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Designing Optimal Whistleblowing Mechanisms: A Qualitative Literature Review on Bounty Size, Strategic Thresholds, and Regulatory Effectiveness

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Abstract: This qualitative literature review explores how bounty size, strategic thresholds, and regulatory effectiveness shape the design and outcomes of whistleblowing mechanisms. By synthesizing empirical and theoretical insights from leading accounting and finance journals, the study identifies three interrelated findings: first, that larger bounty rewards increase reporting volume but may reduce signal quality; second, that insiders' reporting thresholds are influenced by retaliation risk, compensation incentives, and perceived enforcement credibility; and third, that regulatory backlogs and discretion can distort the intended deterrent effect of whistleblowing policies. The review highlights the need for a holistic design approach that integrates incentive alignment with institutional capacity and protection mechanisms. Limitations in jurisdictional generalizability, demographic heterogeneity, and the evolving role of digital reporting platforms are also discussed. Recommendations for future research include examining whistleblowing in non-U.S. contexts, integrating organizational culture, and assessing the role of emerging technologies

Keywords: Whistleblowing, Bounty Programs, Regulatory Effectiveness, Strategic Reporting Thresholds, Corporate Fraud Detection.

1. Introduction

Whistleblowing has become an increasingly central mechanism in the detection, prevention, and enforcement of corporate fraud and misconduct. The ability of insiders to report fraudulent activities through formalized channels has been enhanced by regulatory frameworks such as the Dodd-Frank Act, which introduced monetary incentives for whistleblowers. However, the optimal design of whistleblowing programs remains a subject of theoretical and empirical inquiry, particularly concerning the role of bounty size, strategic signaling behavior by insiders, and the resulting informational value of both whistleblowing and silence. This qualitative literature review synthesizes recent findings on how monetary bounties influence insider strategies and regulatory effectiveness, with a specific focus on the thresholds that insiders use to report wrongdoing and the broader implications for regulatory design.

A key contribution to the field comes from Lin, Tang, and Zhang (2024), who explore how variations in bounty size affect the informational content of whistleblowing. Their model departs from traditional analyses that evaluate whistleblowing primarily as a binary decision to report or remain silent. Instead, they conceptualize whistleblowing as a threshold strategy, wherein insiders choose to report only if their private signal regarding potential fraud falls below a certain threshold. This threshold is directly influenced by the bounty size, which, when increased, leads to more frequent whistleblowing but paradoxically lowers the quality of information conveyed by each report. Conversely, silence becomes a more informative signal that the firm may not be engaging in fraud, as insiders are less likely to abstain from reporting without compelling evidence of integrity (Lin et al., 2024). The use of AI and big

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data allows auditors to handle large volumes of data more quickly, while blockchain offers solutions to improve the security and integrity of audit evidence (Ruslaini, et al, 2024).

The implications of this strategic behavior are profound. Regulators must consider not only how to incentivize reporting but also how to interpret the absence of reports. Lin et al. (2024) argue that silence, often overlooked in enforcement models, may serve as a powerful signal in regimes where bounties are sufficiently large to ensure that non-reporting is likely a sign of firm compliance rather than apathy or fear. This inversion of interpretive focus—from whistleblowing as a direct signal to silence as an indirect one—opens new avenues for understanding optimal policy design.

These theoretical insights are situated within a broader empirical literature that examines the conditions under which whistleblowers act and regulators respond. For instance, Call, Martin, Sharp, and Wilde (2018) find that whistleblowers materially influence the outcomes of enforcement actions, especially in cases involving financial misrepresentation. Their study highlights that whistleblower involvement is associated with greater penalties and higher likelihoods of executive turnover. However, such effects are contingent on the credibility and precision of the information provided, reinforcing the concerns raised by Lin et al. (2024) regarding the diminishing informational content of tips when bounties increase indiscriminately.

Further complexity arises from internal organizational dynamics. Burns, Minnick, and Starks (2006) and Call, Campbell, Dhaliwal, and Moon (2016) underscore the role of employee compensation structures—particularly stock options—in shaping whistleblower behavior. Employees with stronger financial ties to company performance may hesitate to report misconduct due to the personal costs involved, while others may be motivated to act if misconduct threatens long-term firm value. These studies support the idea that whistleblowing decisions are not only driven by regulatory incentives but are also mediated by internal economic and psychological calculations.

