

# ANALYSIS OF THE ROLE WHISTLEBLOWING SYSTEM FOR FRAUD PERVENTION: THEORY OF PLANNED BEHAVIOR

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## ABSTRACT

The existence of economic development makes the business world also develop and of course it will be more complex, the practice of crime in the form of fraud is also developing. Corruption cases are ranked first in the most detrimental fraud cases in Indonesia. Most fraud is carried out by internal companies because most of them already know where the loopholes are. This form of prevention can be carried out through a whistleblowing system, where as one of the effective control mechanisms in detecting fraud or fraud within the organization. The term for whistleblowing system reporters is whistleblower. By carrying out a whistleblowing system action, many threats and risks will be faced by the reporter. So this study uses the Theory of Planned Behavior in describing an intention to commit fraud (cheating). This research is qualitative by using a literature review approach. In this study using secondary data. This study explains that the application of the theory of planned behavior is a reference for companies in improving the whistleblowing system to anticipate fraud prevention, in which there are three factors, namely: Attitude, individual perception to do or not to do a behavior and readiness or ability to control that behavior. lead to whistleblowing behavior.

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## 1. INTRODUCTION

Fraud is a crucial problem in organizations and companies, where it is often difficult to identify one aims to detect fraud has occurred. Fraud, according to Suginam (2019), is an act that is detrimental and oriented toward taking advantage personally or in groups. The potential for fraud is the difficulty in monitoring operational activities by company developments, of course the problems caused will also be increasingly complex [1]. The lack of oversight will become an opening for individuals to commit fraud, therefore the National Committee on Government Policy [2] issued a policy for private companies and the public sector to implement a violation reporting system or often referred to as the whistleblowing system [3].

According to The Certified Association of Fraud Examiners, whistleblowing is an effective control mechanism in detecting fraud in an organization by reporting that 43% of fraud is detected due to whistleblowing. Where the organizational committee of sponsors and actions Sarbanes-Oxley also recommends several whistleblowing policies as a corporate internal control framework [4]. So that the implementation of the whistleblowing system aims to minimize the occurrence of fraud but seems inconsistent [5] with the fact that the WBS has not been able to suppress corruption cases which rank first in fraud cases that are the most detrimental to Indonesia [4]. This has also been shown in several studies that are contradictory and inconsistent with research that WBS can minimize the occurrence of fraud, one of which research proving to implementing a whistle blowing system does not affect fraud detection [6].

The inconsistency of Whistleblowing implementation in the context of fraud prevention has made many researchers dig deeper into the true characteristics of the Whistleblowing system. Whether Whistleblowing is effective or not is focused on human resources subjectively acting as a Whistleblower (reporter). Acts of fraud can be overcome if some individuals or groups have the courage to disclose and oppose actions that indicate harm to stakeholders, especially the community [7].

However, many employees do not report fraud. Several researchers analyzed the threats and risks that occur as a result of Whistleblowing actions. Stated that the reporter or whistleblower has many threats ranging from dismissal, threats to the safety of himself and his family, and even counter accusations for his actions of disclosing facts of fraud or violations [8]. Many companies have effectively implemented a complaint system, although only 32%, there are still many who are afraid of the consequences that will be received if they take a whistleblowing action with the risk of making the intention of the reporter [9]. Moreover, reporting fraud committed by subordinates to superiors is still considered taboo and passes through the position hierarchy where it will be easier to get rid of one of the employees than to reveal cases of fraud that will bring disgrace to the company, which is what causes employees to hesitate to report [10].

The whistleblowing system is closely related to the reporting subject, namely the whistleblower. Whistleblowers have an important role as someone who does whistleblowing or acts of reporting fraud. Reporting is included in an action based on a certain intention. Intention to engage in whistleblowing by looking at several individual possibilities in engaging in whistle blowing behavior [11]. Reporters of violations (whistleblowers) are usually part of the company's employees who act as internal parties and there may be reporters from external parties such as customers, suppliers, and the public. Having a whistleblowing system means that there are also whistleblowers as users of the WBS system. The success of the WBS lies not only in the advantages and mechanisms implemented by an organization but how an organization can also support whistleblowers who act as subjects of the WBS.

