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STUDENT PERCEPTIONS OF LEADERSHIP AND WHISTLEBLOWING FOR FRAUD DISCLOSURE

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ABSTRACT

Fraud remains a concern due to the prevalence of fraudulent or corrupt practices in Indonesia. Fraud can be caused by pressure, opportunity, and rationalization, known as the fraud triangle. Fraud in a company can often be uncovered by individuals who become aware of violations and report them, a phenomenon known as whistleblowing. However, individuals who dare to reveal fraud certainly need protection from the company. Therefore, the role of company leaders who can provide protection is crucial. This study aims to examine students' perspectives on the importance of leadership and whistleblowing in disclosing fraud. This study used quantitative methods with a sample of students from various universities in Bandung. The results indicate that leadership influences fraud disclosure, while whistleblowing does not. This finding implies that protection for whistleblowers in disclosing fraud in companies still needs to be strengthened.

KEYWORDS

Fraud, Leadership, Whistleblowing

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Introduction

Fraud in a company can cause significant losses. Some challenges companies face that have the potential to trigger fraud include a lack of accountability and responsibility within the organization, the complexity of the organizational structure, limited skills and knowledge to uncover fraud, and a lack of critical thinking in identifying potential fraud (Petrucelli, 2013).

According to Arens *et al.* (2017), the causes of fraud include pressure, opportunity, and rationalization. Fraud, often referred to as corruption in Indonesia, remains a major problem in any environment or country. Corruption is found in almost all business sectors. Corruption can be defined as the abuse of power or ability to obtain illegal or unlawful benefits. This act can also be categorized as a crime because it violates applicable law (Kratcoski and Elderbacher, 2018).

Fraud occurs when certain elements are met, such as a false statement, past or present occurrence, materiality, intentional conduct, the intent to induce another party to act, the injured party acting on the statement, and the act causing a loss. Symptoms of fraud in companies can be seen from inconsistent company performance, the perpetrator's unusual lifestyle, and weak internal controls that open up opportunities for fraud (Irwandi and Pamungkas, 2022).

Causes of fraud include pressure, opportunity, and rationalization, known as the fraud triangle. Pressure from superiors or financial pressure can encourage employees to commit fraud. On the other hand, weak internal controls provide opportunities for employees and management to commit such acts. Furthermore, rationalization also plays a role when individuals justify their actions, for example, because there are no clear rules or sanctions for fraudsters (Arens *et al.*, 2017).

Fraud remains difficult to detect, so many companies have begun implementing whistleblowing systems. Whistleblowing systems allow employees to report inappropriate actions within the company directly to management. For this system to be effective, companies need to design a clear structure, establish a code of ethics, and provide protection for employees who report fraud (Kenny, 2019).

Whistleblowing is the act of disclosing information regarding improper conduct that has the potential to threaten a community or organization. Whistleblowing has two functions: as a warning and as a monitor to ensure that activities are carried out according to regulations. Individuals who report improper conduct are called whistleblowers (Santoro and Kumar, 2018).

In some cases, fraud is uncovered through the role of whistleblowers. However, whistleblowers often face concerns about their personal safety and legal protection when disclosing violations within a company. They often feel judged for their actions. Therefore, several opinions emphasize the importance of providing compensation or protection for individuals who dare to reveal the truth or reveal violations within a company (Kohn, 2023).

Whistleblowers are often reluctant to report fraud within a company for several reasons. They cannot always confirm whether the unusual behavior is actually fraud. Furthermore, they fear potential retaliation from the reported party, intimidation from the perpetrator, or facing a perpetrator in a dominant position and the authority to fire employees who question their integrity. Whistleblowers also worry about making mistakes when accusing someone of fraud, while the reporting process itself is not easy. Therefore, companies need to establish systems that encourage whistleblowers to report fraud by providing adequate protection (Irwandi and Pamungkas, 2022).

One Indonesian company is committed to preventing fraud by implementing a whistleblowing system. PT Pupuk Indonesia is collaborating with the Corruption Eradication Commission (KPK) and the Witness and Victim Protection Agency (LPSK) to prevent fraud within the company. PT Pupuk Indonesia has also developed an application that facilitates fraud reporting and is integrated with the KPK for further processing. Furthermore, the company provides protection to whistleblowers through its collaboration with the LPSK (Artada, 2023).

