

EMPLOYEES' WHISTLE-BLOWING INTENTION IN  
THE BANKING INDUSTRY

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## ABSTRACT

In Malaysia, due to increasing corporate scandals involving fraudulent acts and organization mismanagement, Malaysian Government has enacted the Whistleblower Protection Act 2010 (WPA 2010) which took effect on 15 December 2010. All organizations are required to comply with the WPA 2010. As guided by Bank Negara, the bank is responsible to provide whistleblower protection and is obliged to create a working culture which encourages employees to report any wrongdoing without fear of retaliation. All banks have implemented their whistle-blowing policy as an action plan to adhere WPA 2010.

Despite the multiple studies performed on the topic of whistle-blowing, there is no empirical study in Malaysia to examine whistle-blowing intentions among employees working in financial institutions. The objective of this study is to examine the employees' whistle-blowing intentions in the banking industry. This study adopts the Theory of Planned Behavior and Perceived Organizational Support Theory as underlying models to examine the relationship between attitude, perceived organizational support, personal cost of reporting and ethical responsibility for reporting. The data was analyzed using Statistical Package for Social Sciences software (SPSS) and Structural Equation Modeling (SEM). Based on the analysis result, it demonstrated that internal and external whistle-blowing are significantly influenced by perceived organizational support and ethical responsibility for reporting. Meanwhile, attitude is influencing the employees' internal whistle-blowing intention while personal cost of reporting is influencing the employees' external whistle-blowing intention. There is negative relationship between attitude and external whistle-blowing intention. The relationship between personal cost of reporting and internal whistle-blowing intention is also insignificant. The finding is consistent with previous researchers.

# CHAPTER 1

## INTRODUCTION

### 1.1 Research Background

The term of whistle-blowing is defined as the disclosure by organization members either formerly or currently of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action (Near and Miceli, 1985). In other words, whistle-blowing is a term used to describe when an employee disclosing the wrongdoing of their organization to another person or organization that can take action against the wrongdoer.

There are two (2) types of whistle-blowing which are internal whistle-blowing and external whistle-blowing. Internal whistle-blowing is referring to a person who reports the wrongdoings of another person to the top management of an organization whereas external whistle-blowing is referring to a person who reports the wrongdoing of another person to external party outside of the organization, normally is the regulatory body or law enforcement agency (Dasgupta and Kesharwani, 2010).

Whistle-blowing can create advantages and disadvantages to the organization. Most organization prefers for internal whistle-blowing rather than external whistle-blowing. This is because that internal whistle-blowing create an opportunity for management to have a greater control over the issue and rectify the wrongdoing in a timely manner and minimize the cost of wrongdoing whereas external whistle-blowing may result in negative impact and harm the profitability of the organization. Examples of disadvantages of external whistle-blowing are financial loss due to hiring attorney to defend lawsuit, media intervention, public embarrassment, government scrutiny, hefty fines and litigation. This statement is supported by the research conducted by Barnett, Cochran and Taylor (1993) and Berry (2004). As stated by Kenan (2002), the act of a whistleblower may be considered as a threat to the organization's authority structure, cohesiveness and public images. Regardless of whether it is internal whistle-blowing or external whistle-blowing, the objectives of whistle-blowing is to reduce the unethical behavior in the workplace, minimize the risk encounter by the organization and protect the welfare and maximize the value for all stakeholders such as customer, employee, investor, supplier, environment and community.

To address the issues of huge corporate scandals, the government from different countries has enacted laws to protect whistleblowers (Meng and Fook, 2011). In England, the English Parliament has enacted the Public Interest Disclosure Act 1998 (PIDA 1998) which took effect on 2 July 1999 to strengthen whistle-blower protection. The PIDA 1998 introduced new provisions and revised the existing provisions of the Employment Rights Act 1996 (ERA 1996). As stated in section 43A of ERA 1996, a worker will be protected if they made a qualifying disclosure such as involving in criminal offence, non-compliance of legal obligation, miscarriage of justice and create damages to environment. The government of United States of America (US) has strengthened whistleblower protection through the enactment of the Sarbanes-Oxley Act 2002 (SOA 2002) (May-Amy, Han-Rashwin and Carter, 2020). Section 1514A of SOA 2002 states that protection will be given to an employee who provides information to assist in the investigation of any violation of rules in regards to Securities Exchange Commission or any Federal that related to fraud against company or shareholder.

Similarly, in Malaysia, the government has revised its law and regulations due to increasing corporate scandals involving fraudulent acts and organization mismanagement. To combat corruption and prevent bribery, the Malaysian government has amended section 17A of Malaysian Anti-Corruption Commission (MACC) Act 2009 which came into force on 1 June 2020. The purpose of this amendment is to introduce corporate liability of Malaysian commercial organizations for corruption offences.

To encourage the disclosure of improper conduct in private and public sector in Malaysia, the Companies Act 2016 (CA 2016) provide protection to a whistleblower who reports on any matter relating to breach of the CA 2016. Section 587 provides that when officers finds out any serious offence of fraud or dishonesty against the company or by other officers of the company, he may report the wrongdoing to the Registrar of Company without being liable to be sued in any court or subject to any tribunal process such as disciplinary action as long as the disclosure is made in good faith. In addition, section 320 and 321 of Capital Markets and Services Act 2007 (CMSA 2007) states that it is mandatory for the chief executive, internal auditor, company secretary and any officer who are responsible for preparing or approving financial statements of a public listed company to disclose any breach of the securities law or rules of stock exchange.

Furthermore, the Malaysian Government has enacted the Whistleblower Protection Act 2010 (WPA 2010) which took effect on 15 December 2010. All organizations are required to comply with the WPA 2010. Based on the statistics prepared by the Legal Affairs Division of Prime Minister's Department, in their WPA 2010 implementation report, it is revealed that as at August 2017, there are a total of 473 whistleblowers made complaints out of 62,852 total complaints received (0.75%). In comparison with the global fraud cases reported, fraud cases reported by whistleblower in Malaysia are very low. According to KPMG's survey entitled "Global Profiles of the Fraudster 2016", the result showed that 20% of the fraud cases were reported through formal whistle-blowing report or hotline while Malaysia's statistic only showed 0.75%. Based on the fact that the rate is low and although the cases reported by the



whistleblower do not contribute much compare to the total complaint received, it is necessary to know what are the factors influencing or inhibiting whistle-blowing. By doing so, it can help to prevent fraudulent act, minimize risk and ensure organization practice good corporate governance. The organization cannot act recklessly to gain benefit because the whistleblower is free to reveal any inappropriate behavior and is protected against civil, criminal and detrimental action as well as their personal identity will be kept confidential according to section 7 WPA 2010.

In the banking industry, a bank is entrusted with regulatory, supervisory and enforcement powers against anyone who is not complying with the regulatory standards and requirements issued by the Central Bank of Malaysia (Bank Negara). As guided by Bank Negara, the bank is responsible to provide whistleblower protection and is obliged to create a working culture which encourages employees to report any wrongdoing without fear of retaliation. All banks have implemented their whistle-blowing policy as an action plan to adhere WPA 2010. The public can view the bank's whistleblower policy through their corporate websites. For example, AM Bank, CIMB Bank, Public Bank and RHB Bank have published the reporting procedures and reporting channels to report any improper conduct committed in the bank. This is also in compliance with Bursa Malaysia Listing Requirements (BMLR) and Malaysian Code on Corporate Governance 2021 (MCCG). In accordance to paragraph 15.29, the bank as a public listed company is required publishing their Whistleblower Protection Policy and procedures in their corporate website and review these policies periodically at least once in every 3 years to ensure the policies and procedures are still effective in mitigating corruption risks. Practice 3.2 MCCG, the Board of a public listed company is committed to establish, implement and review policies and procedures related to whistle-blowing with the management. With the implementation of whistle blowing policy, the banks are following the best practices of MCCG.

The role of employees working in the banking industry in detecting fraudulent act and accounting errors are becoming more crucial. Based on the survey conducted by KPMG with titled “Global Banking Fraud Survey”, the result showed more than 60% of the respondents globally were facing increase in fraud volume. The banks are experiencing challenges in detecting fraud risks due to changing in global banking landscape where face-to-face banking is reducing while online banking is increasing. Fraudsters used different tactics to scam the customer to obtain their personal data via hacking, social engineering attempts and dark web as well as through criminal networks which is out of the banks’ controls. The bank must be agile in responding to all these threats and cyber attacks by improving their operational efficiency and effectiveness of digital fraud controls and continue to take proactive approach in detecting insider fraud.

Whistleblowers can play a part in furnishing information such as the details of the wrongdoing, person who commits the wrongdoing and evidence to support that disclosure. In response to the importance of employees in detecting fraudulent acts and reporting suspicious transactions in the banking industry, implementing a whistle-blowing policy can encourage the employees to help the banks to detect frauds and cyber attacks. Whistle-blowing can encourage openness, integrity and accountability as the improper conduct case reported by the whistleblower will be investigated and handled in a professional manner through established appropriate processes to ensure consistent and timely response. It helps the bank to uncover white collar crimes because it creates a platform for stakeholders such as employees, suppliers, business partners and customers to report improper conduct that occurred in the bank without fear of repercussions. However, there is limited research related to the factors that influence the employee’s whistle-blow intention in banking industry. It is necessary to examine the extent of whistle-blowing intention amongst the employees in the banking industry.

