



The Influence of Employee Satisfaction on Occupational Fraud with Compensation Suitability as a Moderating Variable

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Abstract

This study aims to analyze the effect of employee satisfaction on occupational fraud, with compensation appropriateness as a moderating variable. This study was conducted on 109 employees in West Java and DKI Jakarta using a quantitative approach. The results showed that employee satisfaction negatively influences occupational fraud, meaning that the more satisfied employees are, the lower their tendency to commit fraud. Furthermore, compensation appropriateness strengthens the effect of employee satisfaction on occupational fraud. Therefore, fair and appropriate compensation also reduces the potential for fraud. These findings emphasize the importance of human resource management in preventing fraud through job satisfaction and compensation equity.

Research purpose:

To examine the influence of employee satisfaction on occupational fraud with compensation suitability as a moderating variable.

Research motivation:

Occupational fraud is a major organizational risk that can be mitigated through human resource management practices, particularly employee satisfaction and fair compensation.

Research design, approach, and method:

This study employed a quantitative research method with a survey of 109 employees in West Java and DKI Jakarta. Data were analyzed using statistical techniques to test the direct and moderating effects.

Main findings:

Employee satisfaction negatively affects occupational fraud, and compensation suitability strengthens this relationship. Fair and suitable compensation contributes to reducing fraud tendencies.

Practical/managerial implications:

Organizations should improve job satisfaction and ensure fair compensation systems to effectively minimize the risk of occupational fraud.

Keywords: employee satisfaction, compensation suitability, occupational fraud, human resource management, fraud prevention, organizational behavior.

1. INTRODUCTION

One of the major risks faced by organizations across all sectors, both public and private, is the risk of fraud. Fraud is an intentional act of deception or misrepresentation committed to gain personal or organizational advantage (Albrecht et al., 2021; ACFE, 2024). Fraud not only causes financial losses but also damages a company's reputation, reduces stakeholder trust, and even poses a risk of halting business operations. According to ACFE (2024), the Report to the Nations identified a median loss per fraud case of USD 3.1 million across 1,921 cases in 138 countries. This level of loss has remained consistent over the past five years, indicating that fraud prevention has not been effectively optimized. Specifically, the ACFE 2019–2024 report highlights an increasing trend in fraud schemes as illustrated in Table 1 below:

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Table 1. Fraud Schemes

Fraud Schemes	2019 - 2020	2021 - 2022	2023 - 2024
Asset Misappropriation	86%	86%	89%
Corruption	43%	50%	48%
Financial Statement Fraud	10%	9%	5%

As shown in Table 1, asset misappropriation remains the most dominant fraud scheme with a prevalence of 89%. This finding is supported by other ACFE data, which shows that in the last five years, fraud cases were predominantly committed by internal parties—ranging from employees to managers—accounting for approximately 78% to 81% (ACFE Report, 2020, 2022, 2024). This indicates that perpetrators often come from within the organization, having access to company assets that should otherwise be safeguarded. For instance, in the case of Bank Syariah Indonesia (BSI) Bengkulu Branch, a customer service officer manipulated customer deposit accounts by creating duplicate savings books, resulting in losses of IDR 8 billion (Planet Merdeka, 2024). Similarly, at BRI branches in Lipat Kain and Jember, unit heads and staff were involved in fictitious transactions and misuse of loan funds (CNBC Indonesia, 2023). These cases highlight that weak internal control systems and insufficient supervision continue to create opportunities for fraud. However, beyond structural control weaknesses, the persistence of fraud cases also reflects behavioral and motivational aspects among employees. This observation is consistent with ACFE’s findings (2020, 2022, 2024), which emphasize that weak or overridden controls remain among the most dominant causes of fraud (see Table 2).

Table 2. Primary Causes of Fraud

Primary Causes of Fraud	2019 - 2020	2021 - 2022	2023 - 2024
Lack of Internal Controls	32%	29%	32%
Override of Existing Controls	18%	20%	19%

This evidence reinforces the point that weak or neglected internal control systems contribute significantly to fraud. However, it also reveals that internal control weaknesses often stem from human factors such as low job satisfaction, low ethical commitment, or perceived inequity in compensation. Therefore, simply establishing formal internal control procedures is not enough. Organizations must emphasize consistent oversight, managerial commitment, and the development of a strong ethical culture that integrates structural and behavioral control mechanisms.