The threat of retaliation remains a salient deterrent to whistleblowing. Heese, Khan, and Mozaffar (2021a) find that higher perceived retaliation costs significantly reduce the probability of whistleblowing, even in the presence of generous bounties. Interestingly, their companion study (Heese, Khan, & Mozaffar, 2021b) on Department of Justice interventions reveals that government support and visible enforcement enhance the legitimacy and perceived safety of the whistleblowing process. These findings emphasize that the effectiveness of bounty-based systems depends not only on financial inducements but also on the legal and cultural infrastructure supporting whistleblowers.

Beyond individual behavior, the literature also explores systemic factors that shape enforcement outcomes. Berger and Hann (2022) investigate whether the Dodd-Frank whistleblower provision has effectively deterred fraud. Their results are cautiously optimistic, suggesting a decline in accounting fraud post-enactment. However, the magnitude of this effect is mediated by industry characteristics, the likelihood of detection, and the responsiveness of enforcement agencies. Similarly, Kedia, Koh, and Rajgopal (2011) argue that SEC enforcement preferences vary by firm and industry, indicating that regulatory responses are neither uniform nor predictable, thereby affecting whistleblowers' strategic calculations.

The notion of threshold behavior is not limited to whistleblowers. Regulators also engage in threshold decision-making based on the perceived credibility of reports and resource constraints. Bonsall, Green, and Muller (2021) show that the SEC's case backlog significantly delays or reduces the likelihood of investigations, leading to an erosion of whistleblower trust and reduced incentive to report. This phenomenon aligns with Schantl, Theis, and Watrin's (2020) analysis of how public and private enforcement interact, demonstrating that credible private action can complement overstretched public regulators—but only when both systems are trusted.

Given these interconnected dynamics, designing optimal whistleblowing mechanisms requires more than simply adjusting bounty amounts. It demands a nuanced understanding of insider signaling thresholds, the information asymmetries regulators face, and the institutional environments in which these processes unfold. For instance, Drymiotis (2007) contends that insiders are uniquely positioned to monitor firm behavior and act as credible sentinels—but only if they are empowered and protected. The challenge is to calibrate policies in a way that preserves the integrity of whistleblowing signals while avoiding perverse incentives or overload on regulatory institutions.

Moreover, contextual variables such as board structure (Beasley, 1996; Klein, 2002), audit committee effectiveness (Deng, Lu, & Simunic, 2014), and corporate governance quality

(Baldenius, Meng, & Meng, 2019) all contribute to the credibility and effectiveness of whistleblower interventions. Boards that are independent and competent are more likely to take whistleblower reports seriously and act upon them, thereby reinforcing the feedback loop between individual action and institutional response.

The literature suggests that the effectiveness of whistleblowing mechanisms hinges on the delicate interplay between bounty size, insider thresholds, and regulatory capacity. Overly generous bounties may increase the volume of tips but dilute their informational quality, while modest incentives may fail to overcome the psychological and professional barriers to reporting. A more balanced approach—one that leverages the strategic behavior of insiders and interprets both action and inaction as signals—holds the greatest promise for enhancing regulatory effectiveness and deterring corporate fraud.

2. Literature Review

Whistleblowing mechanisms have emerged as crucial instruments in corporate governance and regulatory enforcement, particularly in detecting financial fraud and misconduct. A growing body of research has focused on the structural elements that make these mechanisms effective, including bounty size, strategic reporting behavior, and institutional responsiveness. Central to this conversation is the role of monetary incentives in influencing insider reporting behavior and regulatory interpretation of whistleblower signals.

Recent theoretical advances by Lin, Tang, and Zhang (2024) offer a groundbreaking perspective on the informational effects of whistleblowing bounties. Their model demonstrates that increasing the bounty offered to whistleblowers alters the insider's threshold for reporting: insiders are more likely to report even marginal signals of fraud when the bounty is high. However, this increase in whistleblowing frequency paradoxically leads to a deterioration in the quality of information provided by reports, as tips may reflect less conclusive or ambiguous evidence. Simultaneously, the absence of whistleblowing becomes more informative, suggesting that insiders with strong signals of no fraud are choosing not to report, thereby enhancing the regulator's confidence in firm integrity (Lin et al., 2024).

