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The Crucial Role of Whistleblowing Systems in Building a Culture of Transparency and Preventing Fraud

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Abstract. The increasingly complex phenomenon of fraud in the banking sector requires effective and sustainable prevention measures. This study aims to describe the implementation of a whistleblowing system at Bank Jabar Banten Syariah (BJBS) Pelajar Pejuang Branch Office in Bandung, analyze its role in building a culture of transparency and preventing fraud, identify obstacles encountered, and provide recommendations for optimizing the system. The research approach used is descriptive qualitative, with data obtained through in-depth interviews, direct observation, and internal documentation review. The findings show that the whistleblowing system has been implemented through various official reporting channels and has contributed to increased ethical awareness and the formation of a culture of transparency. However, its effectiveness is still hampered by a lack of socialization, a culture of hesitation, and limited protection for whistleblowers. The research recommendations emphasize the need to strengthen socialization, utilize more secure digital technology, and ensure management commitment to strengthening whistleblower protection so that the system can function optimally as a governance and fraud prevention instrument.

Keywords: *Fraud, Transparency, Whistleblowing System.*

A. INTRODUCTION

Fraudulent practices or fraud in the financial sector are a serious threat that is recognized globally. The impact is not limited to significant financial losses, but also extends to broader aspects, such as weakening economic stability and declining public confidence in the financial system (Ambarwati et al, 2025). In Indonesia, the potential for vulnerability to fraud is quite high, particularly in the banking sector, both conventional and sharia. Based on a report by the Financial Services Authority (OJK) from 2024 to January 2025, there were 2,688 public complaints related to external fraud cases, where the dominant method used by perpetrators was account takeover (Putri, 2025). The OJK released further data in August 2025, showing that the total number of complaints in the financial services sector had increased sharply, with 12,776 cases originating from the banking sector alone. This fact indicates that the dynamics of fraud risk in Indonesia have escalated significantly and demand serious attention from various parties (Kontan, 2025).

The Indonesian government has responded to this issue by issuing regulations, one of which is OJK Regulation (POJK) Number 12 of 2024 concerning the Implementation of Anti-Fraud Strategies for Financial Services Institutions (OJK, 2024). This regulation mandates the integration of various prevention systems, including the implementation of a whistleblowing system, which is considered an effective instrument in detecting violations and financial statement manipulation at an early stage. With strong internal controls, coupled with a consistent culture of accounting transparency, financial reports can be presented fairly in accordance with applicable principles, thereby ultimately strengthening stakeholder confidence (Saputra, 2023).

Fraud in the Islamic banking sector often takes the form of asset misuse, financial statement manipulation, and financing practices (Puryati et al, 2024) that are not in accordance with Islamic principles (Sari et al, 2023). Based on findings by the OJK and the Association of

Certified Fraud Examiners (ACFE), internal and external fraud remain major issues that have not been fully addressed. One of the contributing factors is weak regulation, particularly with regard to administrative sanctions, which are considered insufficiently strict, thereby allowing financial crimes to recur (ACFE, 2022). Such acts result in severe legal consequences for the parties involved (Harianja, 2025). It is important to understand that fraud in the sharia sector not only causes financial losses but also has moral and spiritual implications. This is because the main principle of sharia banking, is based on the values of trust and justice (Junaedi & Maulana, 2014).

In several previous studies used to reveal the following, Rahman & Setiawan (2022) emphasized that fraud prevention efforts cannot be seen as an option, but rather an absolute necessity for Islamic financial institutions to remain credible, transparent, and integrity. Angraini (2025) argues that whistleblowing systems serve to build a culture of transparency and support the role of auditing and forensic accounting in uncovering various forms of financial fraud. The effectiveness of these systems is highly dependent on management support and a conducive organizational culture. The findings of Paraswansa & Utomo (2024) show that there is a close relationship between whistleblowing systems and a culture of transparency in reducing the possibility of fraud. A literature review by Marican et al (2025) confirms that whistleblowing systems complement internal controls in fraud prevention in both the public and private sectors in Indonesia. A study conducted by Yulientinah & Mukhlisha (2024) confirms that whistleblowing, when combined with individual competence and morality, will have a positive impact on fraud prevention in companies in Indonesia.