The control environment is the first and most fundamental component of internal control (COSO, 2013). It encompasses integrity and ethical values, commitment to competence, participation of boards and audit committees, management leadership style, organizational structure, delegation of authority and responsibility, and human resource management. Among these, personnel control is crucial, as human resources are the primary executors of organizational activities. Personnel control involves recruitment and selection, training and development, compensation systems, and performance evaluation. Among these, compensation is crucial because it directly impacts employee perceptions of fairness and recognition. Fair and transparent compensation fosters satisfaction, loyalty, and ethical behavior, while unfair or misaligned compensation can create frustration and weaken compliance with internal controls, potentially fostering opportunities for fraud.

Previous studies on fraud detection (Andini et al., 2023; Saviera et al., 2023; Surjadi & Sari, 2024; Syafri et al., 2024; Angelique et al., 2024) emphasize that the main factors driving fraud include weak internal controls, individual pressures, and opportunities not sufficiently mitigated by organizations. While many of these studies emphasize organizational mechanisms such as oversight, internal audit, and technological tools as means of fraud prevention, relatively few have examined the influence of individual psychological factors. Employee satisfaction, for instance, plays a critical role in shaping ethical behavior, loyalty, and resistance to deviant acts. Dissatisfied employees are more likely to experience stress, reduced motivation, and moral disengagement, all of which may increase the likelihood of occupational fraud. Nevertheless, the integration of job satisfaction into the internal control framework remains underexplored. Therefore, this study seeks to examine how employee satisfaction and compensation suitability jointly serve as personal and motivational controls that can reduce employees’ propensity to engage in fraudulent behavior. However, employee satisfaction has rarely been explicitly discussed in the context of internal organizational controls. Thus, this study aims to further explore how employee satisfaction can function as a form of personal control that effectively prevents fraud. This research is expected to fill a gap in the existing literature and enrich control approaches that focus not only on systems and procedures but also on sustainable human resource management. By addressing both systemic and individual determinants of fraud, this research contributes to the development of a more holistic fraud prevention framework that integrates structural control with human-centered management practices.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. LITERATURE REVIEW

Fraud Hexagon Theory

Fraud is an unlawful act committed by one or more individuals to obtain personal benefit or wealth (ACFE, 2024). Cressey (1950) introduced the Fraud Triangle to explain the underlying reasons behind fraudulent behavior. This model consists of three components: pressure, opportunity, and rationalization. Pressure arises when individuals face financial difficulties or demanding work targets. Weak internal control systems and inadequate supervision create opportunities, allowing fraud to occur without easy detection. Rationalization is the internal justification process, in which perpetrators convince themselves that their actions are morally acceptable or justifiable under certain circumstances.

Wolfe and Hermanson (2004) expanded this model into the Fraud Diamond by adding a fourth element, capability. Capability refers to personal characteristics that enable individuals to commit and conceal fraud, such as intelligence, confidence, and the ability to withstand stress. Individuals with higher capability are more likely to exploit system loopholes and manipulate information to disguise fraudulent actions. Later, the Fraud Pentagon theory introduced arrogance as an additional element. Arrogance reflects a sense of superiority, entitlement, or greed, where individuals believe that internal controls do not apply to them (Horwath, 2011). Vousinas (2019) further refined this into the Fraud Hexagon by adding collusion as the sixth element. Collusion refers to malicious collaboration between two or more parties to commit fraud for mutual benefit, typically by concealing fraudulent activities from third parties or authorities. The involvement of external parties, such as auditors or vendors, often leads to more complex fraud schemes that are harder to detect.

However, previous studies applying these fraud theories vary in scope and focus. While Wolfe and Hermanson (2004) emphasized the *individual capability* dimension, Vousinas (2019) highlighted the *systemic and relational nature* of fraud through collusion. This divergence suggests that organizational and interpersonal contexts must be considered when analyzing occupational fraud, making the Fraud Hexagon more suitable for this study.

Employee Satisfaction

Employee satisfaction is a key construct in organizational behavior, reflecting the degree to which individuals feel content and valued within their work environment (Locke, 1976; Judge et al., 2020). It is closely linked to absenteeism, turnover, morale, grievances, and other critical personnel issues (Handoko, 2000). Hence, employee satisfaction reflects not only individual well-being but also the overall effectiveness of organizational management.

