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The Influence of Culture on Ethical Decision Making: The Role of Moral Disengagement and Locus of Control

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ABSTRACT: The accounting profession demands high integrity and ethical competence. This study aims to analyze the influence of organizational culture on ethical decision-making among accounting students, with moral disengagement as a mediator and locus of control as a moderator. A quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis was conducted on a sample of undergraduate accounting students in Jakarta and West Java. The results of the study show that: (1) organizational culture has a positive and significant effect on moral disengagement, (2) moral disengagement has a negative and significant effect on ethical decision making, (3) internal locus of control significantly moderates the effect of moral disengagement on ethical decision making, while external locus of control is not significant, and (4) moral disengagement mediates the effect of organizational culture on ethical decision making (β = -0.051; p = 0.020). These findings emphasize the importance of building an ethical organizational culture and strengthening the internal locus of control in accounting education curricula to develop professionals who consider ethics.

KEYWORDS: Culture, Moral Disengagement, Locul of Control, Ethical Decision Making, Accounting.

INTRODUCTION

The accounting and auditing professions are key pillars that support the credibility of financial information and create a healthy business climate, demanding a high level of moral responsibility and professional integrity. The essence of these professions lies in the competence to make ethical decisions, even amid business pressures and complex situations (HubTheerts, 2014). In practice, professional accountants often face significant moral conflicts, such as managerial pressure to manipulate financial statements or conflicts of interest (Brink et al., 2018; Ishaque et al., 2022). Therefore, the ability to make ethical decisions is a fundamental competency because every decision made has broad implications for stakeholders, from investors to the general public (Murtezaj et al., 2024).

The Bachelor of Accounting program aims to produce competent and ethical accountants and auditors, equipping students with technical knowledge and requiring them to internalize professional ethical values (Cameron & O'Leary, 2015; Mayhew & Murphy, 2009).. However, the potential for weakening moral awareness has been noted early; various studies show that unethical behavior, such as academic cheating, plagiarism, and data manipulation, is often considered normal and justifiable among students (Grenness, 2023; Waltzer & Dahl, 2023; Zhao et al., 2022). This phenomenon indicates the risk that low ethical standards on campus may continue into the professional workplace. Given that the process of shaping the ethical character of an accountant must begin in college (Chan & Leung, 2006; Taylor, 2013), undergraduate accounting students need to be equipped with a solid ethical framework to prepare them for complex dilemmas in the future (O'Leary, 2009; Pinheiro & Costa, 2020).

Major accounting scandals, such as Enron and WorldCom at the global level, as well as cases of corruption and financial statement fraud in Indonesia, are clear evidence that ethical violations are often not caused by a lack of technical knowledge but by failures in moral decision-making. This is influenced by many factors, including culture, which reflects a set of collective values, norms, and beliefs that shape individuals' ethical perspectives and behavior. Fundamentally, Hofstede (1980) explains that cultural dimensions, such as individualism-collectivism or power distance, significantly influence how individuals view their moral and social responsibilities in a professional context.

However, the influence of culture on ethical decisions is not a simple relationship; it requires psychological mechanisms to bridge the two. This is where moral disengagement comes into play, mediating the influence of culture on students' ethical decision-making (Chen et al., 2021). This concept from Albert Bandura (1986) is a cognitive mechanism that allows individuals to detach themselves from their personal moral standards, enabling them to act unethically without guilt. Logically, a culture with weak morals will increase the likelihood of moral disengagement, which in turn will lower the quality of ethical decisions. Conversely, a culture that strongly emphasizes moral responsibility will limit this tendency and encourage ethical behavior (Hyatt, 2017; Toytok, E. H. & Kapusuzoglu, 2016).