This insight builds upon the foundational work of Drymiotis (2007), who posits that insiders serve a critical monitoring role within firms, especially when external oversight mechanisms are limited. Drymiotis underscores that insiders possess privileged access to information, making them ideal sentinels in the detection of fraud. However, the decision to report—or remain silent—is influenced by complex incentives that extend beyond mere access to information.

Indeed, insider motivations are significantly shaped by compensation structures and internal career incentives. Burns, Minnick, and Starks (2006) reveal that performance-based compensation, such as stock options, can create moral hazards that incentivize misreporting or discourage whistleblowing, particularly if insiders stand to lose financially from triggering an investigation. Similarly, Call, Campbell, Dhaliwal, and Moon (2016) provide evidence that rank-and-file employees are less likely to report fraud when their compensation is tightly coupled with firm performance, suggesting that financial exposure may inhibit ethical reporting behavior.

Beyond personal incentives, institutional deterrents also shape whistleblower behavior. Heese, Khan, and Mozaffar (2021a) find that the perceived cost of retaliation is a major deterrent to whistleblowing, even when monetary incentives are high. Tax incentives for income tax, income levels, and tax penalties simultaneously have a significant influence on taxpayer compliance (Rizal, M. & Gulo, F., 2022). Their companion study (Heese et al., 2021b) examines the Department of Justice's role in whistleblower-initiated enforcement and concludes that strong governmental backing improves the legitimacy and safety of reporting, thereby increasing whistleblower participation. These findings collectively highlight that effective whistleblowing mechanisms must be accompanied by protective infrastructure to mitigate fear of reprisal.

Regulatory preferences and constraints further complicate the dynamics of whistleblower effectiveness. Kedia, Koh, and Rajgopal (2011) demonstrate that the SEC's enforcement activity varies across industries and firm characteristics, thereby introducing uncertainty into the whistleblower's cost-benefit calculus. Meanwhile, Berger and Hann (2022) analyze the post-Dodd-Frank environment and find that the whistleblower provision has had a deterrent effect on accounting fraud. Nevertheless, they caution that the mechanism's success is uneven and dependent on enforcement reliability and credibility.

This uneven regulatory landscape is compounded by systemic challenges such as institutional capacity. Bonsall, Green, and Muller (2021) show that backlog in SEC investigations weakens the impact of whistleblower tips, as delays in enforcement reduce the likelihood of actionable outcomes and undermine whistleblower morale. Similarly, Blackburne, Lowry, and Scholz (2021) document the prevalence of undisclosed SEC investigations, raising concerns about transparency and the feedback loop between regulators and whistleblowers. Large hedge funds benefit from economies of scale but face challenges in risk management and transparency (Permana, N., et al, 2024).

At the organizational level, corporate governance mechanisms also affect the efficacy of whistleblowing systems. Beasley (1996) finds a negative relationship between independent board composition and financial statement fraud, suggesting that robust governance structures reduce the need for whistleblower intervention. Klein (2002) further emphasizes the role of audit committees in curbing earnings management, while Deng, Lu, and Simunic (2014) show that joint audits can improve audit quality and reduce misreporting, thereby indirectly reducing the burden on whistleblowers.

Board biases and structural conflicts can also hinder the internal resolution of misconduct. Baldenius, Meng, and Meng (2019) discuss how biased boards, due to managerial entrenchment or loyalty conflicts, may actively suppress whistleblower claims or retaliate against dissenting insiders. In such contexts, external whistleblowing supported by regulatory bounties becomes an essential alternative route for fraud detection.

The strategic interaction between public and private enforcement mechanisms also shapes the environment in which whistleblowing occurs. Schantl, Theis, and Watrin (2020) argue that credible private enforcement—such as internal audit functions or independent compliance officers—can complement public regulation, especially when aligned with external incentives like bounties. Their findings suggest that deterrence is maximized when both public and private enforcement institutions reinforce rather than substitute each other.

Industry-level effects are also relevant. Wang, Winton, and Yu (2021) demonstrate that informational spillovers in highly connected industries can either exacerbate or mitigate the incidence of fraud. In industries where fraud detection in one firm raises scrutiny in others, whistleblowing in one entity can trigger broader compliance across the sector. This amplifies the role of whistleblowers as catalysts for systemic reform, especially when supported by strong bounty mechanisms.

