



The mediating role of whistleblowing as mediation on the effect of organizational commitment on employee fraud

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ABSTRACT

This study aims to analyze the effect of organizational commitment on employee fraud with whistleblowing intention as a mediating variable. The research sample was 82 permanent employees of companies in Bekasi who worked for at least 1 year. Sampling using non-probability sampling technique type purposive sampling. The research data were processed with SmartPLS. The results showed that organizational commitment affects employee fraud. Organizational commitment also affects whistleblowing intention. Meanwhile, whistleblowing intention affects employee fraud. Thus, whistleblowing intention mediates the effect of organizational commitment on employee fraud in company employees in Bekasi.

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1. INTRODUCTION

Employee fraud has become a serious problem facing many organizations. According to the Association of Certified Fraud Examiners (ACFE), fraud losses are estimated at 5% of an organization's revenue each year (ACFE, 2020). In Indonesia, fraud losses are estimated at IDR 100 trillion per year according to the Coordinating Minister for Economic Affairs Airlangga Hartarto (Bandiyono, 2021). Fraud can have a significant impact on an organization's finances and reputation. In Indonesia, losses due to fraud are estimated to reach more than 100 trillion rupiah per year (Suryanto & Thalassinis, 2017). The act of fraud by employees or employee fraud is very detrimental to the company, both financially and reputationally.

Previous research has examined many factors that influence employee fraud, one of which is organizational commitment (Petersen et al., 2018; Upadyaya et al., 2016; Won & Kim, 2020). However, some studies show inconsistent results regarding the effect of organizational commitment on employee fraud (Gbadamosi et al., 2019; Khan et al., 2019).

One of the individual factors that is thought to influence the tendency to commit fraud is organizational commitment. Organizational commitment is defined as employees' sense of identification, involvement, and loyalty to the organization (Allen & Meyer, 1990). Previous research shows that low organizational commitment is related to an increased likelihood of fraud and other deviant behavior (Gbadamosi & Chinonye, 2019; Sulianti & Harsono, 2019).

In addition, whistleblowing intention or intention to report fraud is thought to mediate the effect of organizational commitment on fraud. Whistleblowing intentions can encourage internal

employees to report coworker fraud to the authorities (Near & Miceli, 1985). The higher the organizational commitment, the higher the likelihood of employees to report fraud for the benefit of the organization.

However, research on this topic in Indonesia is still limited. The majority of previous studies only investigated the effect of organizational commitment on fraud without considering the mediating role of whistleblowing intention (Nindito, 2019; Suroyo & Mahalli, 2020). Therefore, this study aims to analyze the effect of organizational commitment on employee fraud with whistleblowing intention as a mediating variable.

Hypothesis Development, The Effect of Organizational Commitment on Employee Fraud. Several previous studies have found that organizational commitment has a negative effect on employee fraud (Gbadamosi & Chinonye, 2019; Sulianti & Harsono, 2019). The higher the employee's commitment to the organization, the lower the tendency to engage in fraud. Employees with high commitment feel they belong to the organization so they are motivated to protect the company's assets and reputation. They are also reluctant to disappoint colleagues by taking negative actions that harm the organization. Meanwhile, employees with low commitment do not care about the fate of the organization and are more concerned with their own interests, which triggers opportunistic behavior such as fraud (Abdullahi & Mansor, 2018). Therefore, strong organizational commitment can suppress the motivation to commit fraud. In other words, the higher the organizational commitment of employees, the lower the potential for employee fraud.

H1: Organizational commitment has a significant effect on employee fraud. The Effect of Organizational Commitment on Whistleblowing Intention. Several studies show that organizational commitment positively affects whistleblowing intentions (Liyanarachchi & Newdick, 2009; Zheng et al., 2019). Employees who have a strong loyalty and sense of belonging to the organization tend to be motivated to report fraud in order to protect the interests of the organization. In addition, employees with high commitment also want to protect the organization's reputation from losses due to fraudulent acts of their colleagues. They do not want the organization to be branded badly by the public due to fraud scandals. Therefore, strong organizational commitment can spur employee whistleblowing interest.