The results of the above studies consistently show that whistleblowing systems contribute significantly to building a culture of transparency and preventing fraud. This study then focused on a case study at the BJBS Pelajar Pejuang Branch Office in Bandung, which is considered representative of regional Islamic financial institutions. Conditions in the field show that the whistleblowing system has indeed been implemented through digital channels and hotlines. However, the level of participation among whistleblowers remains low due to a lack of socialization and a strong culture of hesitation within the community and internal organizations. This phenomenon makes the research object even more interesting to study, especially in the context of the implementation of POJK 12/2024, which emphasizes a holistic anti-fraud strategy.

The purpose of this study is to comprehensively describe the implementation of whistleblowing systems, analyze their role in building a culture of transparency and preventing fraud, identify obstacles encountered, and develop practical recommendations for optimizing these systems. The novelty of this study lies in its focus on Islamic banks, which has been limited to date. The research is expected to not only contribute theoretically by enriching the literature on whistleblowing in Islamic banking, but also to produce practical benefits in the form of improved governance in related financial institutions.

B. LITERATURE REVIEW

1. Whistleblowing System

A whistleblowing system is a mechanism for reporting violations or indications of corruption and fraud committed by internal organizations or external parties. The main purpose of this system is to provide a safe, confidential, and anonymous channel to encourage reporting without fear of retaliation (LPSK, 2021).

The main principles of the whistleblowing system include the anonymity of the reporter, legal protection from potential retaliation, and a rapid follow-up mechanism through media such as hotlines, email, and digital applications (Hastuti et al, 2025). From a sharia accounting perspective, the whistleblowing system can also be viewed as part of internal control, which plays an important role in preventing fraud (Sakinah & Ponirah, 2021).

2. **Whistleblowing Systems in Transparency and Fraud Prevention**

A culture of transparency strengthens trust while reducing the risk of fraud through openness and honest communication across all levels of the organization (Irawan, 2019). In the study of Islamic accounting, a culture of transparency has strategic significance because it supports the quality of accurate and reliable financial reports (Wahyudi & Rosyidah, 2024).

Fraud is defined as intentional deception to obtain unlawful gains at the expense of others. According to the ACFE (2022), fraud can be divided into several types, such as financial fraud, corruption, and asset misappropriation. In the context of Islamic banking, fraud has unique implications because it must comply with sharia principles and involve strict ethical aspects, so fraud control must be combined with principles of transparency and strong reporting (Rahman & Setiawan, 2022). Several previous studies have highlighted the link between whistleblowing systems and transparency and fraud prevention, namely Rahman & Setiawan (2022), Angraini (2025), Paraswansa & Utomo (2024), Marican et al (2025), and Yulientinah & Mukhlisha (2024), as mentioned in the introduction.

C. METHOD

This study uses a qualitative descriptive approach, which guides researchers to explore in depth the implementation of a whistleblowing system in a culture of transparency and fraud prevention at BJBS KC Pelajar Pejuang Bandung as an instrument (Sugiyono, 2018). Data was collected from primary sources and secondary literature. Primary sources were explored through in-depth interviews with management, staff, internal auditors, and related parties, as well as through direct observation of related operational activities. Secondary literature consisted of whistleblowing SOP documents, internal reports, and supporting literature. Data analysis techniques used data reduction steps to filter relevant information, systematic data presentation, and drawing conclusions to answer research questions. Data validity was tested using source and method triangulation to maintain consistency of findings. This study focused on four main areas: describing the implementation of the whistleblowing system, analyzing its role in building a culture of transparency and preventing fraud, identifying obstacles encountered, and providing recommendations for optimization.

