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The Impact of Financial Rewards on the Quality and Effectiveness of Whistleblowing: A Systematic Literature Review

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Abstract:

Purpose: The efficacy of financial incentives in motivating whistleblowers remains a subject of intense debate. While proponents argue that monetary rewards are essential to overcome the severe risks of reporting ("career suicide"), critics contend they may encourage frivolous claims and erode intrinsic moral motivation. This study systematically evaluates the impact of financial rewards on report quality, asset recovery effectiveness, and the critical moderating factors of whistleblowing success.

Design/methodology/approach: Guided by the PRISMA protocol, this Systematic Literature Review (SLR) analyzes 24 empirical and theoretical articles published between 2019 and 2026. The selected literature encompasses a global perspective, spanning developed frameworks (e.g., the US) and emerging economies (e.g., Nigeria, Indonesia, China), and utilizes diverse methodologies including archival data, experiments, surveys, and legal analyses.

Findings: The synthesis reveals that financial incentives function as a vital signal extraction mechanism, significantly enhancing report quality by attracting "insiders" who possess high-value, firsthand evidence. Incentive programs yield a high Return on Investment (ROI) through substantial asset recovery and ex-ante fraud deterrence. However, their success is strictly contingent upon structural moderators: robust anti-retaliation laws and guaranteed anonymity. In low-trust environments lacking these protective safety nets, financial rewards alone fail to mobilize reporting.

Practical implications: Policymakers and organizations should adopt percentage-based (*qui tam*) reward models to adequately offset insider risks. Crucially, these financial mechanisms must be underpinned by a strong "protection infrastructure," encompassing technical anonymity (e.g., encrypted channels) and strict penalties for false reporting to filter out noise.

Originality/value: This review contributes to the existing literature by integrating economic, legal, and behavioral perspectives to provide a holistic model of incentivized whistleblowing. It clarifies the conditional relationship between monetary rewards, whistleblower safety, and reporting behavior.

Keywords: Whistleblowing, Financial Incentives, Corporate Fraud, Asset Recovery, Systematic Literature Review (SLR), PRISMA.

Introduction

Corporate fraud and financial misconduct represent a persistent threat to global economic stability, often resulting in significant capital losses and erosion of public trust. Traditionally, organizations and regulators have relied on external auditors to detect such irregularities through systematic verification procedures (Halbouni, 2015). However, empirical evidence suggests that external audits often face limitations in uncovering complex, concealed fraud schemes due to information asymmetry. In contrast, whistleblowing—particularly by insiders—has emerged as a superior mechanism for detection. Studies indicate that whistleblowers provide specific, firsthand information that leads to quicker enforcement actions, more severe monetary penalties, and longer prison sentences for perpetrators compared to cases detected by other means (Call et al., 2017; DYCK et al., 2010).

Recognizing the efficacy of insider reporting, regulatory bodies worldwide have increasingly adopted financial incentive programs. Notable examples include the whistleblower programs administered by the U.S. Securities and Exchange Commission (SEC) and the Internal Revenue Service (IRS) under frameworks like the Dodd-Frank Act. These programs are premised on the economic rationale that monetary rewards compensate for the significant professional and personal risks associated with reporting (Dworkin & Baucus, 1998)

Early assessments of these programs suggest positive outcomes; for instance, the involvement of financially incentivized whistleblowers has been associated with higher settlement amounts and more comprehensive investigations, suggesting an improvement in the quality of enforcement (Dey et al., 2021; Wiedman & Zhu, 2023).

Despite these apparent successes, the introduction of monetary rewards remains a subject of significant theoretical and practical debate. A primary concern in the literature is the "crowding-out" effect, where extrinsic financial incentives may undermine intrinsic moral motivations to report wrongdoing (Berger et al., 2017). Critics argue that commodifying whistleblowing could lead to an influx of frivolous or opportunistic reports ("noise") rather than high-quality information ("signals"), thereby burdening regulatory resources (Waeye et al., 2024). Furthermore, the effectiveness of these incentives is not uniform; it is significantly moderated by situational factors such as the perceived seriousness of the wrongdoing (Andon et al., 2018), the structure of the compensation (Rose et al., 2018), and the type of reward offered (Desir et al., 2022).

Research Method

2.1. Search Strategy and Database

To ensure a rigorous and replicable collection of data, this study employed a Systematic Literature Review (SLR) approach following the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines. The Scopus database was selected as the primary source due to its extensive coverage of high-impact journals in business, management, and accounting.