There are problems that have been described, referring to the TPB carried out [12], explaining be able to explain whistleblower intentions which have an impact on Attitudes, individual perception to do or not to do a behavior and readiness or ability to control behavior that lead to whistleblowing behavior. Thus, many studies use the theory of planned behavior as a research basis, such as research which shows statistically that attitude, subjective norms and behavioral control with retaliation it becomes a strong factor to whistle-blowing [13]. This theory is also supported by previous research, namely Implementation of Theory of planned behavior in detecting Whistle-Blowing Intentions in the Public Sector[10], Optimizing Whistleblowing System through the role of whistleblowers in detecting fraud, and Fraud and Whistleblowing Intention in organizational justice perspective [3].

So this study aims to see the effect of the whistle blowing system as a prevention of fraud by using the theory of Planned Behavior.

## **2. RESEARCH METHOD**

This research is qualitative research, where qualitative research explains narratively the activities carried out and explains the impact of actions that occur in real life or phenomena that occur. The approach in this study uses a literature review approach, the choice of this approach is motivated by the research objective which intends to explore the relevance of the Whistleblowing system to prevent fraud by using the Theory of Planned Behavior. Purpose the literature review make it easier for researchers to identify gaps that occur between a theory and the relevance of reality to research results [14].

The data source used is secondary data obtained from previous research journals, books, and sources related to this research. The data described here are from relevant previous journals related to the research discussion. Researchers obtained journals from websites providing Indonesian scientific journals (SINTA, Google Scholar, Garuda) and international journals. Research data analysis consists of three stages, namely data reduction, presenting data, and concluding research results [15].

## **3. RESULTS AND ANALYSIS**

The whistleblowing system is defined as someone who discloses in this case related to uncovering an act of violation and fraud in an organization. Disclosures must be made in good faith and not based on personal complaints, bad faith or slander against certain company policies or complaints [16]. TPB can explain the realization of behavior based on intention.

### **3.1. Attitude towards Whistleblower Intentions for Fraud Prevention**

The first factor of TPB is an Attitude is a collection of feelings (affection) or validated by someone in feeling to judge an object encountered, and these feelings with an evaluative measure scales such as good or bad, agree or disagree then the importance or not of the importance of something. this phenomenon [12]. A person's where attitudes and behaviors will be formed from have beliefs about behavior formed from beliefs about the consequences caused by this behavior [17]. The research results, show that whistleblowers already know the consequences that will be obtained after reporting, especially to the leadership [18]. Therefore, to be able to determine attitudes, the whistleblower will consider his intention to act or not by the knowledge he has.

The attitude shown by the whistleblower has an indirect effect on the level of knowledge of the whistleblower himself [19];[13] this knowledge can be from education and experience that has been

experienced by the complainant. [4] shows that the lack of anti-fraud education for employees is one of the weaknesses in internal control that has an impact on fraud. It is important for management to provide understanding [13] regarding the mechanism of the whistleblowing system in organizations and companies as well as the rewards and protection provided by the organization for whistleblowers who dare to report an irregularity or indication of fraud that occurs in an organization so that the reporter will consider positively the intention to report whistleblowing.

An example of an attitude that reflects an individual's belief about what is acceptable, ethical, and fair action. Employees who have the belief that accounting fraud is a form of unethical behavior are encouraged as a whistleblower action. Where this shows the presence of high whistleblowers makes employees want the company to avoid accounting fraud which can cause financial losses for the company. With this positive attitude reflecting the integrity of the company's employees is a form of response that supports the internal regulatory system [20]. This research also indicate attitudes that will encourage the emergence of a whistleblower intention to prevent fraud in financial reporting [17];[11];[18];[19];[13];[21] which states that individuals have a belief that fraudulent accounting attitudes are unethical and unfair actions, so they have a high value for conducting whistleblowing.

### 3.2. Subjective Norms for Whistleblower Intentions for Fraud Prevention

The second factor of TPB is individual perception to do or not to do a behavior, where from justification perspective in the organizational environment, someone who has the intention to take an action will feel that it is important to get support and justification regarding the actions he will take [12]. Explained by attitudes towards whistleblowing depending on internal processes and identifying opinions contained within the organization. where whistleblower tendencies can be revealed by increasing fraud. [17];[21] when the organizational environment makes it normal and supports reporting of irregularities or fraud that occurs within an organization. [19];[21] carrying out whistle blowing actions is not an easy thing, because the reporter will be overwhelmed with consequences that impact work, personal life, and social life [11]. Explained that it is a consequence of all whistleblowers if they feel emotional pressure and mental health problems [21]. A conducive situation and environmental organizational environment that strictly prohibits acts of fraud will foster whistleblower confidence to convince the reporter [18];[21]. Superiors who do not apply an exemplary attitude in their organizational environment are proven to be able to weaken controls which will then cause fraudulent behavior to emerge [4]. A weak internal control system will affect the whistleblower's intention to take whistleblowing action [10]. There for it is important for managers to be able to emphasize the importance of reporting action and to accustom all employees involved in the organization to habituate against any behavior that indicates deviance or fraud in any case.

