

Whistleblowing Intentions: A Means to Prevent Fraudulent Practices of Bank Employees in Samarinda City

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Abstract

This study aims to determine the factors that influence whistleblowing intentions as a means of preventing fraud of Bank employees in Samarinda City. Using the concepts of Theory of Planned Behavior (TPB) and Theory of Prosocial Behavior. The research sample in the form of bank employees in Samarinda City amounted to 150 employees by applying the non probability sampling method by accidental sampling. The data collection instrument uses an online questionnaire through a Microsoft form and QR Barcode. Dependent variables are in the form of whistleblowing intentions and independent variables in the form of the level of seriousness of the violation, personal responsibility, and personal cost. Partial Least Square analysis method with the help of SmartPLS software version 3.2.7. Shows the result that the degree of seriousness of the violation, and personal responsibility positively affect the intention of whistleblowing. Meanwhile, the personal cost variable has no effect on whistleblowing intentions.

Keywords

whistleblowing intentions; the seriousness of the violation; personal responsibility; personal cost.



I. Introduction

Research by the Association of Certified Fraud Examiners (ACFE) Indonesia (2020) that there were at least 239 cases of fraud consisting of corruption as many as 167 cases, misuse of state assets / assets and companies totaling 50 cases, as well as financial statement fraud with disclosure of ≤ 12 months as many as 22 cases. Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

The financial and banking industries are vulnerable to losing money due to fraud by 41.40%. This is in accordance with research by ACFE Indonesia (2020) which revealed that the first industry to lose money due to fraud was occupied by the financial industry and experienced a decrease compared to 2019 which occupied the second position. Followed by government organizations with a fraud percentage of 33.90%, and the fishing and marine industries have the lowest percentage of losses due to fraud of 0.80%.

There are two main factors that influence the amount of fraud that occurs in a company (Albrecht, 2014) namely (1) creating a culture of honesty, open information and employee support; (2) the efficiency of the time for solving fraud and to punish each perpetrator. However, until now fraud still often occurs due to large business risks, related

to money and high transaction mobility. This indicates that banking as an industry that has high regulations and supervision from the authorities (high regulated) is still not optimally used with cases of fraud.

Internal fraud cases involve bank employees and other parties and are difficult to detect because people in the organization have understood the loopholes to act misleadingly (Fauzi, 2020). The most effective way to minimize fraud is by implementing a whistleblowing system (Albrecht, 2014). This is in accordance with the opinion of Bagustianto & Nurkholis (2015) that whistleblowing is empowered as an effective way to be able to disclose fraud. A whistleblower in Indonesia receives legal protection. However, existing regulations have not been able to encourage employees to uncover a known fraud. According to a survey that states that only 57% of employees are willing to disclose on the grounds that they do not believe that management is taking corrective actions and if exposed it can endanger the work and careers of employees even though they are aware of fraud in the workplace (Institute of Business Ethics, 2021).

Factors that affect whistleblowing intentions include the level of seriousness of violations related to the type of violation, the magnitude or small seriousness of the violation, and the adverse impacts received by the organization and affect the welfare of employees. the greater the level of seriousness of the violation, the more losses suffered by the organization and the intention of whistleblowing employees is higher (Safira & Ilmi (2020) and Helmayunita (2018)). Then, personal responsibility pertains to the commitment of the individual and the moral obligation to report unethical acts as a form of commitment and loyalty to the organization. Individuals with a high sense of personal responsibility seek to carry out whistleblowing intentions if they know of actions that violate and are not in accordance with the prevailing morals in the organization. The individual realizes that the decisions made give rise to different perceptions for those around them. Meanwhile, personal costs related to the impact received after whistleblowing can be in the form of physical or psychic losses from organizations, co-workers and other parties. Personal costs are related to impact based on accounting concepts. So it is necessary to take into account the impacts that arise before acting, given that this can affect their careers and environmental treatment of themselves. The greater the personal cost received after reporting, the lower the intention to whistleblowing (Alleyne et al., (2019) and Lestari & Yaya (2017)).

II. Review of Literature

2.1 Theory of Planned Behavior

The Theory of Planned Behavior is a development of the Theory of Reasoned Action (TRA) (Ajzen, 1991). There are additional elements in this theory besides attitude toward behavior and subjective norms, namely the perception of perceived behavioral control. This theory argues that human beings behave accordingly and seek to understand the influence of behavioral support on individual intentions. There are three things that influence individuals to intend according to this theory, including:

- a. *Attitude towards behavior (attitude toward behavior)* requires a person to evaluate whether or not there is an advantage to the behavior, if it is of good value and has a positive impact, it will act, and vice versa.
- b. *Subjective norms* or social factors related to social pressure to act or not, if there is support from the environment, subjective norms arise of a positive nature and vice versa.

c. *Perceived behavioral control* relates to the individual's feelings and decisions to act or not on consideration of ease and difficulty to manifest.

