

Performance, Remuneration, Fraud Tendency, and Student Satisfaction: The Case of Lecturers in Higher Education

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Abstract. This research aimed to determine the factors influencing remuneration paid to the lecturers and their effect on the tendency of lecturers to conduct fraud. Moreover, the research also aimed to examine the association between the lecturers' fraud tendency and student satisfaction. The research was conducted on 42 lecturers in higher education in Central Java to achieve this aim. Data was collected through documentation on the remuneration reports in the chosen higher education. The data was then analyzed using the Structural Equation Model through Partial Least Squares. The research provided evidence that 8 items of lecturer performance were valid and reliable and can be used as bases to measure remuneration payment, including teaching load, learning and development, additional education elements, research publication, other research elements, community service, organizational contribution, and accreditation status. In addition, the research provided significant results that lecturer performance positively affected remuneration and fraud tendencies. However, this research failed to prove that remuneration negatively affected fraud tendency, and therefore, it also failed to provide evidence that remuneration mediated lecturer performance and fraud tendency. Another significant result derived from this research was the fact that fraud tendency was not associated with student satisfaction.

Keywords: remuneration, performance, fraud tendency, student satisfaction

Introduction

The education sector is one of the sectors oriented toward providing public services. This sector has several programs and activities that are run beyond the government's capacity to meet the needs of society. The public will accept the service provided by the education sector if it meets or exceeds its users' expectations (Wibowo and Kertati, 2022). Bureaucratic reform is considered necessary for the education sector because the public demands that the quality of governance in this sector be improved. The rise of corruption cases in the education sector has lowered the education sector's reputation, resulting in the public demanding that education institutions be more transparent in managing public services (Winarno and Retnowati, 2019). Bureaucratic reform is an effort to make fundamental changes in an organizational system that aims to change the structure, behavior, and existence of habits that have already run over a long period (Rodliyah, 2016).

Providing remuneration to civil servants is a form of bureaucratic reform offered by the government to the education sector as a public service agency (Rodliyah, 2016). Remuneration is a form of compensation for the contribution of performance and competence provided by employees to the institution where the employees work. Remuneration payments must reflect the principles of fairness. According to this principle, if an employee feels there is an injustice between the contribution given and the remuneration received, then a tendency will arise in the employee's mind which could lead to a decrease in work motivation (Adriati, 2023). Therefore, remuneration is considered to be a necessary system to improve employee welfare as well as to increase employee performance. Implementing remuneration is then expected to realize public excellent service and reduce or eliminate the opportunity to conduct corruption, collusion, and nepotism in public service agencies (Sutryani and Anggeranika, 2023). Even though remuneration has the potential to increase the productivity of individual and organizational performance, failure to implement remuneration may occur in the system design, and its implementation cannot run effectively (Sutryani and Anggeranika, 2023). In general, failure of the remuneration system in universities as public service agencies usually occurs because remuneration consisting of salaries and performance incentives is not paid based on employee performance, job class, job value, and rupiah index points as regulated in the management guidelines for public service agencies set by the Ministry of Finance. Several cases of inefficient remuneration systems occurred in lecturers' remuneration payments, which indicated double payment sourced from government and institution budgets for the same performance items.

Lecturers at universities should implement the three sectors of higher education. Therefore, the remuneration provided to lecturers should refer to the performance of these sectors, which includes performance in the education and teaching sector, research sector, and community service sector. In addition, lecturers are also expected to contribute to universities in achieving their key performance and accreditation for study programs as

well as institutions. Those four sectors need to be considered to measure lecturer performance, which will be used as a basis for paying remuneration for lecturers.

Performance-based remuneration is a remuneration system that links reward and performance. This means an employee who performs well will earn higher rewards compared to other employees. On the other hand, an employee with low performance will receive a lower reward compared to other employees (Purnomo and Banggu, 2020). Such a remuneration system enables an increase in employee orientation towards providing excellent public service and tends to reduce the possibility of employees conducting fraud (Farah and Rahmawati, 2021). If this system can be implemented effectively, it will positively impact customer satisfaction (Rodliyah, 2016).

