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# THE EFFECTS OF WHISTLEBLOWING SYSTEMS, INDIVIDUAL MORALITY, AND INTEGRITY ON ZAKAT INSTITUTION PERFORMANCE: THE MEDIATING ROLE OF FRAUD PREVENTION

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## Abstract

This study examines the effects of whistleblowing systems, individual morality, and integrity on zakat institution performance, with fraud prevention serving as a mediating variable. Data were collected from 109 employees of licensed zakat institutions in Indonesia and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that whistleblowing systems, individual morality, and integrity significantly enhance fraud prevention. Fraud prevention, in turn, positively affects zakat institution performance. While whistleblowing systems and individual morality do not directly influence organizational performance, their effects are transmitted through fraud prevention. In contrast, integrity has both direct and indirect effects on zakat institution performance through fraud prevention. This study contributes to the zakat governance literature by demonstrating the strategic role of fraud prevention in linking governance mechanisms and ethical values to organizational performance. The findings suggest that strengthening whistleblowing systems, fostering ethical awareness, and promoting integrity among employees are essential for improving accountability, maintaining public trust, and enhancing the performance of zakat institutions.

**Keywords:** Whistleblowing System, Individual Morality, Integrity, Fraud Prevention, Zakat Institution Performance

## INTRODUCTION

Zakat is one of the most important instruments of Islamic social finance and has long been expected to contribute to poverty reduction and social welfare. In Indonesia, the development of formal zakat institutions has increased the role of zakat in supporting social and economic programmes. National zakat collection continues to grow, reaching IDR 32.3 trillion in 2023. However, this figure remains far below the estimated zakat potential of more than IDR 327 trillion reported by BAZNAS. The large gap between potential and actual collection suggests that the performance of zakat institutions still faces considerable challenges despite growing public awareness of zakat and Islamic philanthropy (Badan Amil Zakat Nasional (BAZNAS), 2024).

One issue that continues to attract attention is public trust in zakat institutions. Unlike business organizations, zakat institutions manage funds that are entrusted by society for religious and social purposes. As a result, stakeholders expect a high level of accountability, transparency, and ethical conduct. Previous studies have shown that trust influences zakat compliance and affects the willingness of Muslims to channel zakat through formal institutions (Bin-Nashwan, 2021; Febriandika & Kusuma, 2023; Hamdani et al., 2024). Similarly, (Jamaludin et al., 2025) argue that trust remains a key element in maintaining long-term relationships between zakat institutions and their stakeholders. Without sufficient trust, the ability of zakat institutions to mobilise and manage zakat funds effectively may be limited.

The issue of trust is closely related to governance quality. Several studies have reported that good governance, transparency, and accountability contribute to better organisational performance and stronger stakeholder confidence in zakat institutions (Amalia, 2019; Sawmar, 2021; Wahyuni-TD, 2021). At the same time, cases of fund misuse and governance failures in charitable and nonprofit organisations have increased concerns about fraud risk. In zakat institutions, fraud may have broader consequences because it not only causes financial losses but can also damage institutional credibility and reduce public confidence in formal zakat management. For this reason, fraud prevention has become an important aspect of zakat governance and organisational sustainability.

Fraud prevention refers to organisational efforts aimed at reducing opportunities for misconduct and strengthening accountability mechanisms. Effective fraud prevention can improve internal control systems, support responsible fund management, and protect institutional reputation. Prior research has found that organisations with stronger fraud prevention mechanisms tend to achieve better governance outcomes and organisational performance (Sharif & Osman, 2026; Wahyuni-TD, 2021; Yulianti et al., 2025). Within the context of Islamic social finance, strengthening fraud prevention is increasingly viewed as an essential requirement for maintaining public trust and ensuring the effective management of entrusted funds.

Among the factors frequently associated with fraud prevention are whistleblowing systems, individual morality, and integrity. A whistleblowing system provides employees with a channel to report unethical behaviour and suspected misconduct. Recent studies suggest that whistleblowing mechanisms can support fraud detection and reduce organisational wrongdoing when supported by an appropriate reporting culture and management commitment (Abdullah et al., 2024, 2026; Al-Thani & Wright, 2026). Likewise, individual morality influences ethical judgement and behavioural choices, while integrity reflects consistency between personal values and organisational responsibilities. Employees

with higher levels of morality and integrity are generally more likely to comply with ethical standards and less likely to engage in fraudulent practices (Maulani et al., 2024; Rifai & Mardijuwono, 2020).

