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Integrating Religiosity into Fraud Triangle Theory: Empirical Findings from Enforcement Officers

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Abstract

Recently, employee-fraud has drawn extensive attention due to huge amount of losses of various organizations. This study developed a new model of fraud risk by integrating new elements into a fraud triangle theory. This study simultaneously analyzed religiosity and the three elements of fraud risk factors of employee fraud committed by low and mid-level public officials. The data collected from 120 enforcement officers indicated that religiosity is negatively related to employee fraud. By contrast, all the three elements of fraud triangle theory, namely, pressure, opportunity, and rationalization, are positively related to employee fraud. These results imply that strong religiosity is crucial to mitigate employee fraud. To minimize employee fraud, the opportunity to commit such fraud should be reduced through strong internal control, reduction of negative rationalization, and employee financial pressure. This study contributes to the literature by introducing a new model on employee-fraud occurrence that is not extensively discussed, particularly in the context of local authority in developing countries.

Keywords: Local authority; Religiosity; Fraud Triangle; Employees fraud

Introduction

One of the most obvious crimes rampantly happening all over the world nowadays is fraud (Sharma, 2014). The Global Fraud Survey conducted by the Association of Certified Fraud Examiner (ACFE, 2014) revealed that corruption cases entail 36.2% of total government and public administration fraud. According to the World Bank, countries in Africa, Asia, Middle East, Europe and Latin America show similar types of fraudulence, including procurement fraud, collusion, kickbacks, and bribes (The World Bank, 2016). Fraud has been a worldwide issue for a long time, notably after the collapse of famous huge profit-making companies, such as Enron, Worldcom, Bernie Madoff, and Tyco.

In the global economic crime survey carried out by PWC in 2014, the most commonly reported types of fraud were asset misappropriation, procurement fraud, bribery and corruption, cybercrime, and accounting fraud. The survey also revealed that employees were most concerned about the effects of corruption and bribery to their business (PWC Annual Global CEO Survey, 2014). Jain and Treisman define Corruption as the acts of misused power of public office for personal gain (Jain, 2001 & Treisman, 2000). Political scientists maintain that “a public official is corrupt if he accepts money or money’s worth for doing something that he is under a duty to do anyway, that he is under a duty not to do, or to exercise a legitimate discretion for improper reasons” (McMullan, 1961, p. 183-184).

Corruption arose from political bureaucratic offices (Mashali, 2012). Hence it can be categorized as organized or unorganized petty or grand corruption (Mashali,2012). Meanwhile, Zakaria (2013) define petty corruption as abused of entrusted power by low and mid-level public officials in their interaction with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other agencies. In the meantime, Andvig and Fjeldstad (2001) categorized petty corruption as ‘street level’ form of corruption. Petty corruption usually involved low and middle level public official who is directly interact with public (Poeschl & Ribeiro, 2012). Although grand
corruption is viewed as having a more negative impact on the economy, petty corruption, with its small sums of money, represents, when aggregate, a substantial amount of public resource (Shah & Schacter, 2004).

According to the Transparency Internationals in the 2011 survey, the petty corruption has been amounted to be £554 million globally. The petty corruption is continuing to increasing day by day. Developed country also negatively impacted from petty corruption practices. Greece suffer losses cost in millions. In Tunisia, at least 450 million dinars $230 million) in bribes were slipped to state employees in 2013 alone according to Tnunisia Association for public auditors (The News Arab, 2015). In the meantime, KPMG categorized petty corruption part of theft of fund. KPMG on their fraud bribery and corruption survey report evinced that the theft of outgoing fund was reported as the highest category fraud at 67% (KPMG 2013).

Malaysia is not immune to any global issue such as fraud, as the existing loopholes can be exploited for the benefit of the organization (Pickett and Pickett, 2002). For example, the Auditor General Report in 2012 indirectly expressed concern on the escalating level of corruption cases among public sector servants, ministries, and government-linked companies. Corruption and power abuse in the north border have increased and allegedly involve bribing civil servants to smuggle subsidized goods from neighboring countries (Sinar Harian Online, December 25, 2015).