Although the main purpose to whistle-blow is to protect the interest of the organization and engage good corporate governance, it is inevitable that some employees may be reluctant to be a whistleblower. It is necessary to study on the

employees' whistle-blowing intention in the banking industry in Malaysia. With the recent 1Malaysia Development Berhad (1MDB) scandal, Xavier Justo who was a retired Swiss banker has paid a high price acting as a whistleblower. Xavier Justo was arrested for blackmailing in Bangkok in June 2015. After Xavier Justo was tricked into confessing and pleading guilty for blackmailing and extortion, he was sentenced to 3 years' imprisonment by the Southern Bangkok Court on 17 August 2015. During his imprisonment, Xavier Justo suffered from mistreatment mentally and psychologically. He was locked up in a cell covered with sweat and urine with other 70 prisoners which was too packed for prisoner to sleep on their backs and no foods will be provided after 3pm (Ramesh, 2016).

Besides, some employees may treat the whistleblower as traitor and troublemaker that tarnish the organization's reputation and profit. The reasons why the employees have this mindset are because they are not aware on the important of reporting the wrongdoing or they are reluctant to make the disclosure. To change their mindset, it is crucial for the organization to understand the factors that will influence them to report the wrongdoing in order to help the organization to build a culture of good corporate governance. Hence, by conducting this study, it may help the organization to examine the factors that influence the employee's intention to whistle-blow internally and externally so that the organization can be well managed in the best interest of all stakeholders.

Xavier Justo condemned the banks for failure to act as a gate keeper to prevent money laundering in the 1MDB scandal. Xavier Justo claimed that the bank needs to play an important role to verify the source of the fund (Anis, Chu and Chung, 2018). Bank Negara Malaysia has penalized AM Bank Berhad for failure in reporting suspicious transaction involving Datuk Seri Najib Abdul Razak's accounts (The Sun Daily, 2019). Two former bankers from Goldman Sachs Group Inc, Tim Leissner and Roger Ng who arranged for three bond sales that raised US\$6.5bil (RM26.7bil) were banned by the US Federal Reserve from the banking industry (The Sun Daily, 2019) while Goldman Sachs Group Inc was being investigated by Malaysian authorities and the US Department of Justice (The Star, 2019). The US prosecutor charged Leissner

and Leissner pleaded guilty for violating Foreign Corrupt Practices Act and US money-laundering laws (The Star, 2019). Understanding the reasons why employee report wrongdoings will help the employee to whistle-blow when they discover wrongdoings and eventually prevent organization from being penalized like what happened to AM Bank.

## **1.2 Problem Statement**

Despite the multiple studies performed on the topic of whistle-blowing, there is no empirical study in Malaysia to examine whistle-blowing intentions among employees working in financial institutions. Most of the previous studies were conducted on professions such as auditors, accountants, police officers, company secretaries and others. It does not give an overall understanding on how employees working in other professions such as finance, sales and procurement will report wrongdoing. These professions also have high tendencies to encounter fraud in their daily job. Therefore, the literature on factors influencing internal and external whistle-blowing intentions in Malaysian banking industry remains scant. Moreover, understanding certain profession's whistle-blowing intention is insufficient as this might not represent employees in other professions and would not necessary assist these other professions to establish standards, policies and procedures on whistle-blowing.

The targeted population and the location of past studies are only emphasizing on one state out of the 14 states in Malaysia (Zakaria, Razak and Yusoff, 2016; May-Amy, Han-Rashwin and Carter, 2020). It does not give an overall picture on how other respondents will behave from other states.

There are many past researches and literatures conducted on auditor, accountant, company secretary, nurse, teacher and public servant in addressing the antecedent factors of whistle-blowing intentions in overseas countries. Based on the study conducted by Park and Blekinsopp (2009), the results showed that the attitude and perceived behavioral control of the Korean police officers affected their whistle-blowing intention. Similarly, the study conducted by Yeo, Loke and Carter (2020) on

company secretaries also showed that attitude and perceived behavioral control are positively affecting their whistle-blowing intention. Other than that, the demographic such as age of the accounting professionals located at Turkey also showed that there has a significant relationship with whistle-blowing intention (Erkmen, Caliskan and Esen, 2014). Not only that, organizations that give full support in encouraging employees for ethical behavior also affected the public accountants whistle-blowing intention (Alleyne, Hudaib and Haniffa, 2018). According to Latan, M.Ringle and Jabbour (2018), there is a high tendency that public accountant will whistle-blow when they have high perceived behavioral control, attitude towards whistle-blowing and independence commitment due to their professional standard and code of ethics. The research performed on teachers working in higher education in India also showed that working environment will affect their whistle-blowing intention (Gupta and Chaudhary, 2017). Nevertheless, there were very limited empirical studies conducted on the employees' whistle-blowing intention in the banking industry in Malaysia.

### **1.3 Research Questions**

The objective of this study is to examine the employees' whistle-blowing intentions in the banking industry. The main question of this study is:

**“What are the factors that affect the internal and external whistle-blowing intention of employees who are working in the banking industry?”**

To address the main question stated above, the study will answer the additional questions in relation to the relationship on the following variables:

1. Is there significant positive relationship between attitude and internal whistle-blowing intentions of employees working in the banking industry?
2. Is there significant positive relationship between attitude and external whistle-blowing intentions of employees working in the banking industry?

3. Is there significant positive relationship between perceived organizational support and internal whistle-blowing intentions of employees working in the banking industry?
4. Is there significant positive relationship between perceived organizational support and external whistle-blowing intentions of employees working in the banking industry?
5. Is there significant positive relationship between personal cost reporting and internal whistle-blowing intentions of employees working in the banking industry?
6. Is there significant positive relationship between personal cost reporting and external whistle-blowing intentions of employees working in the banking industry?
7. Is there significant positive relationship between ethical responsibility for reporting and internal whistle-blowing intentions of employees working in the banking industry?
8. Is there significant positive relationship between ethical responsibility for reporting and external whistle-blowing intentions of employees working in the banking industry?

#### **1.4 Research Objectives**

The main objective of this study is to examine the employees' whistle-blowing intentions in the banking industry. To be specific, the study will determine whether there is a positive significant relationship between factors of whistle-blowing and whistle-blowing intentions as below:

1. To examine the relationship between attitude and internal and external whistle-blowing intentions of employees working in the banking industry
2. To examine the relationship between perceived organizational support and whistle-blowing intentions of employees working in the banking industry

3. To examine the relationship between personal cost reporting and whistle-blowing intentions of employees working in the banking industry
4. To examine the relationship between ethical responsibility for reporting and whistle-blowing intentions of employees working in the banking industry

## **1.5 Scope of Study**

This study will be conducted among the employees who are working in licensed financial institutions in Malaysia located in Kuala Lumpur and Selangor in Malaysia. Unit of analysis is based on individual rather than group where the targeted respondent must be at least eighteen (18) years old and not above sixty (60) years old. There is no restriction that the employee must be a qualified chartered banker but that individual person must be hired by a commercial bank as listed below:

- Public Bank Berhad
- CIMB Bank Berhad
- Malayan Banking Berhad
- Hong Leong Bank Berhad
- Alliance Bank Malaysia Berhad
- Affin Bank Berhad
- AM Bank (M) Berhad
- RHB Bank Berhad
- OCBC Bank (Malaysia) Berhad
- United Overseas Bank (Malaysia) Berhad
- HSBC Bank Malaysia Berhad
- Standard Chartered Bank Malaysia Berhad

## **1.6 Significance of Study**

This study is important for many reasons as it gives benefit to different parties. First of all, understanding the factors that encourage employees' whistle-blowing intentions will help the management and policy makers to develop effective policies and procedures to promote ethical culture among its employees. Developing an effective whistle-blowing policy will motivate employee to stand out and voice out the wrongdoing committed in the bank. Without fear of repercussion, a whistleblower is willing to assist the bank detecting any misconduct and fraudulent act. In doing so, whistle-blowing can help the bank to minimize risks, losses and prevent the bank from being penalized by statutory laws and BNM regulations.

Secondly, this study will fill up the gaps on past researches. As mentioned earlier, previous studies have examined the whistle-blowing intentions on accountants and auditors working in the accounting firms and government servants but no study has been conducted specifically on employees in the banking industry. The results of this study will provide new insights to researchers and gives a significant contribution to the limited literature by understanding the factors that will influence the employees' whistle-blowing intention in Malaysia's banking sector.

The implementation of WPA 2010 safeguards the whistleblower to disclose improper conduct to authorities such as Malaysian Anti-Corruption Commission, Royal Malaysian Police, Immigration Department of Malaysia, Royal Malaysian Customs and Road Transport Department. Some employees may prefer to report wrongdoing to external parties instead of reporting to their own organization for fear of detrimental action taken against them. Hence, the findings of this study will help the government to understand under what circumstances those whistleblowers are willing to report the improper misconduct to the enforcement agencies and authorities in combating corruption and minimizing fraud risk.



## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the literature on past empirical researches on whistle-blowing intention from other countries and Malaysia. The purpose of this chapter is to gain a better understanding on the factors that influence the employee to report wrongdoing using internal channel and external channel in the organization.

#### **2.2 Whistle-blowing in Banking Industry**

As mentioned in previous chapter, all the banks have implemented their own whistle-blowing policy. The main objective of implementing whistle-blowing policy is to comply with various laws and regulations enacted by Malaysia Government and Bank Negara Malaysia. In accordance with Whistleblower Protection Act 2010 (WPA 2010), the bank is committed and required to provide protection to the whistleblower. The whistleblower may be any person either from public or private sector to make a disclosure on the wrongdoing and such disclosure should be making in good faith and

based on “honest and reasonable grounds at the material time” (Bank Negara Malaysia, 2019). There is no civil action or criminal liability that can be taken against the whistleblower for making disclosure of the wrongdoing if the WPA 2010 applies. (Malaysian Anti-Corruption Commission, 2019). By doing so, the employee working in the bank may be more willing to blow the whistle with the protection given. For instance, Public Bank has indicated the scope of reporting, reporting channel or designated recipient of the disclosure, procedure on how to make the disclosure and protection afforded to the whistleblower in their whistle-blowing policy and published in the corporate website (Public Bank, 2019). Other than this channel, the employees are allowed to make report with the police, Bank Negara Malaysia (BNM) or Malaysian Anti Corruption Agency (MACC) if they felt reluctant to disclose using the internal channel provided by the bank.

