



(MUDIMA)



## The Role of Whistleblowing as Mediation on the Effect of Organizational Justice on Employee Fraud

Parulian Parulian<sup>1\*</sup>, Nataliana Bebasari<sup>2</sup>

Universitas Pelita Bangsa

**Corresponding Author:** Parulian Parulian [parulian@pelitabangsa.ac.id](mailto:parulian@pelitabangsa.ac.id)

### ARTICLE INFO

*Keywords:* Organizational Justice, Whistleblowing Intention, Employee Fraud

*Received* : 3 September

*Revised* : 21 September

*Accepted* : 22 October

©2023 Parulian, Bebasari: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



### ABSTRACT

This study aims to analyze the effect of organizational justice on employee fraud mediated by whistleblowing intention in the context of banking in Jakarta. The research sample consisted of 78 bank employees working in various branches in Jakarta. Data were collected through questionnaires and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) through Smart PLS software. The results showed that organizational justice has a significant influence on employee cheating. This finding indicates that employees' perceptions of fairness in their workplace are directly correlated with the likelihood of fraud. In addition, the study also found that whistleblowing intentions serve as a mediator in this relationship, suggesting that the propensity to report unethical or suspicious activities is a key factor in reducing the incidence of fraud. These results have important implications for bank management in developing fraud prevention strategies, particularly through enhancing organizational justice and promoting a whistleblowing culture. This study provides new insights into the dynamics of employee fraud and its prevention mechanisms, highlighting the important role of organizational justice and whistleblowing intentions in the context of banking in Jakarta

## **INTRODUCTION**

Fraud committed by employees in an organization is a serious problem that can have a detrimental impact both on the company itself and on society in general. The rise of fraud because it is caused by many opportunities and opportunities that exist. Not infrequently these actions are based on the desire of one's own attitude . Fraud can include various actions such as theft, misuse of company funds, financial manipulation, and ethical violations that damage the company's reputation. Therefore, research on the factors that influence employee fraud is very important in an effort to prevent and overcome this problem.

Organizational justice refers to employees' perceptions of fairness in the organization where they work. This justice can be divided into several dimensions, such as distributive justice (fair distribution of resources), procedural justice (fair decision-making process), interpersonal justice (fair treatment from superiors and coworkers), and informational justice (transparency in communication). Organizational justice has been the focus of attention in the management literature due to its significant role in influencing employee behavior.

Several previous studies have shown that organizational justice can have an impact on employee behavior, including illegal behavior such as employee fraud. Employees who feel that they are treated unfairly by the organization are likely to have motivation to violate company norms or even commit fraud. They may feel that actions such as theft or financial manipulation are a way to get the "justice" that is perceived to have been taken away from them by the organization.

Whistleblowing intention, or the intention to report violations or unethical behavior in the organization, is an important element in preventing fraud and other violations. Employees who have the intention to report violations have the potential to disclose illegal or unethical actions before they develop into employee fraud that harms the organization. Because this system will be useless if no one uses it to report any fraudulent actions

(Iskandar & Saragih, 2018). Whistleblowing intention also plays a role as a mediator in the relationship between organizational justice and employee fraud. In the context of your research, if employees feel that their organization is a fair place, they may be more likely to have the intention to report violations they witness, rather than trying to retaliate with fraud. So if a person has a good positive attitude, it will encourage that person's intention of whistleblowing (Nejati et al., 2017)

Although there is research that has investigated the influence of organizational justice on employee behavior, there are gaps in our understanding of how organizational justice relates to employee fraud, particularly in the context of mediation by whistleblowing intention. Previous research may not have adequately investigated the mechanisms that might explain how organizational justice influences this behavior. A person is likely to report a violation, if the person's perception of people who are important to him/her states that a fraud violation should be reported (Perdana et al., 2018).

