

# **CHAPTER I**

## **INTRODUCTION**

### **1.1. Background**

Companies or business entities, public institutions, and non-profit organizations in carrying out their activities require reliable financial information as a basis for strategic decision-making. Fulfilling these needs requires the role of accountants who have the competence to compile, present, and analyze financial information accurately and objectively. As the accounting profession develops, the role of accountants is no longer limited to preparing financial reports, but has expanded to include various fields such as; public accountants who provide opinions on the fairness of financial reports, government accountants who are tasked with supervising and managing state finances, and inseparable from the role of accounting educators in forming and instilling professional values in prospective accountants.

This diversity of roles shows that accountants have a strategic contribution in ensuring financial accountability and transparency in various sectors. According to Muhammaddin et al. (2024) by adjusting accounting information according to user needs, accountants can help information users to make more appropriate and strategic decisions, and optimize overall organizational performance. The existence of accountants is a key element in building public trust in the financial statements and governance of an entity.

The professional situations faced by accountants do not always run ideally as the strategic role they carry out. Accountants in carrying out their duties can face complex situations that involve considerations between professional standards, client interests, company interests, or personal values. Saputro et al. (2020) support this statement by stating that efforts to implement professional regulatory standards in the field certainly differ greatly from the idealism of existing regulations. This condition gives rise to an ethical dilemma.

Ethical dilemmas are not only a challenge in theory or academics, but are also reflected in the phenomenon of ethical violations that still occur in the world of accounting. The phenomenon of ethical violations in the world of accounting does not only occur in big cases that have been around for a long time, but is also still relevant today. One example is the scandal that occurred in the technology company eFishery in 2024 - [kompas.id](#) (Mediana, 2025), which involved the manipulation of income recording in the company's financial statements to meet funding targets from investors. In addition, in 2025, the creative accounting case involving Bank Jatim emerged after it was revealed that there was fictitious credit recorded by management to show better financial performance than reality, but in fact there was credit misuse - [kompas.id](#) (Pratama, 2025). These cases show that the failure of accountants to maintain integrity and professionalism can have a major impact, not only on the companies involved but also on public trust in the financial system as a whole.

Such ethical violations further emphasize the importance of implementing clear and firm ethical standards in accounting practices. Some companies still

prepare inappropriate financial reports to manipulate data in order to improve their image and attract investors and creditors even though PSAK has been established as the financial reporting standard (Sevi et al., 2021). Furthermore, Kumar (2024) revealed the ethical dilemma of tax planning, namely legality and social responsibility, so that even though aggressive tax strategies are said to be legal, they often attract public attention. This situation raises questions about how accountants can maintain strong ethical standards amid internal and external pressures.

Professional organizations such as the Indonesian Institute of Accountants (IAI) have established codes of ethics designed to guide the professional behavior of accountants to address these ethical challenges. These codes of ethics emphasize principles such as integrity, objectivity, confidentiality, due care, and professional competence (Indonesian Institute of Accountants, 2025) but are often normative in nature. Codes of ethics focus on compliance with existing rules without providing adequate solutions to complex ethical dilemmas. This raises difficult choices between formal compliance with the rules or making decisions based on broader moral values.

The code of ethics for accountants, both formulated by the IAI and adopted internationally, tends to be insufficiently flexible to handle the complexity of dilemmas that arise in daily practice. Reforming accounting rules and procedures such as integrating religious and socio-spiritual ethical values is currently one of the efforts to harmonize the ethical thinking of accountants (Amalia & Srimaya,

2023). Practices in the field show that violations of ethical values still often occur even though these efforts continue to be made.

One real form of weak integrity in professional practice is the involvement of accountants in cases of corruption and abuse of authority. The problem of corruption is also a major issue that affects integrity in decision-making. One of the global indicators that describes the level of perception of corruption in a country is the Global Corruption Perceptions Index (CPI) issued by Transparency International. Indonesia's CPI score is 34 out of 100 and is ranked 66th in 2023, ranking 115th out of 180 countries surveyed. Figure 1.1 below shows a decline in the trend line, and Indonesia's score actually remained stagnant from 2022 to 2023 with the same value, although it increased again in 2024.