Whistle-blowing has become increasingly important in detecting fraudulent act and accounting scandals due to changes in global banking landscape where everyone prefers to do online banking as it is more convenience and hassle free. Many banks’ users are doing digital payment to make online purchasing and many businessmen are using the banking online system to do online business to meet new market demand. Due to globalization, global banking fraud cases have been increasing. Examples of fraud typologies are social engineering, online fraud, cyber attack, card-not-present fraud and authorized push payments scams. Based on the findings from KPMG’s Global Banking Fraud Survey in 2018, total value and volume of external fraud cases have been increasing from 2015 to 2018 (Hicks, 2019).

The findings of this study can help the bank to improve their risk management, processes and internal control system to detect fraudulent acts. By understanding the employees’ whistle-blowing intention, various initiatives can be taken by the government, policy maker and organization to encourage employees to become a whistleblower in preventing accounting scandal and fraud risk. Furthermore, there are very limited studies conducted on whistle-blowing in Malaysia especially in the context of banking industry. The results of this study will give valuable information to the researchers to fill the gaps in knowledge.

## **2.3 Conceptualization**

### **2.3.1 Dependent Variables**

The dependent variables in this study are internal and external whistle-blowing intentions of the employees working in the banking industry in Malaysia. According to Near and Miceli (1985), whistle-blowing is described as the disclosure by organization members either formerly or currently of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action. Many past empirical studies have applied this definition in different contexts such as uniform profession (Park and Blenkinsopp, 2009; Zakaria, Razak and Yusoff, 2016), accounting context (Ahmad, Smith and Ismail, 2013; Gao and G.Brink, 2017; Latan, M.Ringle and Jabbour, 2018; Alleyne, Hudaib and Haniffa, 2018), nurse context (Gupta and Chaudhary, 2017) and private organization (Kaptein, 2011). Whistle-blowing intention can be categories into two aspects which are internal and external (Zakaria, Razak and Yusoff, 2016; Kaptein, 2011; Latan, M.Ringle and Jabbour, 2018; Alleyne, Hudaib and Haniffa, 2018).

In this study, whistle-blowing is a term used to describe an employee working in the banking industry and disclose the wrongdoing happening in the bank either through internal whistle-blowing channel or external whistle-blowing channel. Employee that disclose wrongdoing to top management using internal resources (hotlines, email, fax and post) is called internal whistle-blowing while employee that report wrongdoing to enforcement agencies is called external whistle-blowing.

### **2.3.2 Independent Variables**

There are six independent variables in this study as stated in below:

### **2.3.2.1 Attitude**

Refer to Ajzen (1991), attitude toward the behavior is refer to the extent in which a person has favorable or unfavorable evaluation or appraisal of the behavior. Attitude of a person is also depending on the individual's belief about that behavior. Based on the study conducted by Park and Blekinsopp (2009), the results showed that the attitude of the Korean police officer affects their whistle-blowing intention. Similarly, the study conducted by Yeo, Loke and carter (2020) on company secretary also showed that attitude is positively affecting their whistle-blowing intention. According to Latan, M.Ringle and Jabbour (2018), there is a high tendency that public accountants will whistle-blow when they have high attitude toward whistle-blowing due to their professional standard and code of ethics.

In this study, attitude is the feeling to respond positively or negatively, either for an object, a person, an institution, or an event. The meaning of attitude from the study conducted by May-Amy, Han-Rashwin and Carter (2020) is also followed i.e. when someone perceived there is a positive result, he or she is willing to act as a whistleblower whereas when the result is negative, he or she will feel reluctant to report organizational misconduct.

### **2.3.2.2 Perceived Organizational Support**

As described by Eisenberger, Fasolo and Davis-LaMastro (1990), perceived organizational support is the employees' perception toward the organization whether the organization will value and care about the employees' well being. This study adopts the same meaning where perceived organizational support is referred to the extent to which the organization values their contributions and cares about their well-being (perceived the organization in willing and capable of giving high level support).

Kaptein (2011) and Berry (2004) argued that it is crucial to consider the aspects of organizational culture to encourage employees to report wrongdoing. This is because although the employees may have the intention to report the wrongdoing, employees

may refrain from doing so when there is lack of organizational support or the employees believe that their organization does not appreciate wrongdoing reporting as the benefits the organization receiving from whistle-blowing is less obvious compare to the costs of whistle-blowing (P.Miceli, P.Near and Dworkin, 2009). This is supported by Alleyne, Hudaib and Haniffa (2018) who finds that employees are eager to whistle-blow when there is full support given by the organization. This is aligned with organizational support theory where employee will be more willing to achieve the organization goal when employee receives full assistance and support from their organization (Aselage and Eisenberger, 2003).

### **2.3.2.3 Personal Cost of Reporting**

According to Schultz, Johnson, Morris and Dyrnes (1993), personal cost of reporting refers to an individual's perception of the risk of retaliation from the members in the organization that could affect one's willingness to report wrongdoing. Similarly, personal cost of reporting in this study is the perception of an individual towards the consequence that he or she may be experience as a result of reporting the wrongdoing.

Taking action to disclose the unethical practices and frauds is not an easy task. Reporting the wrongdoing to the management is exposing the employee to the risk of retaliation from members in the organization. The risk of retaliation may be in the forms of threat of getting unfair treatment such as getting lower grade on performance review, transferring to undesirable job, demotion and no salary increment. Employees will analyze the pros and cons before deciding to take any action which will withhold them to act as a whistleblower. This is supported by research conducted by Gupta and Chaudhary (2017) where whistleblower may be reluctant to report the misconducts or wrongdoings due to the negative consequences and fear of retaliation. Gupta and Chaudhary (2017) also found that senior employees have higher tendency to report any wrongdoing when they hold greater organization commitment, stand at a higher corporate ladder and nearer to their retirement age because they felt less fear of retaliation. Besides, Latan, M.Ringle and Jabbour (2018) also suggested that

accountants with lower personal cost of reporting tend to have strong whistle-blowing intention in reporting wrongdoing. Past researches have found that greater personal cost of reporting will lead to lower intention to report wrongdoing internally (Lee and Xiao, 2018). There is a negative relationship between personal cost of reporting and internal whistle-blowing intention (Latan, M. Ringle and Jabbour, 2018; Alleyne, Hudaib and Haniffa, 2018). When employees have a higher perception of being retaliated, employees are not willing to disclose wrongdoing to the management especially when the wrongdoer is in the top management or having the right to make decision in the organization (Lee and Xiao, 2018; Gupta and Chaudhary, 2017). In short, the risk of retaliation such as demotion, transfer to underperform department and low salary increment may prevent employees to report wrongdoing willingly.

#### **2.3.2.4 Ethical Responsibility for Reporting**

According to Curtis (2006), the responsibility for reporting unethical act is related to personal ethical values and feelings of socio-professional responsibility. In this study, ethical responsibility for reporting is related to personal preferences whether performing a behavior is morally right or wrong and whether their sense of moral responsibility engenders them to perform or not to perform the behavior. Based on the study from Finn, Chonko and Hunt (1988), it was found that income received by a person was important in explaining perceptions of ethical problems. It is said that public accountants that receiving higher income tend to report fewer unethical issues comparing with lower income level. Besides, their findings also showed that the top management action will have an impact on public accountants' ethical behavior. For instance, when top management promoted ethical behavior and make known that unethical behavior is unacceptable, public accountants believed the cases of ethical problems will decline.

## **2.4 Hypotheses Development**

The hypotheses developed in this study are below:

H1: Attitude has a positive relationship with internal whistle-blowing intentions.

H2: Attitude has a positive relationship with external whistle-blowing intentions.

H3: Perceived organizational support has a positive relationship with internal whistle-blowing intentions.

H4: Perceived organizational support has a positive relationship with external whistle-blowing intentions.

H5: Personal cost reporting has a positive relationship with internal whistle-blowing intentions.

H6: Personal cost reporting has a positive relationship with external whistle-blowing intentions.

H7: Ethical responsibility for reporting has a positive relationship with internal whistle-blowing intentions.

H8: Ethical responsibility for reporting has a positive relationship with external whistle-blowing intentions.

## **2.5 Underpinning Theories**

One of the theories adopted in this study was Theory of Planned Behavior (TPB). TPB is a modification from Theory of Reasoned Action (TRA). TPB was introduced to cater the limitation of TRA in dealing with behaviors over which people have incomplete volitional control (Ajzen and Fishbein, 1975). The most important factor discussed in TPB is the intentions of an individual to perform the behavior (Ajzen, 1991). In other words, TPB is applied to understand an individual's intention to engage in certain behavior at a specific time and place.

Prior to this, many past researches have examined the factors of influencing whistle-blowing such as organizational, individual, situational and demographic factors (Erkmen, Caliskan and Esen, 2014; Ahmad, 2011), ethical culture (Kaptein, 2011), organizational culture (Berry, 2004), and whistleblower's characteristics, contextual factors and the characteristics of wrongdoing (Gupta and Chaudhary, 2017; Gao and G.Brink, 2017). Even so, there were many past empirical studies adopted TPB in their research because they found this theory is a good framework to examine the whistle-blowing intentions (Zakaria, Razak and Yusoff, 2016). For instance, TPB has widely been used to address the factors of whistle-blowing intentions in different professional fields such as police officer (Zakaria, Razak and Yusoff, 2016; Park and Blekinsopp, 2009) and company secretaries (May-Amy, Han-Rashwin and Carter, 2020; Yeo, Loke and Carter, 2020). There are three (3) factors that influence the intention to perform a behavior which are attitude, subjective norm and perceived behavioral control.

