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The Effect of Internal Control, Compliance, and Management Compensation on Employees' Ethical Behavior (A Case Study at the Regional Secretariat of Indramayu Regency)

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Abstrak: *Perilaku etis pegawai merupakan aspek penting dalam mewujudkan tata kelola pemerintahan yang berintegritas, akuntabel, dan mampu mempertahankan kepercayaan publik. Namun, keberadaan regulasi dan mekanisme pengendalian formal tidak selalu menjamin konsistensi perilaku etis. Penelitian terdahulu mengenai pengendalian internal, kepatuhan, dan kompensasi manajemen menunjukkan hasil yang belum konsisten dan lebih banyak dilakukan pada organisasi nonpemerintahan, sehingga bukti mengenai bagaimana ketiga faktor tersebut bekerja secara bersama-sama dalam birokrasi pemerintah daerah masih terbatas. Penelitian ini bertujuan menganalisis pengaruh pengendalian internal, kepatuhan, dan kompensasi manajemen terhadap perilaku etis pegawai pada Sekretariat Daerah Kabupaten Indramayu. Penelitian menggunakan pendekatan kuantitatif dengan desain potong lintang. Data dikumpulkan melalui kuesioner dari 102 pegawai yang dipilih menggunakan teknik proportionate stratified random sampling dari populasi 137 pegawai dengan keterwakilan proporsional berdasarkan unit organisasi. Data dianalisis menggunakan regresi linear berganda. Hasil penelitian menunjukkan bahwa pengendalian internal ($\beta = 0{,}200$; $p = 0{,}004$), kepatuhan ($\beta = 0{,}185$; $p = 0{,}031$), dan kompensasi manajemen ($\beta = 0{,}551$; $p < 0{,}001$) berpengaruh positif dan signifikan terhadap perilaku etis pegawai. Model penelitian signifikan secara statistik ($F = 64{,}158$; $p < 0{,}001$) dan mampu menjelaskan 66,3% variasi perilaku etis pegawai ($R^2 = 0{,}663$). Kompensasi manajemen merupakan prediktor terkuat, yang menunjukkan bahwa persepsi mengenai keadilan, transparansi, dan kesesuaian imbalan dengan tanggung jawab dapat berperan penting dalam memperkuat perilaku etis di luar mekanisme pengendalian formal. Secara teoretis, temuan ini memperluas pemahaman mengenai perilaku etis dengan menegaskan peran komplementer sistem penghargaan organisasi bersama mekanisme pengendalian formal dan kepatuhan dalam konteks sektor publik.*

Kata Kunci: *pengendalian internal, kepatuhan, kompensasi manajemen, perilaku etis pegawai, pemerintah daerah*

Abstract: Employees' ethical behavior is essential to government administration characterized by integrity, accountability, and public trust. However, the existence of formal regulations and control mechanisms does not necessarily ensure consistent ethical conduct. Previous studies on internal control, compliance, and management compensation have reported inconsistent findings and have predominantly examined non-governmental organizations, leaving limited evidence on how these factors jointly operate in local government bureaucracies. This study aims to examine the effects of internal control, compliance, and management compensation on employees' ethical behavior at the Regional Secretariat of Indramayu Regency. A quantitative cross-sectional design was employed. Data were collected through questionnaires from 102 employees selected using proportionate stratified random sampling from a population of 137 employees, with proportional representation across organizational units. The data were analyzed using multiple linear regression. The results show that internal control ($\beta = 0.200$, $p = 0.004$), compliance ($\beta = 0.185$, $p = 0.031$), and management compensation ($\beta = 0.551$, $p < 0.001$) have positive and statistically significant effects on employees' ethical behavior. The model is statistically significant ($F = 64.158$, $p < 0.001$) and explains 66.3% of the variance in ethical behavior ($R^2 = 0.663$). Management compensation is the strongest predictor, suggesting that perceived fairness, transparency, and alignment of rewards with responsibilities may play an important role in reinforcing ethical conduct beyond formal control mechanisms. Theoretically, these findings extend the understanding of ethical behavior by highlighting the complementary role of organizational reward systems alongside formal control and compliance mechanisms in the public-sector context.

Keyword: internal control, compliance, management compensation, ethical behavior, local government

INTRODUCTION

Effective government administration is determined not only by an organization's ability to achieve administrative and development targets but also by the integrity and behavior of the personnel responsible for carrying out governmental functions. Civil servants (*Aparatur Sipil Negara* or ASN) play a strategic role in implementing public policies, delivering public services, and managing public resources. Therefore, their behavior is expected to reflect professionalism, integrity, accountability, and compliance with applicable regulations. In the context of public governance, ethical behavior constitutes an important foundation for maintaining public trust and achieving accountable government administration. Strengthening integrity and discipline among civil servants remains a government priority because compliance with regulations and employee discipline are essential components of an integrity-based civil service (Ministry of Administrative and Bureaucratic Reform [KemenPANRB], 2025).