Although the relationships between governance factors and fraud prevention have received growing scholarly attention, several gaps remain. First, empirical findings concerning the effectiveness of whistleblowing systems are still mixed. Some studies report significant effects on fraud prevention, while others find limited or insignificant impacts depending on organisational conditions and reporting culture (Abdullah et al., 2026; Zakiy & Satyarini, 2025). Second, most previous studies have focused on corporations, public-sector organisations, banks, and local government institutions, whereas evidence from zakat institutions remains relatively limited (Hak et al., 2024; Wahyuni-TD, 2021). Given the distinctive characteristics of zakat institutions as faith-based organisations, findings from other sectors may not fully explain governance practices within Islamic social finance institutions.

Another limitation in the existing literature concerns the mechanism through which governance and behavioural factors influence organisational performance. Previous studies have mainly examined the direct effects of whistleblowing systems, morality, and integrity on fraud-related outcomes. Less attention has been given to fraud prevention as a process that may connect these factors to organisational performance. Understanding this mechanism is important because improvements in performance may occur not directly through governance practices themselves but through their ability to reduce fraud risk and strengthen accountability systems (Handoko et al., 2025; Yulianti et al., 2025).

Therefore, this study examines the effects of whistleblowing systems, individual morality, and integrity on fraud prevention in Indonesian zakat institutions. It also investigates the effect of fraud prevention on organisational performance and evaluates the mediating role of fraud prevention in explaining how governance-related and behavioural factors contribute to the performance of zakat institutions.

This study contributes to the literature in three ways. First, it extends the discussion of fraud prevention within the context of Islamic social finance by focusing on zakat institutions. Second, it examines fraud prevention as a mediating variable linking whistleblowing systems, individual morality, and integrity to organisational performance. Third, it provides practical insights for zakat managers and regulators seeking to strengthen governance quality, improve public trust, and enhance institutional performance.

## REVIEW OF LITERATURE

Fraud prevention has become an increasingly important issue in zakat governance because zakat institutions are entrusted with managing public funds for religious and social purposes. The effectiveness of these institutions depends not only on their ability to collect and distribute zakat but also on their capacity to maintain accountability and public confidence. Previous studies consistently indicate that trust is a major determinant of zakat compliance and institutional sustainability. (Bin-Nashwan, 2021) found that greater trust in zakat institutions enhances compliance behaviour among zakat payers, while (Hamdani et al., 2024) reported that trust significantly influences the intention to pay zakat through formal institutions. Likewise, (Jamaludin et al., 2025) conceptualize trust as a central mechanism

through which zakat institutions sustain stakeholder relationships. In this context, fraud prevention is not merely a control function but a governance mechanism that helps maintain credibility, legitimacy, and stakeholder confidence.

The importance of fraud prevention can be explained through Fraud Triangle Theory. According to (Cressey, 1953), fraud arises when pressure, opportunity, and rationalization occur simultaneously. Although organizations may have limited control over individual pressure and rationalization, opportunities for fraud can be reduced through governance mechanisms, monitoring systems, and ethical organizational practices. Consequently, fraud prevention has become an essential component of governance in both commercial and nonprofit organizations. Within the Islamic social finance sector, effective fraud prevention has been associated with stronger accountability systems, better governance practices, and improved organizational outcomes (Sharif & Osman, 2026; Wahyuni-TD, 2021; Yulianti et al., 2025).

One governance mechanism that may strengthen fraud prevention is the whistleblowing system. A whistleblowing system enables organizational members to report unethical behaviour, misconduct, or suspected fraud through formal reporting channels. Beyond its detection function, whistleblowing increases the perceived risk of exposure among potential offenders, thereby reducing opportunities for fraudulent behaviour. (Abdullah et al., 2024) emphasize that whistleblowing reflects ethical accountability and is closely related to moral responsibility within organizations. In a more recent study, (Abdullah et al., 2026) found that a strong whistleblowing culture contributes to integrity and organizational transparency from the perspective of Maqasid Shariah. Evidence from the banking sector also suggests that effective whistleblowing mechanisms support fraud mitigation and strengthen governance quality (Al-Thani & Wright, 2026). Similarly, (Handoko et al., 2025) reported that online whistleblowing mechanisms enhance fraud prevention when integrated with internal controls and organizational culture. These findings suggest that a stronger whistleblowing system is likely to improve fraud prevention within zakat institutions.

