

WHISTLEBLOWING AND FINANCIAL FRAUD: A LOOK BACK AT MOTIVATIONS, PROTECTIONS, AND CHALLENGES (A SYSTEMATIC LITERATURE REVIEW)

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Abstract

This study aims to review the motivation, protection, and challenges faced by whistleblowers in exposing financial fraud, using the Systematic Literature Review (SLR) approach. This study reviews relevant literature in the period 2005-2025 to identify various factors that influence an individual's decision to report, as well as the effectiveness of the existing reporting system. The results of the study indicate that whistleblower motivation is strongly influenced by a combination of moral, social, and material factors, where moral motivation is often the main driver to report fraud in order to maintain organizational integrity. In addition, financial incentives and legal protection also play an important role in encouraging reporting. Although many countries have adopted whistleblower protection policies, the main challenge is in developing countries, where the implementation of legal protection is often ineffective. This study also found that individual personality and organizational culture also influence the decision to whistleblow. Therefore, this study suggests the need for an improved protection system that is more effective, both in terms of law and organizational culture, to support the success of whistleblowing in preventing financial fraud.

Keywords: *fraud intention, financial fraud, blow the whistle, whistleblower motivation, whistleblower protection.*

INTRODUCTION

After 2000, there were many major scandals regarding financial reporting fraud such as the Enron Case, WorldCom, and so on. Lewis (2006) explained that in the mid-2000s, there was an increase in attention to the issue of whistleblowers systematically, especially in the public and private sectors, as a response to previous corporate scandals. These years marked the beginning of the adoption of more formal reporting policies. The year 2005 was the initial milestone when various institutions, including the public and private sectors, began to pay great attention to whistleblowers and the importance of their protection. Previous studies also show that Intention to report internally is higher than externally. (Park & Blenkinsopp, 2009). Individuals tend to be more comfortable or feel safer reporting fraudulent or irregularities through channels provided by the organization (internal) rather than involving external parties such as the media, NGOs, or law enforcement agencies. To reduce external reporting that can harm an organization's reputation and finances, managers need to respond quickly, transparently, fix the problem, and protect the whistleblower from retaliation. Factors such as age, experience, clear evidence, and support influence an employee's decision to report. Although retaliation still occurs, legal protection and organizational support are essential to encourage internal reporting and prevent negative impacts. However, social and psychological threats such as ostracization, peer pressure, and concerns about damaging professional relationships are also strong reasons that make many employees reluctant to report, even with good intentions (Kenny & Bushnell, 2020).

Understanding whistleblowing is very useful for management to manage this process effectively for the good of the organization. (Near & Miceli, 2016). However, the effectiveness of the internal reporting system is often questionable. Although companies claim to operate a whistleblowing system, this does not mean that the system is actually functioning well. In many cases, obstacles such as lack of employee trust in the confidentiality of reports, fear of retaliation, and lack of clear follow-up from management cause this system to fail to achieve its goals. A system that only exists formally without the support of an organizational culture that encourages openness and fairness tends not to be used optimally by employees. In line with this, (Krügel & Uhl, 2023). Nurhidayat and Kusumasari (2018) emphasized that the implementation of a whistleblowing system is often symbolic and has

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minimal institutional support, which makes reporters more vulnerable to pressure and retaliation. This is exacerbated by the lack of firm legal protection and weak mechanisms for following up on reports. It is important to build an argument for a position on this question because it helps clarify what is morally and legally expected of people in the workplace, and provides needed direction in developing current whistleblowing policies. (Vandekerckhove & Tsahuridu, 2010). Although studies on whistleblowing have been widely studied, most studies tend to discuss it separately, highlighting only one or two aspects such as the motivation of the reporter or the legal consequences they face. In fact, the phenomenon of whistleblowing is much more complex and involves many interrelated dimensions. Therefore, through the systematic literature review approach in this study, it is expected to be able to comprehensively examine various perspectives from the existing literature, including the challenges faced by whistleblowers and solutions that can be applied to improve the effectiveness of the violation reporting system in various organizations. Furthermore, SLR can show general patterns and differences between countries in managing whistleblowing. In this way, this study not only presents a theory, but also provides a map of global challenges and best practices. which can be used as a reference for organizations in developing countries like Indonesia. (Chen & Lai, 2014; Chordiya et al., 2020). This study aims to explore more deeply into individual motivations to report financial fraud, existing protection mechanisms, and challenges faced by whistleblowers in the context of financial reporting. This study will provide clearer insights into the relationship between whistleblower protection, individual motivation, and its impact on preventing financial fraud in organizations.