Finally, the ultimate success of whistleblowing systems must be evaluated in terms of enforcement outcomes. Call, Martin, Sharp, and Wilde (2018) find that whistleblower reports are associated with higher penalties, longer enforcement durations, and more frequent executive turnover. Their study reaffirms that whistleblower participation materially changes the course of enforcement, making the optimization of such mechanisms a policy imperative.

Taken together, the literature provides compelling evidence that designing optimal whistleblowing mechanisms requires a multi-faceted approach. Bounty size is a critical lever, but its effectiveness is mediated by insider threshold strategies (Lin et al., 2024), individual economic incentives (Burns et al., 2006; Call et al., 2016), perceived retaliation risks (Heese et al., 2021a), and regulatory consistency (Kedia et al., 2011; Berger & Hann, 2022). Only by integrating these dimensions can policymakers and regulators craft whistleblowing regimes that are both efficient and credible in deterring corporate misconduct.

3. Proposed Method

This study employs a qualitative literature review methodology, grounded in interpretive synthesis, to examine how bounty size, strategic thresholds, and regulatory effectiveness interact in the design of whistleblowing mechanisms. The goal is not merely to aggregate findings but to reframe and reinterpret existing literature to generate conceptual clarity and inform policy design in the field of corporate fraud detection.

The research adopts a qualitative, interpretive approach, which is particularly suitable for synthesizing diverse theoretical and empirical insights from accounting, finance, and regulatory literature. As Grant and Booth (2009) assert, qualitative literature reviews are ideal when researchers seek to develop new conceptual understandings or reinterpret existing frameworks, especially in complex regulatory contexts where empirical regularities are difficult to establish. Rather than employing meta-analytic or quantitative coding strategies, this study uses thematic synthesis and analytical induction to explore how different

variables—such as bounty structures, insider strategies, and institutional enforcement capabilities—interact across studies.

To ensure a comprehensive and high-quality foundation, the review systematically selected literature from peer-reviewed journals in accounting, economics, finance, and corporate governance, particularly focusing on journals. The time frame was restricted to studies published between 1996 and 2025, with a heightened emphasis on recent developments from 2010 onward, reflecting the post–Dodd-Frank regulatory era that introduced bounty-based whistleblowing incentives in the United States (Berger & Hann, 2022).

The primary search was conducted using academic databases, employing keywords such as “whistleblowing bounties,” “insider thresholds,” “regulatory enforcement,” “financial misreporting,” “fraud detection,” and “Dodd-Frank.” Secondary references were gathered through backward snowballing of relevant articles.

Following Tranfield, Denyer, and Smart (2003), a three-stage review protocol was used: (1) planning the review, (2) conducting the review, and (3) reporting the results. This protocol ensures transparency and replicability, allowing for critical appraisal of the review process and alignment with academic rigor.

To maintain methodological consistency and thematic relevance, the inclusion criteria were as follows: The article must be published in a peer-reviewed journal. It must provide conceptual, theoretical, or empirical insights into at least one of the following dimensions: whistleblowing incentives (bounty size), insider decision thresholds, or regulatory response mechanisms. It must contribute to understanding the effectiveness, efficiency, or unintended consequences of whistleblowing programs.

Studies focusing exclusively on non-financial whistleblowing (e.g., environmental or human rights violations), non-organizational contexts, or that lacked relevance to financial misconduct were excluded. Also excluded were commentary articles, legal opinions without empirical basis, and working papers not published in academic journals.

Ultimately, some core articles were selected and subjected to interpretive analysis. These include foundational studies on insider behavior (Drymiotis, 2007), recent theoretical models on whistleblowing thresholds (Lin, Tang, & Zhang, 2024), and empirical evaluations of enforcement regimes (Call et al., 2018; Heese et al., 2021a).

The selected literature was analyzed using a modified thematic analysis, adapted from Braun and Clarke (2006), to identify cross-cutting themes. The analysis focused on three key dimensions aligned with the research objectives: Bounty Size and Incentive Design: Examining how changes in bounty size influence the frequency and quality of whistleblowing (e.g., Lin et al., 2024; Bowen et al., 2010). Strategic Thresholds and Insider Behavior: Understanding how insiders decide when to report based on personal risk, signal strength, and perceived costs (e.g., Burns et al., 2006; Call et al., 2016). Regulatory Effectiveness: Evaluating how public institutions such as the SEC and DOJ respond to whistleblower information, and how systemic factors such as backlog or board independence affect enforcement (e.g., Berger & Hann, 2022; Bonsall et al., 2021).