The search was conducted using a specific Boolean string designed to capture the intersection of whistleblowing, financial incentives, and outcome effectiveness. The search query applied to the Article Title, Abstract, and Keywords fields was as follows:

TITLE-ABS-KEY (("whistleblower" OR "whistleblowing" OR "informant*") AND ("reward*" OR "incentive*" OR "bounty" OR "monetary" OR "financial" OR "qui tam") AND ("quality" OR "accuracy" OR "effectiveness" OR "recovery rate" OR "enforcement" OR "crowding out"))*

2.2. Inclusion and Exclusion Criteria

To enhance the relevance and quality of the reviewed literature, a multi-stage screening process was implemented based on the following criteria:

Subject Area: The search was limited to relevant fields such as Business, Management, Accounting, Economics, and Social Sciences to ensure contextual alignment with the research objectives.

Document Type: Only peer-reviewed journal articles were included. Conference papers, book chapters, and trade publications were excluded to maintain the empirical rigor of the review.

Language: The selection was restricted to articles published in the English language to ensure global applicability and accessibility.

Access: Priority was given to Open Access articles to facilitate transparency and full-text availability for detailed analysis.

Result and Discussion

3.1. Selection Process

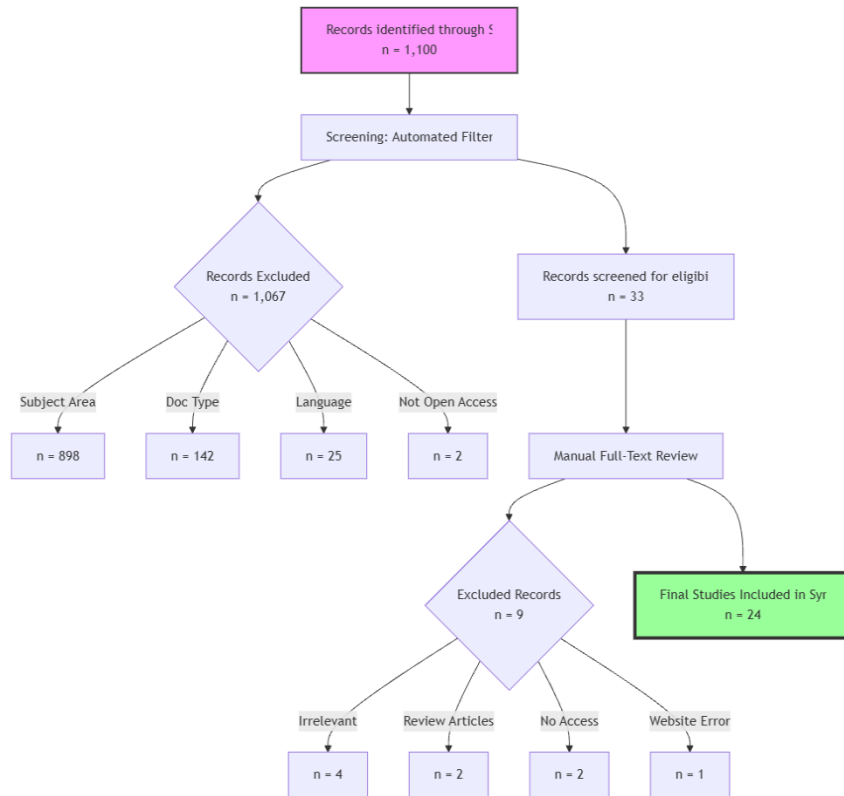
The initial search using the defined query yielded a total of 1,100 documents. A series of automated filters were then applied to narrow down the dataset. First, limiting the subject area to relevant disciplines reduced the sample to 202 documents. Second, restricting the document type to 'Articles' further reduced the count to 60. Third, a language filter (English only) resulted in 35 articles. Finally, applying the Open Access filter left 33 articles for manual screening.

3.2. Manual Screening and Final Sample

The remaining 33 articles underwent a full-text manual review to assess their eligibility based on the research questions. During this phase, 9 articles were excluded for the following reasons:

- Irrelevant Content (n=4): These studies focused on unrelated topics or lacked a specific focus on financial incentives.
- Review Articles (n=2): Secondary research or existing literature reviews were excluded to focus on primary empirical evidence.
- Accessibility Issues (n=2): Despite the initial filter, full-text access was restricted or required a subscription.
- Technical Error (n=1): One record led to a broken link or a website error preventing retrieval.