High employee satisfaction is desirable in every organization, as it correlates with optimal performance and serves as an indicator of organizational success in meeting employee needs. According to Solimun and Fernandes (2017), employee satisfaction represents both a benchmark of human resource quality improvement and an organization's success in addressing employee needs. Satisfaction encompasses employees' emotional responses toward financial and non-financial aspects of their work. When satisfaction is achieved, employees are likely to display positive attitudes toward their tasks and workplace (Solimun & Fernandes, 2017).

Although most studies report a positive link between satisfaction and performance (Solimun & Fernandes, 2017; Judge et al., 2020), some have found that satisfaction alone does not guarantee ethical conduct, especially under inequitable reward systems. This inconsistency reinforces the need to examine moderating variables such as compensation suitability to better explain behavioral outcomes like occupational fraud.

Compensation Suitability

Compensation is one of the core components of HRM that significantly affects employee motivation, satisfaction, and performance. In organizations, compensation is not limited to financial rewards but also functions as a strategic tool for retention and productivity enhancement. Milkovich and Newman (2004) define compensation as all tangible financial rewards and benefits received by employees as part of the employment relationship. Therefore, compensation should be understood as a complete remuneration package attached to an employee's role and contribution. Nitisemito (1996) identified six critical factors for effective compensation systems: meeting minimum needs, retaining employees, motivating performance, ensuring fairness, avoiding rigidity, and considering the composition of compensation.

An effective compensation system must uphold fairness, be perceived as equitable, foster satisfaction, and motivate employees. Jackson (2002) also emphasized that fairness should extend across all aspects of compensation, including base salary, incentives, and benefits. Thus, proper compensation not only enhances financial well-being but also establishes a positive and motivating work environment, leading to loyalty, stability, and higher productivity.

Occupational Fraud

Occupational fraud represents one of the greatest threats to corporate sustainability. Perpetrators can come from any organizational level, but fraud committed by top management is particularly dangerous due to their greater influence over reporting and internal audits (Albrecht et al., 2021). Employees with privileged access may exploit opportunities for personal gain (Anisykurlillah et al., 2021).

Fraud is not solely driven by individual intent but also by unhealthy work environments and weak supervisory systems. Putri and Widarjo (2020) found that weak internal controls, lack of integrity, and low managerial commitment to ethics are primary drivers of occupational fraud. Common forms of occupational fraud include asset misappropriation, financial statement fraud, and corruption (ACFE, 2022).

2.2 HYPOTHESIS DEVELOPMENT

The Effect of Employee Satisfaction on Occupational Fraud

Employee satisfaction is a crucial factor influencing individual behavior within organizations. It reflects the extent to which employees perceive that their jobs meet their needs and expectations, including workload, workplace relationships, and managerial support. According to the Fraud Hexagon theory, two components—pressure and rationalization—are closely tied to job satisfaction. Dissatisfied employees may experience psychological stress, emotional exhaustion, and unhappiness, all of which contribute to internal pressure. In such conditions, employees may rationalize deviant behavior as a form of “silent compensation” for perceived organizational injustice.

Thus, higher employee satisfaction reduces the pressure and rationalization to commit fraud. Conversely, low satisfaction creates conditions conducive to fraudulent behavior as a form of psychological compensation. Empirical evidence from Rahayu et al. (2024) also shows a significant relationship between job satisfaction and fraud tendencies. Accordingly, this study proposes the following hypotheses:

- H1o: Job satisfaction does not negatively affect occupational fraud.
- H1a: Job satisfaction negatively affects occupational fraud.

The Role of Compensation Suitability in Strengthening the Effect of Employee Satisfaction on Occupational Fraud

This moderating effect can be explained through Equity Theory (Adams, 1963), which states that employees assess fairness by comparing their input-output ratio with others. When compensation is perceived as fair and proportionate to effort, employees feel psychologically rewarded, which increases satisfaction and reduces the tendency to rationalize fraud. Conversely, unfair compensation creates perceptions of unfairness, weakening the deterrent effect of satisfaction and potentially triggering deviant behavior. Furthermore, according to Expectancy Theory (Vroom, 1964), perceptions of compensation appropriateness increase employees' beliefs that ethical behavior will be appropriately rewarded, thereby strengthening the relationship between satisfaction and fraud prevention. Based on this, the study hypothesizes:

- H2o: Compensation suitability does not strengthen the relationship between job satisfaction and occupational fraud.
- H2a: Compensation suitability strengthens the relationship between job satisfaction and occupational fraud.

