

Article

## The Influence of Ethical Code on the Risk of Asset Misappropriation through Whistleblowing Intentions

Sielly Budi Prameswari

Universitas Katolik Widya Karya, Indonesia ; e-mail : [sielly.prameswari@widyakarya.ac.id](mailto:sielly.prameswari@widyakarya.ac.id)

\* Corresponding Author : Sielly Budi Prameswari

**Abstract:** Namely, 42% of frauds are detected by complaints (tips). Research comparing theory and empirical evidence on private entities in Indonesia is quite minimal. This research aims to prove the influence of an ethical code on the risk of asset misappropriation through whistleblowing intentions. The population of this study are employees of medium-scale entities in Jabodetabek and East Java. The sampling method used is purposive. The sample for this research is companies located in Jabodetabek and East Java with employees ranging from 70 to 150 people. This research uses primary data, namely a questionnaire. The researcher tested the validity and reliability of the data through a pilot test. If these two conditions are already met, the data then being analyzed further using path analysis. The data must also meet classical assumptions and linearity testing in path analysis testing. The researcher tested the direct influences using Ordinary Least Square. Meanwhile, the Sobel Test was used to test the indirect influence of the research variables. The Sobel Test results show that whistleblowing intention is proven to mediate the influence of the ethical code on the risk of asset misappropriation. The mediating effect of whistleblowing intention is partial. Whistleblowing intention as a mediator variable has been proven in this research, in line with various previous studies. Because it is proven to mediate partially, the novelty in this research is apart from being a mediator variable, whistleblowing intentions can also be an independent variable, with the risk of asset misappropriation as the dependent variable.

**Keywords:** Ethical code, Medium-scale entities, Path analysis, Risk of asset misappropriation, Whistleblowing intention.

### 1. Introduction

The less supportive global economic situation due to conflicts in several countries is further exacerbated by frauds occurring within the company. Among the various frauds occurring, one of the most common is asset misappropriation (ACFE, 2022: 4). Asset misappropriation accounts for 86% of the total frauds. In general, cases of asset misappropriations also include financial reporting fraud and corruption, which are different types of fraud (ACFE, 2022: 11).

One form of effective fraud detection is whistleblowing. As much as 42% of fraud is detected by complaints (tips), the most common method used today (ACFE, 2022: 4). Based on many complaints, most companies provide a hotline for whistleblowers. According to an ACFE survey in 2022, globally, the whistleblower hotline ranks highest as a follow-up to fraud in the company, increasing by 16% from 54% in 2012 to 70%. Among several stakeholders in the company, the employees are the largest proportion of reporters, namely 55% (ACFE, 2022: 22).

One of the most important aspects of anti-fraud control is the code of ethics (ACFE, 2022: 34). The code of ethics holds a substantial portion, namely 82%. This code of ethics helps find fraud cases by 77%, where it plays an active role in reducing the duration of fraud by 33% (ACFE, 2022: 37). In entities with 100 or more employees, the code of ethics controls fraud by 89%. While in smaller entities, the code of ethics controls fraud by 53%.

Received: 12 April, 2025

Revised: 10 May, 2025

Accepted: 06 June, 2025

Published: 09 June, 2025

Curr. Ver.: 09 June, 2025



Copyright: © 2025 by the authors.

Submitted for possible open

access publication under the

terms and conditions of the

Creative Commons Attribution

(CC BY SA) license

([https://creativecommons.org/li](https://creativecommons.org/licenses/by-sa/4.0/)

[censes/by-sa/4.0/](https://creativecommons.org/licenses/by-sa/4.0/))

Among organizations that fall victim to fraud, entities with a small number of employees (SMEs) have the highest median loss value, which is 150,000 USD (ACFE, 2022: 5). One important aspect that has also increased in the last 10 years is the formal fraud risk assessment from 36% in 2022, increasing by 11% to 46% in 2022.

Asia Pacific is the region with the highest level of whistleblower hotline usage in the world, at 80%. Not only that, the percentage of fraud cases detected by complaints (tips) is also the highest in the world, at 58% (ACFE, 2022: 25). Although the ACFE survey data is based on private entities, academic research comparing theory and empirical evidence on private entities in Indonesia is quite minimal.

Indonesia is a country where SMEs contribute 60.5% of GDP (kemenkeu.go.id, 2023). Reported from Kompas.com on February 7, 2023, based on data from the Ministry of Cooperatives, Small and Medium Enterprises, the majority, or 59.19% of MSMEs are located on the island of Java. From several areas in Java, the author chose private entities in the area of Jabodetabek and East Java. Jabodetabek was chosen by the author because based on the author's experience, the majority of goods and services in Sumatra, parts of Java and also Kalimantan come from Jabodetabek. Meanwhile, East Java was chosen because parts of Kalimantan, Sulawesi, Nusa Tenggara, the Maluku Islands, and Papua are supplied with goods and services by the private sector in East Java.