Besides governance mechanisms, fraud prevention is influenced by individual ethical characteristics. Moral Development Theory proposes that individuals at higher stages of moral reasoning evaluate actions based on ethical principles rather than personal interests (Kohlberg, 1971). Employees with stronger moral values are therefore more likely to reject unethical behaviour and support organizational accountability. In organizational settings, morality influences how individuals respond to ethical dilemmas, comply with regulations, and participate in anti-fraud initiatives. (Abdullah et al., 2025) further demonstrate that ethical judgement grounded in moral reasoning shapes whistleblowing intentions and ethical decision-making. Because fraud frequently involves conscious ethical choices, individuals with higher moral standards are expected to be less tolerant of misconduct and more supportive of fraud prevention efforts.

Integrity represents another important determinant of fraud prevention. Integrity reflects consistency between ethical values, professional responsibility, and actual behaviour. Employees with high integrity tend to adhere to organizational rules even when supervision is limited, reducing opportunities for misconduct. According to (Rifai & Mardijuwono, 2020), integrity strengthens organizational commitment and supports fraud prevention efforts. Similar conclusions were reached by (Maulani et al., 2024), who found that integrity contributes significantly to fraud risk reduction and governance effectiveness. (Paranoan et

al., 2024) also reported that the integrity of both organizational systems and personnel plays a critical role in preventing fraud within public institutions. Other studies show that the influence of integrity on fraud prevention is not always significant (Irianto et al., 2012); (Bakri et al., 2017); (Qorny et al., 2024), especially when the organization has a weak internal control system or an organizational culture that does not support ethical behavior. Since zakat institutions rely heavily on ethical stewardship and responsible fund management, integrity is expected to strengthen fraud prevention practices.

Fraud prevention may also contribute directly to organizational performance. Stakeholder Theory suggests that organizations are more likely to achieve sustainable performance when they meet stakeholder expectations and maintain organizational legitimacy (Freeman, 2010). For zakat institutions, accountability and transparency are particularly important because public trust influences both zakat collection and long-term institutional sustainability. (Sawmar, 2021)Sawmar argues that good governance strengthens confidence in zakat institutions, while (Wahyuni-TD, 2021) provides empirical evidence that fraud prevention improves the performance of zakat institutions in Indonesia. By reducing misconduct, protecting organizational reputation, and strengthening accountability, fraud prevention may enhance stakeholder trust and ultimately improve institutional performance.

Although previous studies have established the importance of whistleblowing systems, morality, integrity, and fraud prevention, the pathways linking these factors to organizational performance remain insufficiently understood. Existing studies predominantly focus on direct relationships, whereas limited attention has been given to the mechanisms through which governance and ethical behaviour produce organizational outcomes. This gap is particularly relevant in zakat institutions, where performance depends heavily on public trust and accountability. Ethical values and governance practices may not automatically improve organizational performance unless they successfully reduce fraud risk and strengthen stakeholder confidence.

Recent governance studies increasingly highlight the importance of mediating mechanisms in explaining organizational outcomes (Handoko et al., 2025; Yulianti et al., 2025). In the context of zakat institutions, fraud prevention may represent the organizational process through which whistleblowing systems, individual morality, and integrity influence institutional performance. Effective whistleblowing systems can improve fraud prevention by increasing the likelihood of misconduct detection. Similarly, employees with strong moral values and high integrity are more likely to support anti-fraud practices and responsible governance. When these factors successfully strengthen fraud prevention, institutions may experience greater accountability, stronger stakeholder trust, and better organizational performance. Therefore, fraud prevention is expected to mediate the relationship between whistleblowing systems, individual morality, integrity, and the performance of zakat institutions.

**Conceptual Framework**

This study develops a conceptual framework that integrates governance mechanisms and individual ethical factors in explaining the performance of zakat institutions. The framework is grounded in Fraud Triangle Theory and Stakeholder Theory. Fraud Triangle Theory suggests that fraud can be reduced by minimizing opportunities for misconduct through effective governance mechanisms and ethical behaviour (Cressey, 1953). Meanwhile, Stakeholder Theory emphasizes that organizational performance is closely

related to an institution's ability to maintain accountability, legitimacy, and stakeholder trust (Freeman, 2010).