D. RESULTS AND DISCUSSION

The whistleblowing system in this branch has been implemented since 2022 based on head office guidelines. Reporting channels are provided through direct supervisors, official email, hotlines, and complaint boxes. Socialization is carried out through meetings and short training sessions, but the intensity is still low, especially for operational staff. Most employees consider this system to be formally in place, but rarely used. BJBS guarantees the confidentiality of whistleblowers through SOPs that emphasize the principles of anonymity and protection from retaliation. However, around 60% of respondents remain skeptical of these guarantees because they are concerned that their reports will be leaked to their superiors. Although there have been no cases of retaliation, this perceived risk is a major obstacle to the utilization of the system.

A culture of transparency began to develop in 2024, with 70% of employees acknowledging this system as a manifestation of commitment to openness. However, a culture of reticence and low trust remains strong. Many employees prefer informal channels to official ones. Formal reporting participation is only around 20% of potential minor cases, exacerbated by a lack of feedback after reports are submitted. Although it has not yet succeeded in uncovering major fraud cases, this system has helped detect minor violations such as misuse of office facilities and late reporting of transactions. Throughout 2023–2024, there were three reports that were quickly followed up with internal investigations and minor sanctions. However, because the results of the investigation are only known to the reporter, the transparency of the results is still limited and reduces collective trust in the system.

The whistleblowing system as a whole has contributed to increasing employee ethical awareness and accountability and strengthening BJBS's image as an institution committed to sharia values, trustworthiness, and justice. However, the effectiveness of this system is still low due to a lack of participation, a strong culture of hesitation, minimal socialization, and insufficient technological support. To maximize its potential, efforts are needed to build trust, strengthen anonymous digital systems, and create a more open organizational culture.

1. **Implementation of the Whistleblowing System**

The implementation of a whistleblowing system is one of the strategic instruments in strengthening Good Corporate Governance (GCG) practices and internal control systems. This system not only functions as a technical means of reporting violations, but also represents an institutional commitment to the principles of transparency, accountability, and integrity in Islamic banking operations as stated by Rahman & Setiawan (2022). Through its implementation, organizations strive to create an open and ethical reporting culture to prevent and detect potential fraud early on.

The official reporting channel provided allows employees to report suspected violations, whether in the form of abuse of authority, financial data manipulation, or professional ethics violations. One of the important characteristics of this system is the guarantee of anonymity for whistleblowers, which is the main foundation in encouraging the courage to report without fear of retaliation. Every report received is followed up through an internal investigation process by a specially appointed team. However, the effectiveness of the whistleblowing system is highly dependent on the implementation of its basic principles, namely anonymity, protection of whistleblowers, prompt follow-up, and independence of report managers.

Within BJBS, the implementation of a confidential reporting mechanism has been able to maintain the confidentiality of the reporter's identity. However, aspects of reporter protection and the independence of the report management team still need to be improved in order to comply with ideal GCG standards. Other obstacles arise from the organizational culture, such as limited socialization and employee resistance to the reporting mechanism, which has the potential to reduce the effectiveness of the system in the long term.

From a GCG perspective, the whistleblowing system has shown significant progress, particularly in terms of accountability and transparency. Accountability is reflected in the existence of documented and standardized reporting procedures, while transparency is evident in the openness of the follow-up process at the managerial level. However, the principles of responsibility and fairness still face challenges, mainly due to employees' concerns about potential social and professional sanctions after reporting, as well as a low level of understanding of the importance of such a system.

These findings are consistent with the results of studies by Angraini (2025) and Paraswansa and Utomo (2024), which state that whistleblowing systems play an important role in strengthening organizational governance through increased transparency, accountability, and fraud prevention. Research by Okafor et al (2020) also confirms that whistleblowing functions as an accountability mechanism that can limit corruption and misconduct, especially when reporting procedures are well structured and implemented independently.