H2: Organizational commitment has a significant on whistleblowing intention. Effect of Whistleblowing Intention on employee fraud. Many studies have found that whistleblowing intention or employee intention to report fraud has a negative effect on employee fraud or fraud committed by employees (Singh & Selvaraj, 2018; Redeker, Maes, & Cooper, 2014). According to Singh & Selvaraj (2018), the existence of a strong whistleblowing intention in an organization is an important control that can inhibit and reduce the incidence of employee fraud. This violation reporting intention increases the risk for fraudsters to be detected and punished (Redeker et al., 2014). Thus, the tendency of other employees to engage in fraudulent behavior will also decrease. In addition, an established whistleblowing culture in an organization will create a climate where employees voluntarily report the fraud of their colleagues or superiors to the authorities in order to protect the interests of the organization (Idris et al., 2021). In this situation, employee fraud such as asset embezzlement, bribery, and falsification of financial documents will be difficult to develop and tend to occur less frequently (Andon et al., 2018). Thus, it can be concluded that whistleblowing intention or intention to report violations has a significant effect in suppressing the occurrence of fraudulent behavior by employees. The stronger the whistleblowing intention, the lower the likelihood of employee fraud (Andon et al., 2018; Idris et al., 2021; Redeker et al., 2014; Singh & Selvaraj, 2018).

H3: Whistleblowing intention has significant effect on employee fraud. The Effect of Organizational Commitment on Employee Fraud mediated by Whistleblowing Intention. Whistleblowing intention is expected to mediate the relationship between organizational commitment and employee fraud. Employees who have a strong commitment tend to have a high concern for the welfare of the organization. Therefore, they intend to report any fraud that can harm the organization to the authorities (Near & Miceli, 1985). With this whistleblowing intention, fraud can be immediately detected and followed up before it causes material losses to the organization. Thus,

whistleblowing intention is thought to strengthen the negative effect of organizational commitment on employee fraud. The stronger the mediation of whistleblowing intention, the stronger the negative relationship between organizational commitment and employee fraud.

H4: Whistleblowing intention mediates the effect of organizational commitment on employee fraud.

2. RESEARCH METHOD

Research Design This study uses a quantitative approach with a causal research design. Data were collected through surveys with questionnaires to respondents. Data analysis is carried out statistically to test hypotheses regarding the effect of independent variables on the dependent, as well as the mediating role of intervening variables. The sample in this study were company employees in Bekasi. The sampling technique used non-probability sampling with purposive sampling method. The criteria for respondents are permanent employee status of the company, working at least 1 year at the company, willing to fill out a research questionnaire. The sample in this study amounted to 82 respondents. Variable measurement uses a questionnaire instrument with a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). The instrument used is adapted from previous research that has been validated with modifications as necessary. The research results were processed using the help of smart PLS.

3. RESULTS AND DISCUSSIONS

Structural Model Testing (Inner Model)

This test is a test of the model by looking at the R-square value which is the result of the goodness of fit model test. The organizational commitment model on employee fraud provides an R-square value of 0.808 which means that the variability of the employee fraud construct can be explained by organizational commitment by 80.3%, while 81.7% is explained by other variables outside this study. Another influence model is whistleblowing intention with an indicated value of 0.688 so that it can be interpreted that 68.8% of the whistleblowing intention construct with the dependent variable, namely organizational commitment and employee fraud. Meanwhile, 31.2% is explained by other variables not included in this study. Can be seen in Table 1:

Table 1. R Square

	R Square	R Square Adjusted
EF	0,808	0,803
WI	0,688	0,684

Source: PLS (2023)

Based on table 1, it shows that the resulting R-square value for the employee fraud variable is 0.808 or 80.8% and the whistleblowing variable is 0.688 or 68.8%, which identifies that the contribution in this study is quite large.