Organizational culture and ethical work environment within a company can encourage individuals to act as whistleblowers. This indicates that employees in companies that uphold an anti-corruption culture have high whistleblowing intention [20]. This study supports previous that subjective norms play an important role in increasing whistleblowing intentions. State that subjective norms play a role in influencing attitudes and intentions towards whistleblowing in various cultures. In contrast, research conducted states that perceptions of subjective norms do not encourage individuals to do whistleblowing, on the contrary, perceptions of self-control and attitudes play a greater role in influencing individual intentions to report accounting fraud [22]. States in social cognitive theory that individuals use generally accepted moral and social norms to regulate their behavior [23]. The results of this study indicate subjective norms that will encourage the emergence of a whistleblower intention to prevent fraud in financial reporting [13];[18];[11];[21];[19], so that it can be explained that with the existence of strong subjective norms felt by employees, the stronger the urge to act as a whistleblower because they believe that cheating is a violation of social norms.

### 3.3. Behavioral Control of Whistleblower Intentions for Fraud Prevention

The third factor of TPB is readiness or ability to control behavior. Whereas TPB refers to the perception of the ease or difficulty of carrying out a behavior [12]. Whistleblowers as actors of action will be confronted with factors of ease and difficulty in realizing an intention. Such as difficulties in reporting [11]. This behavior control is in the form of attributes or manifestations of behavior control such as the experiences of other people or other people who have been whistleblowers, then other factors such as the existence of resources, protection, and others [13]. Where this information will be used as additional information and evaluation material for decision making whether to agree or not deciding to become a reporter [10]. Behavior control relates to the provision of a complex system as a whole, the reporter will consider the convenience and difficulties he will go through before carrying out whistleblowing.

The effectiveness of whistleblowing can be influenced by various factors, including the whistleblowing reporting channels, the role of the mass media, evidence documentation, and legal protection for reporters [21]. The existence of reporting channels and legal protection that can affect the effectiveness of whistleblowing is also included in one form of attribute that can be taken into consideration for an intention to control behavior. In the research where the line in reporting fraudulent acts can use the anonymous line

which in that line keeps the identity of the reporter confidential because have the intention to do whistleblowing the anonymous reporting line tends to be higher than the non-anonymous reporting line. Then the protection or reward that will be given by the organization or company for the courage of the reporter who shows organizational commitment. The supporting facilities that will be provided by an organization will show seriousness regarding the problem of fraud which will then provide its confidence for the complainants to blow up the events they see.

Having confidence and the power of control in individuals who take whistleblowing actions does not make a person to increase their intention to report accounting fraud. This makes it possible to have fears and threats of retaliation for whistleblowing actions that come from agencies, superiors, senior management, legislative councils, and senior employees. So the employee's perceived behavioral control to act as a whistleblower is lower [20].

This research is supported by the research, showing behavioral control as a medium to be material for special consideration for reporters' intentions because in this research reporters sometimes feel valued when reporting directly, to the leadership because of the closeness relationship is not too close, so that can prevent fraud in financial reporting [18]. this research shows subjective norms that will encourage emergence whistleblower's intention to prevent fraud in financial reporting [24];[22];[25] so high control intentions carry out whistleblowing & threats of retaliation cannot immediately have no motivation to do so.

#### 4. CONCLUSION

Conclusions from the discussion above, so that an intention of the reporter to take whistleblowing action in preventing fraud will be affiliated if an organizational or corporate environment does not consider it reasonable to have the occurrence of fraud in the organization because it will influence the reporter to carry out fraud prevention. Through the viewpoint of TPB, the existence of a whistleblower will grow independently according to the environment that forms it, including:

- a. The first factor of TPB is Attitude. The existence of an attitude that is supported by education, seminars and anti-fraud knowledge guidance provided by the organization will form a mindset to weigh a truth or a mistake;
- b. The second factor of TPB is individual perception to do or not to do a behavior. Which relates to a support and justification for the act of reporting fraud as well as a positive whistleblower experience which is followed up by the mechanism that will be used as a barometer for future whistleblowers to carry out whistleblowing;
- c. The third factor of the TPB is readiness or ability to control behavior. Which is closely related to the provision of a whistleblowing system mechanism, the availability of reporting lines, and protection for whistleblowers.

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