

The Effect of Self-Control and Social Pressure on the Effectiveness of Internal Controls¹

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Research Paper

INTRODUCTION

Efficient internal control systems provide accreditation to prepared accounting reports (Arjamandanjad, 2015). In this sense, the importance of internal controls for the organization is such that these controls can be of great help in discovering frauds and mistakes, through an effective and advanced framework of internal controls, which includes the improvement and establishment of the control environment, accounting system, and control programs. have an organization (Suaidin and Qasim, 2010). Internal controls affect fraud prevention (Sodriman et al., 2020). Also, internal controls have been effective in reducing financial violations in government institutions from the point of view of financial managers and accountants (Khadamipour et al., 2014), and the effectiveness of internal controls reduce financial violations in organizations (Beklo and Mahmoudi, 2015).

On the other hand, pressure and motivation are one of the main components of the triangle of fraud and fraudulent financial reporting (Mintz and Morris, 2007). Pressure is defined as the creation of objective stimuli about the characteristics or combination of individual characteristics and events that hurt the cognitive and perceptual processes of a person. Different types of pressures cause stress in accountants and financial managers and affect their attitudes and performance (Desort and Lord, 1997). One of the types of organizational pressures is social pressure. Social pressure can lead to bias in decision-making

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and force a person to behave unethically. Social pressures increase the adoption of unethical decisions in accountants, and the more ethical the environment of the organization, the more their commitment.

will increase and accountants will be less under social pressure (Clayton and Van Staden, 2015). On the other hand, according to the definition of social pressures, the performance of accountants and managers as part of the accounting system and internal controls is influenced by individual characteristics (Mohammadi and Fakhari, 2015). Therefore, it is very important to examine the individual characteristics of people to understand their impact on the performance of individuals and organizations (Elias et al., 2012). One of the most important personal characteristics affecting the performance of individuals and organizations is their level of self-control (Jackson et al., 2000). Self-control means how much a person has control over their decisions and makes decisions with more focus (Swidman et al., 2014).

Optimal internal control along with the strengthening of effective and efficient control systems is an obvious and necessary issue, and its weakness causes significant and heavy damage (Shirvani and Fathi, 2018). Therefore, examining how the individual characteristic of self-control in any situation, including social pressure, can affect the application and implementation of the organization's internal controls is an issue that, despite its importance, has not been investigated so far. The present research aims to clarify this importance by examining the impact of social pressure as a factor for fraudulent reporting through the inefficient implementation of internal controls and the direct and indirect effects of self-control on the effectiveness of internal control.

MATERIALS AND METHOD

The current research is practical in terms of its purpose, quasi-experimental in terms of nature, and survey-type in terms of quantitative method. The survey is a method of obtaining data about the views, beliefs, opinions, or characteristics of a group of members of a statistical community by conducting research. The time domain of the research is 2022. In this research, a questionnaire is used to test the research hypotheses. In the first part of the questionnaire, demographic information of the participants was asked. In the second part, related questionnaires were presented to measure the variables. To measure self-control, Tanji's (2004) standard questionnaire was used with 13 questions, which were answered based on a range of five options. Each question has a minimum of one and a maximum of five points, which is calculated by dividing the sum of the points belonging to each questionnaire

by the total assignable points (65) of the self-control index. The higher this index is, the higher the self-control. To measure the effectiveness of self-control, a 34-question questionnaire by Mohagheghi et al. (2022) was used, which includes six managerial, functional, individual, legal, environmental, and organizational dimensions, and to measure the variable of social pressure, standard scenarios were used in the form of a questionnaire. It is taken from the research of Brink et al. (2018) and Bishop et al. (2017). The statistical population of this research is the financial managers and accountants of the companies admitted to the Tehran Stock Exchange using Cochran's formula, the number of 384 people in the research sample was determined for the unknown population and the samples were randomly selected. To collect the required sample, 445 questionnaires were distributed in person and electronically, and among them, 384 complete questionnaires were extracted without defects and finally, the collected data were used for analysis.

RESULTS AND DISCUSSION

The results of the structural equation model analysis showed that for the first hypothesis, the significance value related to the effect of social pressure on the effectiveness of internal control is greater than 1.96, which is significant at the 95% level. Also, the coefficient of the standard path is equal to -0.83, which shows the negative impact of social pressure on the effectiveness of internal control. Therefore, the first research hypothesis is confirmed with a direct and negative relationship. For the second hypothesis, the significance value related to the effect of self-control on the effectiveness of internal control is greater than the value of 1.96, which is significant at the 95% level. Also, the coefficient of the standard path is equal to 0.74, which shows the positive effect of self-control on the effectiveness of internal control. Therefore, the second research hypothesis is confirmed with a direct and positive relationship. For the third hypothesis, the significant value related to the effect of self-control on the effectiveness of internal control in the conditions of social pressure is greater than 1.96, which is significant at the 95% level. Also, the coefficient of the standard path is equal to 0.68, which shows the positive effect of self-control on the effectiveness of internal control in conditions of social pressure. Therefore, the third hypothesis of the research is confirmed with an indirect and positive relationship.

CONCLUSION

The results of the first hypothesis test showed that social pressure has a negative and significant effect on the effectiveness of internal controls. This relationship

indicates that fraudulent and incorrect financial reporting under social pressure originates from the lack of design and improper and weak implementation of internal controls. Social pressure will be an effective obstacle to the effectiveness of internal controls, which will affect manager's accountants, and executive agents. The results of the first hypothesis, in line with the results of the research of Bishop et al. (2017), Clayton and Van Staden (2015), and Zakaria et al. (2016), justify the fraudulent financial reporting in the conditions of social pressure through weak and ineffective internal controls. The results of the second hypothesis test showed that self-control has a positive and significant effect on the effectiveness of internal controls. This relationship indicates that the positive consequences of self-control in the individual and consequently the reform of the organization and society will be significant, and the higher the level of self-control, the better the individual's performance. Self-control will be an effective factor for the effectiveness of internal controls, which will affect both managers and employees. The results of the second hypothesis are in line with the results of Mohammadi and Fakhari (2015), Malek et al. (2019), Tahriri and Mohammad Hassanzadeh (2014), Go et al. Shadow evaluates self-control positively, which can lead to the effectiveness of internal controls and ultimately improve the quality of financial reporting. The results of the third hypothesis test showed that self-control through social pressure has an indirect but positive and significant effect on the effectiveness of internal controls. This relationship indicates that if managers and accountants adhere to moral values and strengthen self-control in the process of operational activities, its positive consequences will increase over the negative consequences of social pressure, and in such circumstances, in the shadow of self-control, the behavioral health of people implies the effective implementation of controls. It will be internal. The results of the third hypothesis, contrary to the research results of Beasley et al. (2010) and in line with the results of Swedman et al. (2014), Clayton and Van Staden (2015), Zhang and Chen (2016), social pressures increase unethical performance in managers and accountants and the more these people have internal values and moral traits, the less they will be under social pressure in the shadow of self-control, and ultimately the effectiveness of internal controls will follow.

Keywords: Self-Control, Social Pressure, Internal Control Effectiveness.

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