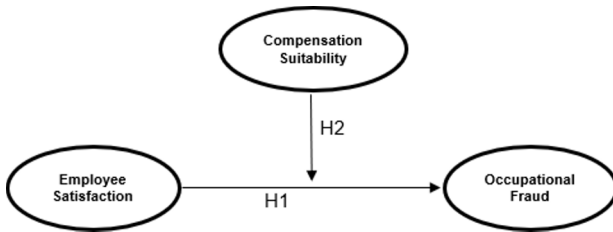


Fig. 1. Conceptual Framework

To further justify the proposed model, a synthesis of previous empirical studies related to employee satisfaction, compensation suitability, and occupational fraud is summarized in Table 1. This table outlines each study’s context, methods, and findings, highlighting the research gap this study aims to address.

Table 3. Summary of Previous Studies Related to Occupational Fraud

Author(s), Year	Context / Population	Method	Key Findings	Relevance to Study
Nawawi &	Employees in	Quantitative	Job dissatisfaction	Supports the link between

Salin (2018)	Malaysian financial institutions	survey (Likert scale)	increases tendency toward unethical acts.	employee satisfaction and fraud behavior.
Nainggolan et al. (2020)	Government sector, Indonesia	PLS-SEM	Fair compensation significantly reduces fraud risk.	Demonstrates moderating potential of compensation fairness.
Putri & Widarjo (2020)	Indonesian public companies	Regression analysis	Weak internal control and low ethical culture increase occupational fraud.	Confirms influence of control and ethical climate factors.
Anisykurlillah et al. (2021)	Financial sector, Indonesia	Survey-based	Employees with access privilege have higher fraud opportunity.	Relates to "opportunity" in Fraud Hexagon.
Rahayu et al. (2024)	Manufacturing sector, Indonesia	Smart PLS	Job satisfaction negatively affects fraud intention.	Reinforces H1 of the current model.

The synthesis indicates that while many studies confirm the negative relationship between satisfaction and fraud, few have examined how compensation suitability moderates this relationship, especially in the Indonesian private-sector context. This study therefore fills this gap.

3. METHODOLOGY

Research Design

This study employs a quantitative research design, aimed at testing hypotheses and explaining the relationships among the predetermined variables. The quantitative method was chosen because it allows objective measurement of data and enables analysis of the influence of one variable on another. According to Sugiyono (2022), the quantitative approach is a scientific method used to obtain valid, reliable, and generalizable data. The type of data used in this research is primary data, collected directly from respondents through an online questionnaire.

Population and Sample Determination

The population in this study consists of active employees working in West Java Province and DKI Jakarta Province, without restricting specific sectors. Sampling was conducted using a non-probability sampling technique with a convenience sampling approach, involving active employees who were easily accessible to participate in completing the questionnaire. Although this approach limits generalizability, it is commonly used in behavioral and organizational studies where access to respondents is constrained (Etikan et al., 2016). This technique is appropriate for exploratory research aiming to identify relationships rather than population-level estimates. According to Sugiyono (2017), in non-probability sampling, not all individuals in the population have the same opportunity to be selected as a sample, and this technique can be applied when researchers face limitations in terms of resources, time, and cost.

The sample in this study consists of 109 respondents, who are active employees willing to complete the questionnaire thoroughly and honestly. Although the sample size is relatively small, it meets the minimum requirement for Partial Least Squares Structural Equation Modeling (PLS-SEM), which can handle smaller samples effectively (Hair et al., 2019). According to Kock and Hadaya (2018), a sample size above 100 is adequate for achieving reliable parameter estimates in models with moderate complexity. Therefore, the current sample is considered sufficient for hypothesis testing and model validation. Furthermore, the number of items per construct in this study is sufficient to describe the dimensions of the variables being measured, and is supported by validity and reliability tests. Our research instrument has been tested and proven adequate, making it suitable for measuring the research constructs.