LITERATURE REVIEW

Whistleblowing

Whistleblowing refers to the act of an individual, whether still part of an organization or no longer active, in reporting unlawful, unethical, or unauthorized behavior that occurs under the supervision of their employer, to a party or institution that has the authority to take corrective action. In addition, whistleblowing can also be viewed as a social act, where someone who witnesses a mistake or violation committed by another party, chooses to report it to a third entity that has authority (Near & Miceli, 2016).

Triantoro et al. (2020) affirms that as an effort to reveal illegal practices by members of the organization to individuals or organizations that can take corrective action is called whistleblowing. Whistleblowing is an employee's action that reveals information related to violations of laws, rules, practical guidelines, or professional statements involving improper procedures, corruption, abuse of authority, or endangering public safety. In the organization's management control system, whistleblowing functions as a control to prevent opportunistic behavior of selfish individuals in the organization.

Whistleblower

Sviatun & Škurek (2023) explains that a Whistleblower is an individual's action who, with the belief that the information he has is reliable, reports possible facts of corruption or corruption-related violations known in connection with work, professional, economic, social, scientific activities, completion of tasks, or participation in procedures regulated by law. Whistleblowers do not necessarily come from within a structural order, but can also come from outside and their decision to report is usually based on a sense of moral responsibility, personal integrity, or concern about the negative impact of the violation on the public or institution. According to Paquette (2013) whistleblowers are often placed in a very vulnerable position, because their actions can interfere with the interests of more powerful parties. Therefore, the figure of a whistleblower not only requires courage, but also adequate support from the legal and social systems. Whistleblowers are often subject to various psychological and social challenges. Many studies have found that they face the risk of pressure, intimidation, marginalization, and even dismissal from the workplace.

METHOD

This research was compiled using the Systematic Literature Review (SLR) method. This method contains a structured, transparent, and systematic literature review to collect, evaluate and synthesize existing research in a field. Where the goal is to minimize bias, increase reliability, to produce a more comprehensive understanding of previous studies. (Massaro et al., 2016). There are exclusion criteria in the SLR, which exclude articles or sources that do not meet certain limitations, such as articles that have just been published and are not old enough to be cited so that they have not shown a significant impact in the research field (Massaro et al., 2016). The following are the exclusion criteria applied in this study. Exclusion Criteria: 1) Article duplication, 2) Articles deemed unsuitable by the automated selection tool based on time criteria (2005–2025), 4) Articles that do not fit tier Q1–Q4, 5) Articles

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that do not have an abstract, 6) Articles that are not relevant after the initial screening stage, and 7) Articles that could not be downloaded or accessed (Doi not found)

In order to facilitate the filtering of relevant articles, this study uses the website and tools from Watase Uake. The selection of articles is not only based on the financial field, but also expands research in the fields of psychology, law, and business. In the Scopus database filtered through the Watase Uake website and tools, 163 articles were obtained if a search was carried out using keywords, to make it easier to understand, the following is a SLR prism model.

