0.809		
CG1	0.877	0.968	0.789
CG2	0.889		
CG3	0.867		
CG4	0.903		
CG5	0.906		
CG6	0.897		
CG7	0.911		
CG8	0.855		
INT1	0.931	0.950	0.865
INT2	0.911		
INT3	0.947		
Integrity1	0.882	0.944	0.736
Integrity2	0.880		
Integrity3	0.874		
Integrity4	0.802		
Integrity5	0.821		
Integrity6	0.885		
PBC1	0.867	0.917	0.734
PBC2	0.877		
PBC3	0.851		
PBC4	0.831		
SN1	0.916	0.938	0.834
SN2	0.923		
SN3	0.902		

Notes: ATT-Attitude; CG-Corporate governance; INT-Disclosure intention; PBC-Perceived behavioral control; SN-Subjective norm

Table 3. Discriminant validity

|	ATT	CG	INT	Integrity	PBC	SN
ATT						
CG	0.602					
INT	0.667	0.744				
Integrity	0.668	0.753	0.863			
PBC	0.762	0.725	0.871	0.833		
SN	0.860	0.552	0.691	0.630	0.747	

Notes: (i) ATT-Attitude; CG-Corporate governance; INT-Disclosure intention; PBC-Perceived behavioral control; SN-Subjective norm (ii) Discriminant validity achieved at $HTMT_{0.90}$

Table 4. Structural model

	Hypotheses	Standard Beta	Standard Error	t-value	p-value	5.00%	95.00%	VIF	f^2	R^2	Q^2
H1	CG -> Integrity	0.714	0.049	14.428***	0.000	0.618	0.784	1.000	1.040	0.510	0.366
H2a	CG -> ATT	0.258	0.096	2.704**	0.003	0.097	0.413	2.040	0.056	0.411	0.295
H2b	CG -> SN	0.212	0.095	2.221*	0.013	0.052	0.362	2.040	0.034	0.356	0.286
H2c	CG -> PBC	0.274	0.070	3.915***	0.000	0.158	0.388	2.040	0.096	0.616	0.439
H3a	Integrity -> ATT	0.431	0.093	4.632***	0.000	0.277	0.581	2.040	0.155		
H3b	Integrity -> SN	0.426	0.105	4.049***	0.000	0.250	0.598	2.040	0.138		
H3c	Integrity -> PBC	0.566	0.068	8.377***	0.000	0.453	0.675	2.040	0.409		
H4a	ATT -> INT	0.034	0.086	0.399(NS)	0.345	-0.111	0.173	2.847	0.001	0.649	0.552
H4b	SN -> INT	0.168	0.082	2.057*	0.020	0.043	0.308	2.750	0.029		
H4c	PBC -> INT	0.658	0.095	6.923***	0.000	0.483	0.790	2.056	0.600		
H5a	ATT*Gender -> INT	0.138	0.070	1.985*	0.047	0.010	0.280				
H5b	SN*Gender -> INT	0.121	0.091	1.338(NS)	0.181	-0.058	0.295				
H5c	PBC*Gender -> INT	-0.250	0.081	3.086**	0.002	-0.393	-0.079				