This research is highly relevant in the context of business and management because it can provide insight into how organizations can prevent employee fraud by increasing fairness in their culture and systems. Understanding the important role of whistleblowing intention as a mediator can also help organizations design more effective whistleblowing programs and encourage employees' intention to report violations. Overall, the majority of research on entity ethics has an influence on a person's decision to whistleblowing (Dalton & Radtke, 2013)

## **METHODS**

This study uses a quantitative method with a design to test the independent variable, namely organizational justice on the dependent variable. independent variable, namely organizational justice on the dependent variable, namely employee fraud with the intervening variable whistleblowing intention. Quantitative research was chosen because it can examine pre-detailed concepts, paradigms or hypotheses and provide arithmetic data to further demonstrate research results. Researchers obtained

data through distributing questionnaires with google forms distributed to the population, namely bank employees in Jakarta, with a total sample of 78. Through purposive sampling selection with criteria, namely employees who work at banks in the Jakarta area and who have had a minimum work experience of 1 year because they are considered to have experience and knowledge of the company's internal

conditions with analytical tools using SmartPLS 3.0 software, distributing questionnaires using Likert measurements from a scale of 1 to 5. Likert measurement from scale 1 to scale 5.

## RESULTS AND DISCUSSION

### Path Coefficients

Table 1. Path Coefficients

|                    | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics ( O/STDEV ) | P Values     |
|--------------------|---------------------|-----------------|----------------------------|--------------------------|--------------|
| <b>OJ -&gt; EF</b> | 0,340               | 0,343           | 0,111                      | 3,057                    | <b>0,002</b> |
| <b>OJ -&gt; WI</b> | 0,511               | 0,512           | 0,090                      | 5,651                    | <b>0,000</b> |
| <b>WI -&gt; EF</b> | 0,415               | 0,412           | 0,112                      | 3,701                    | <b>0,000</b> |

Table 2. Path Coefficients

|                             | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics ( O/STDEV ) | P Values     |
|-----------------------------|---------------------|-----------------|----------------------------|--------------------------|--------------|
| <b>OJ -&gt; WI -&gt; EF</b> | 0,212               | 0,213           | 0,076                      | 2,774                    | <b>0,006</b> |

### The Effect of Organizational Justice on Employee Fraud

The results showed that the existence of justice in the organization has a significant influence on the level of employee fraud. Research conducted by Sumbayak (2017); Yuliana (2016) shows that organizational justice affects fraud. However, the results of research conducted by Pristiyantri (2012) show that there is no influence between organizational justice on fraud. This suggests that when employees feel treated fairly by their organization, they are less likely to be involved in fraud or ethical violations. The results of research showing that organizational justice has an effect on employee fraud underscore the importance of justice in organizations as a tool to prevent fraud and ethical violations. Organizations that prioritize justice in their culture and practices can reduce the risk of employee fraud and create a more ethical and productive work environment.

### The Effect of Organizational Justice on Whistleblowing Intention

The results showed that the existence of justice in the organization has a positive effect on whistleblowing intention. The results of research conducted by Ugaddan & Park (2019) show that there is a positive and significant relationship between organizational justice and whistleblowing intention. This means that when employees feel that they are treated fairly by the organization, they tend to have a stronger intention to report violations or unethical behavior that they witness in the organization. The results of the study showing that organizational justice has a positive effect on whistleblowing intention provide important support for organizations that strive to create a culture of ethics and integrity. By prioritizing justice in organizational culture and practices, management can encourage employees to report violations they witness, which in turn can help prevent unethical behavior and protect organizational interests.

### **The Effect of Whistleblowing Intention on Employee Fraud**

The results showed that a high level of whistleblowing intention can negatively affect employee fraud. This means that when employees have a strong intention to report violations or unethical behavior that they witness, they tend to be more careful in avoiding engaging in acts of employee fraud. They know that these actions can be revealed and reported. The results of research showing the effect of whistleblowing intention on employee fraud highlight the importance of whistleblowing in preventing and overcoming actions that harm the organization. Organizations that prioritize a culture that supports positive whistleblowing can reduce the risk of employee fraud and maintain their integrity and reputation. Thus, whistleblowing intention can be an important tool in risk management and organizational ethics. Employees become afraid to commit fraud because this system can be used by all employees, so that fellow employees become aware of each other and are afraid to be reported by other employees for committing fraud (Utari et al., 2019).

### **The Effect of Organizational Justice on Employee Fraud Mediated by Whistleblowing Intention**

The results showed that a high level of organizational justice (perceived justice in the organization) can negatively affect employee fraud. Research conducted by Kurniawan et al., (2018) shows that organizational justice has an influence on whistleblowing intention. This means that when employees feel that their organization is treated fairly in various aspects, such as reward distribution,

decision-making procedures, and interpersonal treatment, they are less likely to be involved in employee fraud. The results of this study highlight the importance of organizational justice and whistleblowing intention in preventing employee fraud. Organizations that prioritize a culture that supports justice and positive whistleblowing can reduce the risk of employee fraud and maintain their integrity and reputation. Thus, the relationship between organizational justice, whistleblowing intention, and employee fraud plays an important role in risk management and organizational ethics.