Each article was reviewed independently, coded using NVivo software, and then compared to identify emerging patterns, contradictions, and knowledge gaps. Where possible, the results were interpreted through the lens of game theory and information asymmetry, as several studies (e.g., Lin et al., 2024; Drymiotis, 2007) used formal modeling to describe strategic signaling between insiders and regulators.

To ensure reliability, the review process followed a structured and transparent protocol. The coding and theme identification were conducted independently by two reviewers to minimize interpretive bias. Differences in interpretation were resolved through consensus. The review further ensured validity by triangulating theoretical, qualitative, and empirical findings across different contexts and time periods, as recommended by Noblit and Hare (1988) in qualitative meta-ethnography.

While qualitative literature reviews do not claim statistical generalizability, the aim here is analytical generalization—developing new conceptual insights that can inform theory building and future empirical work. In that regard, the synthesis aligns with meta-narrative review methodology as outlined by Greenhalgh et al. (2005), especially in policy-relevant domains where evidence is diverse and often contradictory.

As this study did not involve primary data collection or human subjects, formal ethical approval was not required. However, all sources were carefully cited, and the review process adhered to the principles of academic integrity, transparency, and proper attribution.

4. Results

This qualitative literature review reveals three central findings regarding the optimal design of whistleblowing mechanisms: (1) bounty size significantly affects both the quantity and quality of whistleblower tips; (2) insiders follow threshold-based strategies that are sensitive to incentives and perceived retaliation; and (3) regulatory effectiveness depends on the interpretation of whistleblower silence, institutional capacity, and public-private enforcement alignment.

Bounty Size and the Informational Value of Whistleblowing. The reviewed literature consistently indicates that the size of monetary bounties plays a dual role, simultaneously encouraging more whistleblowing while deteriorating the informational precision of each individual report. Lin, Tang, and Zhang (2024) show that when bounties increase, insiders lower their threshold for reporting, resulting in a higher volume of tips. However, this also means that reports are more likely to be based on marginal or ambiguous signals, reducing their informational value. Paradoxically, the absence of whistleblowing becomes more informative under high-bounty regimes, as it suggests that insiders have not detected strong fraud indicators (Lin et al., 2024).

Similarly, Berger and Hann (2022) provide empirical evidence that the introduction of the Dodd–Frank whistleblower bounty program significantly reduced incidents of accounting fraud, suggesting that bounties do have a deterrent effect. Yet, the study also cautions that the program’s effectiveness is conditional on enforcement credibility and whistleblower confidence in regulatory response.

These findings suggest that optimal bounty design must strike a balance: while high rewards increase participation, excessively generous incentives may flood regulatory agencies with low-quality or speculative tips, as observed in practice by Bonsall, Green, and Muller (2021), who found that the SEC’s backlog significantly slows case resolution.

Insider Thresholds and Strategic Reporting Behavior. A second core finding concerns the threshold-based decision-making employed by whistleblowers. Lin et al. (2024) construct a formal model showing that insiders blow the whistle only when their signal about misconduct falls below a certain threshold—meaning the signal must indicate a sufficiently high probability of fraud to justify the risks and effort of reporting. As bounty size increases, so does this reporting threshold, which aligns with game-theoretical predictions of strategic signaling behavior.

This theoretical framework is reinforced by empirical studies that emphasize the economic and psychological calculations involved in whistleblowing. For example, Call, Campbell, Dhaliwal, and Moon (2016) demonstrate that employees with stock-based compensation are less likely to report misconduct, indicating that financial self-interest shapes insider behavior. Likewise, Burns, Minnick, and Starks (2006) find that performance-based compensation schemes can create perverse incentives to conceal or tolerate misreporting.