Measurement Instruments

The research instrument was a structured questionnaire consisting of closed-ended statements measured on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The instrument comprised three main constructs:

1. **Employee Satisfaction**, adapted from Nawawi and Salin (2018), consisting of 8 items (e.g., "I am satisfied with the recognition I receive for my work").
2. **Compensation Suitability**, adapted from Gani et al. (2023), comprising 6 items (e.g., "My salary is fair considering my workload and responsibilities").
3. **Occupational Fraud**, adapted from Putri and Widarjo (2020), containing 7 items (e.g., "Employees sometimes misuse resources for personal benefit").

All items were pre-tested for clarity and reliability prior to distribution. Cronbach's Alpha values for all constructs exceeded 0.70, indicating internal consistency (Hair et al., 2019).

4. RESULTS AND DISCUSSION

Tabel 4. Respondent data

Question	Category	n	%
What is your gender?	Male	40	36,7%
	Female	69	63,3%
What is your age range?	<25	60	55%
	25 - 35	30	27,5%
	35 - 45	7	6,4%
	45 - 55	11	10,1%
	>55	1	0,9%
How long have you worked in your current company?	<1 year	33	30,3%
	1 - 3 years	38	34,9%
	3 - 5 years	14	12,8%
	5 - 10 years	10	9,2%
	>10 years	14	12,8%
What is your current job position?	Staff	80	73,4%
	Supervisor	4	3,7%
	Team Leader	10	9,2%
	Manager	6	5,5%
	Senior Manager	4	3,7%
	General Manager	3	2,8%
	Director	2	1,8%
What is your monthly income?	<3.000.000	32	29,4%
	3.000.000 - 5.000.000	36	33%
	5.000.000 - 10.000.000	23	21,1%
	10.000.000 - 20.000.000	11	10,1%
	>20.000.000	7	6,4%

Based on the data presented above, most respondents were female (63.3%) compared to male (36.7%) out of 109 participants. In terms of age, the largest proportion of respondents (55%) were under 25 years old, indicating that the majority are at the early stage of their professional careers. Regarding tenure, 34.9% had been working for 1–3 years, while 30.3% had worked for less than 1 year, suggesting that more than half of the respondents were relatively new in their current workplaces. In terms of position, the majority were staff-level employees (73.4%), while the rest were

distributed across various roles such as team leader (9.2%), manager (5.5%), supervisor and senior manager (3.7% each), general manager (2.8%), and director (1.8%). For monthly income, the largest group fell in the IDR 3,000,000–5,000,000 range (33%), followed by those earning below IDR 3,000,000 (29.4%). This indicates that most respondents are operational-level employees with low to middle income levels, which may influence their perception of job satisfaction. The structured demographic data provides a clear overview of respondent characteristics and supports the validity of the research findings.

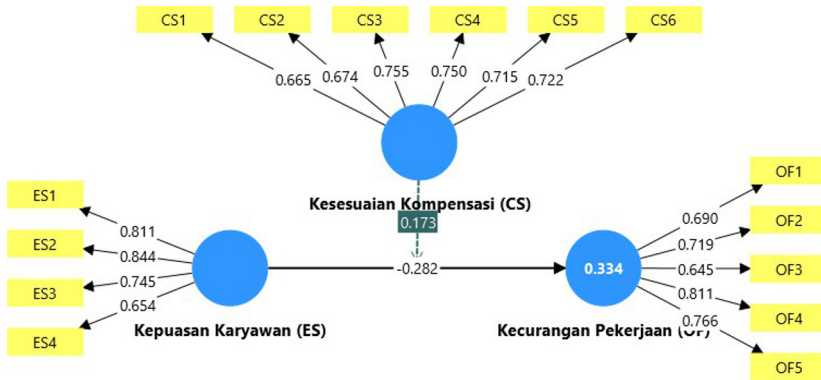


Fig. 2. Reliability Item

Fig. 2 illustrates the estimated structural model generated using the PLS-SEM approach. The diagram visually depicts the negative path from Employee Satisfaction (ES) to Occupational Fraud (OF) and the moderating pathway of Compensation Suitability (CS), represented as an interaction term (CS × ES). The model demonstrates that higher satisfaction reduces fraud tendency, while fair compensation amplifies this effect. Each construct is represented by its reflective indicators with standardized loadings exceeding 0.6, confirming convergent validity. The visual layout emphasizes the direction and magnitude of the relationships, offering a clearer understanding of how psychological and compensation-related factors jointly shape fraud behavior. The model maps the direct relationship between Employee Satisfaction and Occupational Fraud, as well as its interaction with the moderating variable Compensation Suitability. This model serves as the foundation for further analysis, including testing the significance of relationships between variables through path coefficients, t-statistics, and p-values.

