



# Mediation effect of collapse avoidance assurance on behavioural intention to use forensic accounting

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## ABSTRACT

Forensic Accounting is a widely known technique for fraud prevention and detection. To date, the demand for forensic accounting is increasing, as well as the fraud level. However, some companies are reluctant to use forensic accounting to find guilty and face legal consequences such as liquidation or winding up. The two main theories of this study are the Protection Motivation Theory (PMT) and Forensic Accounting Theory. The two theories incorporate fraud treat appraisal and collapse avoidance assurance in forensic accounting to determine the behavioural intention to use forensic accounting. This study is expected to generate the best model to address the unwillingness to adopt forensic accounting services by industrial products and services companies. Therefore, this study may significantly contribute to the increase in companies' awareness and willingness to use forensic accounting in mitigating fraud or unethical activities.

**Keywords:** *Forensic Accounting; Behavioural Intention; Fraud; Protection Motivation Theory; Forensic Accounting Theory*

## 1. INTRODUCTION

Forensic Accounting has been a widely used technique for fraud mitigation (Awolowo et al., 2018; Bhasin, 2017). The demand for forensic accounting services has never slowed down due to the increase in fraud activities (Albuquerque, 2020; Carnes & Gierlasinski, 2001; Ramaswamy, 2007). Therefore, forensic accounting would gradually advance as a critical component in improving a corporate governance system in a company (Bhasin, 2017). This study was to be conducted based on the evaluation of the fraud level in Malaysia. Among various industries in Malaysia, the industry with a constant high level of fraud was the company under industrial products and services (Azman & Vaicondam, 2020; Sulaiman et al., 2014). Besides, the occurrence of frauds in listed firms was challenging to be detected, since listed firms appear to have a robust anti-fraud environment (Fleming et al., 2016). Most Malaysian companies prefer to strengthen their internal control system or rely upon auditing to mitigate fraud activities (Frazer, 2016; PricewaterhouseCoopers, 2020; Zager et al., 2016). However, there was no sign of a decrease in the fraud level due to the disappointment in the internal control and audit system to signal the red flag of fraud to the company (Popoola et al., 2013). Despite the weaknesses in the internal control and auditing services, some companies were still reluctant to use forensic accounting as they fear to be found guilty instead and have to face legal consequences such as liquidation or

winding up (Ozili, 2020). Hence, the two leading theories were chosen to address the reluctant issue. Protection Motivation Theory (PMT) and Forensic Accounting Theory were the two theories adopted for this study. The PMT would contribute the threat appraisal element, while the Forensic Accounting Theory involved the variable of the collapse avoidance assurance in forensic accounting perspective. To date, there were almost none of the studies has integrated the Forensic Accounting Theory, and both of the mentioned theories. Hence, this study is expected to generate a new model by integrating the significant variables to address the primary issue in this study and contributing to the increasing demand for forensic accounting services.

## 2. LITERATURE REVIEW

### 2.1. PROTECTION MOTIVATION THEORY (PMT)

PMT is a theory related to protective behaviour and is mainly involved with fear and self-protective (Clubb & Hinkle, 2015). The fear element involves threat appraisals, and the self-protective is the coping appraisals (Bashirian et al., 2020). Fig. 1 shows the theoretical framework of PMT.

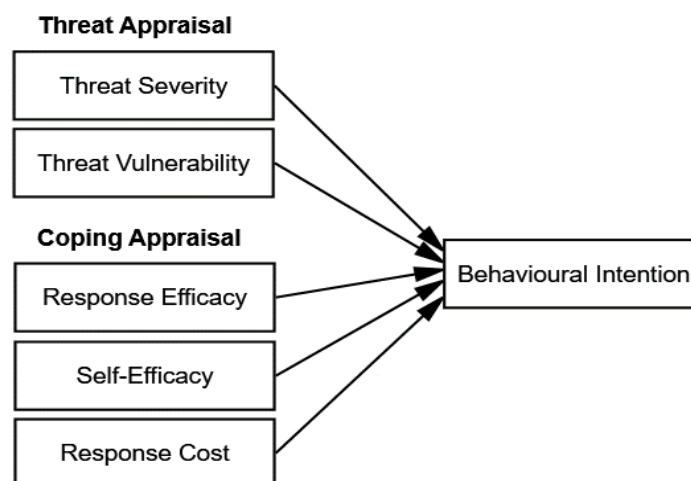


Fig. 1. PMT Theoretical Framework

Threat severity and threat vulnerability are the two variables under threat appraisal (Kessler, 2017). The threat severity can be explained by the degree of damage caused by unethical behaviours (Westcott et al., 2017). Meanwhile, the threat of vulnerability assesses the vulnerability of threats (Clubb & Hinkle, 2015). On the other hand, the coping appraisal comprises three variables, which are the response efficacy, self-efficacy, and response cost (Jansen & Schaik, 2018). The response efficacy is regarding the belief of the victims, whether the recommended coping response is sufficient to reduce the threat to the individual (Kessler, 2017). Self-efficacy is the potential confidence of victims, whether they could perform the coping response (Janmaimool, 2017). Lastly, the response cost is the effort, time, and cost that has to spend to adopt the coping response (Weinberger et al., 2017). Based on previous studies, PMT has a significant effect on behavioural intention (Azman & Vaicondam, 2020; Bashirian et al., 2020; Clubb & Hinkle, 2015). The principles of PMT