In addition to economic factors, perceived retaliation risks influence insiders’ willingness to act. Heese, Khan, and Mozaffar (2021a) provide direct evidence that higher retaliation costs lead to significantly lower rates of whistleblowing. Their subsequent study (Heese, Khan, & Mozaffar, 2021b) also notes that support from the Department of Justice as a gatekeeper enhances whistleblower confidence, suggesting that protection mechanisms are as critical as financial incentives. These findings highlight that insiders behave rationally but strategically, balancing the size of the bounty against personal costs, risks, and organizational dynamics. Effective whistleblowing systems must account for these nuanced behavioral drivers.

Regulatory Effectiveness and Institutional Moderators. The final key finding is that regulatory outcomes depend on both the quality of whistleblower inputs and the institutional environment in which they are processed. As Lin et al. (2024) emphasize, regulators must interpret not only the content of reports but also the absence of reports—a concept that has been underexplored but carries substantial informational value in high-bounty systems.

Regulatory institutions, however, face significant constraints. Bonsall et al. (2021) document how SEC case backlogs delay or derail the investigation of whistleblower tips, thereby undermining both deterrence and insider trust. Similarly, Blackburne, Lowry, and Scholz (2021) find that many SEC investigations remain undisclosed, limiting the feedback loop necessary for reinforcing whistleblower participation.

Regulatory preferences and biases further complicate the enforcement landscape. Kedia, Koh, and Rajgopal (2011) argue that selective enforcement by the SEC—favoring certain industries or firm types—may distort whistleblower incentives. Meanwhile, Schantl, Theis, and Watrin (2020) show that the strategic interaction between public and private enforcement

channels can either complement or conflict, depending on how well-aligned these mechanisms are.

At the firm level, governance quality influences whistleblower effectiveness. Beasley (1996) and Klein (2002) find that firms with independent boards and active audit committees are less prone to fraud, reducing the need for whistleblowing. Yet, when boards are biased or management is entrenched, as Baldenius, Meng, and Meng (2019) show, insiders are more likely to rely on external reporting mechanisms.

Ultimately, regulatory effectiveness in whistleblower systems is shaped not only by design but also by the institutional credibility, enforcement transparency, and interaction with organizational governance.

5. Discussion

This qualitative synthesis offers fresh insights into how whistleblowing bounty schemes shape insider reporting behavior and regulatory effectiveness. We critically compare findings from eight key studies, including Lin, Tang, and Zhang (2024), Berger and Hann (2022), Call et al. (2018), Heese et al. (2021a), Burns et al. (2006), Drymiotis (2007), Schantl et al. (2020), and Bonsall et al. (2021), underscoring both complementary and contrasting results within the literature.

Bounty Size and Quantity vs. Quality of Whistleblowing. Lin, Tang, & Zhang (2024) theorize that larger bounties lower reporting thresholds, resulting in higher numbers of whistleblower tips but reduced informational quality per report, while silence becomes more informative (Lin et al., 2024). Empirically, Berger and Hann (2022) support the positive impact of bounty introduction in reducing fraud incidence post-Dodd-Frank, yet they caution that benefits hinge on enforcement credibility and internal trust in regulatory follow-through, suggesting that bounty size alone is insufficient without institutional support (Berger & Hann, 2022). This aligns with Call et al. (2018), who find whistleblower involvement is linked to greater enforcement penalties and corporate sanctions—but the strength of the signal matters: more credible and specific tips yield larger penalties (Call et al., 2018). The interplay suggests a conditional relationship where bounty size boosts signal frequency, but only high-quality signals enhance enforcement outcomes.

Threshold Strategies & Insider Motivations. Burns, Minnick, & Starks (2006) explore reward systems and misreporting, finding that performance-based compensation can deter whistleblowing by aligning insiders' interests with firm outcomes, leading to higher tolerance for fraud (Burns et al., 2006). Call, Campbell, Dhaliwal, & Moon (2016) similarly document that employees with stock-based compensation are less likely to report misconduct, confirming that personal economic exposure shapes insider thresholds (Call et al., 2016). In this light, Lin et al.'s model is confirmed: bounty size interacts with internal compensation structures in determining thresholds. Heese et al. (2021a) extend this by demonstrating that retaliation cost perceptions significantly raise reporting thresholds, especially among lower-level employees (Heese et al., 2021a), and their companion (Heese et al., 2021b) shows DOJ support lowers effective thresholds by mitigating retaliation fears. Together, these studies confirm that thresholds are not uniform; they emerge from complex interactions between bounty incentives, compensation, and perceived safety.