Another variable that can intensify or reduce the relationship between moral disengagement and ethical decision-making is individual personality traits, particularly the locus of control. Developed by Rotter (1966), this concept measures a person's belief that the results of their actions are controlled by internal factors (themselves) or external factors (the environment/fate). Students with a strong internal locus of control (ILOC) believe they are fully responsible for the consequences of their actions, and this belief is thought to be a bulwark against the influence of moral disengagement. Conversely, students with an external locus of control (ELOC) are more easily influenced by cultural norms and prone to moral disengagement because they feel that their actions are driven by pressures beyond their control (Rotter, 1966).

The significance of this research lies in the context of accounting education in Indonesia, where the social environment, academic culture, and community values strongly influence the formation of students' ethical behavior. Accounting education must go beyond mastery of technical aspects; it must play an active role in shaping the moral character and professionalism of prospective accountants and auditors. Therefore, a deep understanding of how culture, moral disengagement, and locus of control interact in influencing the ethical decision-making of undergraduate accounting students will make an important contribution to the development of a curriculum that is more oriented towards ethics and social responsibility (Mladenovic et al., 2019; Okougbo et al., 2021). By examining the indirect influence of culture through moral disengagement and the moderating role of locus of control, this study aims to unravel the complexity of ethical decision-making. These findings are expected to provide practical contributions to the design of effective, context-specific ethics curricula and learning methods, to produce future Indonesian accountants and auditors who excel in integrity and technical competence.

LITERATURE REVIEW AND HYPOTHESIS

The relationship between culture, moral disengagement, and ethical decision-making can be powerfully explained by integrating Social Cognitive Theory (SCT) with the Fraud Triangle. In this framework, the organizational or national culture constitutes the primary environmental factor that shapes the conditions of the Fraud Triangle: it can create performance *Pressures* through excessive demands, enable *Opportunity* through weak controls and permissive norms, and, most critically, supply the *Rationalization* by normalizing justifications for unethical behavior. This is where moral disengagement, a key personal cognitive factor, acts as the critical psychological bridge. Through SCT's mechanisms of observational learning and social modeling, individuals within a corrupt culture internalize and activate moral disengagement strategies—such as euphemistic labeling, displacement of responsibility, and advantageous comparison—to silence their self-regulatory standards. Consequently, the triadic interaction among this corrupting cultural environment (the Fraud Triangle), the enabled personal cognition (moral disengagement), and the individual's behavior increases the likelihood of unethical decision-making, as the individual's internal moral controls are deactivated by the learned justifications provided by their culture.

Culture is understood through Hofstede's (1980) framework, which explains how cultural values influence behavior, policies, and social interactions. Culture in this context refers to the system of values and norms that shape individual behavior in viewing and dealing with ethical issues, as measured through low-context assertive indicators (Hofstede, 1980). Furthermore, Moral Disengagement is defined as a cognitive process in which self-regulatory mechanisms fail, allowing individuals to relinquish moral responsibility for their harmful actions through mechanisms such as moral justification and the attribution of blame (Bandura, 1999).

Locus of Control, a concept introduced by Rotter (1966), refers to an individual's belief about the extent to which the outcome of an event is determined by their own actions (internal locus of control) or by external factors beyond their control (external locus of control). Ethical decision-making is defined as the process by which individuals consider various moral standards and stakeholder claims to determine morally appropriate actions, as measured through five ethical dilemma scenarios (Schwartz, 2016). Based on this theoretical framework, four research hypotheses (H1 to H4) were formulated to test: (1) the direct influence of culture on moral disengagement; (2) the direct influence of moral disengagement on ethical decision making; (3) the moderating role of locus of control in the relationship between moral disengagement and ethical decision-making; and (4) the mediating role of moral disengagement in the indirect relationship between culture and ethical decision-making. Overall, this literature review builds a strong theoretical foundation for testing the proposed model and hypotheses.