In addition to the criteria for selecting areas of respondent entities, the author also chose only medium-scale entities. Medium-scale entities have higher incomes than micro and small-scale entities. In addition, the number of employees in entities on this scale is also greater than micro and small-scale entities, so there is a separation of duties and authorities for good internal control. Based on the various reasons above, the author aims to examine the effect of the ethical codes on the risk of asset misuse mediated by whistleblowing intentions on employees in medium-scale private entities in Jabodetabek and East Java. For academic purposes, the results of this study will add to the literature on empirical evidence of whistleblowing intentions in mediating the effect of the ethical codes on the risk of asset misuse. For practitioners, the results of this study can be used as study material or evaluation of the code of ethics, whistleblowing intentions, and the risk of asset misuse for private entities in Jabodetabek and East Java, especially in medium-scale entities.

## 2. Literature Review

In terms of internal control, internal auditors' role in detecting fraud has been widely studied, to name a few are Prameswari (2022) and Prameswari (2024). Several studies have also taken company employees as their objects. Bank employees in Malaysia were studied by Khalil et al., (2014). Management accountants in Indonesia were researched by Sylvia (2014). Ismawijayanthi and Putri (2023) also researched Indonesian State-Owned Enterprises' employees, namely PT. PLN (Persero).

Khalil et al. (2014) researched the intervening impact of whistleblowing in reducing the risk of asset misuse. Meanwhile, Ismawijayanthi and Putri (2023) researched the whistleblowing system for preventing fraud which is mediated by ethical behavior. PT. PLN (Persero) has collaborated with Transparency International in implementing a whistleblowing system to report incorrect practices within its entity.

This research was inspired by Khalil et al. where the independent variable is the code of ethics with the dependent variable being the risk of asset misuse, and whistleblowing as the mediator variable. Whistleblowing is proven to fully mediate the influence of the code of ethics on the risk of asset misuse.

Domestically, the government has formed a National Governance Policy Committee (KNKG) which in 2008 published the Guidelines for the Violation Reporting System (SPP) or Whistleblowing System. In addition to the SPP Guidelines, KNKG also launched General Guidelines for Indonesian Corporate Governance (PUG-KI) in 2021.

From a legal perspective, whistleblowers in Indonesia are covered by Law No. 13 of 2006 concerning Witness and Victim Protection. In 2014, Law No. 31 was also issued to improve protection for witnesses and victims, including whistleblowers.

In addition to empirical evidence in the Malaysian banking world, a survey conducted by ACFE in 2022 also strengthens the author's reasons for researching the influence of the ethical code on the risk of asset misuse mediated by whistleblowing. Indonesia is located in the Asia Pacific region with a high level of entity fraud complaints. In addition, GDP in Indonesia is largely contributed by MSMEs. The majority of Indonesian MSMEs are on the

island of Java. Based on the explanation in the introduction, this research targets employees of medium-scale private entities in Jabodetabek and East Java.

### Herzberg's Two-factor Theory

The theory underlying this research is Herzberg's two-factor theory. This theory distinguishes two groups of rewards that employees will receive from their work. The first group is job satisfaction caused by motivators. Motivators consist of promotion, awareness, responsibility, and self-actualization (Supriyono, 2016: 33). Meanwhile, the second group, namely job dissatisfaction, arises from health factors (hygiene). Health factors include working conditions, relationships between coworkers, ethical codes and policies, and the quality of supervisors.

Misuse of assets is an action that is detrimental to the entity where the employee works. If there is a high risk of asset misuse, or even an incident of fraud, based on this theory, other employees who know about this will consciously and responsibly report the risk and/ or violation that occurred. This is intended to regain conducive working conditions, maintain healthy relationships between colleagues, and also practice the ethical code within the entity.

Priyastiwi (2016) developed the proposition that ethics influence the whistleblowing intention. Yuwandini (2020) used APIP at the Inspectorate General of the Ministry of Education and Culture as a research object and found that moral intensity and the ethical environment had significant positive effects on the intensity of whistleblowing. In addition, Khairunnisa (2023) also proved that professional commitment and a good ethical understanding had significant positive effects on the intention to perform whistleblowing among civil servants who work at the Public Works and Public Housing Department of Jambi Province.

Based on the empirical results from several studies above, the first hypothesis of this research is as follows.

H1: The ethical code has a positive effect on employees' intention to perform whistleblowing

Research by Khalil et al. (2014) found that whistleblowing fully mediates the effect of ethical codes on the risk of asset misuse among bank employees in Malaysia. In Indonesia, the role of whistleblowing intentions as a mediating variable is proven by the following research. Sylvia (2014) proved that whistleblowing intentions mediate the influence of ethical considerations and professional commitment on the evaluation of the control environment of Indonesian State-Owned Enterprises. In the Directorate General of Taxation environment, more specifically employees of South Malang KPP, Widyadhana and Puspita (2020) found that religiosity had a significantly positive influence on tax authorities' performance with whistleblowing intentions as a mediator.