**Figure 1.1. Country Score of Indonesia on CPI 2020-2024**

Source: [www.transparency.org/cpi](http://www.transparency.org/cpi) with Processed

Efforts to handle cases of accounting ethics violations oriented towards corruption in Indonesia are carried out by the government by conducting a survey to measure the level of anti-corruption behavior in society. In line with the increasing cases of accounting ethics violations, the 2024 Anti-Corruption Behavior Index (IPAK) decreased from 2023. Figure 1.2 below shows that the

level of anti-corruption behavior in Indonesia from 2020 to 2024 can also be said to be stagnant, meaning that there is no drastic change in the increase.



**Figure 1.2. Anti-Corruption Behavior Index in Indonesia 2020-2024**

Source: Official Statistics News

The description of anti-corruption behavior alone is still not enough; it can be seen that even registered professionals are not immune from ethical violations in the accounting profession. Evidently, the Ministry of Finance's Center for Financial Profession Development (PPPK) periodically releases a list of public accountants who are subject to sanctions, even though they are bound by an established code of ethics. This shows that humans still have the potential to violate norms and harm others. Financial reporting fraud can reduce public trust because unreliable reports hinder the assessment of a company's prospects (Mukaromah & Budiwitjaksono, 2021). Indonesia, as a multicultural country and full of values, should make spirituality an alternative, more holistic approach in resolving ethical dilemmas amidst the limitations of a formal code of ethics.

Spirituality in this context refers to deep moral values and an individual's awareness of the meaning of life, purpose, and relationships with others, nature, and higher entities. The results of Rahmania (2022) study showed that spiritual

intelligence (Spiritual Quotient/SQ) had no effect on the performance of the accounting profession, especially tax consultants. This finding is supported by Istiarini (2024) who stated that the increasing number of fraud cases indicates the weak effectiveness of spirituality in preventing fraud. There is inconsistency in the findings of previous studies, because several other studies actually emphasize the importance of spirituality in shaping morality and supporting ethical decision-making, although its influence on the performance of the accounting profession is not always direct.

Mahdi et al. (2021) showed the results of their research that SQ can moderate the influence of culture on fraud prevention. The results of an empirical study by Pong and Fong (2023) stated that spiritual well-being and adversity quotient (AQ) have a positive relationship with ethical decision-making. Spirituality plays an important role in building high morality to prevent fraud in an entity (Siska et al., 2024). The spirituality approach emphasizes values such as integrity, empathy, social responsibility, and shared welfare in the context of ethical decision-making.

Spirituality accounting is a relatively new concept that is gradually gaining ground in accounting literature that focuses on moral values and justice without being tied to a particular religion (Okoro & Ekwueme, 2020). The spirituality perspective in accounting can help accountants see their role not only as providers of objective financial information but also as agents of change that can promote the welfare of society. This approach encourages accountants to consider the

impact of their ethical decisions not only on the company or client, but also on the wider community, including the environment and social welfare.

As a powerful instrument, spirituality can encourage moral and ethical improvement by applying spiritual values in daily activities that have a positive impact on individuals, communities, and the environment (Ermawati & Suhardianto, 2024). This study focuses on an in-depth analysis of how ethical dilemmas in accounting arise and how spirituality can provide more meaningful solutions. This critical study not only focuses on identifying problems but also on dismantling the structures, assumptions, and limitations of existing ethical approaches.

Handayani (2023) stated that deconstruction functions as an important instrument in developing new concepts that are more complete and comprehensive than those that existed before. Furthermore, Rilah and Riwajanti (2017), through their study, revealed that the dimension of spirituality in ethics and religion that is connected through virtue ethics makes accounting able to be viewed as an ideology from various religious perspectives and ethical theories. Accountants are required to play a role in ensuring that business practices do not only focus on financial gain but also contribute to the welfare.