Culture and moral disengagement

Culture, as a complex system of shared values, norms, and practices, fundamentally shapes the ethical reasoning of individuals within social and organizational contexts. Research indicates that specific cultural dimensions can predispose individuals to moral disengagement—a cognitive process that allows one to bypass self-sanctions and justify unethical behavior. For instance, strong group identities and collectivist orientations can foster a "ends-justify-the-means" mentality, where unethical actions are rationalized as being for the in-group's benefit (Lo Cricchio et al., 2022; Petitta et al., 2017; Santalla de Banderali et al., 2025;

Sharma & Lal, 2020). Similarly, cultures that legitimize aggression, blame victims, or prioritize bureaucratic procedures over ethical considerations can increase moral disengagement by providing normative justifications for harmful conduct (Scarpati & Pina, 2017; Petitta et al., 2017). Conversely, cultures characterized by technocratic values, individualistic self-focus, or explicit moral education can serve as protective factors, reinforcing personal accountability and reducing the propensity for moral disengagement (Scarpati & Pina, 2017; Zhao & Yu, 2021).

The organizational implications of this culture-disengagement link are profound. When moral disengagement becomes widespread, it can erode ethical standards, leading to detrimental outcomes such as the underreporting of safety incidents, normalized misconduct, and ultimately, reputational damage and a loss of stakeholder trust. A culture that emphasizes results without integrity creates an environment where employees feel pressured to disengage their moral self-regard to meet objectives. Therefore, cultivating an organizational culture that actively promotes ethical norms, psychological safety, and individual responsibility is not merely beneficial but essential. Such an environment counters the mechanisms of moral disengagement by making ethical considerations salient and reinforcing the moral consequences of one's actions, thereby safeguarding both organizational integrity and societal welfare.

H1: Culture is significantly related to moral disengagement

Moral disengagement and ethical decision-making

Empirical research consistently demonstrates that moral disengagement significantly influences unethical decision-making. This cognitive process enables individuals to rationalize unethical actions by employing mechanisms such as displacing responsibility, distorting consequences, or blaming victims, thereby bypassing internal moral standards without experiencing guilt (Chen et al., 2021; Detert et al., 2008; Moore, 2008; Ogunfowora et al., 2022). The higher an individual's propensity for moral disengagement, the more likely they are to form an intention to act unethically, as it negatively shapes their attitudes, weakens subjective norms, and diminishes perceived behavioral control over ethical conduct. Furthermore, moral disengagement often functions as a critical psychological mediator, explaining how individual differences translate into unethical choices (Detert et al., 2008). In organizational contexts, this can manifest in severe consequences, including fraud, data manipulation, and corruption.

Given its detrimental impact, understanding the antecedents of moral disengagement is vital for developing effective interventions. Key personal and situational variables can predict and influence an individual's level of moral disengagement. Promisingly, factors such as principle-based ethics training, sustained professional development, and religiosity have been shown to mitigate this tendency (Black et al., 2022). Such interventions work by enhancing moral self-efficacy, reinforcing an internal locus of control, and strengthening an individual's commitment to ethical principles. Consequently, organizations can proactively reduce unethical behavior by implementing systematic ethics training, fostering a transparent and just culture, and designing reporting systems that counter the rationalizations central to moral disengagement.

H2: Moral disengagement is significantly associated with ethical decision-making.

Locus of control as moderator

Moral disengagement theory (Bandura, 1991) elucidates the psychological mechanisms—such as moral justification, euphemistic labeling, and displacement of responsibility—that allow individuals to cognitively bypass their internal ethical standards. This process facilitates unethical decision-making by enabling individuals to minimize their sense of personal responsibility and distort the negative consequences of their actions (Moore, 2015; Detert et al., 2008). The detrimental impact of moral disengagement on ethical choice is well-established; however, its effect is not uniform across all individuals. The locus of control (LoC) theory (Rotter, 1966) provides a critical moderating variable in this relationship. Individuals with an internal LoC believe that life outcomes are contingent upon their own efforts and behaviors, making them more likely to accept responsibility for their actions. Consequently, internal LoC functions as a protective factor that weakens the negative relationship between moral disengagement and ethical decision-making. When faced with ethical dilemmas, individuals with a strong internal LoC are more resistant to the rationalizations offered by moral disengagement mechanisms because they actively consider the ethical implications of their conduct and feel a greater sense of personal agency over the outcomes (Hannah et al., 2011; Kish-Gephart et al., 2010).