The results of studies examining the relationship between lecturers' remuneration and their effectiveness in the classroom have been inconsistent in Indonesian institutions. Compensation had a favorable effect on both performance and work satisfaction, which in turn moderated the association between pay and performance, according to research by Leni Rohida et al. (2024) conducted at the University of Padjadjaran (Rohida et al., 2024). Likewise, another research showed that the same university's compensation practices had a substantial effect on the motivation and performance of lecturers via both internal and external variables (Rheny et al., 2021). In contrast, research discovered that the Faculty of Economics and Business at UPN "Veteran" in East Java was not positively affected by compensation, work motivation, or job satisfaction in terms of employee performance (Nurhidayah and Munari, 2022). All of these studies aim to illustrate the impact of salary on employee performance, while the research results indicate a differing degree of influence. Conversely, other studies use an alternative perspective, seeking to analyze the impact of performance on the remuneration received by employees, as seen in Rodliyah (2016). This research provided evidence that employee performance was positively associated with remuneration. The influence of remuneration on performance was calculated at 39% (Rodliyah, 2016). Employees with higher performance would earn higher remuneration. The research data was analyzed using partial least squares with three schemes, including path, centroid, and factor analysis. The result for all schemes was relatively consistent, showing that there was a positive impact on performance toward remuneration.

Fraud tendency can be defined as the intention to conduct activities to create benefit for oneself in various unfair and dishonest manners (Mardiyanto, 2022). Fraud tendency can take several forms, including the misuse of assets, manipulation in financial reporting, corruption, illegal gratuities, and misuse of the budget (Lestari and Tarjo, 2017). It is easier for employees to misuse assets and budgets rather than commit fraudulent financial reporting since the location of the organizational assets and budget is relatively close to the employees. The misuse of assets that is relatively easy to conduct by employees in government institutions is using the assets for their own interests, whereas the misuse of the budget can be conducted by carrying out fictitious business

trips. On the other hand, fraud in financial reporting is often carried out by management (Mardiyanto, 2022)

Most fraud occurs due to inappropriate compensation received by employees. Employees tend to commit fraud if they feel dissatisfied with the compensation paid to them for the work they have delivered to the institution (Wulandhari et al., 2023). Previous research provided the same results to conclude that the remuneration system negatively affected fraud tendency (Farah & Rahmawati, 2021; Septiningsih & Anwar, 2021). Fraud usually occurs in government institutions that have not implemented a performance-based remuneration system. In this condition, high-performance employees will tend to seek additional income by going on business trips that are not in the interest of the institution or having other additional jobs conducted during working hours. Therefore, performance is established to be positively associated with fraud tendencies (Mardiyanto, 2022). The government institution must set and develop a performance-based remuneration system that is sufficient for its employees to live well. The remuneration system is designed with an adjustment to the external market conditions and the organization's internal capabilities. This system enables the prevention and minimization of fraudulent acts carried out by government employees (Wulandhari et al., 2023).

Studies investigating the association between compensation and fraudulent intent demonstrate inconsistent yet largely adverse relationships. A study on civil officers throughout Indonesia discovered that remuneration systems exert a substantial negative impact on the intention to commit fraud among Indonesian civil officers, suggesting that enhanced compensation diminishes fraudulent conduct (Farah and Rahmawati, 2021). Similar findings were found in research conducted on local banks in Indonesia, demonstrating that the compensation offered to bank personnel adversely affected their propensity to commit fraudulent crimes (Suarniti and Sari, 2020). However, another research showed different results that augmenting compensation for village government officials does not inherently prevent fraud, which is more significantly affected by power and governance difficulties (Yuliastina et al., 2021). The research found power hegemony and governance concerns as the principal reasons for fraud, rather than compensation alone.

High-performance employees in government institutions that have not implemented a performance-based remuneration system tend to increase their income by going on inappropriate official trips. This condition occurs relatively frequently in government institutions, including the education sector. Interestingly, the research provided evidence that the current trend of global education has utilized information technology, such as gamification, hybrid learning, artificial intelligence, virtual reality, and learning management systems in the implementation of the learning process. This indicates that the physical presence of teaching staff in a classroom is not a determining factor in student satisfaction (Zahara et al., 2021). Therefore, the tendency of teaching staff to commit fraud, as characterized by taking inappropriate official trips, is not proven to influence

student satisfaction. However, various other studies have yielded contrasting outcomes, indicating that the presence of instructors in the classroom during in-person learning has a positive influence on student satisfaction. A study on higher education students in the USA revealed that student motivation, engagement, and satisfaction were superior in traditional in-person classes compared to online classes, with instructor rapport being essential for online success, while classroom interaction was more significant for in-person courses (Eden et al., 2022). A study involving 200 undergraduate students from an online survey revealed that in-person formats garnered the highest positive ratings across various dimensions of the learning environment, such as teaching presence, social presence, and sense of community, whereas blended formats with limited in-person interaction received the lowest ratings (Minosky et al., 2024). Moreover, there is greater overall satisfaction with courses and instructors in in-person settings compared to online learning; nevertheless, it is observed that synchronous online components may mitigate this satisfaction disparity (Lin, 2022).