Based on the findings from several studies above, the following second hypothesis was formulated.

H2: Whistleblowing intention mediates the effect of the ethical code on the risk of asset misuse.

The research framework is described as follows.

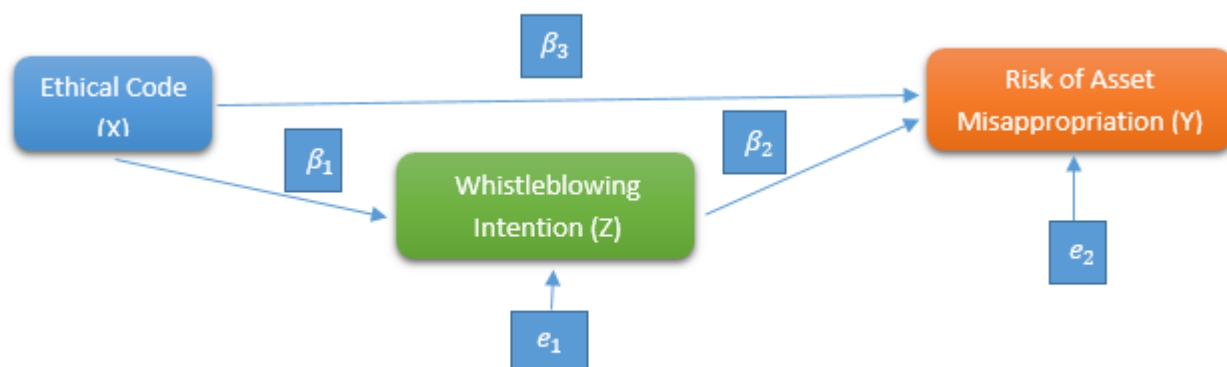


Figure 1. Research Framework

Source: processed data

### 3. Research Methods

The approach used in this research is quantitative. The data was collected from a survey, which is categorized as primary data. The population of this study is employees in medium-sized private entities in Jabodetabek and East Java. Medium-scale private entities were chosen because, in terms of income, they are not too small, namely having more than IDR 2.5 billion to IDR 50 billion in a year (UU No. 20 of 2008). The number of employees also adjusts to the company's scale where there is a separation of duties and responsibilities. The separation is needed for better internal control purposes compared to micro and small-scale businesses. Therefore, the author limits it to entities that have a minimum of 70 employees up to 150 employees. Apart from being based on the criteria above, the employees in the sample are those who are willing to become respondents. This research used a purposive sampling method based on several criteria explained above.

The author first looked for topics and the latest data regarding various variables to be studied. Then, the author looked for information about potential research respondents. The author then collected initial information regarding the conditions of the entity where the prospective respondent worked which was still related to the variables being studied.

The next step is to look for questionnaires related to the variables studied from previous research from various journal/research provider websites. From the various lists of statements, the author adjusted several statements that seemed confusing or difficult for the intended potential respondents to answer. Then a pilot test was carried out on the adjusted questionnaire. The pilot test aims to test the validity and reliability of the research questionnaire (Khalil et al., 2014: 1930); (Widyadhana and Puspita, 2020: 12)

The questionnaire that had been proven valid and reliable was distributed to respondents. The questionnaire that was filled out by the respondent was tested according to the research hypothesis using path analysis. Path analysis testing consists of direct influence and indirect influence. Before testing path analysis, classical assumptions must be met. Apart from the classical assumptions testing which are usually used in linear regression, there is 1 more test, namely the linearity test to be done (Narimawati, 2020: 246). To prove the research hypotheses, two equations need to be tested. The first equation will test the influence of the independent variable, namely the ethical code, on the mediating variable, namely whistleblowing intentions. The author tested this direct influence using Ordinary Least Square (Widyadhana and Puspita, 2020: 15). The second test will prove the influence of the independent variable (ethical code) on the dependent variable (risk of asset misappropriation) which is mediated by whistleblowing intentions. The author tested this indirect influence using the Sobel Test (Abu-Bader and Jones, 2021). Below are both equations.

$$Z = \beta_1 X + e_i$$

$$Y = \beta_2 X + \beta_3 Z + e_i$$

Information:

- X = independent variable, ethical code
- Y = dependent variable, risk of asset misappropriation
- Z = mediating variable, whistleblowing intention
- $\beta_n$  = regression coefficients
- $e_i$  = error

### 4. Results and Discussion

As many as 104 respondents were willing to fill out this research questionnaire. However, there was 1 respondent who stated that the answers entered were incorrect so only data from 103 respondents could be processed. The following are demographic details of the respondents in this study.