Employees' ethical behavior refers to decisions and actions that are consistent with organizational norms, values, rules, and moral standards. In contrast, unethical behavior may include dishonesty, abuse of authority, conflicts of interest, violations of procedures, disciplinary violations, and other actions that conflict with organizational and public interests. In government organizations, such behavior has broader consequences because employees' actions may affect the quality of public administration, the management of public resources, and citizens' trust in government. Government Regulation No. 94 of 2021 establishes obligations, prohibitions, and disciplinary sanctions for civil servants as formal mechanisms to ensure responsible conduct and compliance with applicable regulations (Government of the Republic of Indonesia, 2021). However, formal regulations alone do not necessarily eliminate the possibility of unethical conduct. Ethical behavior is also shaped by the organizational conditions and behavioral mechanisms that influence how employees perceive rules, rewards, accountability, and the consequences of their actions.

From a theoretical perspective, unethical behavior can be understood through the *Fraud Triangle Theory* proposed by Cressey (1953), which explains that misconduct may emerge when pressure, opportunity, and rationalization coexist. Although originally developed to explain occupational fraud, the framework provides a useful perspective for understanding how organizational conditions may create or reduce opportunities and motivations for unethical behavior. Internal control is particularly relevant to the opportunity component because effective control procedures, supervision, authorization, monitoring, and accountability can reduce opportunities for employees to engage in misconduct. Conversely, weaknesses in internal control may create conditions in which violations are easier to commit or remain undetected. In government organizations, this mechanism is reflected in the implementation of the Government Internal Control System (*Sistem Pengendalian Intern Pemerintah* or SPIP), which is designed to provide reasonable assurance regarding effective and efficient activities, reliable reporting, safeguarding of state assets, and compliance with laws and regulations (Government of the Republic of Indonesia, 2008).

Internal control therefore represents an important organizational mechanism for directing employee behavior toward ethical standards. Effective internal control establishes clear responsibilities, work procedures, authorization mechanisms, information and communication channels, monitoring, and corrective actions. These mechanisms can reduce opportunities for employees to deviate from established rules. Empirically, Wibawa and Suryanawa (2021) found that the control environment, risk assessment, control activities, information and communication, and monitoring had a positive and significant effect on employees' ethical behavior. Kristanti et al. (2024) also reported a positive relationship between internal control compliance and ethical employee behavior. Nevertheless, the strength of this relationship may depend on how consistently control mechanisms are implemented and perceived by employees, particularly in organizations characterized by formal hierarchy and extensive regulatory requirements.

Compliance constitutes a second mechanism that may influence ethical behavior. Compliance reflects employees' willingness and consistency in following organizational rules, procedures, standards, and applicable regulations. In the public sector, compliance has particular importance because civil servants operate within a formal system of administrative accountability, discipline, and ethical obligations. Government Regulation No. 94 of 2021 specifies various obligations and prohibitions for civil servants, including disciplinary consequences for violations (Government of the Republic of Indonesia, 2021). Compliance may therefore function not merely as an administrative requirement but also as a behavioral mechanism that limits employees' discretion to act contrary to organizational and public interests. Rahmi and Arwiyah (2019) found that compliance positively and significantly affects employees' ethical behavior. However, compliance does not necessarily produce identical behavioral outcomes across organizations because employees may differ in their understanding of regulations, awareness of consequences, and consistency in applying rules in daily work activities.

Management compensation provides another organizational mechanism for understanding ethical behavior. Compensation includes salaries, allowances, incentives, rewards, and other forms of remuneration provided in recognition of employees' contributions. Its influence can be further understood through *Social Exchange Theory*, which views the employment relationship as a process of reciprocal exchange between employees and organizations (Blau, 1964). When employees perceive that the organization provides fair and appropriate rewards in exchange for their contributions, they may develop a stronger sense of obligation and reciprocity toward the organization. Such perceptions may encourage employees to reciprocate through positive work attitudes and behavior, including adherence to organizational values and ethical standards. Conversely, perceived inequity between workload, contribution, and compensation may weaken reciprocal obligations and potentially reduce employees' attachment to organizational expectations.

This perspective is particularly relevant to management compensation because its behavioral effect may not depend solely on the nominal amount of financial rewards. Perceived fairness, transparency, recognition of performance, and alignment between compensation and responsibilities may determine whether employees interpret the reward system as fair and supportive. Maulana and Aryati (2024) found that compensation is a relevant factor in explaining ethical behavior among employees in a government environment. However, previous findings concerning compensation and ethical behavior have not been entirely consistent. These differences suggest that compensation may operate differently depending on employees' perceptions of fairness, the characteristics of the reward system, and the organizational context in which compensation is implemented.

The relevance of these mechanisms is particularly important in the Regional Secretariat of Indramayu Regency. The Regional Secretariat has a strategic position as a staff element that assists the Regent in formulating policies and coordinating the implementation of regional government affairs. Employees within this institution are therefore involved in administrative coordination, policy support, and governmental processes that require high levels of integrity, accountability, and compliance. In such a context, ethical behavior cannot be considered solely as an individual moral characteristic. It may also reflect the effectiveness of organizational controls, employees' compliance with formal rules, and the perceived fairness of organizational rewards.