Notes: (i) ATT-Attitude; CG-Corporate governance; INT-Disclosure intention; PBC-Perceived behavioral control; SN-Subjective norm (ii) *p < 0.05, **p < 0.01, ***p < 0.001, NS: Not significant
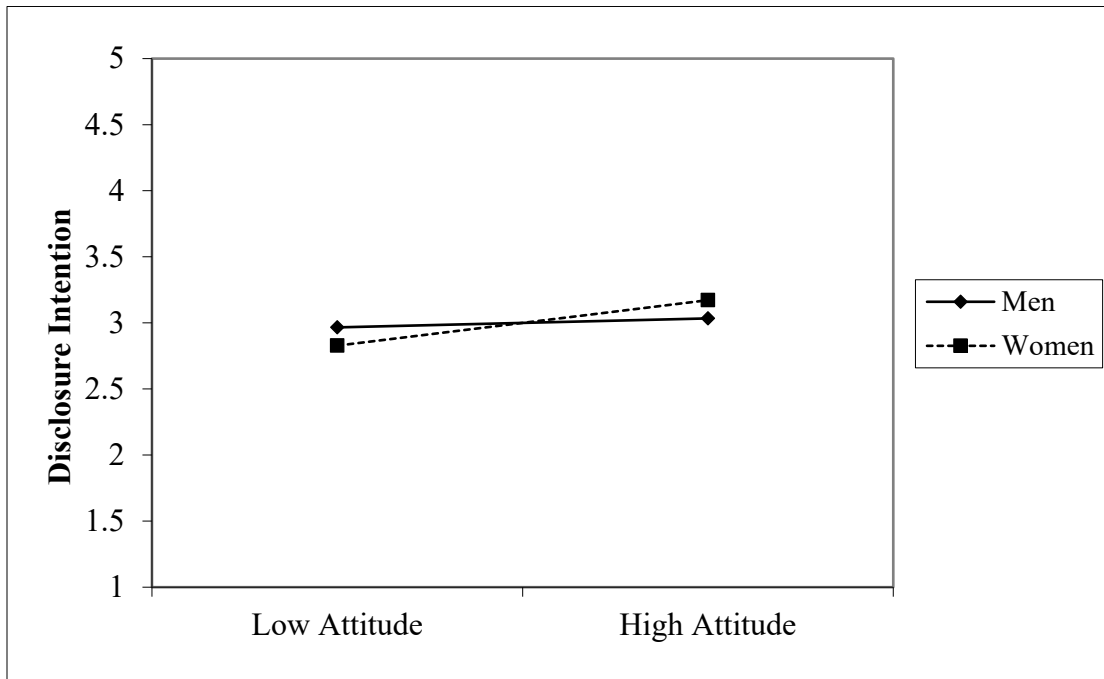
Figure 1. Conceptual model
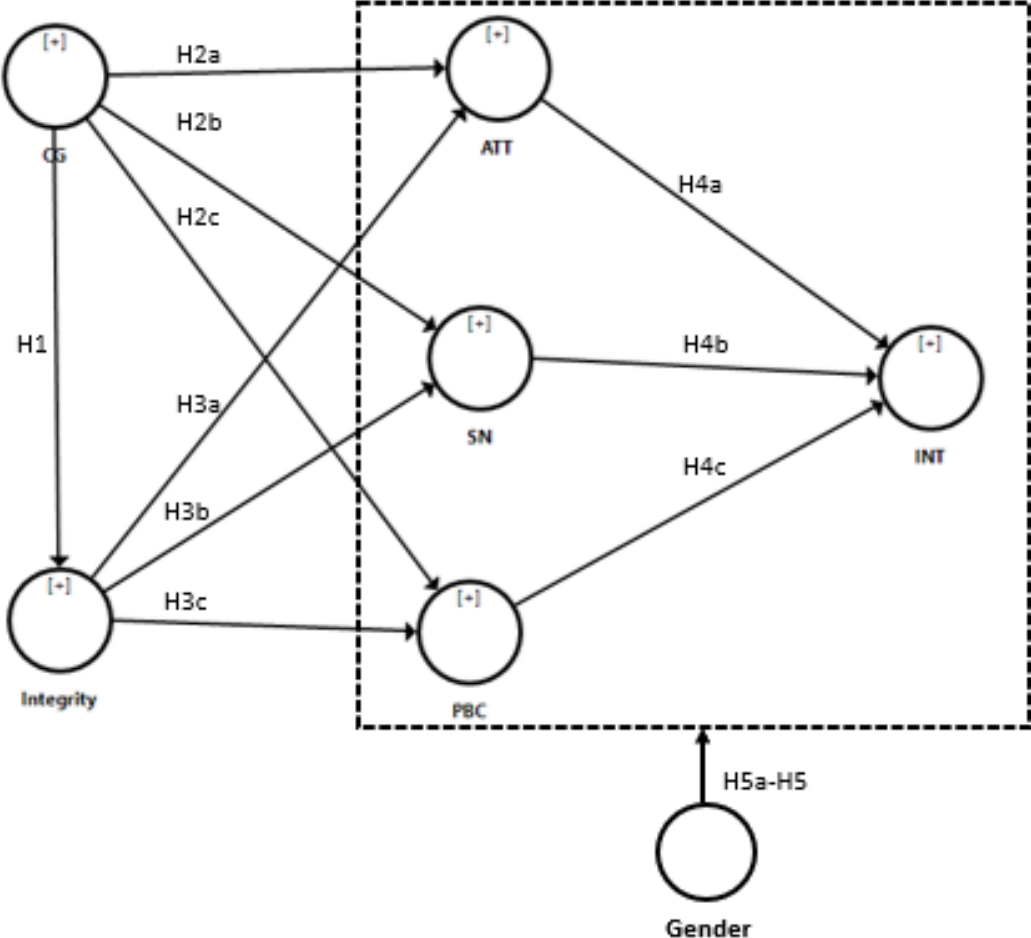
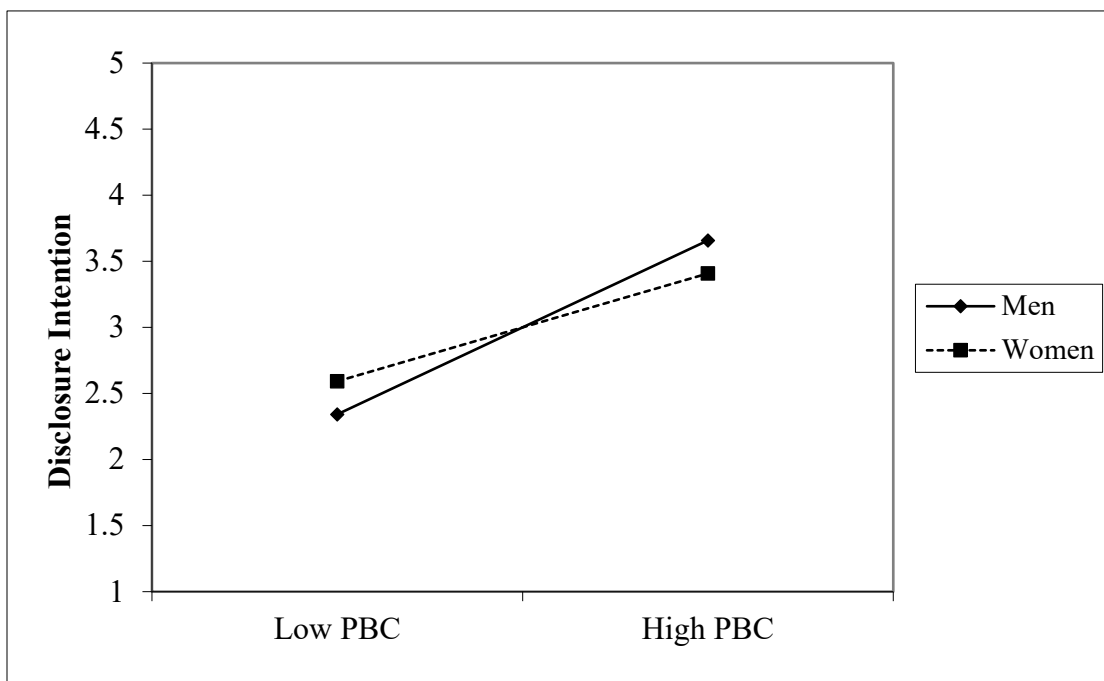

Source: Authors own creation

Notes: (i) ATT-Attitude; CG-Corporate governance; INT-Disclosure intention; PBC-Perceived behavioral control; SN-Subjective norm

Figure 2. Moderation results between ATT and INT

Source: Authors own creation

Figure 3. Moderation results between PBC and INT

Source: Authors own creation