This research aimed to determine several behavioral aspects related to the factors influencing nominal remuneration payments to lecturers and the impact of remuneration payments on the tendency of lecturers to engage in fraud. In addition, this research also aimed to determine whether the tendency of lecturers involved in fraud affects the satisfaction of their students in the learning process. Almost all previous research has proved that remuneration positively influences employee performance. Providing appropriate remuneration will encourage employee responsibility to achieve the organization's goal, and therefore, their productivity also increases (Maharani et al., 2021; Agustin et al., 2023). Another research also created a result that remuneration is considered a factor in increasing employee morale and job satisfaction, and this encourages employees to increase their performance (Rachmawaty, 2020). This research introduced novelty by reversing the direction of influence from remuneration having a positive effect on performance to performance having a positive impact on the amount of remuneration paid to the lecturers. The reason for changing the directions was due to the theoretical framework regarding performance-based remuneration, which means the performance of lecturers may influence the amount of remuneration paid to them. Moreover, this research also extended to the relationship between remuneration, fraud tendency, and student satisfaction. This was included as the novelty derived from the study. Numerous prior studies examining the influence of remuneration on the tendency to engage in fraudulent behavior have yielded inconsistent findings. Likewise, research regarding the influence of lecturers' physical presence in offline learning environments on student satisfaction has produced varied results. This study aims to re-evaluate the association between remuneration and lecturers' tendency for fraud, as well as the connection between fraudulent activities resulting from lecturers' absenteeism and student satisfaction, based on the discrepancies in prior research findings. This study presents a novel framework to evaluate whether compensation acts as a mediating variable between performance and the tendency to engage in fraudulent behavior.

Literature Review and Hypothesis Development

The relationship between performance and remuneration can be explained through three primary theories, including Tournament Theory, Equity Theory, and Expectancy Theory. Tournament Theory states that significant disparities in remuneration throughout organizational tiers foster competitive incentive, prompting individuals to enhance their performance to "win the tournament" and secure higher-reward positions (Lin et al., 2013; Yu and Van Luu, 2016). Equity Theory underscores the significance of perceived equity, wherein employees assess their input ratio (including effort, experience, and skill) against their output (such as remuneration, benefits, and acknowledgment); when employees believe that more effort and performance will result in higher compensation (Chen et al. 2023). Expectancy Theory explains that employee motivation is determined by the conviction that effort will yield performance (expectancy), performance will produce rewards (instrumentality), and those rewards possess significance for the individual (valence); when these three components are satisfied, performance effectively increases remuneration (Ogundare and Omotosho, 2022).

As a public service agency, lecturers are required to provide service to students by providing interactive lectures. Students ask lecturers to create innovations and inventions when holding lectures. However, lecturers as civil servants tend to prioritize money, materials, power, and position while they are working without making any effort to show good performance (Winurini, 2014). The counterproductive behavior shown by employees occurs due to a lack of justice in the workplace. Equity theory explains that the results received by an employee should be proportional to the contributions expended (Winurini, 2014). An employee who completes an assignment should receive higher compensation than an employee who does not complete the assignment. Not all employees achieve the same results; therefore, remuneration must be differentiated. In addition, reinforcement theory states that an employee showing high performance tends to be more productive at work if they receive higher remuneration (Syafei and Mardiansyah, 2020). Based on the equity and reinforcement theories, the first hypothesis is developed as follows:

H₁: Performance positively affects remuneration

Goodhart's Law, a significant theory that explains the relationship between performance and the tendency towards fraud, asserts that "when a measure becomes a target, it ceases to be a good measure." In corporate settings, when performance metrics serve as the principal criterion for remuneration, advancement, or acknowledgment, employees may be compelled to distort results to project an image of great performance, regardless of the authenticity of such outcomes. This explains why performance, when regarded as a fixed objective, may elevate the propensity for fraudulent conduct. Goodhart's Law posits that an increased focus on performance as a criterion for rewards correlates with a heightened chance of fraudulent behavior (Stumborg et al., 2022).

Studies investigating the correlation between performance and fraud committing uncover intricate patterns that correspond with Goodhart's Law. Research on traded companies discovered that prolonged supernormal company performance for up to five years exerts pressure on managers to engage in fraudulent activities when impending adverse shocks jeopardize the continuation of favorable conditions, indicating that extraordinary performance itself catalyzes misbehavior (Finnerty et al., 2016). This discovery questions traditional beliefs regarding the relationship between performance and fraud.