Empirical research across various domains supports the protective role of an internal locus of control. In professional settings, auditors with an internal LoC demonstrate stronger ethical behavior, a tendency that can be further enhanced by a supportive work-life balance (Prameswari & Sari, 2023). Similarly, the presence of a corporate code of ethics is more strongly associated with ethical judgments among individuals with an internal LoC (Valentine et al., 2019). The influence of this trait also extends to the formative stages of professional development, such as in accounting education. Research on students indicates that an internal LoC can foster critical thinking skills, which in turn act as a significant mediator that reduces moral disengagement (Nurdin & Damayanti, 2020). This suggests that internal LoC not only directly bolsters ethical intentions but also equips individuals with the cognitive tools to deconstruct justifications for unethical behavior. In summary, integrating Social Cognitive Theory with Locus of Control Theory offers a powerful framework for understanding ethical decision-making, highlighting that an individual's belief in their personal control is a key determinant in resisting the corrosive effects of moral disengagement.

H3: (a) Internal locus of control moderates the relationship between moral disengagement and ethical decision making; (b) External locus of control moderates the relationship between moral disengagement and ethical decision making.

Moral disengagement as mediator

Culture, defined as a shared system of values, norms, and beliefs within a society or organization, fundamentally shapes the cognitive and behavioral frameworks through which individuals perceive and approach ethical dilemmas (Hofstede, 1980). This cultural milieu significantly influences the psychological mechanism of moral disengagement—the cognitive process through which individuals rationalize unethical actions by disengaging their internal moral standards (Bandura, 1991). The specific cultural orientation determines the prevailing justifications for such disengagement. For instance, in competitive, outcome-driven cultures, individuals may morally disengage to rationalize cutting corners for achievement. In contrast, in collectivist cultures, disengagement may be triggered to justify unethical acts perceived as protecting the in-group (Kish-Gephart et al., 2010). Consequently, a culture that is permissive of unethical practices, such as corruption, fosters greater moral disengagement, thereby increasing the likelihood of unethical decision-making.

The interaction between culture and individual ethical agency is complex and moderated by cultural dimensions such as individualism and collectivism. Research indicates that culture moderates the relationship between personal values and moral disengagement (Sverdlik & Rechter, 2020). In collectivist settings, individuals are often strongly influenced by group norms, which can either suppress moral disengagement to maintain collective moral standing or facilitate it to protect the group. In contrast, individuals from individualistic cultures may rely more on personal values in ethical decision-making but are also more prone to employ moral disengagement to advance personal goals. Ultimately, a culture that explicitly prioritizes ethical standards, integrity, and social responsibility serves as a critical bulwark against moral disengagement. By making ethical considerations salient and reinforcing the consequences of one's actions on others, such an environment fosters a climate where individuals are less likely to deactivate their self-regulatory mechanisms, leading to more consistently ethical outcomes (Detert et al., 2008).

H4: Moral disengagement mediates the link between culture and ethical decision making

RESEARCH METHOD

This study uses a quantitative approach, with a survey design, via an online questionnaire. This approach was chosen to test the causal relationships among the research variables: culture (C) as the independent variable, moral disengagement (MD) as the mediating variable, locus of control (LOC) as the moderating variable, and ethical decision-making (EDM) as the dependent variable.

A. Population and Sample

The study population consisted of undergraduate accounting students from two provinces in Indonesia—Jakarta and West Java—who had completed or were currently enrolled in an audit course. The research sample was determined using a purposive sampling approach based on the following criteria: (1) active undergraduate accounting students, (2) enrolled in universities located in Jakarta or West Java, and (3) having completed or currently undertaking audit courses. Of the 429 respondents who completed the questionnaire, 337 were deemed valid and met the inclusion criteria.