Given the number of fraud cases and their respective losses to the Malaysian economy, fraud should be accorded serious attention. For instance, the Commercial Crimes Investigation Department (CCID) investigated 11,714 cases of white-collar crime in 2003, involved approximately RM579 million worth of monetary value. In 2004, the number of cases lessened to 9,899, but the amount of losses rose to RM836 million (Lim, 2005). The amount of losses also rose slightly to RM846 million in 2008 and the number of significant cases climbed to 17,311 (Bernama, 2009). Four years later, in 2012, white-collar criminal activities included criminal breach of trust, embezzlement; other white-collar crimes increased to 18,386 cases and incurred RM1.62 billion losses, and the amount climbed to RM1.775 billion in 2013 (CCID, as cited in Mui, 2014). The figures indicate the severity of the fraud issue in recent years.

Referring to Transparency International report, Malaysia’s rank in the Global Transparency Index (TI) went down to 54th place (out of 167 countries) in 2015 compared to its 50th ranking out of 175 countries in 2014 (Transparency International, 2015). Therefore, more initiatives must be implemented to regain the country’s image. The very basic step that should be pursued is to identify the root to this problem. In other words, learning the motives behind corruption and the precautions that can be conducted against corruption are very crucial.

The famous fraud triangle theory by Cressey (1953) stated three factors leading to financial crimes, namely, pressure, opportunity, and rationalization. Each of these factors explain why people are committing fraud. Several studies highlighted the reasons prompting people to commit fraud, all of which are associated with elements in the fraud triangle. Liew et al. (2011) ranked the motivations behind white-collar crimes in Malaysia, and the first is the belief that competitors are paying bribes to win contracts. This ranking could be associated with the justification element in the fraud triangle. In addition, Liew et al. (2011) classified the reasons of fraud occurrence in terms of group motivation, where the highest
rank went to opportunistic causes such as poor internal control, poor ethical practices, and lack of management control by directors. On the other hand, a group of studies focused on other potential factors that may hinder fraud. A group of scholars proposed religiosity as one of the most prevailing factors to mitigate fraud (Akir & Malie, 2012; Amaliah et al., 2011; Azizan & Razlina, 2015; Fariza & Salahuddin, 2015).

Hence, the present study attempts to integrate religiosity into fraud triangle theory to investigate the factors behind corruption among local enforcement authorities in Kelantan, Malaysia, following the introduction of the mas'uliyyah and amanah concepts among public administrators by the Islamic Religious and Affairs Department of Kelantan in 2014. The concept of mas'uliyyah (accountability) and amanah (honesty) are two important pillars in ensuring the integrity of civil servants and keeping them clean from corruption (Musa, 2014). The concept is similar to that proposed by past studies on religiosity (e.g., Akir and Malie, 2012; Baskoro, 2014; Mittroff and Denton, 1999; Said et al., 2015).

**Literature Review and Hypothesis Development**

**Religiosity and Employees fraud**

Religiosity from the Islamic viewpoint is defined as the awareness or consciousness of God and the desire to attain balance between worldly needs and adherence to God’s commands (Fariza and Salahuddin, 2015). Therefore, religion aims to control human’s behavior in building fidelity and acquiescence (Ashiq, 2004). For Muslims, Islam as a religion is a framework or pillar that improves the behavior of its believers (Jamal, 2003). Several studies have established the importance of religion in controlling human conduct. For example, Akir and Malie (2012) found that religious orientation is positively correlated to the job conduct of employees, in that employees who are affiliated to religion are more observant to company rules and regulations.

In the surah al-Mu’minun for instance, Allah has outlined the qualities of successful believers, and among them are the ones who are faithful to their trusts and keep their promises. In Islam, they believe that doing five-time daily prayers will restrain a Muslim from doing anything that is against the Islamic teachings, namely, wrongful deeds. In the Holy Quran Allah (s.w.t) says, “Recite, [O Muhammad], what has been revealed to you of the Book and establish prayer. Indeed, prayer prohibits immorality and wrongdoing, and the remembrance of Allah is greater. And Allah knows that which you do” (Al- Qur’an Chapter 29, verse 45).

