

## The Relationship between Social Trust and Ethical Identity with the Commercialization of the Auditing Profession

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### Abstract

The increase in competition in the audit market has led us to witness the expansion of commercialization in audit institutions in order to remain in this market. Unlike previous studies that investigated the consequences of commercialization, the purpose of this paper is to explain how the social trust and ethical identity of auditors are related to the commercialization of the auditing profession. This research is applied in terms of purpose and descriptive-correlation type. The statistical population of the present study consists of auditors working in non-trusted audit institutions of the Stock Exchange Organization, 51 of whom were selected using the available sampling method. The research variables were measured using standard questionnaires and finally, multivariate regression test was used to analyze the collected data. The findings, based on the output of the software, show that moral identity has a positive and significant relationship and social trust has a significant negative relationship with the commercialization of the auditing profession. Also, other research findings indicate that gender has a negative and significant effect on the dependent variable of commercialization of auditing profession. Moral identity and social trust have an effective role in commercialization of auditing profession. Therefore, it is suggested to the policy makers of the profession to provide the necessary support to strengthen these two variables.

### Key words

Commercialization, Social trust, Moral identity, Automobile industry

**Original article**

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**Received:**  
17 Jan 2023

**Accept:**  
16 Feb 2023

### Introduction

In 2001, at the same time as the society of certified accountants, the privatization of the auditing profession took place with the aim of improving the quality of auditing services, and this became the basis for the increase in the number of private auditing institutions (1). The expansion of the number of new audit institutions

that have entered the market has caused the competition between these institutions to increase, and after that auditors turn to marketing and commercialization of the profession in order to remain in this competitive market (2). The shift towards the growth of commercialization was strengthened by the introduction of non-audit services, including financial consulting, accounting and other consulting services (3), and this diversity in



service provision intensified competition and made companies more customer-oriented (4). However, from a theoretical point of view, privatization will lead to an increase in competition, and the result of this competition will be an increase in the quality of the goods and services offered, and in general, an improvement in the economic well-being of the society (5 and 6); But many researchers believe that auditing and commercialization are incompatible activities because auditors are naturally inclined to perform their professional duties rather than focusing on activities related to business development (7). According to the researchers' argument, the commercialization of the auditing profession refers to the process of increasing awareness of the importance of financial performance as the ultimate goal of an auditing institution (8). Focusing on increasing business value pressures auditors to create more profit and institutions to improve the efficiency and effectiveness of internal business processes (8, 9). According to the evidence, the tendency of auditors to market and advertise to attract customers, puts their adherence to professional principles and standards under its radius and will have an adverse effect on the auditor's independence and professional ethics (10). In general, the studies conducted after the Enron scandal have all shown and argued that the commercialization of the audit industry is a factor for unethical behavior and reducing audit quality and independence (11 and 12).

Most of the studies that discuss the issue of commercialization, the effect of this commercial orientation on issues such as financial benefit and the efficiency of auditors (10 and 13) and some on their unethical behavior and loss of independence (11, 14) - 16) and finally the audit quality has been investigated. But many internal and external forces influence the process of commercialization of audit institutions. Among them is moral identity. Ethics is very important in auditing. Due to the nature of the services it provides, this profession must have a certain credibility, which requires adherence to ethical principles. In fact, auditors have certain ethical responsibilities that they must observe the necessary ethical principles in their jobs in addition to their work skills. Because numerous studies have shown that despite the establishment of regulations and codes

of professional conduct, we see accountants and auditors abandoning professional ethics, which has led to economic crises and financial scandals (17). Moral identity is a concept in moral psychology and it shows the importance of morality in the definition of a person's self (18), which guides moral performance (19). Moral identity refers to a self-schema that is organized around a set of moral characteristics, including fairness, honesty, kindness, etc. (20). This concept is a set of cognitive representations that comes from moral values and goals (20) and shows adherence to moral principles and values. In other words, moral identity as a source of moral motivation connects moral judgment with moral action (21). Therefore, when moral virtues are important for a person's identity, this creates motivation to behave in accordance with the person's moral feeling (22). The moral identity model has two dimensions of internalization and symbolization. The first one refers to the individual aspect and how moral traits are formed and institutionalized, while the second one is related to the degree of occurrence of these traits through the person's real world behaviors (20).