**Table 1.** Demographic Table of Research Respondents

Position	Percentage	Amount	Division	Percentage	Amount
Staff	75,73%	78	Finance	33,01%	34
Supervisor	12,62%	13	Purchasing	6,80%	7
Manager	2,91%	3	Production	5,83%	6
Internal Auditor	5,83%	6	Sales	16,50%	17
Director	1,94%	2	GA	16,50%	17
Commissioner	0,97%	1	HRD	3,88%	4
Total Respondents		103	IT	6,80%	7
Experiences	Percentage	Amount	Services	6,80%	7
less than 5 years	48,54%	50	Internal Audit	3,88%	4
5 - 10 years	31,07%	32	Total Respondents		103
11 - 20 years	15,53%	16	Type of Business	Percentage	Amount
more than 20 years	4,85%	5	Services	35,92%	37
Total Respondents		103	Trade	46,60%	48
Having Internal Auditor(s)	Percentage	Amount	Manufacturing	17,48%	18
Yes	69,90%	72	Total Respondents		103
No	30,10%	31	Education	Percentage	Amount
Total Respondents		103	Senior High	26,21%	27
Company Location	Percentage	Amount	Diploma 3	10,68%	11
Jabodetabek	20,39%	21	Bachelor Degree	56,31%	58
East Java	79,61%	82	Postgraduate Degree	6,80%	7
Total Respondents		103	Total Respondents		103

Source: processed data

Before testing the research hypotheses, the data is tested for validity and reliability first. Data validity was tested using Product Moment Pearson Correlation. Valid data is reflected in the correlation coefficient which exceeds the critical value (Sujarweni, 2019: 199). Below are presented the results of testing the validity of research data.

**Table 2.** Results of Testing the Validity of Questionnaire Data

Statement		EC1	EC2	EC3	EC5	EC6	EC8	EC9	EC10
ECcum	Pearson Correlation	0,679	0,773	0,43	0,784	0,837	0,733	0,727	0,812
Statement		WI1	WI2	WI3	WI4	WI5			
Wicum	Pearson Correlation	0,87	0,864	0,807	0,835	0,865			
Statement		RAM1	RAM2	RAM3	RAM4	RAM5	RAM6		
RAMcum	Pearson Correlation	0,821	0,6	0,783	0,661	0,679	0,685		
Information:									
critical value is 0.1937 ( $\alpha$ 0.05; df 101)									

Source: processed data

Initially, the Ethical Code variable had 10 statements. However, statements number 4 and 7 are invalid, leaving only 8 statements. Based on the table above, it can be concluded that the research data is valid because the correlation coefficient for each research indicator statement has exceeded the critical value.

Data reliability was tested using Cronbach's Alpha. If the Cronbach's Alpha value exceeds 0.6, the data obtained from the research questionnaire is declared reliable (Bougie, Sekaran, 2020: 271). From the table below, it can be concluded that the research data is reliable because it meets the reliability requirements.

**Table 3.** Reliability Statistics

Variable	Amount of Statements	Cronbach's Alpha
EC	8	0,871
WI	5	0,901
RAM	6	0,791

Source: processed data

Data that met the validity and reliability aspects was then tested to prove the hypotheses. The author tested the direct influence of both: the independent variable on the mediating variable; also the independent and mediating variables on the dependent variable using Ordinary Least Square. The direct influence of the independent variable and mediating variable on the dependent variable is used as the basis for testing the second hypothesis. On the other hand, the author tested the indirect influence using the Sobel Test. In direct influence testing, classical assumptions and linearity need to be tested. Below are presented descriptive statistics from this research data.

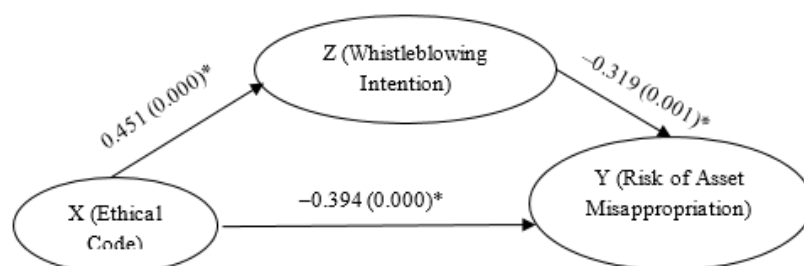
**Table 4.** Descriptive Statistics

Variable	N	Range	Minimum	Maximum	Mean	Std. Deviation
Ethical Code	103	3,75	1,25	5,00	3,85	0,80
Whistleblowing Intention	103	3,00	2,00	5,00	4,15	0,75
Risk of Asset Misappropriation	103	2,17	1,00	3,17	1,71	0,65

Source: processed data

The two equations in this study have passed the heteroscedasticity test using a scatterplot tool. This research data had been proven to have a normal distribution from histogram testing, normal p-p plot on standardized regression residuals, and One-Sample Kolmogorov Smirnov with a value of 0.200 in equations one and two. The data was also proven to have no multicollinearity in the second equation, with a VIF value of 1.255, both for variable X, namely the Ethical Code and for variable Z, namely Whistleblowing Intentions. In cross-sectional data, there is no need for autocorrelation testing. Linearity testing was done by using the deviation from linearity test. In equation 1, variable X, namely ethical code, has a value of 0.154. In equation 2, the linearity test produced a figure of 0.235 for variable X, and 0.176 for variable Z or whistleblowing intentions. Based on various classical assumption tests above, the research hypotheses can be tested using path analysis.