Lecturers are identical with employees who tend to have high performance and productivity, but this high performance is more associated with project completion with other stakeholders. They prefer to run the project and leave the class to finish it. This occurs because the revenue they receive from project completion is often greater than their main income as lecturers at public service agencies (Winurini, 2014). The more the lecturers are productive in project completion, the more fraudulent acts they commit by making unnecessary official trips and leaving class. Therefore, the second hypothesis is developed as follows:

H₂: Performance positively affects fraud tendency

Based on Crowe's Fraud Pentagon Theory, fraud occurs due to pressure, opportunity, rationalization, compensation, and arrogance (Aminatun and Mukhibad, 2021). Fraud committed by employees often occurs due to the individual's rationalization attitude. Employees assume that the fraud committed is a common activity and does not violate the law (Farah and Rahmawati, 2021). Fraud, which is considered a common activity, is the official trips that are not in line with the organization's objectives. Compensation and incentives are the root of the problem of employees committing fraud. The discrepancy between the compensation received and the performance provided is a trigger for employees to obtain additional income through fraudulent acts (Kuntadi et al., 2022). Performance-based remuneration has been proven to reduce the tendency of employees to commit fraud (Farah and Rahmawati, 2021). A reasonable remuneration system and following employee performance encourages employees to work under the organizational rules and norms, and therefore, the tendency to commit fraud will decline (Septiana and Prasetyo, 2021). Therefore, the third hypothesis is developed as follows:

H₃: Remuneration negatively affects fraud tendency

The Expectation–Disconfirmation, Zone of Tolerance, and Substitutes for Leadership Theories underpin the correlation between lecturer misconduct, identified by the lecturer's physical absence in class, and the degree of student satisfaction. Expectation–Disconfirmation Theory explains that student satisfaction arises when actual experiences align with or surpass expectations; therefore, if students initially possess low expectations concerning lecturers' physical presence, absenteeism does not necessarily diminish satisfaction, provided that other factors, such as the quality of learning materials and assignments, are adequately addressed (Chandra and Fitriyanto, 2024). This corresponds with the Zone of Tolerance Theory, which highlights a spectrum of service tolerance; students may accept lecturers' absence if offset by online learning, modules, or

recorded lectures, thereby maintaining the service within their tolerance zone (Leksono and Setiawan, 2024). The Substitutes for Leadership Theory also explains that in educational settings, the instructional leadership roles of lecturers can be replaced by various factors, including learning platforms, digital resources, or peer learning, indicating that physical absence does not inherently reduce student satisfaction (Garger, Jacques, & Filippelli-DiManna, 2022).

Project targets and official trips that are not in line with organizational goals force lecturers to leave offline learning. Along with technological developments, learning is starting to shift from offline learning to online learning (Erlin, 2022). After the COVID period, online learning has been proven to have a significant influence on learning effectiveness, whereas offline learning has not been proven to affect learning effectiveness (Sari and Astuti, 2021). Therefore, students in this era no longer worry about the physical absence of lecturers at offline meetings. Students do not feel disappointed with the implementation of online learning by their lecturers since online learning is proven to be more effective for students in training independence and cooperation, improving academic grades, and training literacy and reasoning (Setiadi and Suhardjanto, 2017). Therefore, the fourth hypothesis is developed as follows:

H₄: Fraud tendency does not affect student satisfaction

Agency Theory explains the relationship between performance, remuneration, and the fraud tendencies by framing employees as agents representing the principal or the company. When performance is accurately assessed and connected to an equitable reward structure, remuneration acts as an incentive to align the agent's interests with those of the principal, thereby mitigating moral hazard and the potential for fraud. Nonetheless, if performance is insufficiently compensated, or if information asymmetry and inadequate oversight prevail, agents may resort to opportunistic behavior (such as manipulation or fraud) to fulfill personal interests, as disproportionate remuneration generates pressure and heightens incentives to contravene organizational regulations. Recent research affirms the influence of governance and compensation measures in regulating this association (Lin et al., 2022; Radwan et al., 2022; Al-Faryan, 2024).

Several studies provide empirical evidence that lecturer performance significantly influences remuneration (Purnomo and Banggu, 2020). In addition, remuneration is also proven to be a system that can reduce the possibility of employees committing fraud. Therefore, remuneration has a significant influence on fraud tendencies (Farah & Rahmawati, 2021; Septiningsih & Anwar, 2021). It can be said that performance affects remuneration at first, then remuneration affects fraud tendency. Therefore, the fifth hypothesis is developed as follows:

H₅: Remuneration is an intervening variable between lecturer performance and fraud tendency

Research Method

This research was quantitative and associative, discussing the association between lecturer performance, remuneration, fraud tendency, and student satisfaction as illustrated in Figure 1. The research hypotheses are also shown in Figure 1. Moreover, another hypothesis (H_5) regarding the position of remuneration as an intervening variable between lecturer performance and fraud tendency was added to this research. According to Figure 1, the variables included in this research consisted of lecturer performance, remuneration, fraud tendency, and student satisfaction. Each variable was measured by indicators as shown in Table 1.