Budiutami and Aprilianti (2021) stated that leadership ethics influence whistleblowing. Leaders who uphold ethics tend to encourage the reporting of fraud. Sustika *et al.* (2021) showed that whistleblowing is more supported by transformational leadership than transactional leadership. Purwati and Ramatika (2025) indicates that the whistleblowing systems and leadership style have no significant effect on fraud prevention.

A leader today is faced with the challenge of influencing others to achieve optimal results. The definition of leadership encompasses four elements: the person leading, the people being led, the leadership process, such as motivating, influencing, or coaching, and the expected or achieved performance. If any of these elements are not met, the leadership process can experience obstacles or failure (Ubah, 2016).

Leadership has several types. Transformational leadership emphasizes the relationship between leaders and employees based on personal value systems, such as fairness and freedom. The goal of transformational leadership is to achieve organizational transformation through adaptation to environmental changes (Ozgur and Karaca, 2020).

Another type is transactional leadership. Transactional leadership focuses on the reciprocal relationship between leaders and followers or employees. For example, leaders offer incentives to improve employee performance or reward employees who exceed targets. In contrast to transformational leadership, which focuses on the needs of followers and encourages the achievement of long-term goals, transactional leadership emphasizes direct exchanges (Arenas, 2019).

Based on the explanations, the phenomena, and the inconsistencies found in previous research in Indonesia, the researchers are interested in reexamining the topic of fraud, introducing novelty by exploring it from the students' perspective who assess the role of leadership and whistleblowing in the disclosure of fraud. The following is the research model to be investigate:

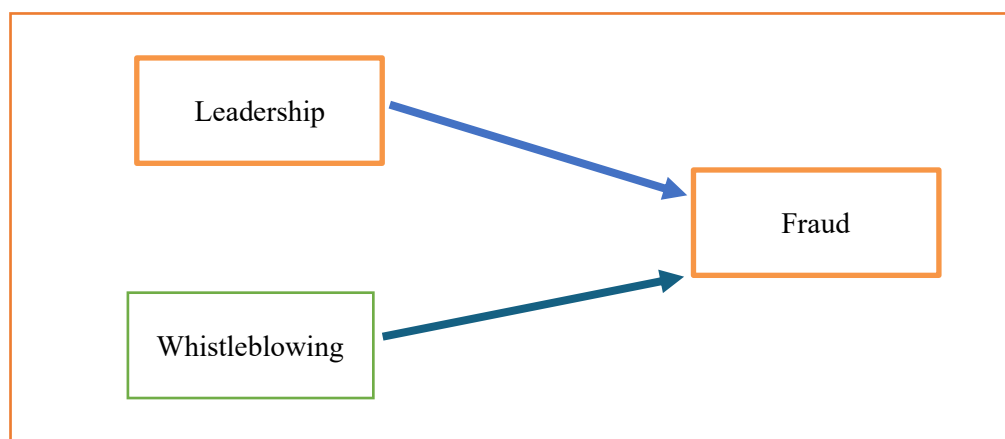


Fig. 1. Research Model

Based on this research model, the researcher proposes the following hypotheses:

H1: There is an influence of leadership on fraud disclosure.

H2: There is an influence of whistleblowing on fraud disclosure.

This study aims to examine the influence of leadership and whistleblowing on fraud disclosure. The research is expected to provide an overview of students' perceptions regarding the importance of leadership values and the need for whistleblowers who are able to disclosure fraud occurring within companies. It is hoped that there findings will draw the attention of universities to instill strong values in students, in order to prepare graduates to enter the workforce while upholding integrity.

Research Method

This study uses a quantitative approach. The research sample consisted of university students in Bandung, Indonesia to examine the influence of fraud disclosure from a student perspective. The statistical test tool used was multiple regression to determine the effect of the independent variables on the dependent variable (Ghozali, 2008).

Results

The researcher distributed questionnaires to students at a private university in Bandung City and obtained a sample of 94 students. The descriptive statistics results are presented below.

Based on the collected data, the following are the results of statistical data processing using SPSS.