Consequently, a final sample of 24 articles was selected for the final synthesis and thematic analysis. The detailed selection process is illustrated in the PRISMA Flow Diagram below.



3.3. Synthesis Matrix

Following the rigorous selection process outlined in Section 3.1, the final dataset comprises 24 studies published between 2019 and 2026. This collection represents a diverse range of methodologies, including archival empirical analysis, laboratory experiments, legal-normative reviews, and surveys. Geographically, the literature spans developed jurisdictions with mature whistleblower programs, such as the United States, as well as emerging economies currently reforming their anti-corruption frameworks, including Nigeria, South Africa, China, and Indonesia.

The synthesis of these studies reveals three recurrent themes that align directly with the research questions of this review: (1) the impact of financial incentives on the quantity versus the quality of reports; (2) the effectiveness of these programs in terms of asset recovery; and (3) the critical role of moderating factors such as legal protection and anonymity.

Table 1 below presents the synthesis matrix, summarizing the key findings of each selected study and their contributions to addressing these four research dimensions.

Table 1. Synthesis Matrix of Selected Studies

Study (Author, Year)	Methodology	Key Findings	RQ1: Quality vs. Quantity	RQ2: Financial Recovery & Effectiveness	RQ3: Moderating Factors
Schmolke & Utikal (2025)	Laboratory Experiment (n=364)	Financial incentives (rewards/fin es) significantly increase	<i>Not addressed.</i>	<i>Not addressed.</i>	Victim Status: Insiders personally affected by misconduct are more responsive to incentives.

		reporting probability.			
Buccirossi et al. (2021)	Theoretical Economic Model	Rewards function best when balanced with sanctions for false reporting.	Incentives increase quantity; Quality is maintained by strict penalties for perjury/false claims.	<i>Not addressed.</i>	Legal Precision: Success depends on the accuracy of the judicial system to filter false claims.
Xu et al. (2023)	Cross-sectional Survey (n=846, China)	High prevalence of "bystander effect" (87% rely on others to report).	<i>Not addressed.</i>	Chinese authorities recovered RMB 34.8 billion (2018–2020) from medical insurance fraud due to reports.	Perceived Safety: The strongest predictor of willingness to report is the assurance of physical/legal safety.
Nyreröd & Spagnolo (2021a)	Literature Review & Policy Analysis	US <i>Qui Tam</i> (percentage-based) models are superior to fixed-reward systems.	Incentives are effective in uncovering high-quality , complex corporate fraud (smoking gun evidence).	US programs (SEC/IRS) achieve unmatched asset recovery rates compared to traditional auditing.	Magnitude of Reward: Uncapped rewards are necessary to offset the "career suicide" risk for high-level insiders.
Raleigh (2024)	Archival Study (Insider Trading Data)	Dodd-Frank whistleblower program reduced insider trading profits/frequency.	Implies higher quality of oversight ; managers fear detection more.	Deterrence: Significantly reduced illegal profits and investor losses (preventive effectiveness).	<i>Not addressed.</i>
Wiedman & Zhu (2023)	Archival Study (Financial Restatements)	SEC program reduces the likelihood of financial misreporting.	Detection Risk: The threat of incentivized whistleblowers forces firms to improve reporting quality.	Deterrence: Prevents market losses by discouraging aggressive financial reporting.	Internal Control: Effectiveness is higher in firms with weak internal compliance systems.
Tutton & Brand (2024)	Comparative Legal Analysis (Australia vs. US)	Recommends Australia adopt the US SEC model to enhance enforcement.	US incentives proven to increase detection capabilities for complex white-collar crimes.	SEC program generates substantial monetary sanctions, returned to harmed investors.	Mandatory Rewards: Discretionary rewards (Australian model) fail to provide sufficient certainty for whistleblowers.
Ojobo (2023)	Policy Analysis (Nigeria)	Nigerian "stopgap" policy failed to sustain initial success due to fear.	<i>Not addressed.</i>	Initial success in asset recovery declined due to lack of permanent legal protection.	Legal Certainty: A temporary policy is insufficient; a permanent statutory framework is required.
Ezeoha et al. (2026)	Qualitative Study (Nigeria)	Whistleblowing failed to mobilize citizens due to deep distrust in	Quantity of reports is low despite incentives due to safety fears.	<i>Not addressed.</i>	Trust & Safety: In low-trust environments, physical safety concerns