After data analysis, a model was created as a path diagram based on the influence between variables.

**Figure 2.** Path Diagram

Source: processed data

From the figure above, the equations in this research are as follows.

$$Z = 0.451 X + \epsilon; R^2_1 = 0.203 \quad (\text{Substructure 1})$$

$$Y = -0.394 X - 0.319 Z + \epsilon; R^2_2 = 0.370 \quad (\text{Substructure 2})$$

The coefficients in the equations above are standardized beta coefficients. Meanwhile, equations 1 and 2 use the R square value.

### Influence of X on Z

The table below presents the results of the standardized regression test.

**Table 5.** Results of Regression Analysis

Variable	Beta	t statistic	p-value of t	Description
X (Ethical Code)	0.451	5.073	0.000	Significant
t(0.05,101)	= 1.984			
R Square	= 0.203			

Source: processed data

Based on the t statistic, variable X, namely the Ethical Code, has a positive and significant effect on variable Z or whistleblowing intention. This can be concluded from the value of t statistic which is higher than the critical t value, or the p-value which is less than 0.05. A positive coefficient indicates that improving the Ethical Code will significantly increase whistleblowing intentions. Therefore, H1 is accepted.

The R square value shows that variable Z is explained by variable X by 20.3%. The remaining 79.7% is influenced by other variables not researched by the author.

### Indirect Influence of X on Y through Z

To test the indirect influence of variable X on Y through Z, or whether or not variable Z mediates the influence of X on Y, the direct effect regression test of X and Z on Y is needed. The simultaneous F Test Results on Equation 2's Regression are presented in the table below.

**Table 6.** Simultaneous F Test Results

Model	F statistic	Critical value for F	p-value of F	Description
Model 2	29.354	3.087	0.000	Significant

Source: processed data

In the second equation, the F statistic is higher than the critical F value. On the other hand, the p-value is less than 0.05. It can be concluded that the exogenous variable X or Ethical Code and Z, namely Whistleblowing Intentions, have a significant effect on the endogenous variable Y or Risk of Asset Misuse.

Next, the results of the standardization regression test for equation two are displayed in the following table.

**Table 7.** Second Equation Regression Analysis Results

Variable	Beta	t	Sig of t	Description
X (Ethical Code)	-0.394	-4.430	0.000	Significant
Z (Whistleblowing Intention)	-0.319	-3.585	0.001	Significant
t(0.05,100)	= 1.984			
R Square	= 0.370			

Source: processed data

In this second equation, variable Y is explained by variables X and Z by 37%. From the t statistic, it is concluded that Variable X or the ethical code will significantly reduce the risk of asset misappropriation. The t statistic result also proves that Whistleblowing Intention has a negative and significant effect on variable Y with the same conditions. The coefficient in testing the influence of variable Z on Y also indicates that whistleblowing intentions can significantly reduce the risk of asset misappropriation.

#### a. Combined Determination

Based on the results of standardized regression testing, the total diversity of data that can be explained by this research model can be measured using the formula:

$$R^2_m = 1 - [(1 - R^2_1) \times (1 - R^2_2)]$$

$$R^2_m = 1 - [(1 - 0.203) \times (1 - 0.370)] = 0.498$$

The results of the R<sup>2</sup><sub>m</sub> calculation show that the diversity of data that can be explained by this research model is 49.8%. The remaining 50.2% is explained by other variables which are not included in this research model.

#### b. Indirect Influence Hypothesis

The table below summarizes the results of testing the second hypothesis of this study.

**Table 8.** Results of Indirect Influence Hypothesis Testing

Indirect Effect	Coefficient	Sobel ( <i>P-value</i> )	Description
X → Z → Y	-0.144	-2.928 (0.003)	Significant

Source: processed data

Based on the results of testing the indirect influence hypothesis through the Sobel Test, it can be concluded that variable X or Ethical Code significantly affects variable Y, the Risk of Asset Misappropriation through Z, whistleblowing intentions. This is indicated by the Sobel Test p-value of 0.003 which is less than 0.05. The Whistleblowing Intention variable partially mediates the influence of the Ethical Code on the Risk of Asset Misappropriation. The underlying fact is direct influence of the Ethical Code on the Risk of Asset Misappropriation is also significant. Therefore, H2 is accepted.