Within this framework, whistleblowing systems, individual morality, and integrity are proposed as key antecedents of fraud prevention. A whistleblowing system serves as an organizational mechanism that facilitates the reporting of unethical behaviour and increases the likelihood of fraud detection (Abdullah et al., 2024; Al-Thani & Wright, 2026). At the individual level, morality influences ethical judgement and decision-making, while integrity reflects consistency between values and actions. Employees with stronger moral reasoning and higher integrity are expected to be more supportive of anti-fraud initiatives and less tolerant of misconduct (Kohlberg, 1971; Rifai & Mardijuwono, 2020).

Fraud prevention is positioned as a mediating variable because governance mechanisms and ethical characteristics may not directly improve organizational performance. Instead, their influence is expected to operate through the institution's ability to reduce fraud risk, strengthen accountability systems, and enhance public confidence. Previous studies indicate that effective fraud prevention contributes to better governance practices and improved organizational outcomes (Wahyuni-TD, 2021; Yulianti et al., 2025). In the context of zakat institutions, stronger fraud prevention is expected to protect institutional credibility and support sustainable performance.

Based on these arguments, the proposed framework assumes that whistleblowing systems, individual morality, and integrity positively influence fraud prevention, which in turn enhances the performance of zakat institutions. Furthermore, fraud prevention is expected to mediate the relationships between these governance-related and behavioural factors and organizational performance.

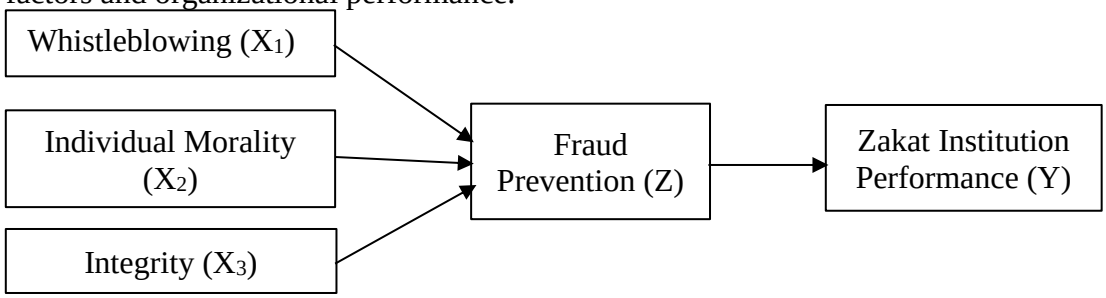



**Figure 1**
**Conceptual Framework**

**Hypothesis Development**

**Whistleblowing System and Fraud Prevention**

A whistleblowing system serves as an important governance mechanism that enables employees to report unethical behaviour and suspected misconduct. By increasing the likelihood of fraud detection, whistleblowing systems reduce opportunities for fraudulent activities and strengthen organizational accountability. Previous studies have shown that effective whistleblowing mechanisms contribute to fraud prevention and support ethical organizational practices (Abdullah et al., 2024, 2026; Al-Thani & Wright, 2026). Therefore, a stronger whistleblowing system is expected to enhance fraud prevention in zakat institutions.

H1: Whistleblowing systems positively affect fraud prevention in zakat institutions.

**Individual Morality and Fraud Prevention**

According to Moral Development Theory, individuals with higher levels of moral reasoning tend to evaluate actions based on ethical principles and are less likely to engage in misconduct (Kohlberg, 1971). Employees with strong moral values are expected to support accountability, comply with organizational regulations, and reject fraudulent behaviour. As fraud often involves conscious ethical decisions, higher individual morality should contribute to stronger fraud prevention efforts within organizations.

H2: Individual morality positively affects fraud prevention in zakat institutions.

**Integrity and Fraud Prevention**

Integrity reflects consistency between ethical values, professional responsibility, and actual behaviour. Employees with high integrity are more likely to act honestly and comply with organizational standards even when supervision is limited. Previous studies suggest that integrity contributes to reducing fraud risk and strengthening governance effectiveness (Maulani et al., 2024; Paranoan et al., 2024). Therefore, integrity is expected to strengthen fraud prevention practices in zakat institutions.