		government.			override financial motivations.
Hariza et al. (2024)	Normative Legal Study (Indonesia)	Legal protection for civil servants (ASN) is inconsistent and weak.	<i>Not addressed.</i>	<i>Not addressed.</i>	Legal Uncertainty: The lack of a specific comprehensive law acts as a primary barrier.
Baljija & Rustemi (2021)	Survey (n=400, Kosovo)	Civil servants view current protections as inadequate.	<i>Not addressed.</i>	<i>Not addressed.</i>	Retaliation: Fear of reprisals is the dominant factor inhibiting reporting intention.
Zhu et al. (2023a)	Technical/Blockchain Proposal	Proposes blockchain protocol for absolute anonymity.	Technical systems can improve truthfulness by removing fear.	<i>Not addressed.</i>	Technical Anonymity: Decoupling identity from reporting via technology lowers the psychological cost.
Oelrich (2019)	Laboratory Experiment (Prospect Theory)	People are more loss-averse than gain-seeking regarding whistleblowing.	<i>Not addressed.</i>	<i>Not addressed.</i>	Framing: Fear of loss (career/friends) outweighs the hope of financial gain; protections must address this.
Cassim (2023)	Legal Analysis (South Africa)	Companies Act (Sec 159) requires reform to protect disclosures.	<i>Not addressed.</i>	<i>Not addressed.</i>	Anti-Retaliation: Broader definitions of "detriment" are needed to protect whistleblowers effectively.
Chang et al. (2017)	Survey (n=5,706, South Korea)	Examines determinants of whistleblowing in public sector.	<i>Not addressed.</i>	<i>Not addressed.</i>	Colleague Support: Peer support and organizational climate are stronger moderators than incentives alone.
Zakaria et al. (2020)	Qualitative/Phenomenology (Malaysia)	Municipal councils lack structured internal reporting systems.	<i>Not addressed.</i>	<i>Not addressed.</i>	Tone at the Top: Management commitment is crucial to legitimize the reporting system.
Ma et al. (2023)	Evolutionary Game Model	Whistleblowing effectively reduces uncertainty in public health emergencies.	Incentives encourage truthful disclosure of risk information.	<i>Not addressed.</i>	Cost of Reporting: Lowering the cost/risk is as important as increasing the reward.

Wang et al. (2023)	Game Theory Model	Collaborative participation promotes rumor management.	<i>Not addressed.</i>	<i>Not addressed.</i>	Timeliness: Incentives must be timely to effectively manage public crises.
Ayres et al. (2022)	Qualitative (Institutional Logics)	Accountants face conflict between professional duty and commercial logic.	<i>Not addressed.</i>	<i>Not addressed.</i>	Professional Identity: Conflict of interest acts as an internal barrier to reporting.
Jalil et al., (2025)	Legal/Sociological (Indonesia)	Community engagement is hindered by lack of appreciation.	<i>Not addressed.</i>	<i>Not addressed.</i>	Social Rewards: Non-financial appreciation (social recognition) is also a key driver.
Nabaho & Turyasingura (2019)	Conceptual Paper	External Quality Assurance (EQA) as a tool against academic corruption.	<i>Not addressed.</i>	<i>Not addressed.</i>	Transparency: Open systems reduce the opportunity for corruption.

3.4. The Impact of Financial Incentives on the Quality vs. Quantity of Reporting (Signal vs. Noise)

One of the most critical debates in the whistleblowing literature concerns the impact of financial incentives on the integrity of the reporting system itself. Critics often argue that monetizing reporting will trigger a "cobra effect," where regulators are flooded with baseless, trivial, or even false reports from opportunistic individuals known as bounty hunters. This phenomenon, known as increased "noise," can burden investigative resources without providing significant added value. However, the results of this Systematic Literature Review (SLR) provide strong empirical evidence to refute these concerns. The majority of studies analyzed instead support the "signal theory," where financial incentives function as an effective selection mechanism to attract high-quality information that is difficult to access through conventional audit methods.