According to Purnamasari and Amaliah (2015), fraud in the workplace will be easier to prevented if religiosity exits. Other authors, such as Weaver & Agle (2000), Amaliah et al. (2011), and Amaliah (2014), concluded that an individual’s attitude and behavior can be influenced by a good grasp of religion. The Quran places high emphasis on honesty. For example, surah al-Ahzab in verse 72, surah al-Anfal verse 27, and surah al-Mu’munun in verse 8 indicate the importance of honesty in Islam and the prohibition of unethical, fraudulent acts. This finding is consistent with that of Azizan & Razlina (2015), who also found that religious workers have positive job attitudes despite facing incivility in their workplace; such mindset means they should improve their understanding and devotion to Islamic practices in the workplace to better deal with unethical practices. Said et al. (2015) found that religiosity is negatively associated with the occurrence of asset misappropriation among Royal Malaysian Police officers. Therefore, the following hypothesis if proposed:
**H1: A negative relationship exists between religiosity and petty corruption fraud.**

*Pressure and Employees fraud*

Cressey (1953) noted that the fraud perpetrator exhibits a non-shareable financial problem that motivates him to commit wrongdoings. This non-shareable financial problem was later expanded by Kranacher et al. (2011), who also included other non-financial pressures. Findings from previous research showed the influence of pressures on fraud occurrence (Albrecht et al., 2010; Rezaee, 2005; Widianingsih, 2013). These authors suggest that if the pressures exist, regardless of monetary or non-monetary aspect, a person or an organization will tend to commit fraud. In this context, Dellaportas (2013) argued that an individual tends to get involved in fraudulent behavior to solve or reduce their financial or personal pressures.

Hernandez (2007) found that pressure on a worker and the probability to commit fraud in the workplace are positively related, indicating that the drive to perform also raises the tendency to behave fraudulently and allowing a benefit in salary increment. The pressure to obtain bonuses and higher wages also has a positive influence on the practice of fraud among employees (Hernandez, 2007).

Lister (2007) classified pressure into three categories, namely, personal pressure, employment pressure, and external pressure. According to Lister, personal pressure is the pressure to maintain a lifestyle budget, employment pressure is the pressure for incentives and financial interest in the management, and external pressure consists of expectation from the market and meeting the requirements of financial institutions’ covenants. From the viewpoint of Murdock (2008), pressures refer to personal needs. However, pressures can be further divided into financial, non-financial, political, and social pressures. Murdock provided examples of financial pressures, such as housing expenditures and unforeseeable bills related to health.

According to survey conducted by ACFE in 2012 on the most prevalent signs indicated by fraudsters, offenders usually live beyond their means, spend money extravagantly, and face financial distress. These findings are consistent with the subsequent global fraud survey undertaken by ACFE in 2014, A Report to The Nations on Occupational Fraud and Abuse, which discovered that a total of 44% fraud offenders were maintaining a beyond-their-budget lifestyles and another 33% were struggling with financial hardships. The same result was found from a bribery and corruption survey carried out by KPMG Australia and New Zealand in 2012, which reported that the major factor motivating people to commit fraud was personal financial pressure, comprising 36% of the respondents, while the remaining 31% were equally comprised of greed and other types of pressures. Therefore, the following hypothesis is proposed:

**H2: A positive relationship exists between pressures and employees fraud.**

*Opportunity and Employees fraud*

Many previous studies report that the perpetration of fraudulent behavior is also associated with opportunity (e.g., Coleman, 1987; Lister, 2007; Wells, 2001). Albrecht et al. (2010) believed that this element is a highly significant contributing factor to fraud occurrence, especially when combined with the existence of considerable pressure. Opportunity refers to
the weak internal control that exists in an organizational environment (Kassem & Higson, 2012; Mui & Mailley, 2015; Wolfe and Hermanson, 2004). Insufficient supervision and lack of duty segregation also contribute to fraud (Dellaportas, 2013). The inmates interviewed by Dellaportas have admitted that these loopholes in the workplace are the reason for their fraudulent acts, such as embezzlement and loan manipulation. The presence of opportunity enables employees to think that their probability of getting caught is small and thus commit fraud (Cressey, 1953; Albrecht, Albrecht, Albrecht and Zimbelman 2008). These findings are consistent with the survey by PWC in 2011, which found that opportunities such as inadequate duty segregation caused by the reduction in the number of employees caused fraud.