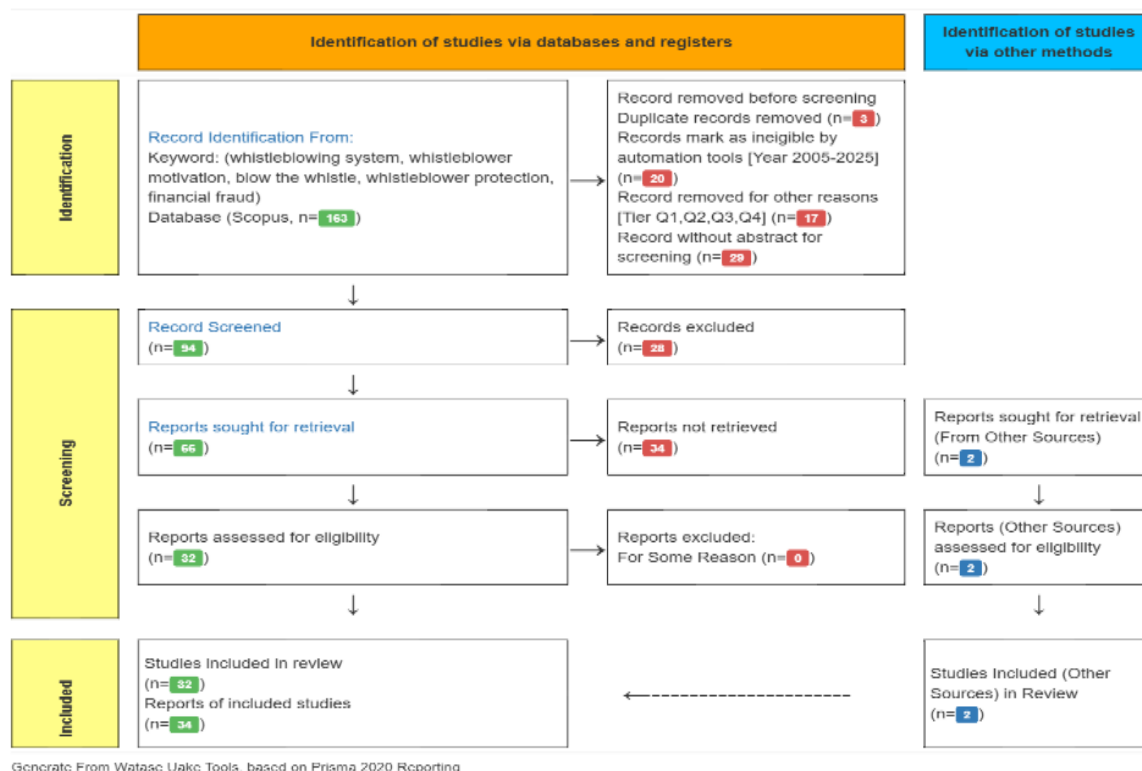


Image: SLR prism model

From the identification process, 34 articles were obtained, of which two articles were added from other searches because they were considered relevant and entered the inclusion criteria. Next, the screening process will be carried out, in this process, filtering is carried out to continue the article extraction process, where this process is the core process of a Systematic Literature Review study. The research data that has been collected will be curated or collected according to the research method and will be summarized narratively based on the research result group. After the research curation process and research grouping according to the inclusion criteria and methods used. Furthermore, it will be summarized and the research description data will be collected in the form of a table. The research description table will describe the summary results of all research containing researchers, year of publication, journal that published, title of research article, and summary of research results. The summary results in the form of a table will later be reviewed more clearly the research method, research process, and research results obtained from the full text article of the research. After a clearer and more in-depth review, an analysis of the similarities and differences of each journal will be carried out which will later be concluded and in the drawing of conclusions of the research synthesis and will be discussed in the discussion

RESULTS

Whistleblower Motivations Are Multidimensional

Whistleblower motivation in exposing financial fraud can be seen as a multidimensional phenomenon, influenced by various factors, both internal and external. In many studies, it has been found that a person's decision to report a violation is often driven by a combination of moral, social, and material motivations (Vandekerckhove, 2022). In the context of financial fraud, moral motivation is usually the main driver, where individuals feel compelled to reveal irregularities in order to maintain integrity and transparency in the organization. This was also expressed by Fišar, et al. (2021), who stated that social and ethical values play an important role in the decision to whistleblow, especially in individuals who have a high prosocial orientation. Motivation to whistleblow is also influenced by

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personality factors. Individuals with altruistic personalities are more likely to report because of the urge to do the right thing, while individuals with Machiavellian personalities tend to avoid reporting if they feel it is not beneficial to them. This shows that, in addition to external factors, individual personality also plays a major role in the decision to whistleblow (Gao et al., 2017).