The empirical condition at the Regional Secretariat of Indramayu Regency also indicates that ethical behavior remains an issue requiring organizational attention. Based on preliminary interviews conducted with employees and organizational personnel, several conditions were identified, including non-compliance with superiors' instructions, employee lateness and absenteeism, suboptimal internal supervision, and perceptions that compensation was not always proportional to workload and responsibilities. These conditions illustrate a potential discrepancy between formal organizational expectations and employees' experiences in daily work practices. More importantly, they provide an organizational basis for examining whether internal control, compliance, and management compensation are associated with employees' ethical behavior. Where available, these preliminary findings should be complemented by official administrative records, such as disciplinary violation recapitulation, attendance records, internal supervision findings, or relevant audit findings, to provide objective evidence of the organizational phenomenon.

The relationship between these variables can also be understood as complementary rather than isolated mechanisms. Internal control primarily establishes formal structures and reduces opportunities for misconduct; compliance reflects employees' adherence to those structures and rules; while compensation may influence employees' perceptions of reciprocity and fairness within the employment relationship. From the perspective of the *Fraud Triangle Theory*, effective control can reduce opportunities for unethical behavior, whereas from the perspective of *Social Exchange Theory*, fair organizational treatment through compensation may encourage reciprocal behavior that is consistent with organizational expectations. Consequently, ethical behavior may emerge from the interaction between formal organizational controls and employees' behavioral responses to organizational treatment.

Previous studies provide empirical support for examining these relationships, but their findings remain inconsistent across organizational contexts. Merta et al. (2024) found that internal control, compliance, and management compensation positively and significantly affected employees' ethical behavior at Village Credit Institutions (*Lembaga Perkreditan Desa*) in Karangasem, Bali. Similarly, Arifiyani and Sukirno (2012), Nugraha (2015), and Leunupun and Pattinama (2020) reported positive relationships between some or all of these variables and ethical behavior. However, other studies have produced different results. Yulia (2019), for example, found that internal control did not significantly affect ethical behavior, while compliance and management compensation did. Sidauruk and Lestari also reported that internal control and management compensation were not significant, whereas compliance was significant.

These inconsistencies may arise from differences in organizational characteristics, measurement approaches, and the institutional environments in which the relationships are examined. Studies conducted in private companies and financial institutions generally involve organizational structures and incentive systems that differ from those of government bureaucracies. Public-sector employees operate under formal regulations, hierarchical accountability, public-service obligations, and standardized compensation arrangements. Consequently, an internal control mechanism that is effective in reducing unethical behavior in a private organization may not produce the same magnitude of effect in a government bureaucracy. Similarly, the behavioral effect of compensation may depend on whether employees perceive compensation primarily as an economic reward, a form of organizational recognition, or a fair exchange for their responsibilities. Differences in measurement instruments and indicators used to operationalize ethical behavior, compliance, internal control, and compensation may also contribute to variation in empirical findings.

These differences establish both an empirical and theoretical rationale for further examination. Rather than assuming that internal control, compliance, and compensation have uniform effects across organizational settings, this study examines how the three mechanisms operate simultaneously within a local government bureaucracy. The study particularly considers whether formal control and compliance mechanisms remain important predictors of ethical behavior when employees' perceptions of organizational rewards are considered in the same model. This approach provides an opportunity to examine the complementary roles of organizational control, regulatory compliance, and perceived fairness of compensation in explaining ethical behavior in the public sector.

Accordingly, the contribution of this study is not merely the selection of the Regional Secretariat of Indramayu Regency as a different research location. Instead, the study contributes by integrating internal control, compliance, and management compensation into a single explanatory framework and interpreting their relationships with ethical behavior through complementary theoretical perspectives. The *Fraud Triangle Theory* provides a basis for understanding how organizational control can reduce opportunities for unethical conduct, while *Social Exchange Theory* provides a basis for explaining how perceived fairness and reciprocity associated with compensation may encourage ethical responses. The findings may therefore contribute to the literature by providing empirical evidence on the relative importance of formal control mechanisms, compliance, and organizational reward systems in shaping ethical behavior within local government bureaucracy.

Based on the foregoing discussion, this study aims to analyze the effects of internal control, compliance, and management compensation on employees' ethical behavior at the Regional Secretariat of Indramayu Regency. Specifically, this study addresses three research questions: (1) Does internal control affect employees' ethical behavior? (2) Does compliance affect employees' ethical behavior? and (3) Does management compensation affect employees' ethical behavior at the Regional Secretariat of Indramayu Regency? The findings are expected to provide empirical evidence regarding the organizational mechanisms that can be strengthened to foster ethical, accountable, and regulation-compliant behavior among public officials in regional government administration.