H3: Integrity positively affects fraud prevention in zakat institutions.

**Fraud Prevention and Zakat Institution Performance**

Fraud prevention contributes to organizational accountability by reducing misconduct, protecting institutional resources, and strengthening stakeholder trust. In zakat institutions, effective fraud prevention can improve transparency and enhance public confidence, which ultimately supports organizational performance. Empirical evidence also indicates that fraud prevention contributes positively to the effectiveness of zakat institutions (Wahyuni-TD, 2021; Yulianti et al., 2025). Therefore, stronger fraud prevention is expected to improve zakat institution performance.

H4: Fraud prevention positively affects zakat institution performance.

**The Mediating Role of Fraud Prevention in the Relationship Between Whistleblowing Systems and Zakat Institution Performance**

Whistleblowing systems may not directly improve organizational performance unless they effectively reduce fraud risk and strengthen accountability processes. Through the early detection and prevention of misconduct, whistleblowing systems can enhance organizational effectiveness by improving governance quality. Therefore, fraud prevention is expected to mediate the relationship between whistleblowing systems and zakat institution performance.

H5: Fraud prevention mediates the relationship between whistleblowing systems and zakat institution performance.

**The Mediating Role of Fraud Prevention in the Relationship Between Individual Morality and Zakat Institution Performance**

Employees with strong moral values are generally more supportive of ethical conduct and anti-fraud initiatives. However, the influence of morality on organizational performance is likely to occur through its contribution to fraud prevention and accountability. When higher moral standards reduce fraudulent behaviour, organizational effectiveness may improve. Therefore, fraud prevention is expected to mediate the relationship between individual morality and zakat institution performance.

H6: Fraud prevention mediates the relationship between individual morality and zakat institution performance.

**The Mediating Role of Fraud Prevention in the Relationship Between Integrity and Zakat Institution Performance**

Integrity encourages employees to act consistently with ethical principles and organizational values. Such behaviour reduces opportunities for misconduct and strengthens fraud prevention efforts. As stronger fraud prevention supports accountability and institutional credibility, the impact of integrity on organizational performance is expected to occur through fraud prevention. Therefore, fraud prevention is proposed as a mediating mechanism linking integrity and zakat institution performance.

H7: Fraud prevention mediates the relationship between integrity and zakat institution performance.

## RESEARCH METHOD

This study employed a quantitative research design to examine the relationships among whistleblowing systems, individual morality, integrity, fraud prevention, and zakat institution performance. The research was conducted in licensed zakat institutions in Indonesia, including both Badan Amil Zakat (BAZ) and Lembaga Amil Zakat (LAZ). Data were collected during August 2024 through an online survey distributed to employees directly involved in zakat management and reporting activities, including accountants, finance officers, managers, institutional leaders, and other personnel responsible for operational and governance functions.

A purposive sampling technique was applied to ensure that respondents possessed adequate knowledge of organizational governance and fraud prevention practices. The questionnaire was distributed through personal communication channels and professional WhatsApp groups involving zakat practitioners across Indonesia. A total of 109 complete responses were obtained and included in the analysis. This sample size satisfies the minimum requirement for PLS-SEM analysis and is considered adequate for estimating the proposed research model.

Primary data were collected using a structured questionnaire measured on a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). The study examined five constructs: whistleblowing systems, individual morality, integrity, fraud prevention, and zakat institution performance. The measurement items were adapted from established instruments in prior studies and adjusted to the context of zakat institutions. Indicators of whistleblowing systems were adapted from the guidelines (Cressey, 1953), while individual morality was developed based on Kohlberg’s moral development framework. Fraud prevention and organizational performance indicators were derived from previous studies on governance, fraud control, and zakat institution performance.s

The data were analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4 software. PLS-SEM was selected because it is suitable for predictive research models involving multiple latent variables and mediation relationships while imposing fewer distributional assumptions on the data. Following (Hair et al., 2021), the analysis was conducted in two stages. First, the measurement model was evaluated through tests of convergent validity, discriminant validity, and construct reliability. Second, the structural model was assessed using path coefficients, coefficients of determination ($R^2$), predictive relevance ($Q^2$), and bootstrapping procedures to test the proposed hypotheses. Hypotheses were considered significant when the t-statistic exceeded 1.96 and the p-value was below 0.05.