Table 1. Descriptive Statistics Results**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	94	1.00	2.00	1.6383	.48307
Semester	94	1.00	10.00	3.8830	2.25215
IPK	94	1.00	4.00	2.8617	1.23219
TOTALX1	94	9.00	27.00	15.8404	5.44040
TOTALX2	94	27.00	48.00	40.3617	5.20308
TOTALVARY	94	28.00	94.00	65.9468	9.83560
Valid N (listwise)	94				

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Pria	34	36.2	36.2	36.2
Wanita	60	63.8	63.8	100.0
Total	94	100.0	100.0	

Semester

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1.00	27	28.7	28.7	28.7
3.00	11	11.7	11.7	40.4
4.00	12	12.8	12.8	53.2
5.00	29	30.9	30.9	84.0
7.00	10	10.6	10.6	94.7
8.00	4	4.3	4.3	98.9
10.00	1	1.1	1.1	100.0
Total	94	100.0	100.0	

IPK

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Belum ada	23	24.5	24.5	24.5
<3	9	9.6	9.6	34.0
3,01-3,50	20	21.3	21.3	55.3
>3,51	42	44.7	44.7	100.0
Total	94	100.0	100.0	

The descriptive table shows that 63,8% of the respondents are female students, while the remaining students are male students. More respondents are in their fifth semester (30,9%), where the majority have completed core courses and have begun preparing to enter the workforce, as they are already permitted to undertake internships in companies. The respondents' GPA is on average above 3,51 are indicating that they possess a strong intellectual capability during their academic studies.

This research was continued by testing the validity and reliability to determine whether the questions in the questionnaire were accurate and consistent in measuring the research variables. The statistical results show that all question items were declared valid and reliable. The research will proceed with the classical assumption

tests, which consist of the normality test, multicollinearity test, and heteroscedasticity test. The following are the results:

Table 2. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		94
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	8.83198331
Most Extreme Differences	Absolute	.090
	Positive	.090
	Negative	-.072
Test Statistic		.090
Asymp. Sig. (2-tailed)		.056 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 3. Multicollinearity Test results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	37.736	10.050		3.755	.000		
TOTALX1	.899	.194	.497	4.640	.000	.772	1.295
TOTALX2	.346	.202	.183	1.710	.091	.772	1.295

a. Dependent Variable: TOTALVARY

Table 4. Heteroscedasticity Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	11.334	6.717		1.687	.095
TOTALX1	-.166	.129	-.152	-1.284	.203
TOTALX2	-.055	.135	-.048	-.406	.686

a. Dependent Variable: ABS

Table 2 shows that a significant value of $0.056 > 0.05$, indicating that the data are normally distributed and that the sample adequately represents the population. Table 3 shows that the data are free from multicollinearity, as all variables have tolerance values greater than 0.1 and VIF values below 10. This suggests that there is no correlation among the independent variables. Meanwhile, Table 4 shows that the data are free from heteroscedasticity because the significant values of the coefficients are above 5%. This indicates that the regression model is appropriate and suitable for further analysis.

The following are the results of the regression tests conducted by the researcher:

Table 5. Regression Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	37.736	10.050		3.755	.000
TOTALX1	.899	.194	.497	4.640	.000
TOTALX2	.346	.202	.183	1.710	.091

a. Dependent Variable: TOTALVARY

The statistical results show that leadership has an effect on fraud disclosure because the significant value is 0,000, which is below than 0,05. Meanwhile, whistleblowing shows no effect on fraud disclosure because the significant value is 0,091, which is above 0,05.

Discussion

Based on the research results, the role of observers or leaders who are aware of fraud but choose to remain silent influences the occurrence of fraud. This study aligns with Aisyah (2017), who stated that the bystander effect influences fraud. This condition can occur because when observers or leaders are aware of fraud but do not report it, the opportunity for fraud to occur increases. This situation relates to fraud theory, particularly the aspect of rationalization. Individuals can rationalize their actions when they see others doing the same thing, especially if there are no strict sanctions against fraud perpetrators.

The results also show that whistleblowing has no effect on fraud disclosure. This finding is inconsistent with Aisyah (2017) but consistent with Purwati and Rahmatika (2025) who stated that whistleblowing has an effect on fraud. This difference may occur because individuals are often afraid to report fraud, especially if the violation is committed by upper management. Furthermore, a number of previous cases and studies have shown that fraud is more often uncovered through a strong internal control system within a company.

Conclusions

This study concludes that leadership influences fraud disclosure, while whistleblowing does not. The role of leaders in fraud disclosure is crucial because ethical values instilled within the company can shape employee behavior to prevent fraud. However, individuals acting as whistleblowers often feel afraid to reveal fraud within the company.

Future studies are expected to expand on this study by examining other factors that encourage individuals to disclose fraud, both financial and non-financial. In addition, this study is expected to provide input for companies regarding the importance of leadership assertiveness when fraud occurs and protection of the whistleblowing system so that individuals are more courageous in reporting fraudulent acts.

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