According to TPB, attitude will affect the behavioral action of a person either performing the act or rejecting to perform the act. TPB suggests that a positive attitude will enhance an individual intention to perform an act. In contrast, negative attitudes will prevent an individual from performing an act. Applying TPB in examining whistle-blowing intention, when the employee believes that whistle-blowing will not bring disadvantage to the organization, it will encourage the employee to report the improper conduct as it gives the organization a chance to rectify the wrongdoing and improve the shortcoming. Conversely, when the employee felt that the consequence of reporting the wrongdoing will threaten their welfare, there is a high chance that employee may not agree to report the wrongdoing. In the study of Zakaria, Razak and Yusoff (2016), the result showed there was a negative relationship between attitude and external whistle-blowing intention. Employee who has a high sense of loyalty towards their company would be discouraged from reporting wrongdoing to external parties. In terms of internal whistle-blowing, Zakaria, Razak and Yusoff (2016) found that employees who have a positive attitude towards whistle-blowing will tend to report wrongdoing internally.



Subjective norm is the normative belief concerning the likelihood that the referent groups of people will approve or disapprove of performing a given behavior (Ajzen, 1991). Subjective norm has been selected as one of an important factor to study whistle-blowing intention from past researches in different contexts (Zakaria, Razak and Yusoff, 2016; Park and Blenkisopp, 2009; May-Amy, Han-Rashwin and Carter, 2020). When referent group has high influence on the employee, the feedback received from referent group has great impact on the employee's decision-making and motivation for them to comply (Zakaria, Razak and Yusoff, 2016). For example, when top management has high influence on the employee and motivate them to report wrongdoing, the chances of employee to whistle-blow will be high.

Perceived behavioral control is refers to people's perception of the ease or difficulty of performing the behavior of interest (Ajzen, 1991). Depending on the opportunities and obstacles, it will influence the intention to perform an act (Ajzen, 1991). It is said that when employee believes he has greater perceived behavioral control, the intention to report the wrongdoing is higher. In other words, before taking any action, the employee will analyze the situation whether the decision to disclose the wrongdoing will bring any positive outcome to the organization in rectifying the error or whether it will bring any negative consequences for his action in reporting such wrongdoing.

There are contradicting results demonstrated by different researchers on the prior studies related to the relationship between perceived behavioral control and internal and external whistle-blowing intentions. Yeo, Loke and Carter (2020) found that perceived behavioral control was positively affecting the whistle-blowing intention of company secretaries. However, the result from Zakaria, Razak and Yusoff (2016) showed that regardless whether the police officers believed or not they have any control over the situation, it will not influenced their internal whistle-blowing intention. Furthermore, it suggested that there was a positive relationship between perceived behavioral control and external whistle-blowing intention. When the organization gave the police officer hard time to report the misconduct internally, they will opt to report the matter to external parties. Adversely, the result from Park

and Blekinsopp (2009) showed the opposite whereby perceived behavioral control significantly influenced internal whistle-blowing intention but there was no relationship with external whistle-blowing intention of the police officer. Other literatures also found that perceived behavioral control is significant and positively associated with internal and external whistle-blowing. The greater the perceived behavioral control, the higher is the internal and external whistle-blowing intention in the context of accounting profession (Alleyne, Hudaib and Haniffa, 2018; Lee and Xiao, 2018; Latan, M.Ringle and Jabbour, 2018). Based on these findings, this gives an impression that perceived behavioral control has different results when study is perform at different locations and apply to different professions.

In view that TPB does not capture all the important factors that relate to the context of banking industry, the Organizational Support Theory (OST) will be adopted in this study as well to examine the factors that influence the employees to practice whistle-blowing in Malaysia. OST explains the organization's readiness to reward employee in increasing work effort and meeting socioemotional needs. OST also explains how employee develop global beliefs concerning to the extent to which the organization values their contributions and cares about their well being (Rhoades and Eisenberger, 2002).

To determine whether the organization concern about the employee's well being, they view the treatment that they received as an indication. When employees felt organization has given them favorable treatment, it said the organization is favoring them. Applying in the context of whistle-blowing, a favorable treatment receive from the direct manager in supporting for reporting fraud cases will lead to greater perceived organizational support. This action in return motivating the employee in achieving the organization's goals and objectives to prevent fraudulent act, violation of law and regulation or policy that may tarnish the image and reputation of the organization. On the contrary, an unfavorable treatment will discourage perceived organizational support which may demoralize the employee to put more effort in reporting any error detected.

In social exchange theory, the social exchange theorists suggests that resources given based on discretionary choice are better than circumstances beyond the donor's control because the recipient felt the donor respect and value their contribution (Rhoades and Eisenberger, 2002). Employee felt more delighted and perceived higher organizational support when organization gave rewards and offered better job conditions voluntarily compared external factors such as complying with government regulations. Previous studies have demonstrated that organization support was an important factor influencing employee's whistle-blowing intention. In the study of Alleyne, Hudaib and Haniffa (2018), the researchers found that public accountants have greater intention to whistle-blow internally if there is full support from their organization. Gupta and Chaudhary (2017) also suggested that employee felt motivated to report wrongdoing internally before using external channel when the organization has strong organizational support.

Despite that some empirical studies proved perceived organizational support has significant effect on whistle-blowing intentions, Latan, M.Ringle and Jabbour (2018) argued that employee's intention to blow the whistle does not directly stimulated by the perceived organizational support alone but together with the individual-level characteristics. When employee has a positive attitude toward reporting wrongdoing, employee may evaluate whether there is any organization support available before deciding to report internally or externally. For instance, when employee perceived there is organizational support and has positive attitude toward reporting, the employee may be more willing and comfortable to use the internal whistle-blowing channel as it gives lesser negative impact to the organization. In contrast, employee with positive attitude toward reporting may use external whistle-blowing channel when there is low organizational support (Alleyne, Hudaib and Haniffa, 2018).

As mentioned earlier, employees will reduce the likelihood to whistle-blow any wrongdoing happening in the organization in fear of retaliation (personal cost of reporting). However, with existence of organizational support, the result may show the other way where employees may be more willing to take risk in reporting the wrongdoing to the management or regulatory body. This is because organizational

support provides assurance to employees that they will be free from risk of retaliation. Alleyne, Hudaib and Haniffa (2018) suggested employee feel motivated to report wrongdoing internally when they believed their organization is supporting ethical behavior. Organization culture that does not tolerate unethical behavior and existing company policy that do not punish the whistleblower will be other points that will encourage employee to whistle-blow wrongdoing to management using the internal channel.

Employees facing ethical problem would compromise their work professionalism. Suggested by Bailey (1995), the professional ethics and values which are the products of golden age of professionalism has passed, and the key ethical standards have not been successfully translated onto the workplace to the younger generation. Gendron, Suddaby and Lam (2006) also criticized the accounting professions which are more susceptible to logic of commercial gain than professional independence and objectivity. The same goes to employees working in the banking environment. For instance, in order to meet sales target set by the bank in order to receive bonuses, the employees working in Wells Fargo Bank has opened deposits account and signed up credit card on behalf of the customer without their consent. As a consequence, the bank has been fined RM185 million by the Consumer Financial Protection Bureau (CFPB) for violation of law in opening unauthorized accounts (Shen, 2016). With the increase of unethical misconduct and accounting scandals happening nowadays, Yeo, Loke and Carter (2020) suggested to modify the existing TPB to include the factor of ethical obligation in their study on company secretary's whistle-blowing intentions. Follow the suggestion by Yeo, Loke and Carter (2020), this study also includes ethical responsibility for reporting as one of the factor to examine the whistle-blowing intentions in banking industry. This inclusion is important in view of the huge impact on IMDB scandal to banking industry in Malaysia.

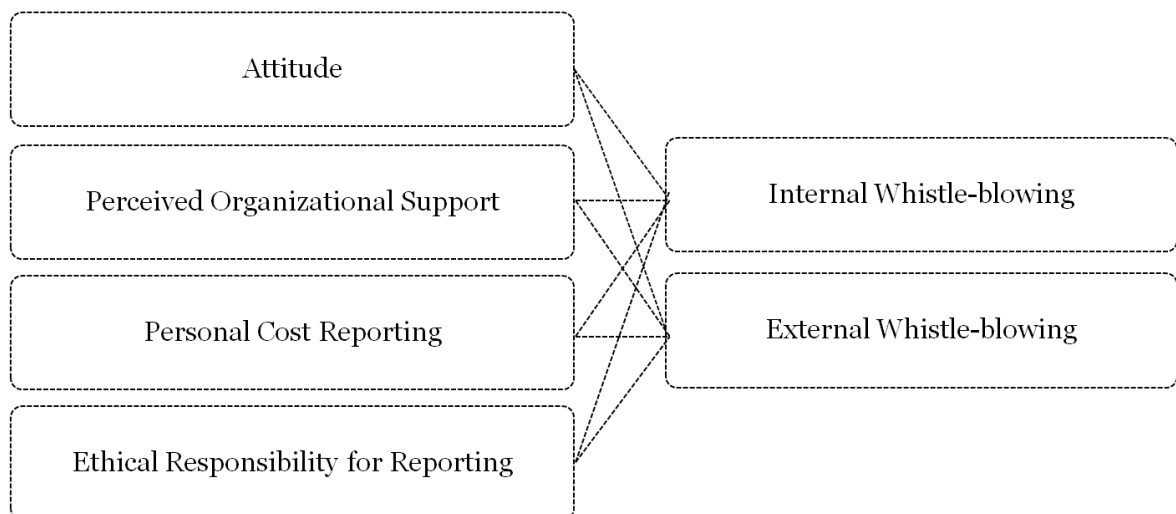
As discussed earlier, ethical responsibility for reporting is relates to personal preferences whether performing a behavior is morally right or wrong and whether their sense of moral responsibility engenders them to perform or not to perform the behavior. Logically, employee works in the bank should have high ethical value and

moral obligation because they are obliged to comply with bank's policies and procedures to meet the bank's goals and objectives. Employee is well trained to detect fraud and mitigate risk by reporting any wrongdoing to management. They have a duty of responsibility to disclose any unethical misconduct that jeopardizes the bank's interest.