Meanwhile, the Fraud Hexagon Theory offers a more comprehensive perspective in explaining the factors that drive fraud in an effort to better understand ethical dilemmas in the accounting profession. This theory adds elements of arrogance (egoism) and competence and collusion (environmental factors) to the Fraud Triangle, which previously only included pressure,

opportunity, and rationalization. In addition, the Machiavellian personality, which is characterized by low morality and lack of concern for social relationships, can also influence ethical dilemmas (Suhartini et al., 2024). Individuals with this trait tend to be manipulative and prioritize financial gain and personal satisfaction.

Spirituality plays an important role in building high morality to prevent misuse of assets, corruption, and fraud in organizations (Shonhadji, 2023). Spirituality can act as an internal control mechanism that strengthens the morality and integrity of accountants, thereby preventing unethical actions. The development of fraud theory can be used to analyze how individual factors and the organizational environment influence ethical decision-making in the accounting profession by considering the dimensions of spirituality based on the theory of virtue ethics.

Research examining ethical dilemmas in the accounting profession through the lens of spirituality is still limited, although there are many studies on accounting ethics. Most of the accounting ethics research with quantitative and qualitative approaches mentioned above only discusses generally applicable moral rules and values, without considering specific contextual or cultural factors. Research that truly explores the perspectives and personal experiences of accountants in facing ethical dilemmas is still minimal.

The lack of research opens up space for alternative approaches that are more reflective, one of which is deconstruction. The online Big Indonesian Dictionary (KBBI) defines "deconstruction" as "rearrangement." Deconstruction is a critical approach that aims to dismantle the structure, assumptions, and



hierarchies in a text or argument by showing the ambiguity and uncertainty in it (Derrida, 1967). Deconstruction aims to re-examine the perspective on ethical dilemmas in the accounting profession, especially by considering the dimension of spirituality that seems to be neglected in the ethical framework.

Deconstruction is rarely applied explicitly in accounting studies, especially in the context of linking ethics and spirituality. Accounting ethics research is often limited to compliance with company standards or rules but rarely considers the impact of ethical decisions on the public interest. There are many theories about spirituality in the context of ethics, but empirical research assessing its impact in real situations is still limited. In addition, previous studies that raise the topic of spirituality have only focused on one type of accounting profession, such as public accountants (Aripratiwi, 2020), management accountants (Dwiputra & Mustikasari, 2021), tax consultants (Rahmania, 2022), and internal company accountants (Pong & Fong, 2023).

Given the limitations of previous studies, this study can fill some gaps, especially through the basis of spirituality that focuses on the direct experience of accountants. The selection of qualitative research design to explore and understand in-depth information about the reality of ethical dilemmas faced by accountants. This study not only reveals how spirituality plays a role in ethical decision-making but also criticizes the systems and structures that shape accounting ethics in practice through deconstruction with a critical approach. In addition, this study will explore the experiences and critical thinking of several types of accounting professions in order to gain a more comprehensive

understanding of how ethical dilemmas are perceived and resolved in various work environments.

Some types of accountants in question are accountants who work in business (Indonesian Institute of Accountants, 2025, p. 25) or are called internal accountants (Prasetyo & Wulandari, 2020, p. 4); accountants who practice serving the public (Indonesian Institute of Accountants, 2025, p. 65) or are called public accountants (Prasetyo & Wulandari, 2020, p. 4); government accountants (Prasetyo & Wulandari, 2020, p. 4); and accounting educators (Prasetyo & Wulandari, 2020, p. 4). The comparison between the lives of various types of accounting professions above makes this research not only theoretical but also based on the real experiences of accounting professionals.

The motivation for this research stems from the anxiety over the resolution of ethical dilemmas in the accounting profession which has tended to rely on normative approaches based on regulations and formal ethical standards. In fact, many ethical decisions in practice are not sufficiently answered by written rules alone. The researcher's personal experience when he was a public accountant, until he switched professions to become an internal accountant for the company today aroused a deep desire to understand whether other accountants have the same experience in various perspectives.