Structural Model Test

Based on Table 2, it can be explained that the result of the p value on organizational commitment to employee fraud is 0.000. The effect of organizational commitment on whistleblowing intention has a p value of 0.000, and the effect of whistleblowing intention on employee fraud is 0.001. It can be concluded that for all relationships the value is below 0.05, meaning that all relationships have significant results.

Table 2. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
OC -> EF	0,612	0,604	0,096	6,359	0,000
OC -> WI	0,830	0,830	0,041	20,188	0,000
WI -> EF	0,323	0,327	0,095	3,404	0,001

Source: PLS (2023)

Spesific Indirect effect

Table 3. Spesific Indirect effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
OC -> WI -> EF	0,268	0,271	0,077	3,465	0,001

Source: PLS (2023)

Based on table 3, it can be explained that the result of P Values on organizational commitment to employee fraud mediated by whistleblowing intention is 0.001. It can be concluded that the results of the indirect effect are below 0.05, meaning that these results have a significant effect.

Significant Effect of organizational commitment on Employee Fraud

Organizational commitment is able to contribute to the low level of employee fraud. This result is supported by research by Wang et al. (2019), which states that the higher the organizational commitment, the lower the level of fraud committed by employees. Emotional and psychological commitment to the organization can increase the value of integrity and loyalty, thereby reducing the motivation to commit fraud (Khan et al., 2019). Optimistic organizations that can develop a culture of high commitment will be able to further inhibit the tendency of employee fraud (Aziz et al., 2022).

Significant effect of organizational commitment on Whistleblowong Intention

Organizational commitment is able to contribute to high Whistleblowong Intention. This result is in line with previous research (Shehu & Godi, 2021; Zheng et al., 2019) which found that organizational commitment is a strong positive predictor of whistleblowing intention. The higher the sense of loyalty and involvement of employees in the organization, the higher the likelihood that they will intend to report fraud to the authorities in an effort to protect the organization (Chang et al., 2017).

Significant Effect of Whistleblowong Intention on Employee Fraud

Increasing Whistleblowong Intention is able to contribute in terms of disclosing employee fraud. This finding is consistent with the study of Redeker et al. (2014) which reveals that strong whistleblowing intention can control employee fraud behavior by increasing detection and legal risks. Fraud will tend to occur less frequently if employees are voluntarily willing to report fraud to the authorities (Singh & Selvaraj, 2018).

Significant effect of organizational commitment on Employee Fraud mediated by Whistleblowong Intention

Whistleblowong Intention is able to mediate the effect of organizational commitment on employee fraud. Patel & Hamid (2017) also found evidence that whistleblowing intention plays an important mediating role to strengthen the negative relationship between organizational commitment and fraudulent behavior. Overall, whistleblowing intention is confirmed to successfully mediate the effect of organizational commitment on employee fraud.

4. CONCLUSION

Organizational commitment is proven to have a significant effect on employee fraud. The higher the organizational commitment of employees, the lower the tendency to commit employee fraud. Organizational commitment has a positive and significant effect on whistleblowing intention. The higher the organizational commitment of employees, the more the intention to do whistleblowing increases. Whistleblowing intention is proven to have a negative and significant effect on employee fraud. The higher the employee's intention to do whistleblowing, the lower the tendency for employee fraud to occur. Whistleblowing intention is able to mediate the effect of organizational commitment on employee fraud. With whistleblowing intentions, the negative relationship between organizational commitment and employee fraud becomes stronger. Based on the results of this study, it can be concluded that increasing employee organizational commitment can reduce employee fraud, and this relationship is further strengthened by the presence of whistleblowing intention. Therefore, it is important for organizations to increase organizational commitment and encourage a culture of

whistleblowing to prevent employee fraud. Limitations in this study include the limited number of samples and non-probability sampling techniques. Future research is expected to use better samples and sampling methods, so that the research results are more generalizable. Thus, insights related to the topic under study can be further expanded.

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