Habbe et al. (2019) revealed that whistleblowing intentions can also be viewed from a moral and social perspective. In their study, they stated that internal auditors, for example, often feel torn between their professional obligations to report fraud and their loyalty to their colleagues and superiors. Habbe explained that individual cognitive moral development (CMD) plays an important role in the intention to whistleblow, where individuals with higher levels of CMD tend to be more courageous in reporting fraud they encounter (Habbe, et al., 2019). In a study conducted by Triantoro et al. (2020) also argued that one of the main motivations that drives someone to report violations is moral orientation they, who are driven by ethical values and social responsibility, Vandekerckhove & Tsahuridu (2010) stated that the desire to seek truth and justice is the main driving force for whistleblowers to report fraud they encounter, especially if the fraud has an impact on the wider community. In addition to moral motivation, external factors such as financial incentives also play a significant role in the decision to report fraud (Gao et al., 2017). Research by Teichmann (2019) emphasizes that providing sufficient financial incentives can encourage individuals to report, especially if they feel that the benefits of reporting outweigh the risks they face. These incentives are not only in the form of financial rewards, but can also include legal protection that guarantees the safety and anonymity of the reporter. In many cases, financial incentives can overcome the fear of retaliation or social stigma that often haunts whistleblowers (Teichmann, 2019). On the other hand Carr & Lewis (2010) reminding that these incentives must be carefully designed so as not to lead to false reports, which could undermine the effectiveness of the whistleblowing system itself, but also by the level of moral understanding possessed by the individual.

The intention to perform Whistleblowing is also influenced by more ambiguous psychological factors, such as a sense of social responsibility and loyalty to the organization or colleagues, in line with that, Nurhidayat & Kusumasari (2018) noting that psychological risks such as stress, anxiety, and depression are often felt by whistleblowers after they report violations. Research by Latan et al. (2021) suggests that individuals with a prosocial social orientation are more likely to report wrongdoing because they feel obligated to act in the greater good, even if it means facing significant personal risk. Other personal factors such as personality, personal ethics, and religion also influence the decision to report. Research has Wijayanti (2024) found that individuals with high levels of religiosity tend to be more sensitive to injustice and more active in disclosing violations, including financial fraud. Religious values that teach honesty and social responsibility often act as additional motivation for individuals to act in accordance with their moral principles, even though there are many risks involved. In addition, whistleblowing is also influenced by broader contextual factors, such as organizational culture and the ethical climate in the company or institution. Organizations with cultures that support transparency and accountability are more likely to encourage employees to report fraud without fear of retaliation. On the other hand, in organizations that prioritize loyalty and protection of colleagues, individuals may feel deterred from reporting fraud, for fear of damaging interpersonal relationships or facing social sanctions (Vandekerckhove, 2022). Therefore, an organizational culture that supports whistleblowing is essential in encouraging effective reporting. Another factor that often motivates whistleblowers is the urge to change a system or organization that they perceive as corrupt or unethical. Park et al. (2020) states that many whistleblowers are motivated to act because they want to improve a system that they perceive as broken or non-transparent. The greater the impact of fraud, the more likely an individual is to report it. Research by Latan et al. (2021) shows that individuals are more likely to report if they feel that the violation that occurs could result in major losses, this is also in line with research Habbe et al. (2019) that shows the level of fraud that occurs in an organization has a significant effect on a person's intention to whistleblow. Individuals who witness or know of more serious violations, especially in the context of financial fraud, tend to be more motivated to report the fraud. In this case, the reporter feels more compelled to act in the public interest, even if they have to face personal consequences. Specifically in Indonesia, Shonhadji & Maulidi (2021) it highlights that the existence of a whistleblowing system in the financial sector only functions effectively if accompanied by increased awareness of the risk of fraud and guidance on reporting ethics