The accounting profession not only requires technical skills but also moral integrity in carrying out its duties (Az-Zahra et al., 2022). Accountants in practice may be faced with complex ethical dilemmas between compliance with professional standards, pressure from superiors or clients, and social responsibility

to the public. This dilemma often blurs the line between right and wrong, making ethical decisions relative and situational. The normative ethical approach (based on rules and standards) has been widely discussed, but approaches that touch on aspects of 'other values,' such as spirituality, are still rarely explored in depth in the context of accounting professional ethics. In fact, spirituality can be a strong source of values in guiding accountants to remain loyal to essential moral principles without having to rely solely on formal rules.

This research is driven by the belief that deconstruction of ethical dilemmas in accounting based on spirituality can open up new perspectives in understanding and responding to the challenges of professional ethics. This research explores the experience and spiritual awareness of accountants critically to form a complete professional character, namely technical competence and moral and spiritual resilience. This research seeks to develop a more meaningful and applicable approach for those directly involved in this profession. The results of this study are expected to be a moral and practical guide for accounting professionals in resolving ethical dilemmas and encouraging sustainable accounting practices. The purpose of this study is to deconstruct ethical dilemmas in the accounting profession through the integration of spirituality with the research title **"Deconstruction of Spirituality-based Accounting Ethical Dilemma: A Critical Study on Accountants."**

## **1.2. Research Question**

Based on the description of the discussion in the background above, there are formulations of problems that will be answered through this research, including: How does spirituality deconstruct ethical dilemmas in accountants?

## **1.3. Research Purposes**

When explained, the purpose of this study is to answer the formulation of the problems mentioned above, including:

1. Exploring the meaning of the accounting profession, forms of ethical dilemmas, and accountants' views on spirituality.
2. Analyzing the role of spirituality in ethical decision making in dilemmatic situations.
3. Evaluating the impact of implementing spiritual values based on virtue ethics on the potential for fraud and critical reflection of accountants in formulating a new ethical framework.

## **1.4. Research Benefits**

The benefits of this research are described in two aspects, namely theoretical benefits and practical benefits. This research is expected to not only provide academic contributions but also have a positive impact on professional practice and community life.

### **1. Theoretical Benefits**

#### **A. Development of Accounting Theory**

This research can enrich the treasury of ethical theory and fraud theory (Virtue Ethics Theory and Fraud Hexagon Theory) in accounting by

integrating the perspective of spirituality. This will open up space for the development of a more comprehensive and responsive ethical model to complex ethical dilemmas.

#### B. Interdisciplinary Approach

The combination of accounting and spirituality disciplines in this study offers an interdisciplinary approach that can provide a more holistic understanding of ethical behavior in accounting practice.

#### C. Improvement of the Accounting Code of Ethics

The findings of this study can contribute to the renewal or improvement of existing accounting codes of ethics by including relevant spiritual values as additional guidance in ethical decision-making.

#### D. Further Research

This research can be the basis for further research exploring the relationship between spirituality and ethics in other contexts, both in the business world and outside accounting.

## 2. Practical Benefits

#### A. Guide for Accounting Practitioners

This research can provide practical guidance for accounting professionals in facing ethical dilemmas by offering a spirituality-based approach that can be used in everyday decision-making.

#### B. Training and Education

The results of the research can be used to design training or education programs that integrate aspects of spirituality into accounting ethics

education so that prospective accountants are trained to consider moral values in carrying out their practices.

C. Increasing Ethical Awareness in the Workplace

This research has the potential to increase ethical awareness in the workplace, as well as create a more positive organizational culture that is oriented towards the common good by prioritizing spiritual values in decision-making.

D. Contribution to the Public Welfare

This research can contribute to the creation of more responsible and sustainable accounting practices, which will ultimately benefit the wider community by encouraging accountants to consider more the social and environmental impacts of their decisions.

E. Recommendations for Company Policies

The findings of this study can provide recommendations for companies in formulating more holistic ethics policies, which consider the welfare of all stakeholders, including employees, clients, and the community.