3.4.1. Overcoming the "Insider" Barrier to Obtain Quality Information

A key finding of this review is that financial incentives are crucial for motivating "insiders"—employees, executives, or internal auditors—to report. (Nyrreröd & Spagnolo, 2021a), in their comprehensive review of programs in the US and Europe, emphasize that the highest quality information almost always comes from insiders who have direct access to "smoking gun" evidence. However, insiders face extremely high personal and professional risks, ranging from social ostracism and dismissal to industry blacklisting. Without compensation commensurate with this risk of "career suicide," rational insiders tend to remain silent. Therefore, financial incentives do not merely increase the volume of reports, but specifically increase the volume of reports from those with the best information. (Wang et al., 2023) reinforce this through game theory modeling, showing that active whistleblower participation driven by incentives significantly increases the

probability of truthful fact disclosure, which in turn enhances the overall effectiveness of regulatory oversight.

3.4.2. Deterrence as the Ultimate Quality Indicator

The quality of a whistleblower program is measured not only by how much fraud is uncovered (ex-post detection) but also by how effectively the program prevents fraud from occurring (ex-ante deterrence). In this context, (Raleigh, 2024) provides compelling empirical evidence through an archival study of over 20,000 insider trading transactions in the US. This study found that the existence of the SEC Whistleblower Program significantly reduced the profitability of opportunistic insider trading. This finding implies that corporate criminals recognize the increased risk of detection due to incentives for whistleblowers, leading them to refrain from misconduct. Wiedman and Zhu (2023) also found a similar pattern, where the likelihood of financial reporting fraud declined significantly following the implementation of the incentive program. This reduction in crime rates is the ultimate indicator of system "quality": the incentive program successfully creates a surveillance environment stringent enough to prevent losses from the outset.

3.4.3. Screening Mechanisms: Balancing Rewards and Sanctions

The literature also addresses concerns regarding false or frivolous claims. Buccrossi et al., (2021) developed a theoretical model demonstrating that the risk of "noise" entering the data can be effectively managed through appropriate policy design, specifically a balance between the reward size and the penalty for false reporting. In an accurate legal system, the threat of criminal sanctions (such as imprisonment for perjury) or reverse fines serves as an effective filter. Whistleblowers who are merely "guessing" or have malicious intent will be deterred by the risk of sanctions, while those holding valid evidence (high quality) will remain motivated by the potential reward. Thus, financial incentives do not indiscriminately increase all types of reports but selectively encourage reports with a strong evidentiary basis. This is supported by Tutton & Brand (2024), who note that in practice, regulators like the SEC have developed sophisticated triage mechanisms to separate valuable information from baseless claims, ensuring investigative resources are focused on high-impact cases.

3.4.4. Competence and the "Free-Rider" Context

The quality aspect is also linked to whistleblower competence. Ma et al. (2023) highlight that whistleblowers with specific professional competence are able to provide risk information that is far more valuable to the government and the public. Financial incentives serve to attract these professionals to exercise "voice" rather than "exit" or remain silent. Conversely, the absence of incentives creates a different quality and quantity problem: the "free-rider" phenomenon. Xu et al. (2023), in their survey, found that without adequate incentives, the public tends to rely on others to report, leading to "collective silence". In this condition, regulators lose access to crucial information, which represents the worst form of surveillance system quality.

Overall, this literature synthesis confirms that financial incentives are not a trigger for administrative noise but rather a vital catalyst for acquiring high-quality information. By attracting "insiders" with asymmetric information and professional competence, as well as creating a deterrent effect for potential perpetrators, financial incentive programs are proven to increase the accuracy, speed, and effectiveness of corporate misconduct detection. Concerns regarding frivolous reports, while theoretically valid, can be

empirically mitigated through sanction mechanisms and strict screening procedures, so that the benefits of the signal obtained far outweigh the potential noise costs.

3.5. Effectiveness in Financial Recovery and Deterrence (RQ2)

The second research question in this study evaluates the extent to which financial reward programs are effective in recovering state losses and detecting material criminal acts. The analyzed literature provides strong empirical evidence that incentive programs are not merely a cost mechanism for regulators, but a strategic investment with a very high Return on Investment (ROI). This effectiveness manifests in three main dimensions: tangible asset recovery, operational efficiency of law enforcement, and the deterrence effect that prevents future losses.