B. Measurement

All variables were assessed using a 1-5 Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) via a structured online questionnaire. Cultural dimensions were evaluated through low-context assertive indicators, adapted from Hofstede's (1980) framework. Moral disengagement was examined through four cognitive mechanisms, including moral justification and attribution of blame, as outlined by Bandura (2002). Locus of control was measured with an internal-external orientation scale developed by Rotter (1966). The ethical decision-making (EDM) variable was assessed using five ethical dilemma scenarios derived from Schwartz's (2016) theory. The research instruments underwent thorough validity and reliability testing to ensure measurement accuracy.

C. Data Analysis

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0 software. The analysis was carried out in two stages: first, the evaluation of the measurement model (outer model) to assess the validity and reliability of the instruments, and second, the testing of the structural model (inner model) to evaluate the hypotheses. The model's strength was measured using R-square, predictive relevance (Q^2), and effect size (f^2). To ensure the accuracy of the statistical results, the significance of direct, indirect, and mediating effects was examined using a bootstrapping procedure with 5000 subsamples.

RESULT AND DISCUSSION

Evaluation of measurement models

The outer model evaluation indicates that the constructs generally demonstrate acceptable to good psychometric properties, though with one specific concern. Reliability is established for all constructs, with Composite Reliability and Cronbach's Alpha values exceeding 0.7, indicating strong internal consistency. Convergent validity, assessed through Average Variance Extracted (AVE), is satisfactory for Culture (AVE=0.609), Internal Locus of Control (AVE=0.724), External Locus of Control (AVE=0.755), and Ethical Decision Making (AVE=0.518). However, the Moral Disengagement construct shows problematic convergent validity, with an AVE of 0.451, which falls below the 0.5 threshold. This issue is primarily driven by the weak loading of indicator MD1 (0.46), suggesting that removing this item should be considered to improve the construct's validity. In contrast, the other constructs remain robust for further analysis.

Table I. Outer model evaluation

	Loading factor	CA	CR	AVE
Culture		0.787	0.795	0.609
CLTR1	0.81			
CLTR2	0.73			
CLTR3	0.81			
CLTR4	0.77			
Ethical decision making		0.779	0.811	0.518
EDT1	0.83			
EDT2	0.65			
EDT3	0.62			
EDT4	0.76			
EDT5	0.72			
Internal locus of control		0.884	0.928	0.724
LOC1	0.90			
LOC2	0.84			
LOC3	0.93			
LOC4	0.80			
Eksternal locus of control		0.896	0.871	0.755
LOC5	0.84			
LOC6	0.84			
LOC7	0.83			
LOC8	0.90			
Modal disengagement		0.904	0.910	0.451
MD1	0.46			
MD2	0.78			
MD3	0.70			
MD4	0.64			
MD5	0.59			
MD6	0.70			
MD7	0.78			
MD8	0.71			
MD9	0.74			
MD10	0.68			
MD11	0.69			
MD12	0.71			
MD13	0.55			
MD14	0.61			

Evaluation of structural models

The analysis used Structural Equation Modeling (SEM), focusing on the Partial Least Squares (PLS-SEM) approach. Both the evaluation of the measurement model (Outer Model) and the testing of the structural model (Inner Model) were performed to assess the research hypotheses. A visual representation of the complete structural model, including path coefficient estimates and R^2 values, is illustrated in Figure 1. Hypothesis testing was conducted using the bootstrapping method in SmartPLS, as detailed in Table I. The findings reveal that four out of five hypotheses are statistically significant ($p < 0.05$), providing robust empirical support for the proposed model. According to the results of the PLS-SEM bootstrapping analysis presented in Table 1, four of the five proposed hypotheses were confirmed to be statistically significant. The Culture (CLTR) variable was found to have a positive and significant impact on Moral Disengagement (MD), with a coefficient of $\beta = 0.288$ and $p = 0.000$. Additionally, Moral Disengagement (MD) significantly negatively influenced Ethical Decision Making (EDT), as indicated by $\beta = -0.178$ and $p = 0.008$. MD also serves as a significant mediator in the relationship between Culture (CLTR) and Ethical Decision Making (EDT), with a coefficient of $\beta = -0.051$ and $p = 0.020$. Furthermore, Internal Locus of Control (ILOC) was identified as a significant moderator of the relationship between MD and EDT ($\beta = 0.267$; $p = 0.005$), whereas External Locus of Control (ELOC) did not moderate this relationship ($\beta = 0.057$; $p = 0.417$).