Legal Protection: Many Challenges Remain in Developing Countries

Legal protection for whistleblowers in many developing countries remains very weak, despite some efforts to strengthen the system. For example, in Nigeria, despite a whistleblowing policy that was implemented in 2016, the policy is still very limited and has not been fully accepted by the community. Ojobo (2023) argues that while the

whistleblowing policy in Nigeria has shown some success in increasing the number of reports, many whistleblowers still face the risk of retaliation from those involved in the violations. The weaknesses of the system are largely due to the lack of strong legal enforcement and the inability of the system to effectively protect the identity of whistleblowers. A political culture that often does not support transparency or accountability in developing countries also plays a role in the weak legal protection for whistleblowers. Udvarhelyi (2023) explains that in countries with authoritarian or semi-authoritarian political regimes, where oversight of those in power is very limited, whistleblowers are often viewed as enemies of the state. The inability of the state to legally protect whistleblowers undermines public trust in the legal system, which in turn encourages many to choose to remain silent rather than report violations. Ukraine and the Czech Republic have begun to make progress in establishing legal frameworks for whistleblower protection in line with European Union standards. Despite positive developments, effective implementation in both countries still faces major challenges such as lack of legal socialization and cultural resistance to reporting violations. (Sviatun & Škurek, 2023). Looking at several developed countries such as the United States, after the financial crisis in 2008, the Dodd-Frank law was born in 2010. The United States is the country that is most active in utilizing whistleblower reward programs for crime detection and currently has a number of such programs (Iwasaki, 2025). In addition, Stubben & Welch (2020) it shows that despite some efforts at the international level, such as those stated in the EU Whistleblower Protection Directive 2019, many developing countries have difficulty implementing these laws due to limited legal infrastructure and lack of resources.

Moving into Asia, Japan has implemented *the Whistleblower Protection Act*, which according to Iwasaki (2023), is designed to strengthen protection for whistleblowers as part of human rights protection. Although the Whistleblower Protection Act in Japan was revised in 2022 to expand the scope of protection, there are still significant weaknesses, such as the burden of proof remaining on the whistleblower and the lack of strict sanctions against retaliation (Iwasaki, 2023). Moving into Southeast Asia, Indonesia has implemented regulations to protect whistleblowers, such as Government Regulation No. 8 of 2006 and Act No. 15 of 2004 which regulate financial reporting and auditing by internal government supervisory bodies. Looking at the phenomenon where some developed countries are compared to developing countries, there is a clear gap in terms of whistleblower protection regulations. The implementation and enthusiasm for whistleblower protection in developed countries are growing rapidly, while in developing countries it is still very limited. Chordiya et al. (2020) found that developing countries tend to have lower levels of organizational protection for whistleblowers than developed countries. They emphasized the importance of building a supportive organizational culture and the existence of real legal protection guarantees. Regulation The existing laws in many developing countries often do not meet international standards, creating a gap between the promised legal protection and the protection actually received by whistleblowers. Therefore, deeper legal reform and more consistent implementation are urgently needed to improve the protection system for whistleblowers in developing countries. (Jiménez et al., 2023). If we compare as a whole, there is a big gap between developed and developing countries in terms of legal protection for whistleblowers. Developed countries generally have a more established legal system, an organizational culture that supports reporting, and attractive incentives for whistleblowers. Meanwhile, in developing countries, protection is often only on paper. Chordiya et al. (2020) emphasized the importance of building an organizational culture that encourages reporting and provides real protection for whistleblowers. Jiménez et al. (2023) also added that deeper legal reform and more consistent implementation are urgently needed in developing countries so that protection for whistleblowers is not just a formality, but its benefits are truly felt.