2.2 Fraud

It is an unnatural act and way to deceive others for personal gain that causes harm to the party (Singleton, 2010). A person or group of people who know about fraud that has an unfavorable impact on individuals and other parties but there is still an action called *fraud* (ACFE Indonesia, 2020).

Occupational fraud is described in the form of corruption, cash asset misappropriation, and fraudulent statements. Then the fraud theory used is in the form of fraud triangle (encouragement, opportunity, and rationalization) (Cressey, 1953), fraud diamond (ability, opportunity, rationalization, and pressure) (Wolfe & Hermanson, 2004), and pentagon fraud (arrogance, ability, opportunity, rationalization, and pressure) (Howarth, 2011).

2.3 Whistleblowing Intentions

Is an act of exposing illegal behavior by employees to management (internal *whistleblowing*) or to the public (external *whistleblowing*) (Dungan et al., 2019). Dozier & Miceli (1985) revealed that *whistleblowing* consists of four steps, including (1) the whistleblower decides whether the observed activity is a form of error (contrary to the value of the whistleblower or organization); (2) the complainant considers alternatives when making decisions; (3) the complainant must know to whom to report. The whistleblower's decision is influenced by personal situations such as costs and emotions arising from disclosure; and (4) the organization's initial response to the whistleblower's decision as a form of response such as stopping or continuing. Indications of violations can be reported with the attachment of supporting evidence and the identity information of the whistleblower is categorized as good *whistleblowing*.

2.4 Severity of Violations

Actions observed by employees and indicated as serious violations allow *whistleblowing* to be carried out (Dozier & Miceli, 1985). A violation that can be measured in terms of finance and non-financial shows the level of seriousness of the violation (Lestari & Yaya, 2017). Serious violations result in greater harm than less serious offenses. The financial impact arising can be directly attributed to the degree of seriousness of the violation. The measurement of the amount of violation value that has one unity with the type of violation that occurs causes differences in perceptions between employees (Bagustianto & Nurkholis, 2015).

2.5 Personal Responsibility

Making a decision to disclose and report a problem becomes a fundamental and important part of personal responsibility (Near & Miceli, 1985). The individual is obliged to report on actions that are questioned by morals as a form of commitment and loyalty to the organization. *Whistleblowing* decision-making relies on the perception of moral responsibility of reporting violations within the organization.

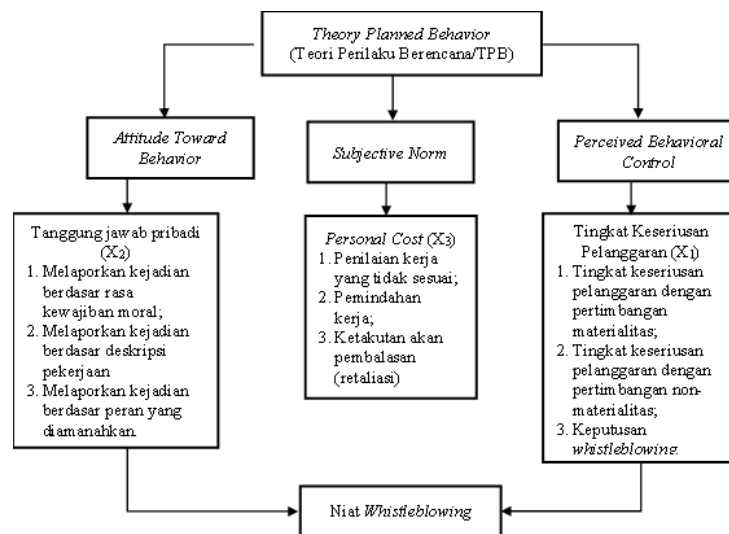
2.6 Personal Cost

Personal cost relates to an individual's assessment of the level of discomfort in reporting an unethical act in the form of pressure, retaliation from the organization or retaliation from the perpetrator (Alleyne et al., 2019). Employees can contribute to

preventing, detecting, and investigating violations to make decisions to *whistleblowing* considering that in the reporting process there are many obstacles. So, it is necessary to pay attention to the risks faced before *whistleblowing*. Individuals with an ability to influence others, a strong position, and high authority in the organization argue that the personal cost of *whistleblowing intentions* is relatively low so that the individual's intention to act is higher.