Prior researchers have found that responsibility for reporting has significant relationship with whistle-blowing intention (Latan, M.Ringle and Jabbour, 2018; Alleyne, Hudaib and Haniffa, 2018; Lee and Xiao, 2018). In the study conducted by Yeo, Loke and Carter (2020), they also found company secretary with ethical obligation will influence their whistle-blowing intention. When employee has high responsibility for reporting wrongdoing, they may also evaluate whether there is any ethical culture or organization support that encourage them to report wrongdoing to management and regulatory bodies. There are existing literatures which showed that accountants who have greater feeling of responsibility for reporting and receiving higher organizational support prefer to report wrongdoing internally to prevent tarnishing the reputation of the organization and profession's credibility.

## 2.6 Conceptual Framework

Figure 1: Conceptual Framework of the Research



### **2.6.1 Internal and external whistle-blowing intentions**

Most employees usually disclose wrongdoing using internal channel and switch to external channel when they dissatisfied with the actions taken by the organization (Dasgupta and Kesharwani, 2010). Both internal whistle-blowing intention and external whistle-blowing intention are selected in this study even some past empirical studies only concentrated in examining the internal whistle-blowing intention (Ahmad, 2011). It is important to understand the factors that influence the employees' intention internally and externally in banking industry. The whistle-blowing policy published in the bank's website states the internal channel where employee should report the wrongdoing cases while WPA 2010 encourage whistleblower to disclose wrongdoing cases to external parties such as Malaysian Anti-Corruption Commission, Royal Malaysian Police, Immigration Department of Malaysia, Royal Malaysian Customs and Road Transport Department.

### **2.6.2 Attitude**

Many past researchers have studied the influence of attitude on whistle-blowing intentions. Suggested by TPB, a positive attitude will lead the employees to report the wrongdoing while negative attitude will restraint the employee to act as a whistleblower. When people have strong believed that their action will be taken to correct the wrongdoing, they will easily blow the whistle. Contrarily, if the organization is ignoring the reporting, they may not bother to make the disclosure. Similar with other researchers, this study will examine the influence of attitude on whistle-blowing intentions on the employee working in the banking industry as well.

As discussed earlier, subjective norm suggested that referent group such as top management in the organization was an important person to the employees and can greatly influence and motivate employees to comply with the management's decision. Employees tend to the act according to the suggestion given by the management without questioning whether it is benefiting the organization. Even employee may feel it is the right things to act differently but because of the influence of referent

group, employee will usually obey the management decision. Top management that encourages or discourages employees to report wrongdoing will influence the employees' whistle-blowing intentions.

However, this study does not adopt subjective norm as the factors to examine the whistle-blowing intention because arguably, it is insignificant in the context of banking environment in Malaysia. The banking industry is heavily regulated by the Malaysian government. All banks shall comply with BNM's regulations. Employees who fail to comply the bank's procedures and policies and BNM's regulations, will be subject to disciplinary action and possibly termination of employment. Every employee is following the same guidelines and regulations regardless they are holding a junior level position or senior management position. The suggestion given by the top management will be use as a reference for the employee to make decision only. Top management will not have great influence on the employee if their suggestion is following BNM's regulations.

Moreover, with the implementation of whistle-blowing policy, priority was given to whistle-blow internally rather than externally as it will tarnish the reputation of the banks. Although whistleblowers are encouraged to report wrongdoing using external channels, there were not many whistle-blowing cases found reported using this channel in Malaysia's banking industry. One of the few instances is the 1MDB case. Zakaria, Razak and Yusoff (2016) also found that subjective norm did not influence external whistle-blowing mainly because Malaysian cultural values do not encourage people to whistle-blow to external parties when they discover any wrongdoing happening in their organization. Based on the facts above, subjective norm was not chosen in this study as a factor that will influence the whistle-blowing intention of employee working in the banking industry of Malaysia.

This study also does not adopt perceived behavioral control to study the whistle-blowing intention on employees working in the bank. As mentioned earlier, perceived behavioral control refers to people's belief and perception on the easiness and difficulty to whistle-blow. In the event that employee believes the organization ignores reporting wrongdoing and it gives negative consequence after disclosing the

wrongdoing, the tendency for the employee to whistle-blow is low. Nevertheless, this situation is not happening in the banking industry. Every year, the bank will send employees to attend refresh training on compliance matters. Employees were well-trained to detect fraud and rectify error in mitigating risks. Every employee is responsible and has a duty to report wrongdoing and unethical misconduct happening in the bank. Due to this reason, perceived behavioral control was not chosen in this study.

### **2.6.3 Perceived Organizational Support**

There were past empirical studies supported perceived organizational support as one of an important factor that will affect the employees' decision in disclosing wrongdoing. Organization that value their employee to report wrongdoing such as giving guideline on how to whistle-blow and protect their welfare after making the disclosure will eventually encourage the employee to whistle-blow internally. On the other hand, any lack of support that makes the employee felt their effort is in vain or no proper action will be taken to rectify the wrongdoing, employee might not wasting time to report wrongdoing.

As mentioned earlier, all the banks are required to implement whistle-blowing policy to protect the whistleblower in reporting any wrongdoing committed by the bank. The bank is committed to provide assurance in keeping the identity of the whistleblower as confidential and to conduct a proper investigation for every reported whistle-blowing case. In other words, the bank is committed in protecting their employee against any retaliation and free of recrimination or victimization in encouraging the employee to be a whistleblower. By protecting the whistleblower, the banks are complying with WPA 2010. The findings from this study can help the banks to understand how to improve their policies and procedures in supporting their employee to disclose any wrongdoing happening in the bank. Hence, it is necessary to understand the effect of organizational support on the employee's whistle-blowing intention in the banking industry.



#### **2.6.4 Personal Cost Reporting**

Other than perceived organizational support factor, it is vital to examine the influence of personal cost of reporting on whistle-blowing intention of employee working in the banking industry. This is because that employees' perception on the impacts or consequences encounter by them before reporting the unethical misconduct or fraud will affect the employees' whistle-blowing intention. Employee working in the bank handles various type of confidential information related to customers. Fraud, bribery and corruption can be detected but how the employee will disclose these unethical issues are questionable especially when they have high personal cost reporting.

Furthermore, as we know that banks in Malaysia have already developed whistle-blowing policy to protect the whistle-blower to make them felt less fear of retaliation but whether it is sufficient to encourage the employee to report wrongdoing in questionable. With the influence of organization support in mitigating risk by detecting and rectifying wrongdoing, employee may be more willing to report wrongdoing. However, the extent to which the employee will whistle-blow and using which type of channel is another reason for us to conduct this study.

Based on the findings from Alleyne, Hudaib and Haniffa (2018), public accountant may not intend to disclose any wrongdoing if they have high personal cost reporting. However, given that public accountant has high personal cost of reporting and full support from organization to report wrongdoing, they preferred to whistle-blow externally than internally because they have lesser fear of retailiation. Based on the above consideration, personal cost of reporting is chosen in this study to examine the whistle-blowing intention of the employee working in the banking industry.

#### **2.6.5 Ethical Responsibility for Reporting**

As discussed earlier, whistle-blowing is important to tackle the issue of the unethical practices and accounting scandals when whistle-blowing policies and procedures are implemented successfully (Meng and Fook, 2011). Over the years, there are many

fraudulent cases happened which resulted in huge investment losses, financial losses as well as high unemployment rate. Based on the findings from Association of Certified Fraud Examiners, it showed that 2,504 cases have been reported from 125 countries where it caused total losses of more than \$3.6 billion (Association of Certified Fraud Examiners, 2020).

Besides that, the involvement of the unethical practices and accounting scandals by the big and well known companies such as Enron, Worldcom and Tyco has led many employees become unemployed, creditors unable to claim back their money and investors losses their share price due to companies' bankruptcy. Similar to accountant and auditor, employee working in the bank act likes a gatekeeper. They are responsible in detecting and preventing fraud, unethical misconduct and accounting scandal from happening in the bank to protect the welfare of the stakeholders such as shareholders, society, customers, employees and others. Employees are responsible and have a duty to report wrongdoing committed by the bank.

Based on this fact, the employee's ethical responsibility for reporting is chosen in this study to find out how this factor will influence the employees' whistle-blowing intention in the banking industry.

## **2.7 Chapter Summary**

Based on the literature reviews on past empirical researches, whistle-blowing is an important issue for behavior research. Similar with many empirical studies, Theory of Planned Behavior was used as an underpinning theory in this study. On top of that, Perceived Organizational Support Theory was adopted as well to study the whistle-blowing intention in banking industry contexts as some of important variables were not captured in Theory of Planned Behavior. There are four (4) factors being examined in this study which are attitude, perceived organizational support, personal cost of reporting and ethical responsibility of reporting. To understand the relationship between these factors and whistle-blowing intentions of the employee in financial institution, eight (8) hypotheses were developed as below:

H1: Attitude has a positive relationship with internal whistle-blowing intentions.