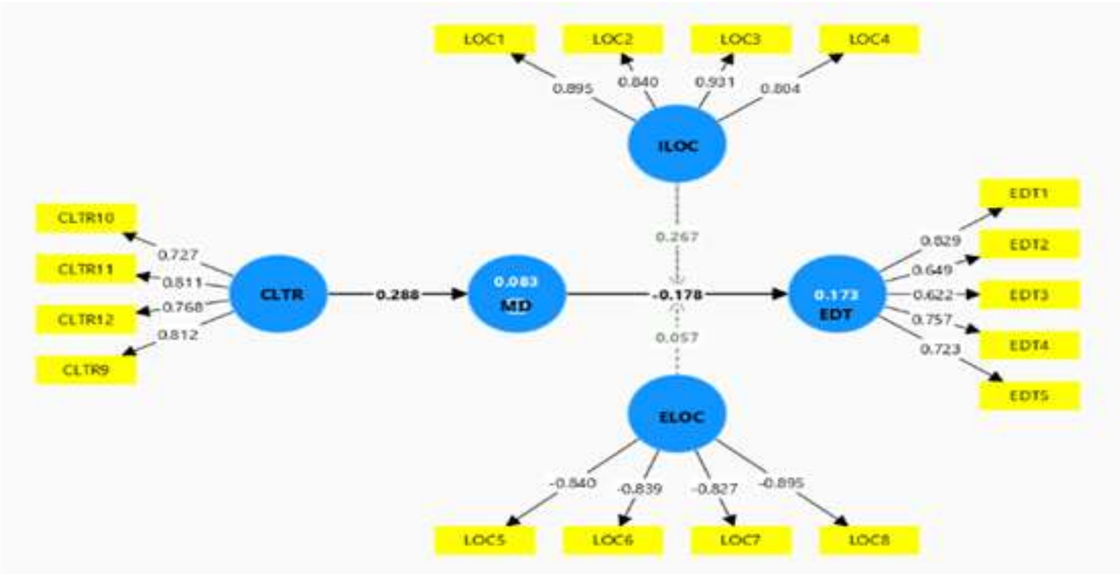

Figure 2. Path Significance Test Results (T-values or P-values)

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Table II. Results of Hypothesis Testing

Hypothesis	Relationship	Original Sample	Standard Deviation	T Statistics	P Values	Description
H1	Culture → Moral Disengagement	0.288	0.055	5.249	0.000	Significant
H2	Moral Disengagement → Ethical Decision Making	-0.178	0.067	2.654	0.008	Significant
H3	ILOC × Moral Disengagement → Ethical Decision Making	0.267	0.095	2.805	0.005	Significant
	ELOC × Moral Disengagement → Ethical Decision Making	0.057	0.071	0.812	0.417	Not Significant
H4	Culture → Moral Disengagement → Ethical Decision Making	-0.051	0.022	2.322	0.020	Significant

Source: Data processed by researchers (2025)