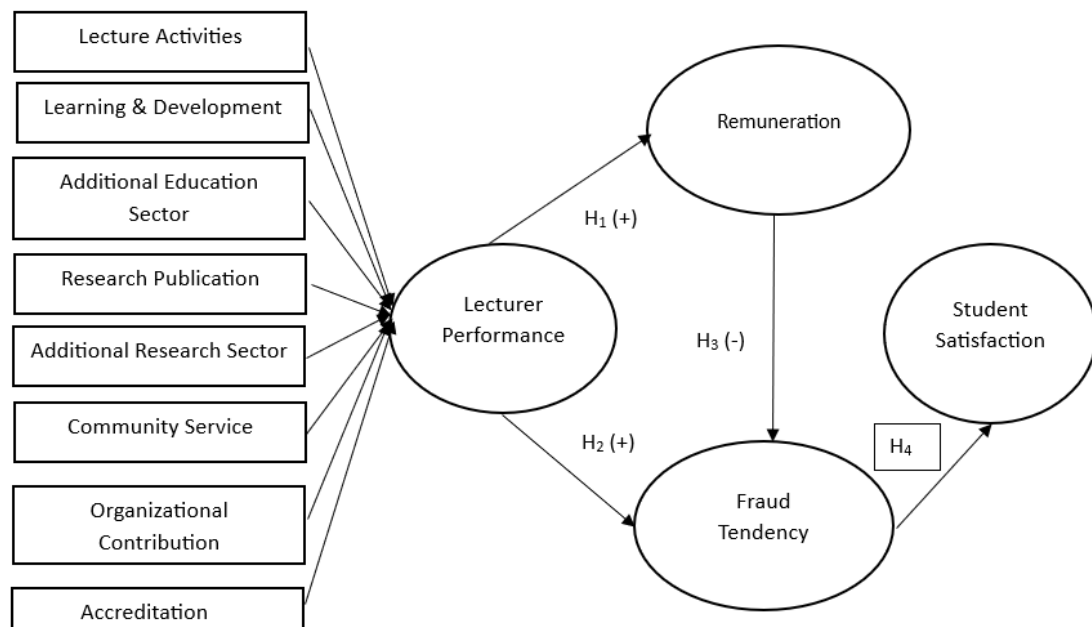


Figure 1. Research Model
Source: Literature Analysis (2023)

The lecturers in one higher education institution in Central Java, having status as a public service agency, were chosen as the population in this research. The research population was 57 lecturers. The sample was selected through the use of purposive sampling with several criteria, such as:

1. The lecturer was not categorized as top management since the performance of top management was measured based on the achievement of a performance contract with the Ministry of Finance.

2. The lecturer was not on a study assignment.
3. The lecturer was not a new lecturer in 2022.

According to these criteria, 42 lecturers were chosen as the research sample, as shown in Table 2.

All the data regarding research indicators and variables were collected through documentation techniques. Data regarding lecturer performance was acquired from the performance reports of lecturers. The reports were generated from lecturer workload evaluations performed by certified assessors over two semesters within a single fiscal year. Information regarding the remuneration earned by lecturers was sourced from remuneration reports. The Remuneration Unit generated these reports based on performance evaluations conducted by assessors, the job value as established by independent experts, and the higher education institution's overall income. Additionally, information regarding the business trip was acquired via official trip summary reports. The procedure for filing business trips at the higher education institution commences with the lecturer's submission, thereafter requiring approval from the direct supervisor via an application system. The data from business trips utilized to identify fraud tendencies were those documented before receiving approval from the direct supervisor. Finally, information regarding student satisfaction was acquired via the student satisfaction index reports. The student satisfaction index was assessed biannually at the end of each semester, with the mean score from the two semesters serving as the reference data for the student satisfaction variable.

Table 1.
Research Variables and Indicators

Variables	Indicators
Lecturer Performance	1. Teaching Activities: the number of teaching credits 2. Learning and Development: the number of training participation credits 3. Additional Education Sector: the number of credits for implementing educational elements, except teaching activities and participation in training 4. Research Publication: the number of credits for publishing research articles in a journal and/or proceedings. 5. Additional Research Sector: the number of credits for implementing research elements, except for research publication in journals and proceedings. 6. Community Service: the number of community service credits 7. Organizational Contribution: the number of credits for supporting the institution to achieve organizational performance.