Without opportunity, a fraudulent act is impossible (Coleman, 1987; Lister, 2007). In other words, a fraudster must find some ways in which he can use his position to settle his financial problem with a low risk of getting caught (Cressey, 1953). Opportunity is not restricted to the position held by a person that can lead him to commit the fraud. Usually, poor/weak internal controls in the workplace coupled with the low chance of detection will offer an attractive opportunity for fraudulent activities (Mui & Mailley, 2015). Opportunity was also mentioned by Wolfe and Hermanson (2004) and Kassem and Higson (2012), who both stated that opportunity generally arises due to weak internal controls or system in an organization. The belief that “it is impossible to get caught after being involved in fraud, and if getting caught, it is not a serious matter” is also regarded as an opportunity in the fraud triangle (Albrecht, Albrecht, Albrecht and Zimbelman 2008).

The KPMG Malaysian Fraud, Bribery, and Corruption (2013) Survey reported that among the most influential opportunities in the workplace that cause fraud and unethical conduct to take place are loopholes in the internal control, inadequate competency of the internal audit team to detect fraud, insufficient training to build awareness on fraud, the nature of the particular industry that is prone to fraud, failure to convey the organization’s code of ethics and values (81%), poor example portrayed by upper-level staff (43%), and a poor ethical culture within the organization (38%). Therefore, the following hypothesis is proposed:

**H3**: A positive relationship exists between opportunity and employees fraud.

**Rationalization and Employees fraud**

Rationalization is recognized as the leading contributor to fraud. For example, in terms of financial misstatements, rationalization was established as the greatest factor causing people to be tolerant of petty theft (Kula et al., 2011). Petty theft in the study was found to be acceptable in companies, indicating the rationalization in committing crimes by the employees. In the fraud of asset misappropriation, Mohamed et al. (2014) also found that almost all respondents agreed rationalization was the factor leading to fraud, especially the sense that “others are doing it as well.” Cleff et al. (2013) stated that the adaptation of the sense of right and wrong to fit criminal behavior by a fraudster can also be categorized as rationalization.

In a survey taken by KPMG in 2011 in Singapore, rationalization was clearly used widely by most first-time fraudsters because these people viewed their actions as non-criminal. A global economic fraud crime survey carried out by PWC in 2011 on rationalization
revealed that 12% of the respondents believed in people’s capability to justify their actions as the biggest risk of fraud.

According to ACFE (2014), people rationalized a crime before they committed it. ACFE 2014 revealed that government employees or organizations that committed fraud usually rationalized their conduct of corruption in many ways, which allowed them to “innocently” carry out the act. They used excuses such as “bribery is our country’s culture,” “we have no idea that the behavior is considered as bribe,” “bribery is just a way of doing business,” “our anti-corruption programs are already sufficient,” “we are doing this as usual,” and “there is no other way to complete this.”

This rationalization factor is therefore a complex reason people choose to do fraudulent activities because it involves arguments that may be very judgmental. For instance, Levi (2008) classified fraudsters who see nothing wrong in their behavior patterns to be “slippery-slope fraudsters.” How do fraud offenders use rationalization to commit the crime? According to Cleff et al. (2013), a fraudster will try to adapt his sense of right and wrong so that it can fit the criminal behavior. This approach will then make the criminal behavior seem rational and the fraudster can continue with the act without guilt.

In their study on asset misappropriation, Mohamed et al. (2014) found that almost all respondents agreed that “others are doing it as well” to be the common rationalization used in doing this type of fraud. Hence, rationalization influences the occurrence of fraud because people tend to rationalize their fraudulent acts. In other words, the rationalization factor is positively associated with employees fraud occurrence among local authority enforcement officers. Therefore, the following hypothesis is proposed:

\[ H4: \text{A positive relationship exists between rationalization and employees fraud.} \]

**Methodology**

**Sampling and Data Collection**

A total of 120 questionnaires were distributed to the Kota Bharu Municipal Council enforcement officers, who are involved in the daily monitoring and patrolling of their respective areas, during a monthly meeting held by MPKB. The distribution was conducted with the permission of the head of the enforcement division. All the respondents were given 30 minutes to fill in the questionnaire and drop the completed questionnaires in the box provided. To ensure confidentiality of the answered questionnaires, the details to identify the respondents, such as name or staff number, were not asked.