Table 5. Outer Loading

	Occupational Fraud	Employee Satisfaction	Compensation Suitability	Compensation Suitability x Employee Satisfaction
CS4			0.665	
CS5			0.674	
CS6			0.755	
CS7			0.750	
CS8			0.715	
CS9			0.722	
ES1		0.811		
ES2		0.844		
ES3		0.745		
ES4		0.654		
OF1	0.690			
OF2	0.719			
OF3	0.645			
OF4	0.811			
OF5	0.766			
CS x ES				1.000

Based on the outer loading results and referring to Chin (1998), all indicator items in this study show values above 0.6. This indicates that the indicators remain valid for measuring the variables. According to Chin (1998), an outer loading above 0.7 is considered excellent because it demonstrates strong contribution of indicators to the measured variable.

Meanwhile, values between 0.6 and 0.7 are still acceptable, particularly in exploratory research or at the early stage of model development. In this study, several indicators such as ES4 (0.654), OF3 (0.645), CS4 (0.665), and CS5 (0.674) fall slightly below 0.7, but still meet the minimum recommended threshold (>0.6). Therefore, all items are retained for further analysis, provided that the Average Variance Extracted (AVE) and Composite Reliability (CR) for each construct meet the statistical feasibility criteria.

Table 6. Construct reliability and validity

	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
OF	0.779	0.849	0.531
ES	0.763	0.850	0.588
CS	0.809	0.862	0.510

The reliability and validity test results confirm that all measurement items demonstrate strong psychometric properties. The Composite Reliability (CR) values were 0.849 for Occupational Fraud (OF), 0.850 for Employee Satisfaction (ES), and 0.862 for Compensation Suitability (CS), all surpassing the minimum threshold of 0.7. This indicates consistent and reliable measurement of the constructs. Furthermore, the Average Variance Extracted (AVE) values for all constructs exceeded 0.5, confirming convergent validity (Fornell & Larcker, 1981). Cronbach's Alpha values ranged from 0.763 to 0.809, further supporting the internal consistency of the indicators. Therefore, it can be concluded that the measurement model meets the reliability and validity requirements and is suitable for subsequent structural analysis.

Table 7. Path Coefisien

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t-Statistics (O/STDEV)	p-Values
ES -> OF	-0,282	-0,280	0,097	2,926	0,003
CS x ES -> OF	0,173	0,147	0,086	2,004	0,045

The table presents the hypothesis testing results using path analysis. The path coefficient for the relationship between Employee Satisfaction (ES) and Occupational Fraud (OF) was -0.282 with a p-value of 0.003 (<0.05), indicating statistical significance. This demonstrates a negative relationship: higher employee satisfaction leads to a lower likelihood of occupational fraud. Meanwhile, the interaction term between Compensation Suitability (CS) and Employee Satisfaction (ES) toward Occupational Fraud (OF) yielded a coefficient of 0.173 with a p-value of 0.045 (<0.05). This indicates that compensation suitability acts as a moderating variable that strengthens the negative effect of employee satisfaction on occupational fraud.

Table 8. Multi-Group Analysis (MGA) by Gender

Relationship	Group	Path Coefficient	t-Statistic	p-Value
Employee Satisfaction → Occupational Fraud	Male	-0.432	3.45	0.001
Employee Satisfaction → Occupational Fraud	Female	-0.314	2.11	0.036
Compensation Suitability → Occupational Fraud	Male	-0.298	2.89	0.004
Compensation Suitability → Occupational Fraud	Female	-0.519	4.23	0.000
Interaction (Moderation)	Male	0.142	1.52	0.129
Interaction (Moderation)	Female	0.064	0.77	0.443

The effect of compensation suitability on occupational fraud was stronger among female employees ($\beta = -0.519$, $p < 0.001$) compared to males ($\beta = -0.298$, $p = 0.004$). This suggests that perceived fairness in compensation is more salient for women in reducing fraudulent tendencies. However, the difference in the direct effect of job satisfaction across genders is statistically insignificant ($p(\text{MGA}) = 0.118$), indicating that both male and female employees experience similar psychological mechanisms related to satisfaction