significantly affect the behavioural intention once there is a high severity and vulnerability on the threat if the victim believes that the response is sufficient to reduce the threat and they confident to complete the recommended response with an affordable response cost (Azman & Vaicondam, 2020; Cismaru et al., 2008).

## 2.2. FORENSIC ACCOUNTING THEORY

To date, only one study had developed a Forensic Accounting Theory by Ozili (2020). The theory explained the method and the reason to choose the forensic accounting technique based on five proposed hypotheses, as shown in Fig. 2.

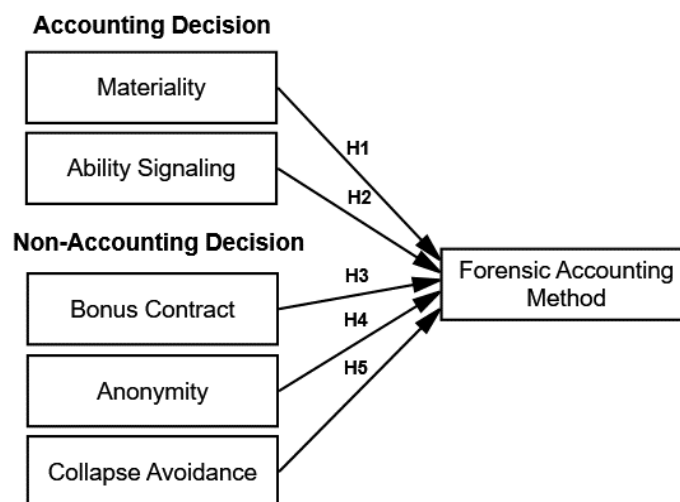


Fig. 2. Forensic Accounting Theory

The five hypotheses were developed after considering accounting and non-accounting factors (Ozili, 2020). There were two types of hypotheses under accounting decisions, namely the materiality hypothesis and the ability signalling hypothesis (Ozili, 2020). Meanwhile, the other three hypotheses were under the non-accounting basis, which are the bonus contract hypothesis, anonymity hypothesis, and the collapse avoidance hypothesis (Ozili, 2020). Firstly, the materiality hypothesis is based on the materiality of the unresolved case under legal and regulatory rules, in which the forensic investigator would choose the forensic accounting method based on the significance level of the case (Ozili, 2020). For the ability signalling hypothesis, it is based on the ability of the forensic investigator to uncover a case (Ireland, 2011; Ozili, 2020). In other words, forensic investigators will utilize a sophisticated accounting technique to increase the integrity of their works and to differentiate themselves from their competitors (Ozili, 2020). For the third hypothesis, the bonus contract hypothesis is based on compensation to the forensic investigator (Christ et al., 2012; Ozili, 2020). Thus, the forensic investigator would choose a specific forensic detection method to increase the likelihood of uncovering the case or financial crime to avoid losing the bonus attached to the successful investigation (Ozili, 2020). Fourthly, the anonymity hypothesis is a method chosen to hide the identity of the forensic investigator, in any case the investigation could threaten the safety of the investigator (Chang, 2008; Ozili, 2020). Lastly, the collapse avoidance hypothesis is to use a forensic accounting method to uncover the crimes without caused a downfall or made the

accused individual or companies to be winded-up (Hallford et al., 2018; Ozili, 2020). This hypothesis stated that the individual or company to be punished should be done only through the courts' decision and not the forensic investigator (Ozili, 2020).

### 2.3. CONCEPTUAL FRAMEWORK

Based on the theoretical framework of PMT and Forensic Accounting Theory, the conceptual framework is developed as in Fig. 3.