Whistleblowers in the face of various Psychological Risks and Challenges

Fear of retaliation or job loss, one of the main inhibiting factors in reporting financial fraud is the concern that the act could lead to social exclusion, dismissal, or career damage. In Nortje's (2023) study, it was shown that the risk of retaliation is a factor that often makes individuals reluctant to report fraud. This is especially true in organizations that do not have anonymous reporting channels or clear protection mechanisms, which can add to the sense of uncertainty and often experience psychological tension due to social "dissensus" in the workplace. In situations like this, the whistleblower is often considered a form of betrayal by coworkers, the whistleblower can experience alienation and rejection (Jakubiec, 2023; Kenny & Bushnell, 2020). One aspect that is also a challenge for whistleblowers is the influence of social pressure. In some organizations, even though there are whistleblowing channels available, social norms and organizational culture that support collaborative action often prevent individuals from reporting wrongdoing. Latan et al. (2021) stated that individuals who work in teams in organizations with a highly hierarchical climate tend to be more reluctant to report violations because they feel that doing so will damage their social relationships. In this condition, even though there is a moral or social motivation to report, the

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sense of responsibility towards colleagues or groups is often stronger. Whistleblowers who report fraud cases, especially in financial reports, often face the risk of dismissal, humiliation, or even physical threats. According to Near & Miceli (2016), pressure from the social environment in the workplace can erode a person's intention to report, especially if the violation is committed by people who have strong influence in the organizational structure. The decision to remain silent is often considered safer than facing the social consequences that may arise after reporting is made. Supported by the findings of Sørensen et al. (2020) in Norway, that the lack of adequate appreciation for reporting actually increases the risk of psychological trauma.

Rose et al. (2018) also highlight how imbalances in compensation structures and organizational responses to whistleblowing can exacerbate psychological distress. When whistleblowers feel that their sacrifices are not appreciated or even reciprocated, they can experience reduced self-esteem and feelings of helplessness. Chen & Lai (2014) highlight that social pressure, potential personal loss, and commitment to the organization are also important factors influencing the decision to report, as well as influencing the psychological burden felt. In situations where loyalty to the organization is high, whistleblowing can create deep moral conflict, increasing emotional burden. Factors such as gender and public service motivation influence the level of psychological distress experienced by whistleblowers. Women and individuals with a high commitment to public service values tend to experience greater emotional distress because they are more sensitive to the social and organizational responses they receive after reporting (Tavares et al., 2024). Although some countries have implemented whistleblower protection laws, the effectiveness of these regulations is often limited due to lack of enforcement and political hesitation in supporting the policy (Oóg, 2023).

DISCUSSION

Moral motivation is often the main driving factor, where individuals feel that reporting fraud is the right step to maintain the integrity and transparency of the organization. However, this motivation is not always enough, because there are often external factors such as financial incentives and legal protection that also influence a person's decision to report. This shows that reporting financial fraud is not only influenced by moral motivation, but also by other considerations such as material benefits and guarantees of protection. One of the main motivations that is often found is the moral drive to maintain the integrity of the organization. Whistleblowers are often seen as individuals who have a high sense of social responsibility and are committed to justice. Based on research conducted by Fišar et al. (2021), social and ethical values play a major role in whistleblowing decisions, especially in individuals who have a prosocial orientation. Financial incentives and legal protection can also be a motivator for someone to whistleblow, especially if they feel that the benefits of reporting outweigh the risks. Research by Gao et al. (2017) shows that sufficient financial incentives can encourage individuals to report, especially if they feel that the existing protection system can provide a sense of security. In addition, strong legal protection is very important to encourage individuals to report fraud, because with legal protection, they feel more protected from possible revenge or negative actions from parties involved in the violation. The next biggest challenge faced by whistleblowers is psychological and social risks. Many whistleblowers feel stress, anxiety, and even depression after reporting violations. Research by Latan et al. (2021) shows that individuals with high social orientation are more likely to report violations even though they have to face great psychological pressure. This shows that although moral motivation can be the main reason for reporting, psychological pressure and fear of retaliation also greatly influence the decision to blow the whistle.