A total of 103 answered questionnaires were collected during the event. Enforcement officers were selected as respondents in this study because they have a high potential to be involved with employees fraud. For instance, the responsibilities to collect fines and compounds from the local communities who violate the rules set by the municipal council may tempt them, because the public may offer gifts and cash to avoid paying the fines and compounds.

**Measurement of Variables**
• Employees fraud: Eleven items to measure employees fraud were adopted with some modifications from Nia (2016); Said et al. (2015); Gonzales, Schofield, and Schmitt (2005); Klockars, Ivkovich, Harver, and Haberfeld (2000); and Weisburd et al. (2000). Respondents were asked to rate their agreement/disagreement on whether they have experienced accepting gifts, money, benefits in kind, discount, or free foods from any restaurant owner/community.

• Religiosity: Yasemin (2014) suggested 11 indicators of a Muslim’s religiosity, including belief, ritual, devotion, experience, knowledge, devotion, and consequences. Therefore, questions were asked to measure a Muslim’s level on these indicators among the local enforcement officers. The questions were adopted with some modifications from the Comprehensive Measure of Islamic Religiosity used in the previous studies of Abdullah and Al-Khalifah (1994), Shukor and Jamal (2013), and Siguaw and Simpson (1997). These studies set out the measurement model to measure the religiosity of an individual, such as the extent of the respondent’s religious activities in terms of performing compulsory daily prayers, fasting, sadaqah, reciting the holy Al Quran, and following the sunnah of the prophet.

• Pressure: Ten questions were asked regarding the financial and non-financial pressures faced by the respondents in fulfilling their daily duties. The questions were adopted with some modification from Said et al. (2015), Rezae and Davani (2013), Dellaportas (2013), Kassem and Higson (2012), and Wolfe and Hermanson (2004). The respondents were then requested to rate their agreement/disagreement on the financial and work pressures they had experienced.

• Opportunity: Six questions on opportunity were adopted and modified from Nia (2016), Said et al. (2015), Dellaportas (2013), Kassem and Higson, (2012), and Wolfe and Hermanson (2004) to suit the environment of the local authority and the duties of the enforcement officers themselves. The items included internal control activities, such as the existence of supervision, monitoring, and review on work responsibility.

• Rationalization: Six questions on rationalization were adopted from Nia (2016), Said et al. (2015), Wolfe and Hermanson (2004), Dellaportas (2013), Kassem and Higson, (2012), Tugas (2012), and Paul et al. (2008), with some modifications to cater to the working environment of the local authority enforcement officers.

Model and Statistical Test

The data were analyzed using descriptive statistics, factor analysis, and cross-sectional regression. Initially, validity of the data was tested through several standard diagnostic procedures. The adequacy of data was tested by Kaiser–Meyer–Olkin test, normality of data was tested by skewness and kurtosis analysis, and homoscedasticity of data was tested by F-test and Bartlett Sphericity test. Correlation analysis was carried out to check multicollinearity problem. Finally, the reliability of the data was tested using Cronbach’s alpha test.

Result and Finding

Demographic Information
From the survey, 71 respondents (68.93%) are male, and the other 32 respondents (31.07%) are female. In terms of age, 55 respondents are under 30 years old (53.40%), followed by those aged 30–40 years (17.48%), 41–50 years (13.59%), and 51 years and above (15.53%). Among the 103 overall respondents, 18 (17.48%) hold the enforcer position and 84 are assistant enforcers (81.55%). The average monthly earnings of the majority of respondents (71 respondents, 68.93%) ranged from RM1000 to RM2000, followed by respondents earning from RM2001 to RM3000 (30 respondents, 29.13%), and the rest of the respondents earning from RM3001 to RM4001 (2 respondents, 1.94%). In terms of service period, 41 respondents have served MPKB for less than a year (39.81%), while 33 (32.04%) have served MPKB for more than five years. In terms of education level, the respondents are mostly lower level/certificate qualified, with 77 (74.76%) respondents, followed by 13 respondents (12.62%) with diplomas, and 12 (11.65%) degree holders.