## RESULTS AND DISCUSSION

A total of 109 valid questionnaires were collected from employees of licensed zakat institutions in Indonesia and included in the analysis. The respondents consisted of individuals directly involved in zakat management, including finance staff, managers, heads of divisions, and institutional leaders. The sample size exceeded the minimum requirement for PLS-SEM analysis and was therefore considered adequate for testing the proposed research model. Following the assessment of respondent characteristics, the measurement model and structural model were evaluated to examine the proposed hypotheses.

### Respondent Profile

A total of 109 respondents participated in this study. As presented in Table 1, most respondents were male (63%), aged between 29 and 45 years (66.1%), held a Diploma/Bachelor's degree (78.0%), and occupied staff-level positions (42.2%). These characteristics indicate that the respondents were predominantly individuals with relevant educational backgrounds and direct involvement in the operational activities of zakat institutions.

**Table 1**
**Respondent Profile**

| Characteristics | Category (n=109) | Frequency | Percentage (%) |
|---|---|---|---|
| Gender | Male | 69 | 63.0 |
| | Female | 40 | 37.0 |
| Age | 17–28 years | 18 | 16.5 |
| | 29–45 years | 72 | 66.1 |
| | 46–58 years | 18 | 16.5 |
| | >58 years | 1 | 0.9 |
| Education | Senior High School | 9 | 8.3 |
| | Diploma/Bachelor | 85 | 78.0 |
| | Master Degree | 15 | 13.8 |
| Position | Staff | 46 | 42.2 |
| | Manager/General Manager | 29 | 26.6 |
| | Head of Division | 17 | 15.6 |
| | Director/Chairperson | 17 | 15.6 |

Source: Processed primary data (2024)

### Measurement Model Assessment

The measurement model was assessed through convergent validity, reliability, and discriminant validity tests. As shown in Table 2, all indicator loadings exceeded the recommended threshold of 0.70, ranging from 0.800 to 0.905, indicating satisfactory convergent validity. Furthermore, all constructs achieved AVE values above 0.50, ranging from 0.734 to 0.794, suggesting that the constructs explained more than half of the variance of their respective indicators. Reliability assessment also demonstrated satisfactory results, with Cronbach's Alpha values ranging from 0.879 to 0.913 and Composite Reliability values ranging from 0.917 to 0.939, exceeding the minimum threshold of 0.70 (Hair et al., 2021).

These findings confirm that all constructs satisfy the required validity and reliability criteria and are therefore suitable for further structural model evaluation.

**Table 2.**
**Convergent Validity and Reliability Assessment**

| Construct | Item | Loading | AVE | CR | CA |
|---|---|---|---|---|---|
| **Whistleblowing System** | WS.1 | 0.808 | | | |
| | WS.2 | 0.894 | | | |
| | WS.3 | 0.877 | | | |
| | WS.4 | 0.883 | **0.750** | **0.923** | **0.888** |
| **Individual Morality** | MI.1 | 0.898 | | | |
| | MI.2 | 0.870 | | | |
| | MI.3 | 0.872 | | | |
| | MI.4 | 0.905 | **0.786** | **0.936** | **0.909** |
| **Integrity** | I.1 | 0.905 | | | |
| | I.2 | 0.890 | | | |
| | I.3 | 0.863 | | | |
| | I.4 | 0.904 | **0.794** | **0.939** | **0.913** |
| **Fraud Prevention** | PF.1 | 0.881 | | | |
| | PF.2 | 0.878 | | | |
| | PF.3 | 0.867 | | | |
| | PF.4 | 0.800 | **0.734** | **0.917** | **0.879** |
| **Zakat Institution Performance** | KL.1 | 0.894 | | | |
| | KL.2 | 0.890 | | | |
| | KL.3 | 0.861 | | | |
| | KL.4 | 0.884 | **0.779** | **0.934** | **0.905** |

Source: Processed primary data (2024)

As presented in Table 2, all indicator loadings exceeded the recommended threshold of 0.70, indicating adequate convergent validity. Likewise, the AVE values ranged from 0.734 to 0.794, exceeding the minimum requirement of 0.50. The reliability assessment also demonstrated satisfactory results, with Cronbach's Alpha values ranging from 0.879 to 0.913 and Composite Reliability values ranging from 0.917 to 0.939. These findings confirm that all constructs exhibit acceptable levels of validity and reliability and can therefore be included in the subsequent structural model analysis.