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	8. Accreditation status: accreditation status of the study program
Remuneration	The gross amount of remuneration paid to a lecturer
Fraud Tendency	Number of days of official trips undertaken by the lecturer
Student Satisfaction	The value of lecturer evaluation based on student perceptions

Source: Remuneration Report, 2023

Table 2.
Research Sample

Criteria	Number of Lecturers
Total number of lecturers	57
The lecturers were categorized as top management	(4)
The lecturers on study assignment	(7)
The new lecturers	(4)
The lecturers met the sample criteria	42

Source: Data Processed, 2023

The data was then analyzed using Partial Least Squares by setting several Structural Equations Modeling (SEM). The SEM is shown below:

$$\begin{aligned} \text{Perform} &= \alpha_1 \text{Teach} + \alpha_2 \text{Train} + \alpha_3 \text{Educ} + \alpha_4 \text{Public} + \alpha_5 \text{Research} + \alpha_6 \text{Service} + \\ &\quad \alpha_7 \text{Con} + \alpha_8 \text{Accr} \\ \text{Remun} &= \alpha_9 \text{Perform} \\ \text{Fraud} &= \alpha_{10} \text{Perform} + \alpha_{11} \text{Remun} \\ \text{StudSat} &= \alpha_{12} \text{Fraud} \end{aligned}$$

Information:

Teach:	teaching activities
Train:	learning and development
Educ:	other education elements
Public:	research publication
Research:	other research elements
Service:	community service
Con:	organizational contribution
Accr:	accreditation of the study program
Perform:	lecturer performance
Remun:	remuneration
Fraud:	fraud tendency
StudSat:	student satisfaction

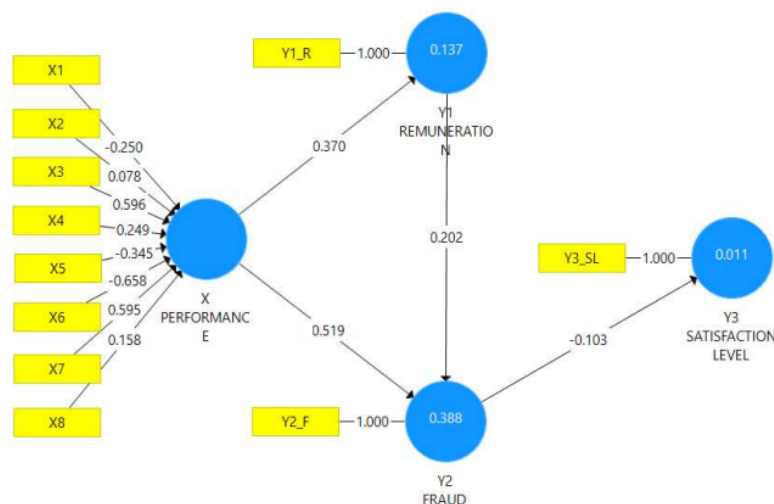
Result and Discussion

Data processing used Smart PLS 4, and the results are presented in Figure 2. It can be seen from Figure 2 that there are four structural equation models as follows:

$$\begin{aligned}\text{Perform} &= -0.25\text{Teach} + 0.078\text{Train} + 0.596\text{Educ} + 0.249\text{Public} - 0.345\text{Research} + \\ &\quad 0.658\text{Service} + 0.585\text{Con} + 0.158\text{Accr} \\ \text{Remun} &= 0.37\text{Perform} \\ \text{Fraud} &= 0.519\text{Perform} + 0.202\text{Remun} \\ \text{StudSat} &= -0.103\text{Fraud}\end{aligned}$$

Information:

Teach (X ₁):	teaching activities
Train (X ₂):	learning and development
Educ (X ₃):	other education elements
Public (X ₄):	research publication
Research (X ₅):	other research elements
Service (X ₆):	community service
Con (X ₇):	organizational contribution
Accr (X ₈):	accreditation of the study program
Perform:	lecturer performance
Remun:	remuneration
Fraud:	fraud tendency
StudSat:	student satisfaction



Source: Data Analysis (2023)

Outer model analysis was conducted to examine the validity and reliability of lecturer performance indicators used in this research. The validity analysis was run through Pearson Correlation, and the result is presented in Table 3. According to Table 3, all the indicators used to measure lecturer performance were valid.