Silence as an Informational Signal. One of Lin et al.'s most novel contributions is reframing silence as a meaningful signal—under high bounty levels, non-reporting becomes more informative (Lin et al., 2024). This contrasts with traditional enforcement thinking, where silence is often treated as noise. Drymiotis (2007) highlights the monitoring role of insiders, particularly in contexts lacking external oversight, underscoring that silence can signal absence of fraudulent signals only if insiders are confident and informed (Drymiotis, 2007). Meanwhile, Schantl, Theis, & Watrin (2020) demonstrate that public enforcement agencies and internal monitoring mechanisms interact to enhance deterrence: in strong private enforcement regimes, silence may indicate internal controls rather than fear, reinforcing Lin et al.'s interpretation when institutional context is strong (Schantl et al., 2020).

Regulatory Capacity and Signal Processing. While Lin et al.'s model assumes a rational regulator interpreting tips and silence optimally, Bonsall, Green, & Muller (2021) remind us that regulatory capacity constraints—like SEC backlog—can impair signal interpretation. They provide evidence that delays in processing whistleblower tips reduce enforcement follow-through and discourage further reporting (Bonsall et al., 2021). This real-world limitation complicates Lin et al.'s assumption of rational inference, indicating that optimal

bounty design must account for regulator capacity: even high-quality tips lose value if enforcement is delayed.

Enforcement Credibility and Institutional Trust. Berger and Hann (2022) emphasize enforcement credibility as a key moderator: the deterrent effect of bounty programs depends on consistent and timely action by authorities (Berger & Hann, 2022). Similarly, Call et al. (2018) show that whistleblower cases are more effective when enforcement consequences (i.e., penalties, executive turnover) occur, reinforcing the learning effects and trust in the mechanism (Call et al., 2018). These findings suggest that regulators need transparency and consistency to preserve bounty systems' credibility and ensure that thresholds—and silence signals—are interpreted appropriately.

Public-Private Environments & Corporate Governance. Lin et al.'s framework assumes clear signaling between insiders and regulators. Schantl et al. (2020) demonstrate a more nuanced environment: private enforcement (e.g., internal audit functions) can substitute or complement public signals, influencing both the magnitude and value of whistleblowing tips depending on institutional alignment. Furthermore, Drymiotis (2007) argues that insiders monitoring internal controls can produce signals that reduce reliance on external whistleblowing, particularly in well-governed firms. This aligns with Berger & Hann (2022) and Call et al. (2018) in showing that high-governance environments strengthen both the supply and interpretation of whistleblower signals.

Differential Effects Across Populations. Although Lin et al. offer a stylized insider who observes signals, studies like Burns et al. (2006) and Call et al. (2016) demonstrate heterogeneity in insider motivation: high-level employees with stronger financial exposure may have higher thresholds and be less likely to report even with high bounties. Heese et al. (2021a) underscore differential retaliation fears across demographics—women and junior employees report less often, raising threshold heterogeneity. This raises a key question: can a single bounty level optimally calibrate thresholds across diverse insider populations? The literature suggests that tailored or tiered reward systems, coupled with strong legal protections, may improve both participation and signal quality.

Integrative Synthesis and Policy Implications. Taken together, these eight studies intersect with Lin et al.'s theoretical framework in illuminating a multi-dimensional design space for optimal whistleblowing mechanisms: Bounty size matters—but only in conjunction with insider cost structures, compensation dynamics, and risk perceptions (Burns et al., 2006; Call et al., 2016; Heese et al., 2021a). Threshold strategies are emergent and context-dependent: insiders consider signal strength, perceived risk, and enforcement likelihood before reporting (Lin et al., 2024; Call et al., 2016; Heese et al., 2021a).

Silence must be interpreted within institutional contexts. In strong regulatory regimes with credible enforcement, non-reporting signals no fraud; in weak regimes, silence may reflect fear or disengagement (Lin et al., 2024; Drymiotis, 2007; Schantl et al., 2020). Regulatory constraints including backlog, selective enforcement, and discretionary biases can attenuate signal value and undermine system credibility (Bonsall et al., 2021; Berger & Hann, 2022; Kedia et al., 2011).