3.5.1. Tangible Asset Recovery

Scale and Economic Impact The most tangible indicator of a whistleblower program's success is the magnitude of monetary sanctions successfully collected from offenders. Data from the United States demonstrates a massive scale of recovery, validating the argument that financial incentives are a vital tool in the modern regulatory ecosystem. Raleigh (2024), in his analysis of enforcement data related to insider trading, reveals that the SEC Whistleblower Program has successfully collected total monetary sanctions exceeding \$1.7 billion. This figure includes \$901 million in disgorgement—the repayment of illegal profits obtained by perpetrators to be returned to harmed investors. These statistics confirm that whistleblowers play a central role in facilitating the transfer of wealth back from criminals to victims and the state.

Furthermore, Wiedman & Zhu (2023) highlight the other side of this balance sheet: payments to whistleblowers. Their study notes that over \$1.3 billion has been awarded to whistleblowers in exchange for their information. While this figure appears substantial as a "cost," in the context of regulatory economics, it reflects extraordinary success. Given that rewards typically range from 10-30% of total sanctions, a payout of \$1.3 billion implies that the total funds recovered or fines imposed thanks to such information far exceed the payout figure—often reaching billions of dollars more. This demonstrates a positive and significant ROI for regulators; the funds spent to pay informants are covered many times over by the assets successfully salvaged.

3.5.2. Resource Efficiency and Investigation Acceleration

The program's effectiveness is measured not only by monetary value but also by the efficiency of the legal process. Corporate crime investigations, especially those involving complex accounting schemes or insider trading, traditionally take years and consume limited regulatory resources. Tutton & Brand (2024) found that the existence of financial incentives serves as a crucial acceleration mechanism. Information from insiders motivated by incentives often provides a direct "roadmap" to evidence of misconduct, drastically reducing investigation time and costs. With specific evidence from whistleblowers, regulators no longer need to "search for a needle in a haystack." This efficiency allows regulators to allocate limited resources to more cases or focus on violations that are harder to detect, thereby increasing overall law enforcement capacity without significantly increasing operational budgets.

3.5.3. The Deterrence Effect

Prevention as the Best Form of Recovery Beyond recovering lost funds, the literature also highlights the preventive role of this program. Wiedman & Zhu (2023) found that

following the introduction of the SEC whistleblower program, there was a significant decrease in the probability of financial reporting fraud in US companies. Raleigh (2024) also found a similar pattern in the decline of opportunistic insider trading profitability. This phenomenon indicates a strong deterrence effect: managers and corporate executives become more cautious and refrain from fraudulent behavior due to a drastically increased perception of detection risk. When every employee is potentially a paid "spy" for the regulator, the psychological cost and risk for perpetrators become too high. In the long run, this prevention is the most effective form of "recovery" as it prevents investor losses and market shocks before they occur.

3.5.4. Comparative Studies

Consequences of Lack of Incentives The validity of the argument regarding the effectiveness of incentives is further strengthened when comparing jurisdictions that have incentive programs with those that do not. Studies in developing countries provide a sharp contrast. In Kosovo, Baljija & Rustemi (2021) report that despite the existence of protection laws, the absence of financial incentives causes the participation rate of civil servants in reporting corruption to remain low. Consequently, corruption detection becomes slow, and state asset recovery becomes minimal. A similar situation occurs in Nigeria, as analyzed by Ezeoha et al. (2026). Although the government attempts to focus on asset recovery, the whistleblowing policy there fails to reach its maximum potential due to poor design and a lack of public trust in the incentive and protection system. Without clear and guaranteed incentives, citizens are reluctant to take the risk of reporting, so the rate of state loss recovery remains low despite rampant corruption. This comparison confirms that without a strong "reward" component, the "recovery" component becomes difficult to achieve.

3.6. Moderating Factors of Whistleblowing Effectiveness (RQ3)

The third research question of this study seeks to identify the conditional factors that determine whether a financial incentive program will succeed or fail. The synthesis of the selected literature reveals a critical consensus: financial incentives do not operate in a vacuum. The mere provision of monetary rewards is insufficient to mobilize reporting behavior if the surrounding structural, legal, and psychological ecosystem is hostile. The relationship between financial incentives and whistleblowing intention is not linear but is heavily moderated by five key dimensions: (1) the robustness of legal protection against retaliation; (2) the guarantee of anonymity and trust; (3) psychological framing and loss aversion; (4) organizational and social support; and (5) the structural design of the incentive mechanism itself.