Regression Analysis

The regression showed the R-squared ($R^2$) of 0.707, which implied that the four predictor variables (religiosity, pressure, opportunity, and rationalization) explained 70.7% of the variance in employees fraud (Table 1). The F-statistic (24.514) and the corresponding p-value is significant ($P<0.00001$).

Table 1: Output of Regression

<table>
<thead>
<tr>
<th>Variables</th>
<th>Standardized coefficient</th>
<th>Std. Error</th>
<th>t-stat</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.882</td>
<td>.570</td>
<td>.570</td>
<td></td>
</tr>
<tr>
<td>Religiosity</td>
<td>-.151</td>
<td>.097</td>
<td>-2.076</td>
<td>.040</td>
</tr>
<tr>
<td>Pressure</td>
<td>.146</td>
<td>.215</td>
<td>1.947</td>
<td>.054</td>
</tr>
<tr>
<td>Opportunity</td>
<td>.506</td>
<td>.068</td>
<td>7.064</td>
<td>.00001</td>
</tr>
<tr>
<td>Rationalization</td>
<td>.382</td>
<td>.052</td>
<td>5.154</td>
<td>.00001</td>
</tr>
</tbody>
</table>

The first objective of the study is to investigate the relationship between religiosity and occurrence of employees fraud. From Table 1, the factor of religiosity indicates a significant negative relationship with employees fraud when the coefficient for religiosity is $-0.151$, $t = -2.076$, $p = 0.04$. As a result, $H1$ is supported, meaning that the factor of religiosity has significant influence on the occurrence of fraudulent actions specifically employees fraud among local authority enforcement officers. The negative relationship of religiosity and employees fraud indicates that by having a high level of religiosity, the occurrence of employees fraud could be reduced. This findings was supported by several previous studies like Weaver & Agle, 2000; SHRM, 2001; Akir & Malie, 2012; Purnamasari & Amaliah 2015. More importantly, this finding is very much associated with the emphasis of honesty as well as the prohibition of unethical fraudulent acts of the religion (Quran, 33:72; 8:27 and 23:8) as Muslims should always be aware that Allah is All Knowing of their deeds.

The second objective of this study is to investigate the relationship between pressure and occurrence of employees fraud. Table 1 indicates a significant positive relationship between pressure and employees fraud, with the coefficient value at .146, $t = 1.947$, $p = .054$. Hence, $H2$ is supported meaning that a high level of pressure promotes the occurrence of
employees fraud. This findings was supported by several previous studies like Rezaee, 2005; Hernandez, 2007; Dellaportas, 2013; Mohamed et al., 2014; Dellaportas, 2013; Hernandez, 2007; Albrecht et al., 2010. Accordingly, it can be concluded that when having financially or non-financially pressures, an individual will be at the high risk to commit fraudulent activities.

The third objective in this study is to analyze the relationship between opportunity and the occurrence of employees fraud. Table 1 shows the significant positive relationship between opportunity and employees fraud with the coefficient value of 0.506, t = 7.064, p = .00001. Therefore, H3 is supported meaning that when the level of opportunity in committing corruption increases, the occurrence of corruption will consequently rise. This findings was supported by several previous studies like Dellaportas, 2013; Mui & Mailley, 2015; KPMG Malaysian Fraud, Bribery and Corruption survey, 2013.

The fourth objective in this study is to analyze the relationship between rationalization and the occurrence of employees fraud. The table 1 demonstrates a significant positive relationship between rationalization and employees fraud, with the coefficient value at .382, t = 5.154, p = .000. Thus, H4 is also supported meaning that the occurrence of corruption as a result will increase if the attempt to justify the acts of corruption increases. This findings was supported by several previous studies like ACFE, 2014; Cleff et al., 2013; Kula et al., 2011; Mohamed et al., 2014; Said et al., 2015; KPMG, 2011.

Diagnostic Test

Normality: The normality of data can be explained using skewness and kurtosis tests. Thus, the tests for each variable in this study; corruption, religiosity, pressure, opportunity and rationalisation, are being presented in Table 2 below. According to Boise (2003), if the skewness value is close to zero, whereas the kurtosis value does not exceed 3.0, a normal distribution of data is assumed. As the range of skewness values for all the variables were from -0.073 to 1.37 and that of the kurtosis was from -0.041 to 1.954, all data were considered normal.