### **CONCLUSION**

The study revealed that there is a significant relationship between organizational justice and employee fraud in organizations. When employees feel treated fairly by the organization, they are less likely to engage in employee fraud. Justice in various aspects of the organization, such as the distribution of rewards, decision-making procedures, and interpersonal treatment, has a positive impact on the level of employee fraud. Whistleblowing intention acts as a mediator in the relationship between organizational justice and employee fraud. This means that organizational justice affects the level of whistleblowing intention, which in turn affects the level of employee fraud. When employees feel that their organization is fair, they tend to have a stronger intention to report violations or unethical behavior. In order to maintain organizational integrity and prevent employee fraud, it is important for management to understand and promote organizational justice and encourage employees to report violations through whistleblowing intention. Thus, this study makes an important contribution to the understanding of risk management and organizational ethics.

## REFERENCES

- Dalton, D., & Radtke, R. R. (2013). The joint effects of Machiavellianism and ethical environment on whistle-blowing. *Journal of Business Ethics, 117*, 153–172.
- Iskandar, A., & Saragih, R. (2018). Pengaruh Sikap ke Arah Perilaku, Norma Subjektif, dan Persepsi Kontrol Atas Perilaku Terhadap Niat dan Perilaku Whistleblowing CPNS (The Influence of Attitude Toward the Behavior, Subjective Norms, and Perceived Behavioral Control on Whistleblowing Intention and Behavior of CPNS). *Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 4*, 63–84.
- Kurniawan, A., Utami, I., & Pesudo, D. A. C. A. (2018). Organizational justice and whistleblowing: an experimental test. *Jurnal Akuntansi Dan Keuangan, 20*(2), 73–78.
- Nejati, M., Rabiei, S., & Jabbour, C. J. C. (2017). Envisioning the invisible: Understanding the synergy between green human resource management and green supply chain management in manufacturing firms in Iran in light of the moderating effect of employees' resistance to change. *Journal of Cleaner Production, 168*, 163–172.
- Perdana, A. A., Hasan, A., & Rasuli, M. (2018). Pengaruh Sikap, Norma Subyektif, Persepsi Kontrol Perilaku dan Etika terhadap Whistleblowing Intention dan Perilaku Whistleblowing (Studi Empiris di BPKP Perwakilan Riau dan Sumatera Barat). *Jurnal Akuntansi Keuangan Dan Bisnis, 11*(1), 89–98.
- Pristiyanti, I. R. (2012). Persepsi Pegawai Instansi Pemerintah Mengenai Faktor-Faktor yang Mempengaruhi Fraud di Sektor Pemerintahan. *Accounting Analysis Journal, 1*(1).
- Sumbayak, J. S., Anisma, Y., & Hasan, M. A. (2017). *Pengaruh Keadilan Organisasi, Sistem Pengendalian Intern, Komitmen Organisasi Dan Gaya Kepemimpinan Terhadap Kecurangan (Fraud)(Studi Empiris Pada Kantor Cabang Utama Perusahaan Leasing Di Kota Pekanbaru)*. Riau University.
- Ugaddan, R. G., & Park, S. M. (2019). Do trustful leadership, organizational justice, and motivation influence whistle-blowing intention? Evidence from federal employees. *Public Personnel Management, 48*(1), 56–81.
- Utari, I. N. M. A. D., Sujana, E., & Yuniarta, A. (2019). Pengaruh Efektivitas Pengendalian Internal, Moralitas Individu, Dan Whistleblowing Terhadap Kecenderungan Kecurangan (Fraud) Pada Lembaga Perkreditan Desa Di Kecamatan Buleleng. *Jurnal Akuntansi Profesi, 10*(2), 33–44.
- Yuliana, A., Satriawan, S., Adri, R., & Hariyani, E. (2016). *Pengaruh Keadilan Organisasi, Sistem Pengendalian Intern dan Komitmen Organisasi Terhadap Kecurangan (fraud)(Studi Empiris Pada Kantor Cabang Utama Bank Syariah Di Kota Pekanbaru)*. Riau University.