3.6.1. The Primacy of Legal Protection and Anti-Retaliation Frameworks

The most dominant moderator identified across the reviewed studies is the perceived strength of legal protection. Financial rewards act as a "pull" factor, but the fear of retaliation acts as a significantly stronger "push" factor. Hariz et al. (2024), in their normative analysis of the Indonesian legal framework, argue that inconsistent legal protections for civil servants (ASN) create a "chilling effect" that nullifies the potential motivation offered by rewards. Even if the financial upside is substantial, the rational whistleblower calculates the long-term professional cost—such as dismissal, demotion, or industry blacklisting—as a risk that outweighs the one-time monetary gain.

This finding is echoed by Cassim (2023) in the context of South African corporate law. The study posits that legislative reforms must prioritize the "anti-retaliation" provisions of the

Companies Act before expanding financial incentives. Cassim argues that without a legal mechanism that shifts the burden of proof to the employer in retaliation cases, potential whistleblowers view the reward system as a "trap." Similarly, Baljija & Rustemi (2021) found in their survey of Kosovo's civil service that the perception of protection is the single most significant predictor of reporting intention. Their data indicates that when employees believe the legal system is porous or corrupt, the elasticity of their response to financial incentives drops to near zero. Thus, robust legal immunity is not merely a supplementary feature but a foundational prerequisite for the economic efficacy of rewards.

3.6.2. Anonymity, Trust, and Technological Solutions

Beyond legal statutes, the practical guarantee of anonymity serves as a crucial moderator, particularly in jurisdictions with low institutional trust. Ezeoha et al. (2026) and Ojobo (2023) provide compelling evidence from Nigeria, where the government's whistleblowing policy initially saw success but eventually faltered. They attribute this decline to a "trust deficit"; citizens feared that their identities would be leaked by corrupt officials within the very agencies meant to protect them. In such low-trust environments, the promise of a reward is viewed with skepticism, and the physical safety risk becomes a prohibitive barrier.

To address this moderation effect, Zhu et al. (2023) propose a technological intervention. Their study on blockchain-based reporting protocols suggests that "technical anonymity"—where identity is cryptographically concealed—is superior to "legal anonymity." By removing the need to trust a human intermediary, blockchain systems can moderate the relationship between incentives and reporting behavior, effectively lowering the perceived risk threshold. This suggests that for financial incentives to work in high-corruption or low-trust regions, they must be decoupled from identity disclosure requirements.

3.6.3. Psychological Framing: Loss Aversion and Prospect Theory

Economic models often assume whistleblowers are rational actors who weigh costs against benefits. However, Oelrich (2019) introduces a critical psychological moderator based on Prospect Theory. Through experimental analysis, Oelrich demonstrates that individuals exhibit "loss aversion"—the psychological pain of losing one's career or social standing is approximately twice as powerful as the pleasure of gaining an equivalent financial reward. Consequently, incentive programs that are framed solely as "profit opportunities" may fail to motivate risk-averse insiders.

Oelrich's findings suggest that the effectiveness of rewards is moderated by how they are framed relative to potential losses. Successful programs must offer rewards large enough to perceivedly "insure" the whistleblower against a total career loss, rather than merely acting as a bonus. Furthermore, Schmolke & Utikal (2025) expand on these situational determinants, finding that the "victim status" of the whistleblower moderates their responsiveness to incentives. Insiders who are personally negatively affected by the misconduct are more responsive to financial rewards than neutral observers. This implies that incentives are most effective when they align with the whistleblower's desire for restorative justice.

3.6.4. Organizational Support and Social Norms

The decision to blow the whistle is also moderated by the immediate social environment of the potential reporter. Chang et al. (2017), in a large-scale survey of South Korean public officials, found that "colleague support" and "organizational ethical climate" significantly moderate the impact of incentives. Even in the presence of rewards, individuals are unlikely to report if they anticipate severe social ostracism from their peers. Financial incentives can, in some cases, backfire if they violate the social norms of the group, labeling the whistleblower as a "traitor" rather than a hero.

Zakaria et al. (2020) reinforce this by highlighting the role of "Tone at the Top" in Malaysian municipal councils. They argue that financial incentives only translate into action when the organizational leadership explicitly endorses reporting as a positive duty. Without this cultural validation, the monetary reward is insufficient to overcome the social pressure to remain silent. Suteki et al. (2025) further add that in collectivist societies (like Indonesia), community engagement and non-financial social rewards (such as public recognition or moral support) act as necessary moderators to legitimize the acceptance of financial rewards.