<table>
<thead>
<tr>
<th>Table 2: Normality of Data</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>0.9429</td>
<td>0.21767</td>
<td>1.370</td>
<td>1.954</td>
</tr>
<tr>
<td>Religiosity</td>
<td>3.7243</td>
<td>0.50574</td>
<td>-0.066</td>
<td>-0.742</td>
</tr>
<tr>
<td>Pressure</td>
<td>3.2981</td>
<td>0.23442</td>
<td>1.136</td>
<td>1.525</td>
</tr>
<tr>
<td>Opportunity</td>
<td>3.6033</td>
<td>0.71033</td>
<td>-0.469</td>
<td>1.487</td>
</tr>
<tr>
<td>Rationalization</td>
<td>2.8904</td>
<td>0.95438</td>
<td>-0.073</td>
<td>-0.041</td>
</tr>
</tbody>
</table>

Internal Consistency: According to Nunally (1978) and Pallant (2007), any value of 0.70 and above will be acceptable for good measure of internal consistency. The Cronbach’s Alpha values for employees fraud occurrence, religiosity, pressure, opportunity, and rationalization, were recorded as high as 0.935, 0.833, 0.845, 0.795, and 0.835, respectively, which indicated good internal consistency of data.
Correlation examines the relationship between two variables in a linear fashion (Coakes et al., 2008). This analysis helps identify whether one variable is related to another. The two variables are considered highly correlated to each other and explain the dependent variable, which will cause a multicollinearity problem if the value of coefficient is 0.8 or 0.9, and above (Field, 2000). Table 3 shows the summary of the results when using bivariate analysis to test the correlation between one variable to another. The statistical results showed that the correlation values among the variables ranged from −0.2 to 0.51. This finding indicated multicollinearity problem among the variables given that none of the correlation was more than 0.8.

### Table 3: Pearson Correlation

<table>
<thead>
<tr>
<th></th>
<th>Corruption</th>
<th>Religiosity</th>
<th>Pressure</th>
<th>Opportunity</th>
<th>Rationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>1.000</td>
<td>-0.238*</td>
<td>0.243</td>
<td>0.511*</td>
<td>0.445**</td>
</tr>
<tr>
<td>Religiosity</td>
<td>1.000</td>
<td>-0.169</td>
<td>0.043</td>
<td>0.107</td>
<td></td>
</tr>
<tr>
<td>Pressure</td>
<td>1.000</td>
<td>-0.053</td>
<td>0.259**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunity</td>
<td>1.000</td>
<td></td>
<td>0.017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rationalization</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** indicates correlation is significant at the 0.01 level (two-tailed), and * indicates correlation is significant at the 0.05 level (two-tailed).

**Homoscedasticity Test:** The Bartlett Sphericity test was conducted to test homoscedasticity or homogeneity of variances. The results showed that the values for employees fraud occurrence (Chi-square= 13333, p<0.00001), religiosity (Chi-square= 534.5, p<0.00001), pressure (Chi-square= 353.44, p<0.00001), opportunity (Chi-square= 189.05, p<0.00001), and rationalization (Chi-square= 337.3, p<0.00001) were noted to be statistically significant.

**Factor Analysis:** The Kaiser–Meyer–Olkin coefficient for these datasets was 0.899 for employees fraud occurrence, 0.726 for religiosity, 0.804 for pressure, 0.736 for opportunity, and 0.731 for rationalization, indicating that the data could be used to proceed with the exploratory factor analysis (Hair et al., 2010). For the Principle Component Analysis (PCA) of employees fraud occurrence has an eigenvalue of 7.211, which is more than 1, and signalling 65.556% variance of explanation for converting into one factor. The PCA of religiosity has an eigenvalue of 4.388, with the signalling of 43.882% variance of explanation. The PCA of pressure has an eigenvalue of 3.94, with the signalling of 49.246% variance of explanation. The PCA of opportunity has an eigenvalue of 2.805, with the signalling of 56.1% variance of explanation. The PCA of rationalization has an eigenvalue of 3.382, with the signalling of 56.373% variance of explanation.