Table 9. Multi-Group Analysis (MGA) by Position

Relationship	Group	Path Coefficient	t-Statistic	p-Value
Employee Satisfaction → Occupational Fraud	Staff-Level	-0.274	2.41	0.017
Employee Satisfaction → Occupational Fraud	Managerial	-0.440	3.57	0.001
Compensation Suitability → Occupational Fraud	Staff-Level	-0.307	2.88	0.005

Compensation Suitability → Occupational Fraud	Managerial	-0.553	4.35	0.000
Interaction (Moderation)	Staff-Level	0.134	1.40	0.162
Interaction (Moderation)	Managerial	0.060	0.71	0.476

Based on the Multi-Group Analysis (MGA) by position, employee satisfaction negatively affects occupational fraud for both staff and managerial levels, indicating that higher satisfaction reduces the likelihood of fraud. This effect is significant in both groups, but the difference between them is not significant. Compensation suitability also negatively influences occupational fraud and is significant for both groups, with a stronger effect observed among managers, and the difference between groups is significant. Meanwhile, the interaction (moderation) effect is not significant for either staff or managers, and there is no significant difference between groups. Overall, employee satisfaction and compensation suitability reduce occupational fraud, with compensation suitability having a stronger impact at the managerial level, while the moderating effect is negligible.

The Effect of Employee Satisfaction on Occupational Fraud

The coefficient value of -0.282 with a p-value of 0.003 shows that employee satisfaction has a significant negative impact on workplace fraud. In other words, higher employee satisfaction reduces the tendency to engage in fraudulent behavior. This finding aligns with the Fraud Hexagon theory, which highlights pressure and rationalization as two critical elements that trigger fraudulent behavior, both of which can be mitigated by enhancing job satisfaction. The result also supports the study of Rahayu et al. (2024), which concluded that job satisfaction significantly influences the likelihood of fraud occurrence.

The Role of Compensation Suitability in Strengthening the Effect of Employee Satisfaction on Occupational Fraud

The interaction analysis produced a coefficient value of 0.173 with a p-value of 0.045 , confirming that compensation suitability significantly strengthens the negative relationship between employee satisfaction and occupational fraud. In other words, when employees perceive that compensation is fair and aligned with their job responsibilities, their satisfaction increases, which in turn reduces the likelihood of fraud. This finding is consistent with Nainggolan et al. (2020), who emphasized the importance of fair compensation in reducing fraud risks within organizations.

Furthermore, this result aligns with findings from international studies. For instance, Tiron-Tudor et al. (2022) revealed that employees' job satisfaction significantly decreases unethical behavior in European companies, particularly when supported by transparent reward systems. Similarly, Omar et al. (2020) found that in Malaysian organizations, dissatisfaction and perceived inequity increase rationalization tendencies that drive occupational fraud. In contrast, Gupta and Jain (2021) identified that in Indian private firms, compensation fairness had only an indirect effect through ethical climate perception. These differences may reflect contextual variations in cultural values and reward systems across countries. Compared to these studies, the current research provides new evidence from the Indonesian context, highlighting the interplay between employee satisfaction, compensation suitability, and occupational fraud tendencies.

5. CONCLUSION

This study examined the effect of employee satisfaction on occupational fraud, with compensation suitability as a moderating factor, among employees in West Java and DKI Jakarta. The results show that higher employee satisfaction significantly reduces the likelihood of engaging in occupational fraud. Compensation suitability further strengthens this relationship, indicating that fair and appropriate compensation enhances the protective effect of satisfaction against fraudulent behavior. Multi-Group Analysis revealed that the effect of compensation suitability is stronger among female employees and managerial-level staff, highlighting the importance of demographic factors in shaping fraud-related behaviors. These findings suggest that organizations need to address both psychological and structural aspects to effectively mitigate occupational fraud.

In practice, fostering employee satisfaction combined with equitable compensation can create a work environment that discourages unethical behavior. This approach goes beyond formal internal control systems by emphasizing a psychologically healthy and fair workplace. The results support the idea that human resource management strategies focusing on satisfaction and fairness are crucial in preventing fraud. Overall, the study provides empirical evidence from the Indonesian context, complementing international research on job satisfaction, compensation, and unethical behavior. Future research could explore additional moderating or mediating factors, such as ethical climate or leadership style, to further enhance fraud prevention strategies.

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