In addition, social factors are also barriers to reporting violations, especially in organizations that do not support openness and transparency. Many organizations have social norms that prioritize loyalty to coworkers or superiors, which can make someone hesitate to report errors or violations. Research by Habbe et al. (2019) shows that internal auditors often feel caught between their professional obligation to report fraud and their loyalty to coworkers or superiors. Fear of damaging this social relationship often makes individuals reluctant to report violations, even though they know it is the right thing to do. Organizational culture also plays a role in the success of whistleblowing. Research by Vandekerckhove (2022) shows that organizations with a strong ethical climate that supports openness are more successful in encouraging employees to report fraud, including financial fraud that can harm the organization and society. It should not be forgotten that adequate legal protection is essential to support the whistleblowing system. In developed countries such as the United States, protection for whistleblowers is better compared to developing countries. The Dodd-Frank Act in the United States provides sufficient financial incentives and legal protection to encourage individuals to report violations. However, in many developing countries, although there are policies to protect whistleblowers, their implementation is often weak. Research by Ojobo (2023) shows that in Nigeria, despite the existence of a whistleblowing policy since 2016, many whistleblowers still face the risk of retaliation and lack of adequate protection. The inability of legal systems in developing countries to effectively

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protect whistleblowers exacerbates this problem. Sviatun & Škurek (2023) explain that in countries with authoritarian political regimes, legal protection for whistleblowers is often non-existent or very limited. This causes many individuals to choose to remain silent rather than report violations they know about. Despite the challenges, several developed countries have shown that with a strong legal protection system and clear policies, whistleblowing can be an effective tool to prevent financial fraud. Japan, for example, has implemented a Whistleblower Protection Law that provides better protection for whistleblowers. However, despite improvements in the law, there are still weaknesses such as the burden of proof remaining on the whistleblower and the lack of strict sanctions against retaliation (Iwasaki, 2023).

CONCLUSION

The conclusion of the literature study that has been conducted is that the motivation of whistleblowers to reveal financial fraud is a complex and multidimensional phenomenon, involving various internal and external factors. The main motivation that is often found in related studies is moral motivation, where individuals feel compelled to report fraud in order to maintain integrity and transparency in the organization. This shows that moral motivation is very strong in influencing the decision to whistleblow, especially for those who have a high prosocial orientation and commitment to truth and justice. However, external motivation also plays an important role, especially financial incentives and adequate legal protection that can encourage individuals to report violations even though they face personal risks. The main challenge faced by whistleblowers is the risk of retaliation or reprisal from parties involved in the violation. Research shows that many whistleblowers experience negative impacts, both socially and psychologically, after reporting violations, such as psychological distress, stress, or even job loss. Therefore, adequate protection, both in terms of law and organizational support, is essential to encourage effective reporting and reduce risks for whistleblowers. In addition, individual personality factors also play a major role in the decision to blow the whistle. Individuals with altruistic personalities are more likely to report because of the urge to do the right thing, while those with Machiavellian personalities are more likely to avoid reporting if they feel it is not in their best interest. These personality and personal values interact with contextual factors within the organization, such as organizational culture and the existing ethical climate. Organizations with cultures that support transparency and accountability tend to be more successful in encouraging employees to report fraud without fear of retaliation. On the other hand, although many countries have adopted whistleblower protection policies, the implementation of these protections still faces various challenges, especially in developing countries. In countries such as Indonesia, Nigeria, and Ukraine, legal protection for whistleblowers is still limited, and it is often difficult to ensure that the identity of the reporter remains well protected.

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