**Discussion and Conclusion**

The first objective revealed the significant and negative relationship between religiosity and occurrence of employees fraud. This finding means that if an individual is religious, chances of employees fraud in that individual in the course of fulfilling his duties will be lower. In this instance, any kind of job that a Muslim employee does to seek Allah’s acceptance will be considered worship. As a result, a Muslim believer will tolerate the unfavorable working conditions that he may face, such as the pressures of long working hours, unsatisfactory facilities, dissatisfaction with his current position, and even small salaries received during an economic slump, because he believes the performance of the work will bring Allah pleasure (Hassan & Muhamad, 2009). In this study, the hypothesis is supported that religiosity has a significant impact on employees fraud among the enforcement officers of Kota Bharu Municipal Council (MPKB). The finding is therefore consistent with Akir and Malie’s (2012) findings regarding religiosity and job conduct as a positive relationship was found between
The second objective is to investigate the relationship between the first element in the fraud triangle, namely pressure, with employees fraud occurrence. As proposed in the second hypothesis; pressure was positively related to employees fraud. In terms of pressure, according to Cressy (1953), the fraud perpetrator has a ‘non-shareable financial problem’ that motivates him to commit the wrongdoing. On the other hand, greed, living a life more than one could afford, high personal debts, poor credit management, personal financial loss, as well as unnecessary financial obligations were found to be the six most prevailing pressures that triggered fraud (Albrecht, 2012). In this study, the hypothesis was supported, in which pressure has significant impact on employees fraud among MPKB enforcement officers. This outcome is consistent with the conclusion in the survey conducted by PricewaterhouseCoopers (2009), which asserted that increased incentives or pressures are the leading contributors to increased fraud risk. It also supports the study of Voon et al. (2008), who noted that personal financial pressure will lead to corporate crime, especially with weak management control in the workplace.

As for the third objective, the relationship between the second element in the fraud triangle, namely, opportunity with employees fraud occurrence, was investigated. As proposed in the second hypothesis, a positive relationship exists between opportunity and employees fraud. Cressy (1953) stated that a fraudster must find some ways in which he could use his position to settle his financial problem with a low risk of getting caught. The ways here refer to the opportunities possessed by the fraudster that can ease the conduct of the fraudulent act. In this regard, opportunity is not restricted to the position held by a person that can lead him to commit the fraud. Usually, “attractive” workplace conditions with poor and weak internal controls and a low chance of detection will offer an opportunity for fraudulent activities (Mui & Mailley, 2015). Therefore, when the level of opportunity increases, the tendency for fraud will also increase. The present study proves that the opportunity existing among MPKB enforcement officers gives rise to the occurrence of employees fraud.

The fourth objective in this study is to evaluate the relationship between the third element in the fraud triangle, rationalization, with the occurrence of employees fraud. Accordingly, the last hypothesis proposed that rationalization is positively related to employees fraud. This element means that a fraudster has justification that supports his action in conducting the crime, because he sees himself as an honest person caught in a negative set of circumstances (Cressy, 1953). Rationalization also refers to the justification made by the fraudsters to avoid feeling guilty (Wolfe and Hermanson, 2004). There are also individuals who are unaware that their actions are wrongful because they perceive themselves as honest and ordinary persons who only carry out a non-criminal action. This perception also falls under the rationalization element (Levi, 2008). In this study, the hypothesis of rationalization is supported, in which rationalization has a significant influence on employees fraud among the MPKB enforcement officers. The outcome is consistent with the conclusion by Kula et al. (2011) that the most significant component in fraud is “justifications/rationalization.” They asserted found that rationalization, such as “petty theft should just be tolerated,” is an appealing factor indicating a problematic company culture.

Overall, the results prove that religiosity has a positive influence on employees fraud, while the elements in the fraud triangle which comprise pressure, opportunity, and
rationalization, have positive effects on employees fraud among the enforcement officers of MPKB. In this regard, this study provides evidence of the relevancy behind the introduction of the mas’ulyyah and amanah concepts by the Islamic Religious and Affairs Department of Kelantan on the public administrators to ensure their integrity as civil servants and keep them clean from corruption. The concepts will help improve the employees’ religiosity and ultimately reduce the corruption level among the officers.

References


Quran, surah Al-Zalzal 99:7
Quran, surah Al-Zalzal 99:8