Table 3. The Result of Validity Analysis

Indicators	R_{calculation}	R_{table}	P_{value}	Conclusion
Teaching activities	0.584	0.175	0.000	valid
Learning and development	0.444	0.175	0.000	valid
Additional education elements	0.415	0.175	0.000	valid
Research publication	0.446	0.175	0.000	valid
Additional research elements	0.358	0.175	0.000	valid
Community service	0.524	0.175	0.000	valid
Organizational contribution	0.503	0.175	0.000	valid
Accreditation	0.503	0.175	0.000	valid

Source: Data Processed, 2023

Construct validity and reliability were measured based on composite reliability and average variance extracted (AVE) values. The outer model is reliable if it meets several criteria, such as rho_a value > 0.70, Cronbach's alpha > 0.70, and composite reliability > 0.70. Then, the outer model meets construct validity if its AVE value > 0.50. Table 4 presents the results of construct validity and reliability testing. It can be seen from Table 4 that the outer model was reliable and met construct validity since the value of rho_A, Cronbach's alpha, composite reliability, and AVE were more than 0.70.

Figure 2 provides information regarding the value of the path coefficient. The path coefficient shows the direction of the direct influence of the independent variable on the dependent variable and functions as a regression coefficient. Meanwhile, the magnitude of the influence of each independent variable on the dependent variable is shown by the F-square value. Table 5 presents the value of the path coefficient and F-square.

Table 4. The Result of Construct Validity and Reliability Testing

Variables	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Lecturer performance		1.000		
Remuneration	1.000	1.000	1.000	1.000
Fraud tendency	1.000	1.000	1.000	1.000
Student satisfaction	1.000	1.000	1.000	1.000

Source: Data Processed, 2023

Data processing provided information regarding R-square and adjusted R-square. The R-square and adjusted R-square values, respectively, for the remuneration model were 0.137 and 0.115, which indicated the remuneration model was weak. Likewise, the R-square and adjusted R-square values for the fraud tendency model were 0.388 and 0.357, indicating that the model was weak. Finally, the R-square and adjusted R-square values for the student satisfaction model of 0.011 and 0.014 also indicated that the student satisfaction model was weak. However, the values of SRMR and NFI show different results. It can be seen that the values of SRMR 0.030 and NFI 0.960 indicate that the models were fit. Therefore, the three structural equation models can be used as a remuneration model consisting of the determinant as well as the impact of remuneration.

Table 5. The Path Coefficient and F-Square

Variables	Path Coefficient	Conclusion	F-Square	Conclusion
Lecturer performance – remuneration	0.370	direct positive effect	0.159	moderate effect
Lecturer performance – fraud tendency	0.509	direct positive effect	0.381	high effect
Remuneration – fraud tendency	0.202	direct positive effect	0.057	moderate effect
Fraud tendency – student satisfaction	-0.103	direct negative effect	0.011	low effect

Source: Data Processed, 2023

Bootstrapping analysis was carried out to examine the significance of the influence of latent exogenous variables on latent endogenous variables. The results are shown in Table 6. The Exogenous variables have a significant influence on the endogenous variables when the p-value < 0.05 for $\alpha = 5\%$ or the p-value < 0.10 for $\alpha = 10\%$.

Table 6. The Result of Bootstrapping Analysis

Hypotheses	Path Coefficient	p-value	Decision	Conclusion
H ₁	0.370	0.000	accepted H ₁	significant
H ₂	0.519	0.000	accepted H ₂	significant
H ₃	0.202	0.027	not accepted H ₃	not significant
H ₄	-0.103	0.306	not accepted H ₄	not significant
H ₅		0.104	not accepted H ₅	not significant

Source: Data Processed, 2023

Table 6 shows that the data supported H_1 because the p-value was $0.000 < 0.05$, which indicated that lecturer performance had a significant effect on remuneration. It can be seen from Table 5 that the influence of lecturer performance on remuneration had a positive effect. Therefore, it can be concluded that lecturer performance had a significant positive effect on remuneration. This result was supported by previous research (Rodliyah, 2016). Remuneration was awarded to the lecturer as compensation for the contribution that the lecturer provided to the institution. Lecturers with high performance would be awarded high remuneration; conversely, lecturers with low performance would be awarded low remuneration.

Table 6 shows that the data supported H_2 because the p-value was $0.000 < 0.05$, which indicated that lecturer performance had a significant effect on fraud tendency. It can be seen from Table 5 that the influence of lecturer performance on fraud tendency had a positive effect. Therefore, it can be concluded that lecturer performance had a significant positive effect on fraud tendency. This result was supported by previous research (Mardiyanto, 2022). The research provided an interesting result because the high-performance lecturer still tended to commit fraud by going on inappropriate official trips.