## Discussion

### The Influence of the Ethical Code on Whistleblowing Intentions

The results of this research prove that the ethical code has a positive and significant effect on whistleblowing intentions, in line with several previous studies. Priyastivi (2016) developed several propositions related to whistleblowing. One of them is related to ethical assessment. In her research, if unethical behavior exists, individuals will consider taking whistleblowing action. If individuals are more ethical in assessing mistakes, it creates a higher tendency for whistleblowing to be carried out. On the other hand, organizational support also plays an important role in whistleblowing. High organizational support creates a conducive working environment. Therefore, employees also feel obliged to be in line with the organization's goals (Gao, 2013 in Priyastivi, 2016). This is proven through Valentine's (2006) research which links organizational support and ethical behavior in organizations.

Yuwandini (2020) found that the ethical environment significantly positively affected whistleblowing intentions at the Inspectorate General of Ministries and Culture. Yuwandini (2020) stated that an ethical environment is the commitment of organizational members which is closely related to moral values.



Khairunnisa (2023), who conducted research at the Public Works and Public Housing Department of Jambi Province, proved that the ethical environment has a positive effect on whistleblowing intentions, where the control variable tested is the ethical code. Suzila (2018) states that an ethical environment is a situation where the implementation of an ethical code has an impact on internal parties. In line with the proposition developed by Gao (2013) in Priyastivi (2016), Riandi (2017) also states that there is a reciprocal relationship between individuals and organizations.

Primasari and Fidiana (2020) stated that whistleblowing actions are carried out based on ethical standards and to maintain the sustainability of the organization where the whistleblowers work. One indicator in measuring the moral intensity of whistleblowing intentions is ethics. Primasari and Fidiana (2020) found that the moral intensity of employees of the East Java Regional Revenue Agency, Surabaya City had a positive effect on whistleblowing intentions.

Ahmad et al. (2012) found that for auditors in Malaysia, ethical considerations had a positive and significant influence on internal whistleblowing. On internal auditors in the Palembang banking sector, Meutia et al. (2018) found that ethical considerations positively influence the desire to carry out whistleblowing.

The results of this research are in line with previous studies that examined the influence of ethics on the intention to carry out whistleblowing. The research results showing that the ethical code has a significant positive effect on whistleblowing intentions also prove Herzberg's two-factor theory. From this theory, the health factor, namely the ethical code, plays an important role in preventing employees from becoming dissatisfied with the organization where they work if asset misappropriation occurs.

### **The Influence of the Ethical Code on the Risk of Asset Misappropriation through Whistleblowing Intentions**

Before testing the whistleblowing intentions mediating effect of the ethical code's influence on the risk of asset misappropriation, the direct influence of the ethical code and whistleblowing intentions on the risk of asset misappropriation is first tested. Ethical codes are proven to negatively and significantly influence the risk of asset misappropriation. This is a new finding from this research, where the author has not found research that tests the independent and dependent variables above with similar results.

Whistleblowing intentions which have been proven to have a significant negative effect on the risk of asset misappropriation are in line with research by Maulida and Bayunitri (2021). Research by Maulida and Bayunitri (2021) proves that the whistleblowing system has a positive and significant effect on preventing fraud among Bank Jabar Banten Head Office employees in Bandung. In the demographics section of the research conducted by the current author, 72 respondents, or 69.2% stated that the organization where they work has at least an internal auditor. Internal auditors are one element in the whistleblowing system. On the other hand, misappropriation of assets is a form of fraud according to the ACFE.

The whistleblowing intention variable is proven to partially mediate the influence of the ethical code on the risk of asset misappropriation. This is in line with research by Khalil et al. (2014) who tested the same independent, dependent, and mediator variables. The research of Khalil et al. (2014) tested bank employee respondents in Malaysia and the effect of whistleblowing intention is fully mediated. Meanwhile, this research complements evidence

of similar research on employees of medium-sized companies in Jabodetabek and East Java in Indonesia.

The mediating effect of whistleblowing intention is not only proven in the model where the independent and dependent variables are the same as in this study but also other models. As explained in the introduction, whistleblowing intentions mediate the influence of ethical considerations and professional commitment on the evaluation of the control environment (Sylvia, 2014). In Widyadhana and Puspita's (2020) research, whistleblowing intentions mediated the influence of religiosity on tax authorities' performance.

From the results of testing the second hypothesis, the following evidence and conclusions were obtained. Whistleblowing intentions and ethical code can be used as independent variables, with the risk of asset misappropriation as the dependent variable. Apart from that, whistleblowing intention also acts as a mediator variable, especially of the ethical code's influence on the risk of asset misappropriation.

Based on empirical testing in this research, medium-sized companies in Jabodetabek and East Java that have not created and implemented a code of ethics can evaluate and consider making changes. Medium-scale companies are still included in the MSME group, but considering the large role of MSMEs in Indonesia's GDP, medium-scale companies should create and implement a code of ethics, especially related to whistleblowing mechanisms. This aims to reduce the risk of fraud among small-scale entities lurking as evidenced by the ACFE survey.