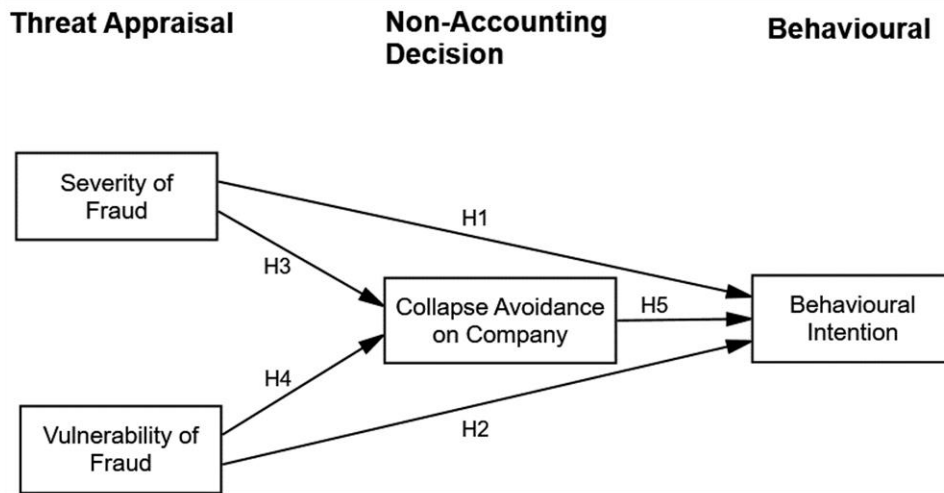


Fig. 3. Model for Paper

There are three types of variables involved in this framework, namely independent, mediator, and dependent variables. The independent variables were extracted from the PMT theory under the threat appraisal, which is the severity and vulnerability of fraud. The chosen threat appraisal was due to the most significant factor that determined the intention of individuals or companies to adopt a security response or behaviour (Bashirian et al., 2020; Ruan et al., 2020). The mediator variable, collapse avoidance on a company, was the variable under the Forensic Accounting Theory and classified as a Non-Accounting Decision Hypothesis. Since this study is among the early study incorporating the variable from Forensic Accounting Theory, only one element is chosen to test the mediation effect. The chosen variable was due to companies were mostly reluctant to use forensic accounting for their fear of having a bad image and ended up to wind up their company resulted from fraud activities occurred in the company (Bailey, 2015; Baker & McKenzie, 2013; Lukawitz & Steinbart, 1995; Ozili, 2020). Meanwhile, the behavioural intention acted as the dependent variable as derived from the PMT in order to study the behavioural intention of companies in using forensic accounting services.

Based on the framework, the five hypotheses statement developed for this study are as follows:

**H<sub>1</sub>:** Severity of fraud has a significant effect on behavioural intention to use forensic accounting

**H<sub>2</sub>:** Vulnerability of fraud has a significant effect on behavioural intention to use forensic accounting

**H<sub>3</sub>:** Collapse avoidance on company mediates significantly the effect of severity of fraud on behavioural intention to use forensic accounting.

**H<sub>4</sub>:** Collapse avoidance on company mediates significantly the effect of the vulnerability of fraud on behavioural intention to use forensic accounting

**H<sub>5</sub>:** Collapse avoidance on the company has a significant effect on behavioural intention to use forensic accounting

### **3. METHODOLOGY**

This study will be categorized as a causal-comparative research design without manipulating respondents' experience (Azman & Vaicondam, 2020; Creswell, 2014; Sekaran, 2013). Thus, the causal-comparative research design is selected to measure the direct and mediation effect between the variables. The proposed data collection method from target respondents is through a distribution of questionnaires, in which the survey method is the standard method to confirm the theories and hypothesis (Creswell, 2014; Sekaran, 2013; Sekaran & Bougie, 2016). The target individual is divided under three different group of the respondent, which are the Chief Executive Officer (CEO), the Board of Directors (BOD) and the audit committee members, who play a significant role in the decision-making of a company (Muthusamy, 2011). The target population for this study will be the industrial product and services of listed companies, as the industry has the highest fraud level involved (Azman & Vaicondam, 2020; Sulaiman et al., 2014). The calculated sample size is based on the GPower software, which the GPower software has widely been used to calculate the minimum sample size for quantitative studies (Mirabolghasemi, et al., 2019; Ngah et al., 2019; Syima et al., 2019). A priori power analysis will be adopted, and the minimum sample size required for this study is 119 respondents. The calculation is based on the medium effect size of 0.15 and a power of 0.95 (Ahmad et al., 2019; Ramayah et al., 2019).

### **4. CONCLUSION**

This paper proposed a conceptual framework model to determine the behavioural intention to use forensic accounting by integrating an element from the newly developed Forensic Accounting Theory and PMT variables. The proposed model has integrated the mediation effect factors through the variable of collapse avoidance assurance between the direct effect of severity and vulnerability of fraud on the behavioural intention. Besides, almost none of the forensic accounting studies applied the element from the Forensic Accounting Theory. Therefore, this study is expected to address the unwillingness to adopt forensic accounting services by companies and significantly contribute to the increase of awareness and willingness of companies to use forensic accounting in mitigating fraud or unethical activities.

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