H2: Attitude has a positive relationship with external whistle-blowing intentions.

H3: Perceived organizational support has a positive relationship with internal whistle-blowing intentions.

H4: Perceived organizational support has a positive relationship with external whistle-blowing intentions.

H5: Personal cost reporting has a positive relationship with internal whistle-blowing intentions.

H6: Personal cost reporting has a positive relationship with external whistle-blowing intentions.

H7: Ethical responsibility for reporting has a positive relationship with internal whistle-blowing intentions.

H8: Ethical responsibility for reporting has a positive relationship with external whistle-blowing intentions.

## **CHAPTER 3**

### **METHODOLOGY**

#### **3.1 Introduction**

Research methodology describes the procedure or technique used to identify, select, process, and analyze information about research topics. Basically there are two types of research methodologies which are quantitative and qualitative. This chapter will explain the quantitative research methods adopted for testing the hypotheses developed. To begin with, this chapter describing the research philosophy, research design, targeted population, sampling design, instrument and measurement, data collection procedure, validity and reliability testing and finally outline the data analysis technique used for this study.

#### **3.2 Research Philosophy**

Research philosophy is a beliefs and assumptions about the way in which the data should be gathered, analyzed and used. Researchers used to make assumptions and these assumptions will outline the understanding of the research questions, methodology to be used and interpretation of the findings. Most of the higher

education research is using the epistemology philosophy. It helps the researcher to clarify the research design and recognize which design will work. Epistemology is consists of positivism and intepretivism. Based on the consideration that positivism deals with reality and fact which can be measure directly through scientific observation, a positivism approach will be adopted for this study. A positivist researcher uses quantitative methodology and existing theory to develop hypotheses. The hypotheses of this study are developed based on the Theory of Planned Behavior and Organizational Support Theory. Besides positivism philosophy, this study will used the deductive approach as well. This study uses the deductive approach to study what other researchers had done in the past and test the existing developed theory and hypotheses that emerged from this theory.

### **3.3 Research Design**

Research design is a framework of methods and techniques used to collect data, analyze and measure the variables specified in the research problem. As mentioned earlier, a quantitative research methodology will be used in this study. Quantitative research methodology will examine the relationship between variables with the objectives to analyze the relationship mathematically through statistical analysis. There are four types of quantitative research design which are Descriptive Design, Correlation Design, Quasi-Experimental Design and Experimental Design. To measures the independent variables (factor of whistle-blowing intention) and examine the relationship with dependent variable (whistle-blowing intention), a correlation and cross sectional quantitative research design will be used. Questionnaire survey will be created and distributed to measures the relationship between the independent variables and dependent variables.

## **3.4 Population and Sample**

### **3.4.1 Targeted Population**

Targeted population is a group of people sharing a common characteristic staying in a particular area where the researcher is interested researching and analyzing for their study. The targeted population of this study consists of employees currently working in the financial institution regardless of their position and title.

### **3.4.2 Sample Frame and Sampling Location**

Sampling frame is a list of elements in the population which are to be sampled. The participants of this survey are employees working in the licensed financial institution. A licensed financial institution is defined as a licensed financial institutions listed in the Bank Negara's corporate website (Bank Negara, 2021). Referring to this website, financial institution is categorized by Commercial Bank, Islamic Bank, International Islamic Bank, Investment Bank and other financial institutions. There are a total of 26 Commercial Banks, 16 Islamic Banks, 1 International Islamic Bank, 11 Investment Banks and 2 other financial institutions in Malaysia. In this study, sample is drawn based on Commercial Banks and is limited to the following banks only in view that these banks have many branches located at Kuala Lumpur and Selangor:

- Public Bank Berhad
- CIMB Bank Berhad
- Malayan Banking Berhad
- Hong Leong Bank Berhad
- Alliance Bank Malaysia Berhad
- Affin Bank Berhad
- AM Bank (M) Berhad
- RHB Bank Berhad
- OCBC Bank (Malaysia) Berhad
- United Overseas Bank (Malaysia) Berhad

- HSBC Bank Malaysia Berhad
- Standard Chartered Bank Malaysia Berhad

The sampling location is restricted to Kuala Lumpur and Selangor in Malaysia. The sampling frame for this study could not be determined as the statistics of the total number of employees currently working in the financial institutions stated above in Kuala Lumpur and Selangor is not available to the best knowledge of the researcher.

### **3.4.3 Sampling Element**

In general, the respondents selected to participate for this questionnaire survey are employees currently working in the banking industry in Malaysia. However, the respondents must be at least eighteen (18) years old and not above sixty (60) years old. There is no restriction that the respondent must be a qualified chartered banker but he or she must be working in a licensed financial institution. For example, the respondent can be a teller working in the branch, finance manager working in the finance department or wealth relationship manager who manages the client's personal and company assets.

### **3.4.4 Sampling Technique**

Sampling is a process of selecting individual from a group of individual units with some commonality, called population. Individual that is selected to take part in the research is named representative sample. Data collected from the sampling will be representing the population as a whole. There are three types of sampling techniques which are random sampling, non-random sampling and mixed sampling design.

The random sampling design involved randomization in the sampling selection where all individuals of the sampling frame have an equal opportunity and independent chance of being selected for the study whereas the non-random sampling design does not involve randomization in the sampling selection. As compare to non-random sampling design, random sampling design is better as it represent the total sampling

population. An example of the random sampling technique is simple random sampling. Simple random sampling is widely used because the sample is taken randomly from the entire population. Individual that being selected will represent the total population and each individual has an equal opportunity of being selected. Under certain circumstances, research may opt for mixed sampling design which consists of both random sampling design and non-random sampling design.

Although simple random sampling method is a better choice and commonly been used, it is not chosen in this study. The reason is because that the sample population or sampling frame of the employees working in the banking industry in Malaysia cannot be identified. Therefore, non-probability purposive sampling and convenient sampling are chosen for this study. Purposive sampling is used to select employees who are currently working in the financial institutions as listed in item 3.3.2. One of the advantages of convenient sampling is data can be collected easily where respondents are selected based on availability. Researchers can cease the data collection process when it reaches the targeted number of respondents required in the sample. Furthermore, by using the convenient non-probability sampling design, data can be collected in a simple, practical and economical way. Data collection can be done in a quick manner and do not need to explain the sampling frame which cannot be identify in this study.

### **3.4.5 Sample Size**

Since there is no sampling frame, this study adopted the recommendations of Krejcie and Morgan to determine the appropriate sample size. We assumed that the total number of employee working in banking industry located at Kuala Lumpur and Selangor is 1 million. According to Krejcie and Morgan (1970), with the population of 1 million, the ideal sample size is three hundred eighty four (384) respondents. To support on this justification, assumed that 50% of the bankers participating in the survey ( $P$  value = 0.5) with 95% confidence level ( $z$  values of 1.96) and 5% standard error, a sample size of three hundred and eighty five (385) employees. This sample size is calculated according to Cochran's Sample Size Formula.



Table 1: Sample Size Calculation

Universe Sample		Universe Sample		Universe Sample		Universe Sample	
10	10	100	80	1,250	294	6,000	361
15	14	200	132	1,500	306	7,500	366
20	19	300	169	2,000	322	10,000	370
30	28	400	196	2,500	333	15,000	375
40	36	500	217	3,000	341	20,000	377
50	40	600	234	3,500	346	30,000	379
60	44	700	248	4,000	351	40,000	380
70	59	800	260	4,500	354	50,000	381
80	66	900	269	5,000	357	75,000	382
90	73	1,000	278	5,500	359	1,000,000	384

Source: adapted from Krejcie, R. and Morgan, D. (1970)

### **3.5 Instrument and Measurement**

#### **3.5.1 Questionnaire Design**

For this study, a set of self-administered questionnaires will be created and distributed to the respondents. The reason of selecting questionnaire to gather information is because that data can be collected economically and less time consuming through a large number of people. Furthermore, questionnaire is easy for the respondents to complete and easy for the researcher to analyze due to ready-made categories. The contents of the questionnaire were adopted from previous researches with minor modification to match the research context in this study. The objective of the survey was explained at the beginning of the questionnaire and the responses of the respondents were assured to keep confidentially.

The questionnaire is designed according to three sections as follows:

- Section A: Demographic profile questions
- Section B: Questions measuring the factors that influence the employees' whistle-blowing intention when encounter wrongdoing.

- Section C: Question measuring the employees' whistle-blowing intentions when they discover wrongdoing in their companies.

In section A, the demographic profile of the respondents such as age, gender, year of working in the company, organizational position and total number of employee in the current company are asked to have an understanding of the respondent's background.

In section B, it covers 4 factors that influence the employee's whistle-blowing intentions which are attitudes, perceived organizational support, personal cost of reporting and ethical responsibility for reporting. Each factor is given a definition before answering the questions to avoid misinterpretation. The purpose of this section is to examine the relationship between the independent variables, factors affecting the employees to whistle-blow and dependent variables, internal and external whistle-blowing intentions of the employees.

Last but not least, section C is divided into 2 subsections of questions asking the employee's internal and external whistle-blowing intention. The aims of this section are to find out under what circumstances that the employees will intend to whistle-blow when they discover a wrongdoing happening in their company.