The auditor's ethical identity as an individual variable can be very important in guiding the auditor's ethical decision-making (23). According to a part of the findings of a research, people with a higher moral identity, if they commit unethical behavior, they regret and stop or limit their further unethical behavior (24). Since, according to the analysis of researchers in the philosophy of commercialization, unethical matters such as marketing, attracting customers and earning profit (25) are considered instead of ethical; Based on this argument, it can be assumed that auditors' ethical identity may have a negative relationship with commercialization. The results of a survey also showed the professional identity of auditors, which refers to the individual's adherence and commitment to the profession along with accepting the principles and requirements of that profession to maintain independence (26) and moral values (27) and according to the surveys, a positive effect. It also affects the ethical judgment of auditors (28), and has a negative and significant relationship with the commercialization of auditing profession (29). Other researches have also shown that the commercialization of the auditing profession is influenced by behaviors that are against the code of professional conduct, such

as the reduction of audit independence, which causes the professional identity of auditors to decrease (12). Some have argued that there is a positive synergy between business values and professional values (30). The results of the research conducted by the researchers have confirmed the positive and significant relationship between professional identity and commercialization of the auditing profession (8). They have analyzed the reason for this result, which is contrary to previous researches, because commercialization has become an essential part of auditors' reality.

Another factor that can affect the commercialization of the auditing profession is social trust. Social trust means the trust of society's members towards each other, and its improvement leads to the promotion and improvement of positive moral values such as honesty, trustworthiness, fairness, etc. (31). The higher the level of social trust among people in the society, then the observance of the law, the social and professional performance of people will be improved (32). Studies have shown that social trust is an important and effective factor in the attitude of auditors regarding respect for independence (31). In other words, the increase in social trust causes more observance of professional ethics standards among auditors. The role and duty of auditors towards the society through crediting financial statements and creating trust and peace of mind in the use of financial information (33) makes auditors required to comply with ethical principles and adhere to the code of professional conduct in order to credit and They gained social trust, which is a requirement for activity in any profession (34). Public trust is part of auditors' social responsibility in order to promote social trust, and the survival of the auditing profession is influenced by the level of social trust towards the profession in society (32). In this context, the results of a research showed that social responsibility has a significant effect on the trust and loyalty of customers (35) and an audit report with corporate social responsibility obligations can create trust and reputation capital in the market (36). Audit institutions that participate in corporate social responsibility, on average, compared to other institutions, increase the amount of their clients (37). In fact, it can be argued that high social trust reduces the need for marketing and customer-oriented activities in the

commercialization of the auditing profession to retain customers and attract new customers.

On the other hand, various researches in the field of commercialization of the auditing profession showed that factors such as gender, age, etc. can affect auditors' understanding of the commercialization of the profession (4, 25). Researchers reported that compared to male colleagues, female auditors give more importance to marketing-related activities, which could indicate a more commercial orientation among female auditors (25).

The heated debates about the commercialization of the auditing profession and its merits have generated a lot of empirical research on this topic. According to the mentioned materials, this research seeks to answer the question that to what extent auditors' willingness to commercialize is influenced by moral identity and social trust. In addition to the fact that the results of this research can expand the theoretical foundations of past researches, as a scientific achievement, it can provide useful information to the community of certified accountants and other professional law-making institutions.

## **Research Methodology**

The present research is applied in terms of purpose and part of descriptive-correlational researches. The statistical population consists of auditors working in non-trusted audit institutions of the Stock Exchange Organization, from among whom 51 people were selected using available sampling method. Out of this number, 14 people (27.5%) are women and the rest are men. Most of the respondents with 49% have a master's degree, followed by 45% with a bachelor's degree and the rest have a doctorate degree. Also, the job ranks of 24 people (47%) was audit supervisor, 11 people (21.5%) were managers and the rest with 31.5% were partners. The tools used in this research to collect data are commercialization, moral identity and social trust questionnaires (8, 38 and 39). The commercialization questionnaire has 17 questions in which the respondents answer the questions on a seven-option Likert scale. Moral identity and social trust are scored with 15 and 12 questions, respectively, using a five-point Likert scale ranging from completely disagree to completely agree.

All three questionnaires are standard and have content validity. To check the validity of the construct, confirmatory factor analysis method was used. According to the results, all the factor loadings and the average variance extracted are greater than 0.5 and significant. The combined reliability of the research variables was higher than 0.7, thus the reliability of the research tool can be ensured. Finally, the data obtained was analyzed using SPSS software. In the descriptive statistics

section, mean and standard deviation indicators were used, and in the inferential statistics section, multivariate regression was used to test the hypotheses.

## Findings

The results of the descriptive statistics of research variables including mean, median, standard deviation, minimum and maximum are given in table number one.