**Structural Model Assessment**

The structural model was evaluated using the coefficient of determination ($R^2$) and predictive relevance ($Q^2$). The $R^2$ value indicates the proportion of variance explained by the predictor variables, while $Q^2$ assesses the model's predictive capability (Hair et al., 2021).

Table 3.
Structural Model Evaluation

| Endogenous Construct | $R^2$ | Adjusted $R^2$ | $Q^2$ Predict |
|---|---|---|---|
| Fraud Prevention | 0.907 | 0.904 | 0.898 |
| Zakat Institution Performance | 0.893 | 0.889 | 0.881 |

Source: Processed primary data (2024)

The results presented in Table 3 indicate substantial explanatory power of the proposed model. The $R^2$ value of 0.907 shows that whistleblowing systems, individual morality, and integrity explain 90.7% of the variance in fraud prevention. Similarly, the $R^2$ value of 0.893 indicates that whistleblowing systems, individual morality, integrity, and fraud prevention collectively explain 89.3% of the variance in zakat institution performance. According to Hair et al. (2021), these values demonstrate strong explanatory power. Furthermore, all $Q^2$ values are greater than zero, indicating that the model possesses satisfactory predictive relevance and is capable of predicting the endogenous constructs effectively.

**Hypothesis Testing**

The hypotheses were tested using the bootstrapping procedure in SmartPLS. Following Hair et al. (2021), a hypothesis is supported when the t-value exceeds 1.96 and the p-value is below 0.05. The results of the direct effect analysis are presented in Table 4.

Table 4.
Hypothesis Testing

| Hypothesis | Relationship | β | t-value | p-value | Decision |
|---|---|---|---|---|---|
| H1 | Whistleblowing System → Fraud Prevention | 0.268 | 3.380 | 0.001 | Supported |
| H2 | Individual Morality → Fraud Prevention | 0.415 | 4.770 | 0.000 | Supported |
| H3 | Integrity → Fraud Prevention | 0.312 | 4.222 | 0.000 | Supported |
| H4 | Fraud Prevention → Zakat Institution Performance | 0.229 | 2.652 | 0.008 | Supported |
| H5 | Whistleblowing System → Zakat Institution Performance | 0.087 | 1.260 | 0.208 | Not Supported |
| H6 | Individual Morality → Zakat Institution Performance | 0.086 | 0.939 | 0.348 | Not Supported |
| H7 | Integrity → Zakat Institution Performance | 0.573 | 6.826 | 0.000 | Supported |

Source: Processed primary data (2024)

The results indicate that whistleblowing systems, individual morality, and integrity significantly influence fraud prevention, supporting H1, H2, and H3. Fraud prevention also exerts a positive effect on zakat institution performance, supporting H4. Among the antecedent variables, individual morality demonstrates the strongest effect on fraud prevention ($\beta = 0.415$), followed by integrity ($\beta = 0.312$) and whistleblowing systems ($\beta = 0.268$). Furthermore, integrity has a significant direct effect on zakat institution performance ($\beta = 0.573$, $p < 0.001$), whereas the direct effects of whistleblowing systems and individual morality on zakat institution performance are not statistically significant.

**Discussion**

The findings highlight the importance of both governance mechanisms and individual ethical characteristics in strengthening fraud prevention within zakat institutions. The positive effect of whistleblowing systems on fraud prevention indicates that formal reporting mechanisms play an important role in reducing opportunities for misconduct. This finding suggests that employees are more likely to identify and report unethical behaviour when clear reporting channels and protection mechanisms are available. In the context of zakat institutions, where accountability and public trust are fundamental, an effective whistleblowing system can function as an early warning mechanism that supports transparency and strengthens organizational control. This result is consistent with Fraud Triangle Theory, which posits that reducing opportunities for misconduct can lower the likelihood of fraud (Cressey, 1953). It also supports previous studies that emphasize the role of whistleblowing in enhancing fraud prevention and organizational accountability (Abdullah et al., 2024; Al-Thani & Wright, 2026).