## 5. Conclusion

This study has two objectives. The first objective is to test the effect of the ethical code on employee intentions to blow the whistle. The second objective of this study is to test the indirect effect of the ethical code on the risk of asset misappropriation through whistleblowing intentions.

This study uses primary data in the form of questionnaires. The data is processed using path analysis consisting of direct and indirect influences. The direct influences were tested using Ordinary Least Square. Meanwhile, the indirect influence was tested through the Sobel Test.

The results of this research prove that the ethical code has a positive and significant effect on employees' intentions to carry out whistleblowing. The second result of this research is that whistleblowing intentions partially mediate the ethical code's influence on the risk of asset misappropriation. From testing the second hypothesis, it is obtained that there is a direct influence of the variables ethical code and whistleblowing intention on the risk of asset misappropriation with a negative and significant effect. An additional conclusion is obtained that apart from being able to be used as a mediator, whistleblowing intention can also be used as an independent variable on the risk of asset misappropriation. Proving the significant direct influence of the ethical code on the risk of asset misappropriation as material for analyzing the influence of mediation, is the novelty of this research.

Both the results of testing hypothesis one and hypothesis two are in line with various previous studies. The results of this research also prove Herzberg's two-factor theory where health factors, one of which is a code of ethics, play an important role in reducing job dissatisfaction if misappropriation of assets occurs.

### Limitations

This research has limitations. Based on respondent demographics, the majority of respondents came from East Java and especially from trade and service businesses. The author has attempted to contact potential respondents in the Jakarta area, as well as expanding the Jakarta area to Jabodetabek, but the number of respondents in the Jabodetabek area is still far less than respondents in East Java. Respondents who work in the manufacturing sector generally were not willing to become research respondents. Future research is expected to continue this research by focusing on respondents in Jabodetabek, as well as manufacturing companies. The manufacturing sector has the most complicated systems compared to other types of business, therefore it is more susceptible to the risk of asset misappropriation.

### References

- [1] Abu-Bader, S., & Jones, T. V. (2021). Statistical Mediation Analysis Using the Sobel Test and Hayes SPSS Process Macro. *International Journal of Quantitative and Qualitative Research Methods*, 9(1), 42–61. <https://ssrn.com/abstract=3799204>
- [2] ACFE. (2022). *Occupational Fraud 2022: A Report to the Nations*. Association of Certified Fraud Examiners, 1–96.
- [3] Ahmad, S., Smith, G., Ismail, Z., Ahmad, S. A., & Smith, M. (2012). Internal Whistle-Blowing Intentions: A Study of Demographic and Individual Factors. *Journal of Modern Accounting and Auditing*, 8(11), 1632–1645. <http://ro.ecu.edu.au/ecuworks2012/638>
- [4] Bougie, R., & Sekaran, U. (2020). *Research Methods for Business* (8th ed.). John Wiley & Sons, Inc.
- [5] Ismawijayanthi, G. A. D. L., & Putri, I. G. A. M. A. D. (2023). Persepsi Karyawan Mengenai Whistleblowing System terhadap Pencegahan Fraud dengan Perilaku Etis sebagai Variabel Intervening. *E-Jurnal Akuntansi*, 33(4), 1073. <https://doi.org/10.24843/eja.2023.v33.i04.p14>
- [6] Kementerian Keuangan. (2023). 3134-Kontribusi-Umkm-Dalam-Perekonomian-Indonesia @ Djpb.Kemenkeu.Go.Id (p. 1). <https://djpb.kemenkeu.go.id/kppn/lubuksikaping/id/data-publikasi/artikel/3134-kontribusi-umkm-dalam-perekonomian-indonesia.html>
- [7] Khairunnisa. (2023). Pengaruh Komitmen Profesional, Lingkungan Etika, dan Personal Cost terhadap Intensi untuk Melakukan Whistleblowing [Universitas Jambi]. <https://www.ncbi.nlm.nih.gov/books/NBK558907/>
- [8] Khalil, M. A. K. B. M., Nawawi, A. B., & Mahzan, N. D. (2014). The Intervening Effects of Whistleblowing in Reducing the Risk of Asset Misappropriation. *Journal of Business and Economics*, 5(10), 2155–2190. [https://doi.org/10.15341/jbe\(2155-2190\)/10.05.2014/019](https://doi.org/10.15341/jbe(2155-2190)/10.05.2014/019)
- [9] Komite Nasional Kebijakan Governansi. (2008). Pedoman Pelaporan Pelanggaran-SPP (Whistleblowing system-WBS). Komisi Pemberantasan Korupsi. <https://perpustakaan.kpk.go.id/index.php?h=cari&kata=Komite> Nasional Kebijakan Governance (KNKG)
- [10] Meutia, I., Adam, M., & Nurpratiwi, T. (2018). The effect of professional commitment and ethical consideration on the desire to do whistleblowing with locus of control as a moderating variable (study on the banking sector in Palembang). *Jurnal Perspektif Pembiayaan Dan Pembangunan Daerah*, 6(3), 363–370. <https://doi.org/10.22437/ppd.v6i3.5971>
- [11] Narimawati, U., Sarwono, J., Munandar, D., & Winanti, M. B. (2020). *Metode Penelitian dalam Implementasi Ragam Analisis* (1st ed.). Penerbit ANDI (Anggota IKAPI).
- [12] Prameswari, S. B. (2022). Manfaat dan Tantangan dalam Melakukan Audit Internal secara Jarak Jauh Berdasarkan Praktikalitas pada Tiap Area Audit. *Akuntansi* 45, 3(1), 111–121. <https://jurnaluniv45sby.ac.id/index.php/akuntansi/article/view/598/553>