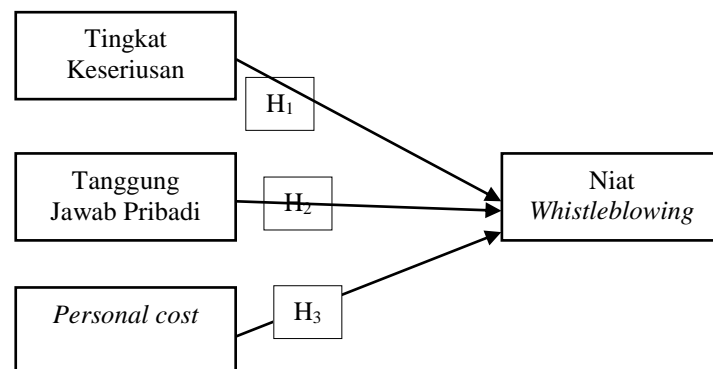
2.7 Hypothesis

Based on the description of the theoretical foundation mentioned above, the conceptual framework and research model are as follows (see Figure 1 and Figure 2):



Source: Researcher, Processed (2022)

Figure 1. Conceptual Framework



Source: Researcher, Processed (2022)

Figure 2. Research Model

Based on the research model above, the hypotheses of this study include:

H1: The level of seriousness of the violation has a positive effect on *whistleblowing* intentions.

H2: Personal responsibility positively affects *whistleblowing* intentions.

H3: *Personal Cost* negatively affects *whistleblowing* intentions.

III. Research Method

3.1 Data Sources

The data used in the study was in the form of primary data by distributing a closed questionnaire with the duration of data collection from March to April 2022.

3.2 Population and Sample

The population in the form of bank employees in Samarinda City with a sample used as many as 150 respondents came from 10 times 15 indicators (Hair et al., 2019).

3.3 Dependent Variables

The dependent variable (Y) in this study is in the form of *whistleblowing intentions* with indicators of *whistleblowing intentions*; *whistleblowing plans*; and *hard whistleblowing efforts*.

3.4 Independent Variables

The independent variables in this study are: the level of seriousness of the violation (X₁) with indicators (1) the level of seriousness of the violation with consideration of materiality; (2) the degree of seriousness of the offense in consideration of non-materiality; and (3) *whistleblowing decisions*. then personal responsibility (X₂) with indicators (1) reporting events based on a sense of moral obligation; (2) report events based on job descriptions; and (3) report events based on the mandated role. furthermore, *personal cost* (X₃) with indicators (1) inappropriate work assessment; (2) transfer of work; and (3) fear of retaliation.

3.5 Partial Least Square Analysis

Testing hypotheses that have been formulated and explaining the relationships between variables, as well as testing the influence of *independent variables* on *dependent variables*. Data analysis using the help of *Smart PLS software* version 3.2.7. PLS analysis aims to develop or build a theory and explain the presence or absence of relationships between latent variables (Ghozali & Latan, 2015).

IV. Result and Discussion

4.1 Distribution of Respondent Data



Source: Questionnaire, Processed (2022)
Figure 3. Respondent data distribution diagram

Based on Figure 3 related to the data distribution diagram respondents showed that the number of respondents was 54 men and 96 women. Then, the age of respondents 20-30 years was 89 respondents, 31-40 years old as many as 53 respondents, and >40 years as many as 8 respondents. Based on the level of D1/D2/D3 Education as many as 21 respondents, 122 respondents of Strata 1 Education, Strata 2 totaled 7 respondents. Regarding workplaces, 90 respondents worked in conventional banks and Islamic banks a total of 60 respondents. With positions in customer service 63 respondents, operational 63 respondents, non-operational 42 respondents, and support staff as many as 10 respondents. Meanwhile, 39 respondents had a service period of <2 years, 2-5 years as many as 40 respondents, 46 respondents had a working period of 6-10, and >10 years as many as 25 respondents.

4.2 Analysis of Research Results

Table 1. Measurement Model Results

Variable	AVE Value	AVE Root Value	Cronbach's Alpha	Composite Reliability
X1	0,672	0,820	0,903	0,925
X2	0,701	0,837	0,929	0,943
X3	0,601	0,775	0,834	0,882
Y	0,660	0,812	0,926	0,939

Source: SmartPLS 3.2.7 Output, Processed

Table 2. Correlation Values Between Variables

Variable	X1	X2	X3	Y
X1	0.820			
X2	0.786	0.837		
X3	0.440	0.518	0.775	
Y	0.642	0.713	0.439	0.812

Source: SmartPLS 3.2.7 Output, Processed

Based on Table 1 above, it can be seen that the AVE value meets the minimum limit of the convergent validity test which is more than 0.50 and the AVE root value is greater than the correlation value between the construct and other constructs within (see Table 2). Then the value of *Cronbach's Alpha and composite reliability* for all variables is more than 0.70. So based on Table 1 and Table 2 mentioned above shows that the variables tested are valid and reliable or accurate and consistent so that they can proceed to test structural models.