### **3.5.2 Scale and response format**

In section A, demographic information of the respondent is obtained by requiring them to tick on the item which is relevant to them. For section B and section C, questions are set and measured using a rating scale which is Likert scales. A Likert scale is a tool use to measure, assess and gather information on the attitude and preference of the respondents (Stoklasa, Talasek, Kubatova and Seitlova, 2016). Likert scale is chosen in this study as it is commonly used in survey research due to its simplicity and easiness to use. This study will use a 5-point Likert scales because it can minimize respondent's frustration level, increase response rate and response quality. The scale of question in section B and section C are ranging from "1 = strongly disagree" to "5 = strongly agree". Almost all the questions in section B are

using a positive worded question except for testing the independent variable of personal cost reporting. These questions were designed were using a reverse worded question. Although it might create confusion and misinterpretation by the respondents, it is necessary designing some of the questionnaire in a reverse worded question to reduce acquiescence and boredom of respondents. All the questions set in section C were worded positively.

Table 2: The Origin of Constructs

<b>Variable</b>	<b>Measurement items</b>	<b>Source</b>
Attitude	Att1: Report wrongdoing would help prevent serious harm to the firm.	Alleyne, Hudaib and Haniffa (2018)
	Att2: Reporting wrongdoer's action is helpful in controlling unethical behaviour.	
	Att3: Whistle-blowing enhances the public interest.	
	Att4: Reporting action in the workplace is a way for an employee to do his or her duty.	
	Att5: Whistle-blowing on is the moral thing to do.	
Perceived organizational support	POS1: My company cares about my opinions.	Alleyne, Hudaib and Haniffa (2018)
	POS2: My company really cares about my well-being.	
	POS3: My company strongly considers my goals and values.	
	POS4: My company is always available to offer me help when I have a problem.	
	POS5: My company would forgive an honest mistake I made.	
	POS6: If given the opportunity, my company would take advantage of me.	
	POS7: My company shows very little concern for me.	
	POS8: My firm is willing to assist me if I need a special favour.	
	POS9: My company values my integrity.	

Variable	Measurement items	Source
Personal cost reporting	PCR1: I would be given less favourable job duties.	Cortina and Magley (2002)
	PCR2: I would be unfairly demoted.	
	PCR3: I would be denied a promotion I deserved.	
	PCR4: I would be denied an opportunity for training I deserved.	
	PCR5: I would be given poor job performance appraisals.	
	PCR6: I would be transferred to a less desirable job.	
	PCR7: I would be unfairly disciplined.	
Ethical responsibility for reporting	ERR 1: My company have made it known that unethical conducts would not be tolerated.	Finn, Chonko and Hunt (1988)
	ERR 2: Any employee in my company would be severely reprimanded if his unethical conduct results in his personal gain.	
	ERR 3: Any employee of my company would be severely reprimanded if his unethical conduct results in primarily the company's gain.	
Whistle-blowing intention (Internal)	WBI1: I would report the wrongdoer's act to the appropriate persons within the company (e.g: human resource, risk and compliance team)	Alleyne, Hudaib and Haniffa (2018)
	WBI2: I would use the reporting channels inside of the company (e.g: whistle-blowing hotline)	
	WBI3: I would let upper level of management know about the wrongdoer's act (e.g: audit committee).	
	WBI4: I would tell my supervisor about the wrongdoer's act.	
Whistle-blowing Intention (External)	WBE1: I would report the wrongdoer's act to the appropriate authorities outside of the company (e.g: Royal Malaysia Police and Malaysian Anti-Corruption Commission (MACC)).	Alleyne, Hudaib and Haniffa (2018)
	WBE2: I would use the reporting channels outside of the company (e.g: Bank Negara's hotline).	
	WBE3: I would provide information to outside agencies (e.g: public hotline designed for reporting fraud).	
	WBE4: I would inform the public of wrongdoer's act (e.g: social media - facebook, Instagram and twitter).	

### **3.6 Validity and Reliability**

The selection of the research instrument is said valid when the researcher has measured what he has set out to measure. The concept of validity is also refers to the concept of appropriateness and accuracy that applied to the research process. In the quantitative research, there are three types of validity that are commonly examined which are face and content validity, concurrent and predictive validity and construct validity. To ensure that there is logical connection between the questions set up and purpose of the study, face and content validity of the questions are examined in this study. Face validity was obtained by asking academic and industry experts to rate the validity of the questions. Meanwhile, content validity measures the representative variable of the questions. In this study, two academics and two industry experts were invited to measure the validity and representativeness of the questions.

The concept of reliability is means the consistency of the measurements. The research instrument is reliable when it produces the same results under the same conditions every time it is used. To test the reliability of the study, Cronbach's Alpha reliability Test was used. According to the Rules of Thumb for Cronbach's Alpha, item in the questionnaire that gives a value equal and above 0.7 will showed an adequate and high internal reliability and consistency. In contrast, if there is any of item gives a value a Cronbach's Alpha lower than 0.5, these items need to be revised or discarded because this gives a low internal consistency and poor inter-relatedness. Referring to the pilot test's result of this research, all variables showed Cronbach's Alpha above 0.70. This indicated that all items in the questionnaire were internally reliable and consistent.

### **3.7 Pre-Test and Pilot Test**

A pre-test and a pilot test were undertaken in this study. The pre-test allowed researchers to identify any ambiguities in the questionnaire's phrasing as well as any problematic questions. We asked the supervisor and employees working in the bank

to provide feedback on the questionnaire during the pre-test. Based on the feedback, the questions were revised.

A pilot test was conducted before sending questionnaires to target respondents. According to Bartlett (2013), a number of respondents between 25 and 50 are appropriate for a pilot test. The reliability test results from the pilot test are shown in Table 3 below. A group of thirty (30) respondents from three (3) different banks which are United Overseas Bank, Standard Chartered Bank and OCBC Bank have participated in the pilot test.

Table 3: Cronbach’s Alpha of the Study

<b>Variable</b>	<b>Items</b>	<b>Scale</b>	<b>Cronbach’s Alpha</b>
Attitude	5	1 – 5	0.78
Perceived organizational support	9	1 – 5	0.83
Personal Cost Reporting	7	1 – 5	0.94
Ethical Responsibility for Reporting	3	1 – 5	0.90
Whistle-blowing Intention (Internal)	4	1 – 5	0.85
Whistle-blowing Intention (External)	4	1 – 5	0.83

### **3.8 Data Collection Procedure**

There are two major approaches to collect data which are primary data and secondary data. Primary data is refers to fresh data or first-hand data where the researcher take the responsibility to collect the data for a specific purpose whereas secondary data is refers to data that are readily available, collected by other researcher for some other purposes and can be reanalyzed immediately. Due to the limited information available related to whistle-blowing intention of banker in Malaysia context, primary data was collected through survey method in this study.

The timeframe for data collection took about two months from the date questionnaire was created. Data of this study was collected from March 2021 to May 2021. To ensure respondent will take part in this survey, the purpose of this survey and a written instruction on how to complete the survey were explained in the beginning of the questionnaire. The respondents were assured that their personal information will

be kept confidentially. The data of this study was collected using online questionnaire by uploading the questions into Google form and send out to the employees working in the banks as listed in item 3.4.2 located at Kuala Lumpur and Selangor of Malaysia. Other options such as emailing the questionnaire via web link and posting the Google form in social media such as Facebook, Messenger and WhatsApp were also used to invite the participants to fill up the questionnaire. Following with Government's Standard Operating Procedures in practicing social distancing, hardcopy questionnaire was not distributed in this survey to avoid Covid-19 transmission. Hence, respondents who are not internet savvy are not invited to participate for this study.

### **3.9 Data Processing**

Upon receiving the responses, data was screened to check any missing value and error in data input. Example of data input error is referring to outlier in selecting more than one (1) option when answering the questions. Any outlier, missing value and data error were removed. Data coding was performed after data was cleaning up. All the questions in section C were coded positively while one subsection of section B was coded negatively because of reverse worded questions.

The assumption of normality is necessary for many statistical analyses so as the data can be interpreted accurately. There are many ways to test the assumption of normality. Researchers can test the assumption of normality graphically by using histogram or statistically by using Kolmogorov–Smirnov test, Shapiro–Wilk test and Skewness and Kurtosis. The Shapiro-Wilk test is more suitable for small sample sizes (<50 sample sizes), and Kolmogorov–Smirnov test was used for  $n > 50$ . It tends to be more sensitive near the middle of the distribution than at the tails. Meanwhile, the skewness and kurtosis of the data can be used to determine normality (Razali and Wah, 2011). If the skewness falls in the range of -3 to +3, and the kurtosis ranges from -10 to +10, then the data is said to be normal distributed (Kline, 2005).

### **3.10 Data Analysis**

Responses collected from the questionnaire were analyzed using Statistical Package for Social Sciences software (SPSS) and Structural Equation Modeling (SEM). The purpose of choosing SPSS software was because of its easiness to use, flexibility, scalable and recommended by the higher education. SEM was choose to be used in this study because it able to analyze structural relationship and multiple interrelated dependence in a single analysis.

SPSS will be used to run descriptive analysis, while SPSS AMOS will be used to run inferential analysis. When conducting inferential analysis, the measurement model is assessed to determine the goodness-of-fit of the model and to perform confirmatory factor analysis (CFA). Goodness-of-fit of the model is including CMIN/DF, GFI, NFI, CFI, and RMSEA. At this stage, convergent and discriminant validity will be assessed (Podsakoff et al., 2003). According to Hair et al. (2014), the value of Composite Reliability (CR) of a variable should be greater than 0.70 to indicate it has high reliability, while the average variance extracted (AVE) is obtained by running the HTMT test. Discriminant validity is regarded as acceptable if the HTMT is less than 0.90. Finally, the overall structural model was measured.



## **CHAPTER 4**

### **ANALYSIS AND FINDINGS**

#### **4.1 Introduction**

This chapter explains and presents the findings of statistical analyses used in examining the relationships between the independent and dependent variables. First, it explains the data collection process and data screening. Next, this chapter describes the demographics and descriptive characteristics of the respondents. Last, the results of various statistical analyses such as Composite Reliability Test, Convergent Validity Test and Structural Equation Model are present and discuss here.