METHOD

This study employs a quantitative approach with a descriptive and explanatory design to examine the effects of internal control, compliance, and management compensation on employees' ethical behavior. A quantitative approach was used to measure the research variables through respondents' scores and statistically examine the relationships among the variables. The study adopted a *cross-sectional* design, in which data were collected during a single period.

The study was conducted at the Regional Secretariat of Indramayu Regency, West Java, Indonesia. The unit of analysis was individual employees working at the Regional Secretariat of Indramayu Regency. The study population consisted of 137 employees. Based on the Slovin formula with a 5% margin of error, a sample of 102 respondents was obtained. The sampling technique employed was *proportionate stratified random sampling*, with employees grouped according to organizational units. The number of respondents selected from each organizational unit was determined proportionally based on the size of its respective sub-population, and respondents within each stratum were selected randomly. The population size and proportional sample allocation for each organizational unit are presented in Table 1.

The study involved four variables: internal control (X_1), compliance (X_2), management compensation (X_3), and employees' ethical behavior (Y). Internal control was operationalized based on the five components of the Government Internal Control System (SPIP), namely control environment, risk assessment, control activities, information and communication, and monitoring. Compliance was operationalized through indicators reflecting employees' understanding and implementation of obligations, competence and awareness, reporting and transparency, and evaluation and improvement. Management compensation was operationalized through indicators covering fixed financial compensation, variable compensation, indirect compensation, non-financial rewards, and perceived fairness and transparency. Employees' ethical behavior was operationalized through indicators reflecting integrity and honesty, objectivity and fairness, responsibility and accountability, compliance and professionalism, respect and confidentiality, and transparency and moral courage. The number of questionnaire items for each variable followed the actual research instrument presented in Table 2. All variables were measured using a five-point Likert scale.

The study used both primary and secondary data. Primary data were collected through questionnaires distributed to employees of the Regional Secretariat of Indramayu Regency. Secondary data were obtained from organizational documents, regulations, organizational structures, and relevant academic literature. The research instrument was developed based on the operational definitions, dimensions, and indicators of each variable. Prior to the main analysis, the instrument was tested for validity and reliability to assess whether the questionnaire items adequately and consistently measured the intended constructs.

Data were analyzed using IBM SPSS Statistics. The analytical procedures included descriptive analysis, validity and reliability testing, transformation of ordinal data into interval data using the *Method of Successive Intervals* (MSI), regression assumption testing, multiple linear regression analysis, correlation analysis, and coefficient of determination analysis. The regression model was specified as $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$, where Y represents employees' ethical behavior, X_1 represents internal control, X_2 represents compliance, and X_3 represents management compensation. Hypotheses were tested at a 5% significance level (α = 0.05). The *t*-test was used to examine the partial effects of each independent variable on employees' ethical behavior, whereas the *F*-test was used to assess the statistical significance of the independent variables jointly. The explanatory power of the regression model was assessed using the *Adjusted R^2* value.

RESULTS AND DISCUSSION

1. Research Instrument Testing

Instrument testing was conducted to ensure that the questionnaire used in this study was valid and reliable for measuring the research variables. The tests included validity and reliability assessments of the variables of internal control, compliance, management compensation, and employees' ethical behavior.

Table 1. Summary of Research Instrument Testing Results

Variable	Number of Items	Range of r-count	Cronbach's Alpha	Conclusion
Internal Control (X_1)	5	0.620–0.800	0.807	Valid and Reliable
Compliance (X_2)	5	0.620–0.880	0.784	Valid and Reliable
Management Compensation (X_3)	5	0.700–0.800	0.809	Valid and Reliable
Employees' Ethical Behavior (Y)	5	0.620–0.900	0.836	Valid and Reliable

Source: Questionnaire data, processed (2026)

The validity test results indicate that all items for each variable had r-count values greater than the r-table value of 0.361. The item correlation values ranged from 0.620 to 0.800 for internal control, 0.620 to 0.880 for compliance, 0.700 to 0.800 for management compensation, and 0.620 to 0.900 for employees' ethical behavior. Therefore, all questionnaire items were considered valid and suitable for further analysis.

The reliability test results also indicate that all variables had Cronbach's Alpha values above 0.70. The Cronbach's Alpha values were 0.807 for internal control, 0.784 for compliance, 0.809 for management compensation, and 0.836 for employees' ethical behavior. These results indicate that all instruments demonstrated adequate internal consistency. Therefore, the questionnaire was considered reliable and suitable for measuring the research variables.

2. Descriptive Analysis of Research Variables

Descriptive analysis was conducted to describe respondents' perceptions of internal control, compliance, management compensation, and employees' ethical behavior based on their questionnaire responses. All variables were measured using a five-point Likert scale. The mean scores were then used to determine the respondents' perception categories, with a range of 3.41–4.20 classified as high or good.