Governance quality and private enforcement moderate both insider willingness to report and regulator interpretation of signals, shaping overall effectiveness (Drymiotis, 2007; Schantl et al., 2020; Berger & Hann, 2022). Heterogeneity among insiders suggests that uniform bounty schemes may not be optimal; program design may require segmentation or complementary protections to account for diverse threshold determinants (Burns et al., 2006; Heese et al., 2021a; Lin et al., 2024).

Concretely, the qualitative synthesis supports the following policy prescriptions: Calibrate bounty size to align with the prior probability of fraud and insider signal distribution: in high-risk settings, larger bounties may be justified; in lower-risk environments, moderate incentives may suffice. Accompany bounties with strong protection frameworks, especially for junior or vulnerable insiders, to reduce reporting thresholds induced by retaliation fears. Ensure regulatory institutions have capacity and transparency to process tips promptly, disseminate enforcement outcomes, and maintain trust. Leverage internal governance structures such as independent boards and audit committees to strengthen both private enforcement and whistleblower signal credibility. Consider tiered or progressive bounty levels that adjust reward according to tip quality or risk of whistleblower, to mitigate dilution of information quality. Monitor and interpret non-reporting signals strategically, treating silence as data—but only under credible institutional conditions.

Comparison Table of Key Findings

Study	Focus area	Key findings
Lin et al. (2024)	Bounty size effects	Larger bounty → more reports, lower tip quality; silence more informative
Berger & Hann (2022)	Empirical deterrence analysis	Dodd-Frank provision reduced fraud; enforcement credibility moderates effect
Call et al. (2018)	Outcomes of whistleblower involvement	Tips linked to higher sanctions, penalties, turnover
Heese et al. (2021a,b)	Retaliation cost and DOJ support	Higher retaliation risk reduces reporting; DOJ support lowers threshold
Burns et al. (2006)	Compensation and misreporting	Performance-based pay deters whistleblowing
Call et al. (2016)	Stock options and reporting behavior	Stock exposure reduces willingness to report
Drymiotis (2007)	Insider monitoring role	Silence may indicate absence of fraud if insiders are informed
Schantl et al. (2020)	Public-private enforcement interaction	Internal monitoring complements public enforcement
Bonsall et al. (2021)	SEC backlog impact	Tip volume undermined by processing delays and case backlog

The qualitative literature review synthesizes contemporary theory and empirical evidence to argue that optimal whistleblowing mechanism design must account for incentive structures, insider threshold behavior, institutional capacity, and contextual credibility. Building on the foundational work of Lin et al. (2024), and grounding insights in empirical studies ranging from compensation effects to institutional enforcement dynamics, the review offers a nuanced framework for policy design: one that leverages both action and inaction as signals, but only under supportive regulatory and organizational environments.

6. Conclusions

This qualitative literature review synthesizes theoretical and empirical insights into the optimal design of whistleblowing mechanisms, focusing on three interdependent dimensions: bounty size, strategic thresholds, and regulatory effectiveness. Drawing from eight prominent studies, the analysis reveals that whistleblowing incentives function not in isolation but within a broader institutional, psychological, and organizational ecosystem.

Larger bounty rewards, as shown in Lin, Tang, and Zhang (2024), can increase the volume of whistleblower reports but may also dilute the average signal quality—highlighting a core trade-off between quantity and informativeness. At the same time, insider reporting thresholds are shaped not merely by monetary incentives but by compensation structures, retaliation risks, and enforcement credibility (Call et al., 2016; Heese et al., 2021a). These factors explain why identical bounty schemes produce heterogeneous outcomes across different individuals and contexts.

A novel insight emerging from this synthesis is the informational value of silence. Under certain conditions—particularly when enforcement is credible and bounty levels are high—non-reporting can signal the absence of fraud, rather than indifference or fear (Lin et al., 2024; Drymiotis, 2007). However, this interpretation is contingent on the regulatory environment's capacity to process signals effectively (Bonsall et al., 2021).

Ultimately, optimal whistleblowing mechanisms require more than attractive bounty figures. They must integrate strategic enforcement, insider protections, and signal-processing infrastructure. Policymakers and regulators are thus encouraged to design whistleblowing schemes that not only incentivize but also protect and empower insider truth-tellers—particularly those in vulnerable positions.

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