A. Discuss

The statistically significant positive effect of Culture on Moral Disengagement ($\beta = 0.288$, $p < 0.001$) confirms that the surrounding cultural environment is a critical determinant in shaping the ethical reasoning of undergraduate accounting students. This finding substantiates the theoretical premise that cultural norms and values are not passive but actively influence cognitive processes, making individuals more susceptible to rationalizing unethical behavior. Specifically, a culture that is permissive of norm violations or that prioritizes results over ethical means provides a normative justification for moral disengagement, thereby increasing the likelihood that students will justify actions such as academic cheating. This aligns with the existing literature, which suggests that collectivist pressures or a win-at-all-costs mentality can foster an "ends-justify-the-means" approach, in which unethical acts are cognitively reframed as serving a perceived greater good. The profound implication of this finding is that the ethical foundation of future accountants is significantly shaped within the educational milieu. Consequently, accounting education institutions bear a critical responsibility to proactively cultivate an institutional culture that serves as a bulwark against moral disengagement. This requires a strategic shift beyond teaching ethics as a subject to embedding integrity as a core cultural value. By actively promoting honesty, rewarding ethical conduct, and fostering a culture of psychological safety in which dilemmas can be openly discussed, educators can make moral considerations more salient and reinforce personal accountability. Ultimately, forging such a culture is not merely an educational enhancement but a fundamental necessity for safeguarding the integrity of the accounting profession and the public trust it is sworn to uphold.

The analysis confirms that Moral Disengagement significantly impairs Ethical Decision-Making (β = -0.178, p = 0.008), substantiating the theory that this cognitive process is a critical barrier to ethical conduct. This finding demonstrates that as students' propensity for moral disengagement increases, their capacity to make ethical choices markedly decreases. The psychological mechanisms underpinning this relationship—such as moral justification, displacement of responsibility, and distortion of consequences—allow individuals to cognitively bypass their internal moral standards, thereby deactivating self-regulatory control and facilitating decisions that violate ethical principles (Chen et al., 2021; Moore, 2008; Ogunfowora et al., 2022). This is particularly alarming for the accounting profession, as these cognitive patterns, if ingrained, can translate into severe organizational malfeasance, including fraud and data manipulation.

Given this detrimental impact, proactively mitigating moral disengagement becomes a paramount objective for accounting education and the profession. The efficacy of interventions such as principle-based ethics training, sustained professional development, and the cultivation of a strong ethical culture has been empirically demonstrated (Black et al., 2022). These interventions function by enhancing moral self-efficacy, reinforcing an internal locus of control, and systematically dismantling the rationalizations at the heart of moral disengagement. Therefore, it is imperative to integrate robust, systematic ethics education into the accounting curriculum that moves beyond theoretical knowledge to actively equip students with the cognitive tools to recognize and resist justifications for unethical behavior. Fostering such moral resilience is essential not only for shaping individual character but also for safeguarding the integrity and public trust of the accounting profession as a whole.

The analysis reveals a pivotal moderating effect of locus of control in the relationship between moral disengagement and ethical decision-making. Specifically, Internal Locus of Control (ILOC) significantly weakens the negative influence of moral disengagement (β = 0.267, p = 0.005). This finding confirms that individuals with a strong ILOC, who believe outcomes are determined by their own actions rather than external forces, possess a greater sense of personal agency and moral responsibility. Consequently, even when tempted to rationalize unethical behavior through mechanisms of moral disengagement, such as displacing blame or distorting consequences, these individuals demonstrate greater resilience in upholding ethical standards. This protective buffering effect is critical in professional accounting contexts, suggesting that cultivating ILOC can help future accountants resist pressures from clients or superiors that might otherwise lead to ethical violations. Conversely, the insignificant moderating role of External Locus of Control (ELOC) (β = 0.057, p = 0.417) underscores the vulnerability of individuals who attribute control to outside factors. For them, the rationalizations provided by moral disengagement align with their pre-existing worldview, making them more susceptible to ethical lapses, as they can easily blame circumstances or others.