Table 2. Summary of Descriptive Analysis Results

Variable	Number of Items	Mean	Category
Internal Control (X_1)	5	3.8	Good
Compliance (X_2)	5	3.9	Good
Management Compensation (X_3)	5	3.9	Good
Employees' Ethical Behavior (Y)	5	4	Good

Source: Questionnaire data, processed (2026)

Based on Table 2, all research variables were classified as **good**. Internal control obtained a mean score of 3.80, indicating that the control mechanisms within the Regional Secretariat of Indramayu Regency were generally implemented well. The most prominent aspect was leadership exemplifying honesty and integrity in the workplace, while information and communication across departments received the relatively lowest rating. This finding indicates that strengthening internal communication and coordination is still necessary to support the effectiveness of internal control.

The compliance variable obtained a mean score of 3.90 and was categorized as good. This result indicates that employees generally understand and comply with regulations, standard operating procedures (SOPs), working hours, and job responsibilities. However, the indicator concerning refraining from violations of organizational rules received a relatively lower assessment. This condition indicates the need to strengthen employee development and supervision to ensure that compliance is applied consistently across all work activities.

Management compensation also obtained a mean score of 3.90 and was categorized as good. Respondents generally expressed positive perceptions regarding the fairness and objectivity of salaries, allowances, and incentives, as well as the transparency of compensation procedures. However, the alignment of compensation with job responsibilities and workload, as well as recognition of employee performance, received relatively lower ratings. This finding indicates that fairness and the alignment of compensation with employees' responsibilities and workload can still be improved to strengthen employees' perceptions of the organization's reward system.

Meanwhile, employees' ethical behavior obtained the highest mean score of 4.00 and was categorized as good. This result indicates that employees generally demonstrated work behavior consistent with ethical values, including honesty, responsibility, rejection of gratification and abuse of authority, fair treatment of colleagues, and prioritization of organizational interests. The highest-rated indicator was prioritizing organizational interests over personal interests, while honesty and responsibility in carrying out work duties received a relatively lower rating.

Overall, the descriptive analysis indicates that internal control, compliance, management compensation, and employees' ethical behavior at the Regional Secretariat of Indramayu Regency were generally in the good category. Nevertheless, several aspects still require strengthening, particularly internal communication and supervision, consistency in complying with organizational rules, alignment of compensation with workload, and the application of honesty and responsibility in carrying out work duties. These descriptive findings provide an initial overview of the condition of each variable, which is subsequently examined through regression analysis to determine the effects of internal control, compliance, and management compensation on employees' ethical behavior.

3. Classical Assumption Tests

Classical assumption tests were conducted to ensure that the multiple linear regression model met the underlying statistical assumptions, allowing the estimation results to be interpreted appropriately. The tests included normality, multicollinearity, and heteroscedasticity tests.

Table 3. Summary of Classical Assumption Test Results

Test	Indicator	Result	Conclusion
Normality	Asymp. Sig. (Kolmogorov–Smirnov)	0.200 > 0.05	Normally distributed
Multicollinearity	Tolerance X1–X3	0.482–0.727 > 0.10	No multicollinearity
	VIF X1–X3	1.375–2.076 < 10	No multicollinearity
Heteroscedasticity	Sig. of Glejser Test X1–X3	0.119–0.402 > 0.05	No heteroscedasticity

Source: Questionnaire data, processed (2026)

The normality test using the Kolmogorov–Smirnov test yielded an Asymp. Sig. value of 0.200, which is greater than 0.05. Therefore, H_0 was not rejected, indicating that the residuals were normally distributed. This result was also supported by the Normal P–P Plot, in which the residual points generally followed the diagonal line.

The multicollinearity test showed that all independent variables had tolerance values greater than 0.10 and VIF values below 10. The tolerance values ranged from 0.482 to 0.727, while the VIF values ranged from 1.375 to 2.076. Thus, the regression model did not exhibit multicollinearity.

Furthermore, the heteroscedasticity test using the Glejser method produced significance values of 0.119 for internal control, 0.402 for compliance, and 0.281 for management compensation. Since all values were greater than 0.05, the regression model did not exhibit heteroscedasticity.

Overall, the results indicate that the regression model satisfied the normality assumption, was free from multicollinearity, and did not exhibit heteroscedasticity. Therefore, the model was considered appropriate for examining the effects of internal control, compliance, and management compensation on employees' ethical behavior.

4. Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to examine the effects of Internal Control (X1), Compliance (X2), and Management Compensation (X3) on Employees' Ethical Behavior (Y). The results obtained using SPSS are presented in Table 4.

Table 4. Results of Multiple Linear Regression Analysis

Model	B	Std. Error	Beta
Constant	-0.756	1.573	–
Internal Control (X1)	0.241	0.083	0.2
Compliance (X2)	0.191	0.087	0.185
Management Compensation (X3)	0.633	0.097	0.551

Source: SPSS-processed data, 2026

Based on Table 4, the multiple linear regression equation is:

$$\mathbf{Y = -0.756 + 0.241X1 + 0.191X2 + 0.633X3}$$

The regression coefficient for Internal Control (X1) is 0.241, indicating that, holding the other variables constant, a one-unit increase in internal control is associated with an estimated 0.241-unit increase in employees' ethical behavior. The positive coefficient indicates a positive relationship between internal control and employees' ethical behavior.