Table 6 shows that the p-value of the third hypothesis was $0.027 < 0.05$, which indicates that remuneration had a significant effect on fraud tendency. It can be seen from Table 5 that the influence of remuneration on fraud tendency had a positive effect. However, it cannot be concluded that remuneration had a significant positive effect on remuneration due to the effect of remuneration in the third hypothesis, which is a negative effect. This research provided a different result from previous research (Wulandhari et al. 2023). The research provided an interesting result because the remuneration system implemented was still unable to reduce the tendency of lecturers to commit fraud by going on inappropriate official trips. Another study also had significant evidence that corruption still occurs in many government institutions, such as the Ministry of Finance, even though they already have a good compensation system (Winurini 2014).

Table 6 shows that the data support H_4 because the p-value was $0.306 > 0.05$, which indicates that fraud tendency did not have a significant effect on student satisfaction. This result strengthened previous research (Zahara et al. 2021). Nowadays, education no longer prioritizes the physical presence of a lecturer in the classroom. Students do not feel that the presence of lecturers in a class is something important. Learning can be conducted virtually by utilizing information technology-based media.

Finally, Table 6 provides information regarding the indirect effect between lecturer performance, remuneration, and fraud tendency. It can be seen that the p-value was $0.104 > 0.05$, which indicated that remuneration did not function as an intervening variable between lecturer performance and fraud tendency.

The research reveals a contradiction for higher education institutions that increased lecturer performance leads to higher compensation, but also correlates with a greater tendency for fraudulent behavior. This dichotomy can be explained through Agency

Theory, wherein lecturers (agents) respond rationally to incentive structures yet may exploit deficiencies in monitoring systems when possibilities for personal benefit present themselves. Moreover, along with Goodhart's Law, when performance indicators are directly linked to financial incentives, they may become invalid as accurate assessments of genuine performance, since lecturers may divert their attention from meaningful academic contributions to manipulating the metrics. This indicates that higher education institutions cannot depend exclusively on performance-based incentives to stimulate productivity. They must incorporate ethical frameworks, clear reporting systems, and independent verification processes to prevent fraud. Periodic audits, confidential whistleblower mechanisms, and ethics training could enhance the incentive structure. Enhancing corporate culture via leadership dedication to academic integrity is essential, guaranteeing that performance enhancement is sought not solely for financial gain but also for enduring institutional reputation and societal impact.

The results also hold significant consequences for policymakers. The implementation of performance-based compensation in bureaucratic reform initiatives signifies the government's endeavor to modernize public sector administration. Nevertheless, the data indicate that such measures, if enacted in isolation, may inadvertently promote wrongdoing. This underscores the necessity for the government to regard change not only as a performance management concern but as a governance challenge that necessitates alignment among incentives, accountability, and ethical norms. According to Agency Theory, the government, as the principal, must implement methods to mitigate knowledge asymmetry and moral hazard. This can be accomplished by integrating remuneration structures inside a comprehensive digital governance framework, including real-time performance dashboards, AI-driven anomaly detection in financial claims, and obligatory external evaluations. Moreover, reform should prioritize comprehensive accountability, assessing lecturers' contributions not only through quantitative metrics, such as workload and productivity, but also through qualitative dimensions, such as student learning outcomes, ethical behavior, and community involvement. Ultimately, these findings emphasize that bureaucratic reform must extend beyond performance rewards; it must also institutionalize honesty and accountability. Only through this equilibrium can higher education institutions and the government attain the objectives of reform: improving efficiency while protecting against corruption and fraud, therefore promoting the tenets of good governance.

Conclusion

The research had the purpose of examining the determinants and impact of the remuneration system. The variable that functioned as a remuneration predictor was lecturer performance, whereas fraud tendency functioned as the impact of remuneration. The research also examined the association between fraud tendency and student

satisfaction. The research developed five hypotheses that were examined by implementing partial least squares through structural equation modeling. The research provided evidence that (i) lecturer performance was positively associated with remuneration, (ii) lecturer performance was positively associated with fraud tendency, (iii) remuneration was not associated with fraud tendency, (iv) fraud tendency was not associated with student satisfaction, and (v) remuneration was not an intervening variable between lecturer performance and fraud tendency.

The research had some limitations. First, the sample used in this research was relatively small. It is advised for the next research to add the number of research samples so the result will be more accurate. Secondly, the data used in this research were collected through a documentation technique. The next research should collect the data through a questionnaire, so the research will have primary data. The use of primary data allows research to obtain more accurate results.

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