**Table 1: Descriptive statistics**

Description	Ethical identity	Social trust	Commercialization of the auditing profession
Mean	76.86	40.14	115.14
Median	76	37	112
SD	8.249	14.442	18.712
Min.	52	23	76
Max.	90	71	154

The results of the research hypotheses are also presented in Table 2. As can be seen, the significance level of moral identity is equal to (0.003), that is, less than 5%. Therefore, ethical identity has a significant relationship with the commercialization of auditing profession. Since the coefficient of moral identity is positive, it can be said that moral identity has a positive effect on the commercialization of auditing profession. The significant level of social trust (0.022) also confirms the significant relationship between social trust and commercialization of auditing profession. But this relationship is negative and significant due to the regression coefficient (-0.347). Other research findings show that gender has a negative and significant effect on the dependent variable of commercialization of auditing profession. Meanwhile, other control variables (level of

education and job rank of the auditor) do not have a significant relationship with the dependent variable. According to the adjusted coefficient of determination, almost 39% of the changes of the dependent variable are expressed based on the independent variables. Also, to check the validity of the regression model, the analysis of variance statistical test is used, which confirms the validity of the F statistic (7.359) with a significant level (0.000) and the existence of the regression line. The value of 2.198 for the Durbin-Watson test also confirms the absence of autocorrelation between the model error values. The value of the variance inflation factor for each variable is less than 5, which shows that there is no autocorrelation between the independent and control variables.

**Table 2: Results of regression analysis and hypothesis testing**

Description	Coefficient	t-value	Sig.	VIF
Stable amount	36.491	1.507	0.139	-
Ethical identity	0.896	3.147	0.003	1.289
Social trust	-0.347	-2.378	0.022	1.040
Gender	-10.952	-2.228	0.031	1.147
Education	7.159	1.945	0.058	1.150
Job rank	3.379	1.207	0.234	1.419
F-value: 7.359      Sig: 0.000      R <sup>2</sup> Adjusted: 0.389      Durbin-Watson: 2.198				

## Discussion

The present research has examined the relationship between moral identity and social trust with the commercialization of the auditing profession. According to the findings of this research, ethical identity has a positive and significant relationship with the dependent variable of commercialization of auditing profession. Considering that according to the analysis of the researchers, active participation in retrieving and attracting customers as a commercialization philosophy of audit institutions is considered unethical(25) and moral identity as a source of moral motivation is an important construct with the potential to predict moral judgments and Ethical actions are known in situations related to moral issues (40); The result of this research is not consistent with the expectation of a negative relationship between these two variables. Therefore, it can be argued that ethical values are not necessarily in conflict with commercialization values in audit institutions. The business environment, which is constantly changing, requires professional institutions to manage professional ethics, increasing competition and behavioral barriers. In other words, auditors understand marketing as part of their professional responsibilities and establish a balance between ethical identity and new marketing activities. Also, the results show that the independent variable of social trust has a significant relationship with the commercialization of the auditing profession, but this relationship is negative. These results are consistent with the theoretical foundations and in a way consistent with previous researches (31, 36 and 37), confirm that high social trust, which causes greater compliance with professional ethics standards among auditors, for institutions Capital audit creates trust and reputation in the market and reduces the need for marketing and customer-oriented activities in the commercialization of the auditing profession to retain customers. Other research findings in line with previous research (25) show that female auditors give more importance to marketing-related activities compared to male auditors, which can indicate a more commercial tendency among female auditors.

According to these results and since ethics and social trust are among the variables that influence the continuity of the activities of audit institutions in the competitive market; Therefore, it is suggested to auditing institutions and the community of certified accountants to consider moral identity and social trust as two inseparable variables from the business activities of auditing institutions and to provide the necessary support in order to strengthen these two variables. Finally, the main limitation of the current research is the use of a questionnaire tool, which leads to limitations in generalizing the results due to reasons such as the conservatism of some respondents.

## Conclusion

While the prevailing view about the commercialization of the auditing profession mainly focuses on its negative consequences, which are reflected by the loss of independence and the emergence of unethical behaviors; The results of this study showed that ethical identity has a positive and significant relationship with the commercialization of auditing profession. In fact, we are witnessing a change in attitude from marketing as an unethical practice to an essential part of the audit profession, which does not conflict with compliance with the professional code of conduct and ethical behavior. In other words, the expansion of marketing activities among audit institutions has made auditors realize the importance of commercialization and understand these actions as part of their professional responsibilities.

Also, according to the findings, social trust, a factor for improving the social legitimacy of the auditor, creates conditions that reduce the need to perform marketing and customer-oriented activities. Therefore, it is suggested to the policy makers of the profession, while paying attention to the significant effects of ethical characteristics on the commercialization of the profession, to put social trust as a working philosophy in the agenda of auditors in the formulation of the code of professional conduct.



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