The regression coefficient for Compliance (X2) is 0.191, indicating that, holding the other variables constant, a one-unit increase in compliance is associated with an estimated 0.191-unit increase in employees' ethical behavior. The positive coefficient indicates a positive relationship between compliance and employees' ethical behavior.

Meanwhile, Management Compensation (X3) has the largest regression coefficient, at 0.633. This indicates that, holding the other variables constant, a one-unit increase in management compensation is associated with an estimated 0.633-unit increase in employees' ethical behavior. The positive coefficient indicates a positive relationship between management compensation and employees' ethical behavior.

Furthermore, the Standardized Beta coefficient shows the relative contribution of each independent variable within the regression model. Management Compensation (X3) has the highest Standardized Beta coefficient of 0.551, followed by Internal Control (X1) at 0.200 and Compliance (X2) at 0.185. This indicates that Management Compensation has the strongest relative contribution to employees' ethical behavior compared with the other independent variables.

5. F-Test (Simultaneous Test)

The F-test was conducted to determine whether internal control, compliance, and management compensation simultaneously affect employees' ethical behavior. The test results are presented in Table 5.

Table 5. Results of the F-Test (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	633.439	3	211.146	64.158	0
Residual	322.522	98	3.291		
Total	955.961	101			

Source: SPSS Statistics version 26 data processing, 2026

The F-test results show an F-value of 64.158 with a significance value of 0.000 < 0.05. Therefore, internal control, compliance, and management compensation simultaneously have a positive and statistically significant effect on employees' ethical behavior. These findings indicate that the regression model is statistically significant in explaining employees' ethical behavior.

6. t-Test (Partial Test)

The t-test was conducted to determine the partial effect of each independent variable on employees' ethical behavior. The test results are presented in Table 6.

Table 6. Results of the t-Test

Model	B	Std. Error	Beta	t	Sig.
Constant	-0.756	1.573	–	-0.481	0.632
Internal Control (X1)	0.241	0.083	0.2	2.911	0.004
Compliance (X2)	0.191	0.087	0.185	2.193	0.031
Management Compensation (X3)	0.633	0.097	0.551	6.517	0

Source: SPSS Statistics version 26 data processing, 2026

The results show that internal control (X1) has a positive and statistically significant effect on employees' ethical behavior, with a t-value of 2.911 and a significance value of 0.004 < 0.05. This indicates that better implementation of internal control is associated with higher levels of employees' ethical behavior.

Compliance (X2) also has a positive and statistically significant effect on employees' ethical behavior, with a t-value of 2.193 and a significance value of 0.031 < 0.05. This finding indicates that greater compliance with organizational rules and regulations is associated with improved employees' ethical behavior.

Furthermore, management compensation (X3) has a positive and statistically significant effect on employees' ethical behavior, with a t-value of 6.517 and a significance value of 0.000 < 0.05. With a regression coefficient of 0.633, a one-unit increase in management compensation is associated with an estimated 0.633-unit increase in employees' ethical behavior, assuming the other variables remain constant.

Based on the Standardized Beta coefficients, management compensation has the highest value ($\beta = 0.551$) compared with internal control ($\beta = 0.200$) and compliance ($\beta = 0.185$). Therefore, management compensation is the most dominant variable in explaining employees' ethical behavior in the proposed research model.

7. Coefficient of Determination (R^2)

The coefficient of determination was used to assess the extent to which internal control, compliance, and management compensation explain the variation in employees' ethical behavior. The analysis produced an R-value of 0.814, an R^2 value of 0.663, and an Adjusted R^2 value of 0.652.

The R^2 value of 0.663 indicates that internal control, compliance, and management compensation jointly explain 66.3% of the variation in employees' ethical behavior, while the remaining 33.7% is explained by other factors outside the research model.

Meanwhile, the Adjusted R^2 value of 0.652 indicates that, after adjusting for the number of independent variables and the sample size, the model explains 65.2% of the variation in employees' ethical behavior. These findings indicate that the model has relatively strong explanatory power in explaining employees' ethical behavior.

8. Research Discussion

The findings indicate that employees at the Regional Secretariat of Indramayu Regency generally demonstrated good conditions in terms of internal control, compliance, management compensation, and ethical behavior, with mean scores of 3.8, 3.9, 3.9, and 4.0, respectively. Although all variables were categorized as good, the findings indicate that ethical behavior cannot be understood solely from the existence of formal rules or control procedures. The regression results show that internal control, compliance, and management compensation each have a positive and statistically significant relationship with employees' ethical behavior, while their relative strengths differ considerably. This suggests that ethical behavior within a public-sector bureaucracy is shaped by multiple organizational mechanisms involving control, rule adherence, and employees' perceptions of the employment relationship.