3.6.5. Structural Design of the Incentive Mechanism

Finally, the specific design of the reward scheme moderates its success. Nyrreröd & Spagnolo (2021) contrast the US Qui Tam model (which offers uncapped, percentage-based rewards) with European models that often offer fixed or nominal caps. They conclude that the "magnitude" of the reward moderates the quality of information received. High-level corporate fraud involves high-level executives with lucrative careers; therefore, a capped reward (e.g., \$50,000) is insufficient to deter them from silence. The US model, which offers 10–30% of sanctions recovered (often reaching millions of dollars), successfully moderates the "opportunity cost" of reporting.

Tutton and Brand (2024) support this by comparing the Australian and US frameworks. They argue that the Australian reluctance to introduce mandatory, high-value bounties has resulted in a weaker enforcement landscape. Their comparative analysis suggests that for an incentive program to be effective, it must be legally structured to be mandatory (not discretionary) and substantial (percentage-based). Discretionary rewards—where a regulator may pay a reward—fail to provide the certainty required for a whistleblower to take the leap of faith.

In conclusion, the synthesis of these 24 studies confirms that while financial incentives are a potent tool, their efficacy is highly elastic. It expands and contracts based on the presence of these moderating factors. A "best-practice" whistleblowing system must therefore be a hybrid model: one that combines high-value financial incentives (to overcome loss aversion) with blockchain-like anonymity (to build trust), robust anti-retaliation laws (to ensure safety), and strong organizational support (to normalize reporting).

Conclusion

This systematic literature review has synthesized empirical and theoretical evidence from 24 studies published between 2019 and 2026 to evaluate the efficacy of financial incentives in whistleblowing systems. The findings provide a robust rebuttal to the traditional criticisms of monetary rewards. Contrary to the "cobra effect" argument, the weight of evidence suggests that financial incentives do not merely generate

administrative noise; rather, they serve as a vital signal extraction mechanism. By compensating for the high professional and social costs of reporting, incentives successfully motivate "insiders" to reveal complex fraud that would otherwise remain undetected.

The review highlights that the effectiveness of these programs extends beyond mere detection to tangible financial recovery and deterrence. Data from established jurisdictions, particularly the United States, demonstrates that incentive-driven whistleblowing yields a high Return on Investment (ROI) for regulators, recovering billions in illicit funds while simultaneously reducing the incidence of opportunistic financial misconduct. However, comparative analysis with developing economies reveals that this success is not automatic. In jurisdictions like Nigeria and Kosovo, the lack of complementary safety nets has rendered incentive programs less effective, underscoring that money cannot compensate for a lack of physical security or institutional trust.

Therefore, the central conclusion of this study is that financial incentives are a necessary but insufficient condition for an effective anti-fraud system. They function as a powerful accelerator for reporting behavior, but only when supported by a "protection infrastructure" comprising three pillars: (1) robust anti-retaliation laws that reverse the burden of proof; (2) reliable anonymity channels, potentially enabled by emerging technologies like blockchain; and (3) a supportive organizational culture that reframes reporting as a pro-social duty rather than betrayal.

4.1. Policy Implications

For policymakers, particularly in emerging economies reforming their whistleblowing frameworks, this study offers three practical recommendations:

Adopt "Qui Tam" Models: Shift from fixed, nominal rewards to percentage-based incentives (e.g., 10-30% of recovered assets) to adequately offset the "career suicide" risk faced by high-level insiders.

Prioritize Safety Over Money: Before increasing reward amounts, regulators must invest in secure reporting channels and legal immunity provisions. In low-trust environments, technical anonymity (e.g., encrypted platforms) should be prioritized to bypass the fear of leaks.

Implement Sanctions for False Reporting: To mitigate the risk of frivolous claims, reward programs must be paired with strict penalties for malicious reporting, thereby maintaining the integrity of the investigative process.

4.2. Limitations and Future Research

This review acknowledges certain limitations. The majority of empirical data on financial recovery is heavily skewed towards US-based programs (SEC/IRS), potentially limiting generalizability to non-Western legal contexts. Future research should focus on longitudinal studies in developing nations to understand how cultural dimensions—such as collectivism or power distance—moderate the impact of financial incentives. Additionally, further empirical testing is needed to validate the long-term psychological effects of rewards on organizational trust and intrinsic motivation outside of laboratory settings.

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