Table 3. R-Square Values

	R Square	Adjusted R Square
Y	0.541	0.528

Source : SmartPLS 3.2.7 Output, Processed

Table 3 above shows that the *R-Square* value for *Whistleblowing Intent* is 0.541 which means that the variables *Severity of Violation (X₁)*, *Personal Responsibility (X₂)*, and *Personal Cost (X₃)* affect *Whistleblowing Intention (Y)* by 54.10%. Meanwhile, 45.90% was influenced by other variables outside of this study.

Table 4. Values of Path Coefficients On Structural Testing

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 -> Y	0.190	0.198	0.100	1.899	0.025
X2 -> Y	0.477	0.468	0.089	5.354	0.000
X3 -> Y	0.085	0.092	0.067	1.258	0.128

Source: SmartPLS 3.2.7 Output, Processed

Table 4 shows that the level of seriousness of the violation (X_1) has a positive *original sample* value of 0.190 and a *p-value* of 0.025 which indicates that there is a positive relationship between the seriousness of the violation and *the intention of whistleblowing*. This means that the hypothesis that the seriousness of the violation has a positive effect on *whistleblowing* intentions is accepted.

The personal responsibility variable (X_2) has a positive *original sample* value of 0.477 and a *p-value* of 0.000 which indicates that there is a positive relationship between responsibility and *whistleblowing* intention. This means that the hypothesis that personal responsibility has a positive effect on *whistleblowing intentions* is accepted.

The *personal cost* variable (X_3) has a positive *original sample* value of 0.085 and a *p-value* of 0.128 which indicates that there is an insignificant positive relationship between the severity of the violation and *the intention of whistleblowing*. This means that the hypothesis that *personal costs* negatively affect *whistleblowing* intentions is rejected.

4.3 Discussion of Research Results

The results of this test are in accordance with the hypothesis proposed, namely the level of seriousness of the violation affects the *intention of whistleblowing*. This means that the seriousness of the violations known to bank employees in Samarinda City either directly or indirectly committed by fellow colleagues and higher management parties *encourages whistleblowing* intentions. This is according to the research of Simatupang & Chariri (2021); Sapphira & Ilmi (2020); Aida et al., (2019); and Helmayunita (2018) who showed that the severity of the violation affects the intention to *whistleblowing*.

The test results according to the hypothesis proposed in the form of personal responsibility affect *whistleblowing* intentions, meaning that the personal responsibility of bank employees in Samarinda City is able to influence *whistleblowing intentions*. Research according to the research of Simatupang & Chariri (2021); Sapphira & Ilmi (2020); and Alleyne et al., (2019) which state that personal responsibility positively affects the intention to commit *whistleblowing*.

The results of this study contradict the hypothesis proposed in the form of *personal costs* negatively affecting *whistleblowing* intentions or in other words, the desire of employees to report acts of fraud or *violations (fraud)* becomes stronger when *personal costs* are lower (Alleyne et al., 2019). The results of this study are also in accordance with the research results of Simatupang & Chariri (2021); Mausimkora et al., (2020); Yang & Xu (2020) and Aida et al., (2019) who stated that *personal costs* have no effect on *whistleblowing intentions*.

V. Conclusion

Based on the research that has been done, it shows that the variable of the seriousness of the violation has a positive effect on whistleblowing intentions. This result means that the increased seriousness of the violation also increases the whistleblowing intention of bank employees in Samarinda City. The research results are supported by the research of Safira & Ilmi (2020); Aida et al., (2019); and Helmayunita (2018). Then, the personal responsibility variable has a positive effect on whistleblowing intentions. This means that bank employees in Samarinda City who have high personal responsibility have loyalty to the bank so that if they know there is fraud, the whistleblowing intention will also be higher. The results of the study support the research of Safira & Ilmi (2020) and Alleyne et al., (2019). Also, there is no influence of the personal cost variable on the whistleblowing intention. This is evidence that the whistleblowing intention of bank employees in Samarinda City is not based on personal costs, in other words, even though low or high personal costs do not discourage the whistleblowing intention of bank employees in Samarinda City from reporting fraud or violations. The results of this study support the research of Mausimkora et al., (2020) and Aida et al., (2019).

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