Internal control has a positive and statistically significant relationship with employees' ethical behavior, as indicated by a regression coefficient of 0.241, a *t*-value of 2.911, and a significance value of 0.004. The correlation coefficient of 0.555 indicates a moderate relationship, with a partial contribution of 11.10%. This finding is consistent with Arifiyani and Sukirno (2012), Hidayat and Aulia (2015), Nugraha (2015), and De Grave and Rachmi (2023), who reported positive relationships between internal control and ethical behavior. The result can be understood through the function of internal control in establishing behavioral boundaries and reducing opportunities for inappropriate conduct. Control environments, supervision, authorization procedures, communication, and monitoring increase transparency and the likelihood that deviations will be identified. However, the descriptive results show that information and communication across departments received the relatively lowest assessment, with a mean score of 3.7, while leadership exemplifying honesty and integrity received the highest assessment, with a mean score of 4.0. This indicates that the effectiveness of internal control depends not only on the existence of formal procedures but also on leadership example and the quality of communication through which control expectations are understood and implemented. The relatively smaller standardized beta of internal control ($\beta = 0.200$) compared with management compensation ($\beta = 0.551$) further suggests that formal control mechanisms, although important, may not be the strongest behavioral mechanism when considered simultaneously with employees' perceptions of organizational rewards.

Compliance also has a positive and statistically significant relationship with employees' ethical behavior, with a regression coefficient of 0.191, a *t*-value of 2.193, and a significance value of 0.031. The correlation coefficient of 0.667 indicates a strong relationship, with a partial contribution of 12.34%. This finding is consistent with Arifiyani and Sukirno (2012), Hidayat and Aulia (2015), Nugraha (2015), and Leunupun and Pattinama (2020), who found that compliance contributes to ethical behavior. Compliance represents the translation of formal organizational rules into employees' daily conduct. In a public-sector bureaucracy, where employees operate within a highly regulated institutional environment, adherence to regulations, standard operating procedures, working hours, and job responsibilities constitutes an important behavioral manifestation of responsibility and integrity. Nevertheless, the relatively lower assessment of the indicator concerning refraining from violations of organizational rules, with a mean score of 3.8, indicates that knowledge of regulations does not automatically guarantee consistent behavioral compliance. This finding highlights the importance of supervision, employee development, and consistent enforcement in ensuring that formal requirements are reflected in actual workplace behavior. The standardized beta of compliance ($\beta = 0.185$) was slightly lower than that of internal control and substantially lower than that of management compensation, suggesting that rule-based mechanisms may provide an important behavioral foundation but may have a more limited explanatory role when other organizational factors are considered simultaneously.

The most notable finding concerns management compensation, which emerged as the most dominant predictor of employees' ethical behavior. Management compensation has a regression coefficient of 0.633, a *t*-value of 6.517, and a significance value of less than 0.001, with the highest standardized beta coefficient ($\beta = 0.551$). Its partial contribution of 42.81% is substantially greater than the contributions of internal control (11.10%) and compliance (12.34%). This finding requires interpretation beyond the statistical observation that compensation has the largest coefficient. One possible explanation is that employees evaluate their relationship with the organization not only through formal controls and regulatory obligations but also through perceptions of whether the organization recognizes and fairly rewards their contributions. In this context, compensation can function as an organizational signal of fairness, appreciation, and recognition. When employees perceive compensation as appropriate in relation to their responsibilities and contributions, they may develop a stronger sense of reciprocity toward the organization and become more willing to demonstrate behavior consistent with organizational values and expectations.

The descriptive findings provide further insight into this result. Although management compensation was categorized as good, with a mean score of 3.9, the indicators concerning the alignment between compensation and job responsibilities and workload, as well as recognition of employee performance, received relatively lower assessments, with a mean score of 3.8. This suggests that employees may evaluate compensation not merely according to the nominal amount of financial rewards but also according to whether the reward system is perceived as fair, transparent, and proportionate to their contributions. Therefore, the dominance of management compensation should not be interpreted to mean that financial rewards inherently outweigh integrity, internal control, or regulatory compliance. Rather, the finding suggests that the perceived fairness and recognition embedded in the compensation system may be particularly salient in shaping employees' self-reported ethical behavior within this organizational context. From the perspective of Social Exchange Theory, a fair employment relationship can encourage reciprocal behavior, whereby employees respond to organizational support and recognition through positive behaviors that support organizational objectives. In a bureaucratic setting, this mechanism may complement rather than replace formal control and compliance mechanisms.

The stronger contribution of compensation compared with internal control and compliance also provides a possible explanation for differences between the present findings and previous studies. Arifiyani and Sukirno (2012), Nugraha (2015), and Leunupun and Pattinama (2020) reported significant effects of compensation on ethical behavior, whereas Hidayat and Aulia (2015) and De Grave and Rachmi (2023) found nonsignificant effects. Such differences should not necessarily be viewed as contradictory findings. They may reflect differences in organizational characteristics, institutional environments, compensation structures, measurement approaches, and employees' perceptions of fairness and recognition. Compensation may be more behaviorally salient in settings where employees strongly evaluate the relationship between rewards, workload, responsibilities, and organizational appreciation. This contextual interpretation is particularly relevant in the public sector, where compensation is embedded within formal administrative arrangements and employees may distinguish between standardized remuneration and perceived recognition of individual contribution.