These empirical results are strongly supported by theoretical integration and prior research. The protective role of ILOC aligns with the framework that combines Social Cognitive Theory and Locus of Control Theory. While moral disengagement provides the cognitive tools to bypass ethical standards, a strong internal locus of control fortifies the individual's belief in their personal agency, making them more resistant to such rationalizations. This is because they actively consider the ethical implications of their conduct and feel accountable for the outcomes. Empirical evidence from both professional and educational settings corroborates this; for instance, auditors with high ILOC exhibit more decisive ethical judgment, and students with high ILOC are better equipped to use critical thinking to counter moral disengagement. Therefore, the findings highlight a clear pathway for intervention: accounting education and professional development programs must move beyond teaching ethical rules and actively foster an internal locus of control. By enhancing students' belief in their own agency and accountability, we can build a more ethically resilient profession capable of withstanding the pressures that lead to moral disengagement.

The mediation analysis confirms that Moral Disengagement (MD) functions as a significant partial mediator in the relationship between Culture and Ethical Decision-Making (β_indirect = -0.051, p = 0.020). This finding elucidates the precise psychological mechanism by which culture exerts its influence: a permissive or outcome-oriented cultural environment increases an individual's propensity for moral disengagement, which, in turn, significantly diminishes the quality of their ethical decisions. This means that the detrimental effect of a toxic culture is not merely direct social pressure but is also channeled through an internal cognitive process in which individuals learn to rationalize unethical behavior by disengaging their moral self-sanctions. For instance, in a highly competitive academic culture, students may adopt mechanisms such as moral justification or the displacement of responsibility, which subsequently make them more prone to unethical choices, such as academic dishonesty.

These findings carry profound implications for accounting education and the cultivation of professional integrity. They underscore the critical need for multi-level interventions that simultaneously address the cultural environment and the individual's psychological armor. Firstly, it is imperative for academic institutions to proactively build a robust ethical culture that explicitly prioritizes honesty, accountability, and the consequences of one's actions, thereby reducing the initial triggers for moral disengagement. Secondly, and equally important, the curriculum must incorporate explicit training that equips students to recognize and deconstruct the specific cognitive mechanisms of moral disengagement. By teaching future accountants to identify rationalizations such as euphemistic labeling or advantageous comparisons, we can fortify their moral resilience. This dual-pronged approach—shaping the external cultural context while strengthening internal cognitive defenses—is essential to ensure that prospective accountants can uphold ethical standards and maintain integrity amid real-world pressures in their professional lives.

B. Limitations

This study makes a significant contribution, but its results need to be understood in light of several methodological and scope limitations. First, generalizability is limited because the sample only involved undergraduate accounting students from several universities in a specific region. Second, the measurement of culture relied on individuals' subjective perceptions and did not account for broader institutional or national contexts. Third, the cross-sectional design used only captures the relationship between variables at a single point in time, so it is unable to describe the dynamics of ethical behavior change over time. Finally, this research model remains limited because it does not include other relevant variables (such as empathy, moral identity, or religiosity), and the situational contexts that trigger moral disengagement (such as academic pressure or peer influence) have not been analyzed in depth.

CONCLUSIONS

This study demonstrates that culture positively influences moral disengagement, where permissive cultures or those prioritizing results over integrity heighten students' propensity to rationalize unethical behavior. Moral disengagement significantly undermines the quality of ethical decision-making. However, an internal locus of control can mitigate this negative impact, whereas an external locus of control offers little protection. Additionally, moral disengagement serves as a partial mediator between culture and ethical decision-making, thereby confirming that culture affects ethical decisions both directly and through psychological mechanisms. These findings underscore the critical role of educational institutions in fostering an academic culture that instills moral values and equips students to recognize and counteract mechanisms of moral disengagement, empowering them to make integrity-driven decisions in their professional lives.

Given the inherent limitations, further research is suggested to enhance generalizability by incorporating samples of accounting students from diverse cultural regions across Indonesia and examining the model within working professional accountants. The methodological approach should also be enriched with longitudinal or mixed-methods designs to capture the dynamics of ethical behavior over time, and additional psychological variables—such as moral identity and empathy—should be integrated into the theoretical model to achieve a more comprehensive understanding.

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