- [13] Prameswari, S. B. (2024). Dampak Tanggungjawab dan Pelatihan Auditor Internal terhadap Pendeteksian Kecurangan yang Dimoderasi Audit Jarak Jauh. *Owner*, 8(1), 62–73. <https://doi.org/10.33395/owner.v8i1.1924>
- [14] Primasari, R. A., & Fidiana, F. (2020). Whistleblowing Berdasarkan Intensitas Moral, Komitmen Profesional, dan Tingkat Keseriusan Kecurangan. *Jurnal Kajian Akuntansi*, 4(1), 15. <https://doi.org/10.33603/jka.v4i1.3383>
- [15] Priyastiwati. (2016). Prediksi Whistleblowing: Peran Etika, Faktor Organisasional Dan Faktor Kontekstual. *Jurnal Riset Manajemen Sekolah Tinggi Ilmu Ekonomi Widya Winaba Program Magister Manajemen*, 3(2), 146–158. <https://doi.org/10.32477/jrm.v3i2.182>
- [16] Republik Indonesia. (2006). Undang-undang Republik Indonesia Nomor 13 Tahun 2006 tentang Perlindungan Saksi dan Korban. In Bpk.Go.Id.
- [17] Republik Indonesia. (2008). Undang-undang Republik Indonesia Nomor 20 Tahun 2008 tentang Usaha Mikro, Kecil, dan Menengah (Issue 1). Menteri Hukum dan Hak Asasi Manusia Republik Indonesia.
- [18] Republik Indonesia. (2014). Undang-Undang Republik Indonesia Nomor 31 Tahun 2014 Tentang Perubahan Atas Undang-Undang Nomor 13 Tahun 2006 Tentang Perlindungan Saksi Dan Korban (Lembaran Negara Republik Indonesia Tahun 2014 Nomor 293, Tambahan Lembaran Negara Republik Indonesia Nomor 293). In Bpk.Go.Id (Issue 3).
- [19] Riandi, G. (2017). Pengaruh Sifat Machiavellian, Lingkungan Etika Dan Personal Cost Terhadap Intensi Melakukan Whistleblowing (Studi Empiris Pada Bank Bri Provinsi Riau). *JOM Fekon*, 4(1), 2538–2550.
- [20] Sujarweni, V. W. (2019). *SPSS untuk Penelitian*. Pustaka Baru Press.
- [21] Supriyono, R. A. (2016). *Akuntansi Keperilakuan* (3rd ed.). Gadjah Mada University Press.
- [22] Suzila. (2018). Pengaruh Sifat Machiavellian dan Lingkungan Etika terhadap Niat Melakukan Whistleblowing.
- [23] Sylvia, A. (2014). Pengaruh Pertimbangan Etis dan Komitmen Profesional Terhadap Evaluasi Lingkungan Pengendalian dengan Whistleblowing Intention Sebagai Variabel Interventing. In Skripsi. Universitas Negeri Jakarta.
- [24] Valentine, S., Greller, M. M., & Richtermeyer, S. B. (2006). Employee job response as a function of ethical context and perceived organization support. *Journal of Business Research*, 59(5), 582–588. <https://doi.org/10.1016/j.jbusres.2005.06.004>
- [25] Widyadhana, I. R., & Puspita, A. F. (2020). Pengaruh Religiusitas terhadap Kinerja Pegawai Melalui Niat Whistleblowing (Studi pada Pegawai Pajak Kantor Pelayanan Pajak Pratama Malang Selatan).
- [26] Yulian Maulida, W., & Indah Bayunitri, B. (2021). The influence of whistleblowing system toward fraud prevention. *International Journal of Financial, Accounting, and Management*, 2(4), 275–294. <https://doi.org/10.35912/ijfam.v2i4.177>
- [27] Yuwandini, A. (2020). Faktor-Faktor yang Mempengaruhi Intensi Aparat Pengawas Internal Pemerintah dalam Melakukan Whistleblowing (Studi Empiris pada Inspektorat Jenderal Kementerian Pendidikan dan Kebudayaan). Universitas Negeri Semarang.