Taken together, the F-test results indicate that internal control, compliance, and management compensation jointly have a statistically significant relationship with employees' ethical behavior, with $F(3,98) = 64.158$ and $p < 0.001$. The R^2 value of 0.663 indicates that the three variables jointly explain 66.3% of the variation in employees' ethical behavior, while the remaining 33.7% is associated with factors outside the model. These results suggest that ethical behavior in a public-sector organization is not shaped by a single mechanism. Internal control establishes organizational structures and reduces opportunities for inappropriate conduct, compliance reinforces adherence to formal standards, while compensation may strengthen perceptions of fairness, recognition, and reciprocity. The relatively stronger role of compensation therefore does not diminish the importance of internal control and compliance;

instead, it indicates that these mechanisms may operate complementarily at different behavioral levels.

Overall, the findings imply that efforts to strengthen employees' ethical behavior should adopt an integrated organizational approach. The Regional Secretariat of Indramayu Regency should maintain effective internal controls and consistent regulatory enforcement while improving the fairness and transparency of its compensation system. Particular attention should be given to the alignment between compensation and job responsibilities and workload, recognition of employee performance, cross-departmental communication, and leadership exemplification. Such measures can strengthen both the formal and relational dimensions of organizational governance, allowing ethical behavior to be reinforced not only through rules and supervision but also through employees' perceptions that the organization provides a fair and supportive employment relationship.

CONCLUSION AND RECOMMENDATION

Conclusion

This study concludes that employees' ethical behavior in the Regional Secretariat of Indramayu Regency is shaped by the interaction of formal organizational mechanisms and employees' perceptions of organizational fairness. Internal control and compliance provide important institutional boundaries that guide employees toward responsible and rule-consistent conduct, while management compensation represents an additional organizational mechanism through which employees may perceive fairness, recognition, and alignment between rewards and their responsibilities. The stronger role of management compensation indicates that bureaucratic integrity cannot be sustained solely through administrative compliance and institutional oversight. Formal rules and control mechanisms need to be complemented by a compensation system that employees perceive as fair, transparent, and commensurate with their responsibilities and workload. Accordingly, strengthening ethical behavior in local government requires an integrated approach in which control systems, regulatory compliance, leadership, and reward mechanisms reinforce rather than substitute for one another. Conceptually, the findings highlight that ethical behavior in the public sector is not determined only by the presence of formal rules and monitoring but also by how organizational arrangements are perceived and experienced by employees.

Limitations

This study has several limitations that should be considered when interpreting its findings. First, the study was conducted within a single regional government organization and during a specific period; therefore, the findings may reflect the institutional characteristics and compensation arrangements of the Regional Secretariat of Indramayu Regency and cannot be directly generalized to other government institutions. Second, the research focused on three organizational factors, namely internal control, compliance, and management compensation, while ethical behavior may also be influenced by individual, leadership, cultural, and institutional factors that were not included in the model. Third, the cross-sectional design limits the ability to examine changes in employees' ethical behavior following changes in organizational policies or compensation arrangements. Finally, the use of self-reported questionnaire data may introduce perception and social-desirability bias, particularly because ethical behavior is a sensitive subject. These limitations suggest that the findings should be interpreted as context-specific empirical evidence rather than as a comprehensive explanation of ethical behavior in the public sector.

Recommendations

For local government policymakers, the findings imply that efforts to strengthen bureaucratic integrity should extend beyond strengthening administrative controls and compliance procedures. First, the regional government may review the job evaluation and performance-assessment framework underlying performance allowances and other employee rewards to ensure that compensation is transparently linked to job responsibilities, workload, performance, and accountability. Such a review should involve clear and measurable criteria so that employees can understand how their responsibilities and performance are translated into compensation. Second, the Regional Secretariat should strengthen integrated internal reporting channels, including accessible and confidential *whistleblowing* mechanisms, so that employees can report suspected violations without unnecessary procedural barriers. The effectiveness of such channels should be supported by clear reporting procedures, protection of reporters, documented follow-up, and coordination with relevant internal oversight functions. Third, internal control and compliance mechanisms should be implemented consistently across organizational units and accompanied by regular communication regarding ethical standards, responsibilities, and consequences for violations. These measures would allow compensation, control, and compliance systems to function as mutually reinforcing mechanisms for promoting ethical behavior rather than as separate administrative instruments. Future research may subsequently examine whether changes in compensation fairness, job evaluation, reporting mechanisms, or organizational ethical climate produce measurable changes in ethical behavior through longitudinal or comparative research designs.

Author Constributions

All authors made significant contributions to this research. Their contributions included research conceptualization, development of the theoretical framework, data collection, data analysis, interpretation of the findings, manuscript preparation, scientific revision, and final approval of the manuscript for publication. All authors have read and approved the final version of the manuscript.

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