2. The Role of Whistleblowing Systems in Transparency and Fraud Prevention

A number of studies provide a theoretical basis for the effectiveness of whistleblowing in the context of fraud prevention. ACFE (2022) asserts that whistleblowing is a preventive mechanism through early detection that has been proven to significantly reduce organizational losses. This is in line with the practice at BJBS, where the whistleblowing system contributes to reducing potential losses due to fraud and increasing employee awareness of the importance of operational integrity.

In addition, Putra et al (2022) emphasize that the implementation of integrated whistleblowing through formal reporting channels can accelerate organizational response while reducing the risk of fraud through early detection mechanisms. These findings are in line with the reality at BJBS, where the whistleblowing system strengthens the role of internal oversight, although there is still room for optimization. Whistleblowing is also believed to be able to suppress elements in the Fraud Triangle. As explained by Maulidi and Ansell (2020), this system contributes to reducing opportunities through stricter oversight and reduces rationalization by fostering a culture that stigmatizes fraud as a serious violation. This narrows the scope for fraud to occur because employees are aware that reports can be submitted at any time.

The Fraud Diamond perspective adds a dimension of capability to fraud risk analysis. Ambarwati et al (2025) show that the four elements: pressure, opportunity, rationalization, and capability, simultaneously influence fraudulent financial reporting practices. Therefore strengthening ethics and internal control is considered essential for risk mitigation, especially in the context of Islamic banking. These findings further support the effectiveness of the whistleblowing system implementation at BJBS, which has been proven to reduce opportunity and rationalization, and make potential fraudsters more cautious in their actions. This condition is in line with Marican et al (2025), who confirmed that whistleblowing systems complement internal controls in fraud prevention, and Yulientinah & Mukhlisha (2024), who highlighted that whistleblowing combined with individual competence and morality will have a positive impact on fraud prevention.

3. Obstacles of the Whistleblowing System

Although whistleblowing systems have provided tangible benefits, their implementation still faces several weaknesses. The main advantage of this system lies in its structured formal reporting channels and management's commitment to follow up on reports, thereby realizing the principles of accountability and transparency through systematic and easily traceable documentation (Tripalupi, 2019). However, the effectiveness of this system is not yet optimal due to a lack of socialization, resulting in many employees not fully understanding the reporting procedures. In addition, organizational culture is also an obstacle, with some employees reluctant to report for fear of social and career repercussions. These findings are in line with the research by Mahardikasari & Nugraheni (2022), which highlights similar obstacles in various organizations in Indonesia.

4. Optimization of the Whistleblowing System

Academically this study makes a significant contribution to the literature on whistleblowing in the Islamic banking sector, which to date remains relatively limited when compared to the conventional banking sector. This study confirms the close relationship between whistleblowing systems, organizational culture, and fraud prevention efforts, while enriching the discussion on the implementation of GCG in Islamic banks. From a practical perspective, the results of this study offer concrete input for BJBS in strengthening risk management, particularly through the reinforcement of a more effective and sustainable internal control system. By addressing the identified weaknesses, such as a lack of socialization, a culture of hesitancy, and protection for whistleblowers, the potential of the whistleblowing system can be maximized as a strategic instrument in corporate governance.

E. CONCLUSION

The implementation of the whistleblowing system at BJBS KC Pelajar Pejuang Bandung reflects a commitment to GCG principles through the provision of an official reporting channel that supports transparency and accountability. However, its effectiveness is still limited due to low employee participation, minimal socialization, and doubts about the protection of whistleblowers. Nevertheless, this system has increased ethical awareness and internal accountability, although its contribution to fraud prevention is not yet optimal. The main obstacles include a lack of socialization, limited understanding of procedures, organizational cultural resistance, and suboptimal protection for whistleblowers. Therefore, the success of this system depends on improved education, training, and protection guarantees. Optimizing the whistleblowing system requires strengthening socialization, training, and protection for whistleblowers so that it can function effectively as a fraud prevention tool. Management support needs to be backed by a secure digital system, anti-retaliation policies, and an independent investigation team, so that whistleblowing can become the foundation of a culture of transparency and integrity in accordance with GCG principles in Islamic banking.

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