The results further reveal that individual morality exerts the strongest influence on fraud prevention among all antecedent variables. This finding indicates that fraud prevention is not solely dependent on formal governance mechanisms but is also shaped by the ethical judgement of organizational members. Employees with higher moral standards are more likely to comply with organizational rules, reject unethical behaviour, and support anti-fraud initiatives. The result aligns with Moral Development Theory, which suggests that individuals with higher levels of moral reasoning tend to make decisions based on ethical principles rather than personal interests (Kohlberg, 1971). For zakat institutions, this finding implies that strengthening fraud prevention requires not only organizational controls but also continuous efforts to cultivate ethical awareness and moral responsibility among employees.

Integrity was also found to have a significant positive effect on fraud prevention. This finding suggests that employees who consistently uphold ethical values and professional responsibility contribute to a stronger anti-fraud environment. Unlike compliance driven solely by rules and supervision, integrity reflects internal commitment to ethical conduct. Consequently, employees with high integrity are more likely to act responsibly even in situations where monitoring mechanisms are limited. This result supports previous studies that identify integrity as a key determinant of fraud prevention and governance effectiveness (Maulani et al., 2024; Rifai & Mardijuwono, 2020). In zakat institutions, where public funds are managed on behalf of beneficiaries and donors, integrity becomes a critical organizational asset that supports accountability and trust.

The study also demonstrates that fraud prevention positively influences zakat institution performance. This finding suggests that effective fraud prevention contributes not only to reducing misconduct but also to improving organizational effectiveness. Strong fraud prevention practices enhance accountability, protect institutional reputation, and strengthen stakeholder confidence, all of which are essential for sustainable organizational performance. This finding supports Stakeholder Theory, which argues that organizations are more likely to achieve sustainable outcomes when they meet stakeholder expectations regarding transparency and responsible governance (Freeman, 2010). For zakat institutions, stronger fraud prevention may encourage greater public trust and ultimately improve institutional performance.

An interesting finding emerges from the direct effects of whistleblowing systems and individual morality on zakat institution performance. Although both variables significantly improve fraud prevention, neither demonstrates a significant direct effect on performance.

This result suggests that governance mechanisms and ethical values do not automatically translate into better organizational outcomes. Instead, their contribution appears to operate through organizational processes that reduce fraud risk and strengthen accountability. In other words, simply implementing a whistleblowing system or having employees with strong moral values may not be sufficient to improve performance unless these factors effectively support fraud prevention efforts. This finding provides empirical support for the mediating role of fraud prevention and reinforces the argument that accountability mechanisms are necessary to transform ethical and governance-related resources into tangible organizational outcomes.

In contrast, integrity exhibits a significant direct effect on zakat institution performance in addition to its positive influence on fraud prevention. This finding indicates that integrity contributes to organizational performance through multiple pathways. Employees with high integrity not only support fraud prevention but also promote professionalism, responsible decision-making, and effective organizational behaviour. As a result, integrity appears to function as a strategic organizational resource that directly enhances institutional effectiveness while simultaneously strengthening fraud prevention practices.

Taken together, the findings suggest that fraud prevention serves as an important mechanism linking governance practices and ethical behaviour to organizational performance. The results indicate that whistleblowing systems and individual morality influence performance primarily through fraud prevention, whereas integrity influences performance both directly and indirectly. These findings contribute to the literature by demonstrating that fraud prevention is not merely a control function but a strategic process through which zakat institutions can strengthen accountability, maintain public trust, and improve organizational performance.

## CONCLUSION

This study investigates the effects of whistleblowing systems, individual morality, and integrity on fraud prevention and zakat institution performance. The results indicate that whistleblowing systems, individual morality, and integrity significantly enhance fraud prevention, with individual morality emerging as the strongest predictor. Fraud prevention also has a positive effect on zakat institution performance, highlighting its importance in strengthening accountability and organizational effectiveness.

The findings further reveal that whistleblowing systems and individual morality do not directly influence zakat institution performance, suggesting that their contribution operates through fraud prevention. In contrast, integrity has both direct and indirect effects on organizational performance. These results confirm the strategic role of fraud prevention as a mechanism through which governance practices and ethical values contribute to improved organizational outcomes.

This study contributes to the zakat governance literature by demonstrating that effective fraud prevention is shaped by both organizational mechanisms and individual ethical characteristics. Therefore, zakat institutions should strengthen whistleblowing mechanisms, foster ethical awareness, and promote integrity among employees to enhance fraud prevention, maintain public trust, and improve institutional performance.

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