#### **4.2 Data Collection Process**

Before distributing final version questionnaire, ethical clearance was sought from Chairman of UTAR Scientific & Ethical Review Committee. The researcher personally administered the survey by explaining the objective of the survey and giving contact information for the participant to ask question if there was any doubt. Finally, a total of 450 questionnaires were sent to employee working in the bank

located at Kuala Lumpur and Selangor of Malaysia from March 2021 to May 2021 via web link and posting of Google form in social media such as Facebook, Messenger and WhatsApp. Hardcopy questionnaire was not distributed to employee at banking hall. This was to support the Government in practicing social distancing and prevent spreading Covid-19 viruses. Out of 450 questionnaires, there were only 404 respondents completed the questionnaire and submitted their feedback within two months, corresponding to 89.7% of response rate.

### **4.3 Data Screening**

#### **4.3.1 Treatment of Missing Data**

There was no missing data received in this study. The “Required” button was enabled when creating the questionnaire, making each question a compulsory for the respondents to fill up in Google form.

#### **4.3.2 Detection of Outliers**

To detect outliers, a multivariate analysis has been performed. Following Mahalanobis Distance threshold of  $<0.001$ , 17 respondents were removed. Total available of respondents participated in this study was 387 respondents.

### **4.4 Demographic Profile of Respondents**

A summary of the employee’s profile of 387 respondents is shown in Table 4.

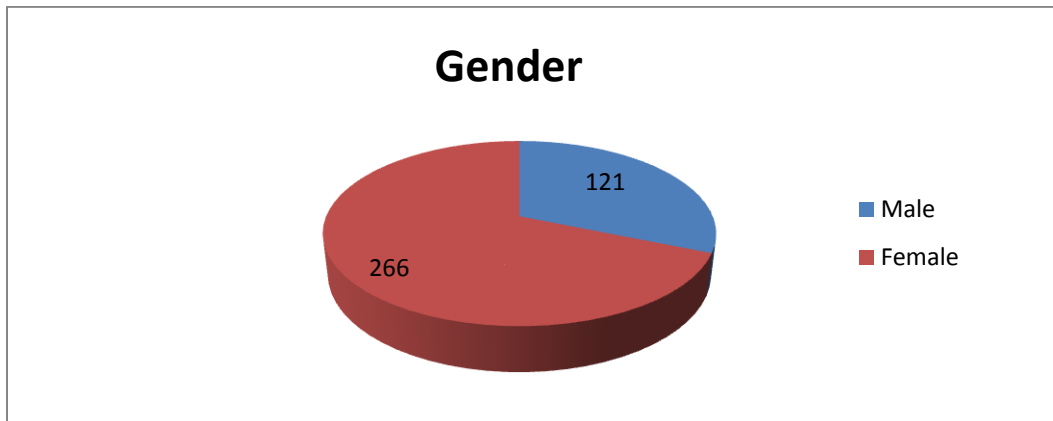
Table 4: Demographic Profile of Respondents

<b>Demographic variables</b>	<b>Frequency, n = 387</b>	<b>%</b>
<b><u>Gender</u></b>		
Male	121	31.3
Female	266	68.7
<b><u>Age</u></b>		
Under 25 years old	4	1.0
25 – 35 years old	148	38.3
36 – 45 years old	147	38.0
Above 45 years old	88	22.7
<b><u>Number of years working with present employer</u></b>		
Less than 2 years	42	10.9
3 years – 5 years	125	32.3
6 years – 10 years	88	22.7
Over 10 years	132	34.1
<b><u>Position in current company</u></b>		
Senior Management	36	9.3
Middle Management	248	64.1
Junior Level	103	26.6
<b><u>Number of employee in current company</u></b>		
0 to 500 employees	62	16.0
501 to 1,000 employees	15	3.9
1,001 to 3,000 employees	59	15.2
More than 3,000 employees	251	64.9

#### **4.4.1 Gender**

The employees who completed the questionnaire consist of 121 males and 266 females which represent 31.3% of male respondents and 68.7% of female respondents. This could imply that there are more women compared to men working in the banking industry.

Figure 2: Gender of the Respondents



#### **4.4.2 Age**

Based on total of 387 respondents, majority of respondents falls within the age of 25-35 years old (38.3%), followed by 36-45 years old (38%), above 45 years old (22.7%) and below 25 years old (1%).

#### **4.4.3 Number of Years Working with Present Employer**

Most of the respondents have worked with the employer for more than 10 years (34.1%), followed by 3-5 years (32.3%), 6-10 years (22.7%) and lastly less than 2 years (10.9%). This implies that employee has a high sense of loyalty toward their present employer.

#### **4.4.4 Position in Current Company**

Almost all respondents were working in the middle management position (64.1%), followed by junior level position (26.6%) and minimal respondents worked in senior management position (9.3%). This statistic was reasonable as most of the employees were aged between 25 years old to 45 years old.

#### 4.4.5 Number of Employees in Current Company

A large number of respondents are working in the bank which have more than 3,000 employees (64.9%), followed by less than 500 employees (16%), 1,001 to 3,000 employees (15.2%) and 501 to 1,000 employees (3.9%).

### 4.5 Descriptive Statistics of Variables

#### 4.5.1 Means and Standard Deviation (SD)

The descriptive statistics for factors influencing employees' whistle-blowing intentions (independent variables) and whistle-blowing intentions (dependent variables) are presented in below (Table 5 to Table 8).

Table 5: Means and Standard Deviation of Attitude

No	Statement	Means	SD
1	Att1: Report wrongdoing would help prevent serious harm to the firm.	3.11	0.05
2	Att2: Reporting wrongdoer's action is helpful in controlling unethical behavior.	3.19	0.05
3	Att3: Whistle-blowing enhances the public interest.	3.11	0.05
4	Att4: Reporting action in the workplace is a way for an employee to do his or her duty	3.26	0.05
5	Att5: Whistle-blowing on is the moral thing to do.	3.21	0.05

Table 5 shows the descriptive analyses for the attitude which is measured using five statements.

Table 6: Means and Standard Deviation of Perceived Organizational Support (POS)

<b>No</b>	<b>Statement</b>	<b>Means</b>	<b>SD</b>
1	POS1: My company cares about my opinions.	3.55	0.05
2	POS2: My company really cares about my well-being.	3.65	0.05
3	POS3: My company strongly considers my goals and values	3.57	0.05
4	POS4: My company is always available to offer me help when I have a problem.	3.46	0.05
5	POS5: My company would forgive an honest mistake I made.	3.24	0.05
6	POS6: If given the opportunity, my company would take advantage of me.	3.17	0.05
7	POS7: My company shows very little concern for me.	2.80	0.05
8	POS8: My firm is willing to assist me if I need a special favour.	3.28	0.04
9	POS9: My company values my integrity.	3.87	0.05

Table 6 presents the descriptive analyses for POS. POS is measured using 9 statements.

Table 7: Means and Standard Deviation of Personal Cost Reporting (PCR)

<b>No</b>	<b>Statement</b>	<b>Means</b>	<b>SD</b>
1	PCR1: I would be given less favorable job duties.	3.11	0.05
2	PCR2: I would be unfairly demoted.	3.19	0.05
3	PCR3: I would be denied a promotion I deserved.	3.11	0.05
4	PCR4: I would be denied an opportunity for training I deserved.	3.26	0.05
5	PCR5: I would be given poor job performance appraisals.	3.21	0.05
6	PCR6: I would be transferred to a less desirable job.	3.25	0.05
7	PCR7: I would be unfairly disciplined.	3.24	0.05

Table 7 presents the descriptive statistic for PCR which is measured using seven statements.

Table 8: Means and Standard Deviation of Ethical Responsibility of Reporting (ERR)

<b>No</b>	<b>Statement</b>	<b>Means</b>	<b>SD</b>
1	ERR 1: My company have made it known that unethical conducts would not be tolerated.	4.17	0.04
2	ERR 2: Any employee in my company would be severely reprimanded if his unethical conduct results in his personal gain.	4.03	0.04
3	ERR 3: Any employee of my company would be severely reprimanded if his unethical conduct results in primarily the company's gain.	3.95	0.04

Table 8 demonstrates the descriptive analysis for ERR which is measured using three statements.

#### **4.6 Inferential Analysis Results**

Prior conducting hypotheses testing, a series of confirmatory factor analysis (CFA) was conducted on attitude (ATT), perceived organizational support (POS), personal cost of reporting (PCR) and ethical responsibility for reporting (ERR) using SPSS AMOS.

According to Hair et al. (2014), factor loading for all measurement items must have at least 0.50 (threshold value). To meet this requirement, factor loading that is lesser than 0.50 were removed which includes ATT3, ATT4, ATT5, POS5, POS6, POS7 and WBE4. As shown in Table 9 below, all items are with factor loading above the threshold value of 0.50.

Table 9: Summary Results of confirmatory Factor Analysis

<b>Indicator</b>	<b>Factor Loading</b>
ATT1	0.821
ATT2	0.821
ERR1	0.724
ERR2	0.885
ERR3	0.788
PCR1	0.758
PCR2	0.875
PCR3	0.858
PCR4	0.848
PCR5	0.912
PCR6	0.899
PCR7	0.917
POS1	0.885
POS2	0.902
POS3	0.904
POS4	0.844
POS8	0.613
POS9	0.725
WBE1	0.849
WBE2	0.930
WBE3	0.720
WBI1	0.844
WBI2	0.838
WBI3	0.818
WBI4	0.566

#### **4.6.1 Model Goodness-of-fit**

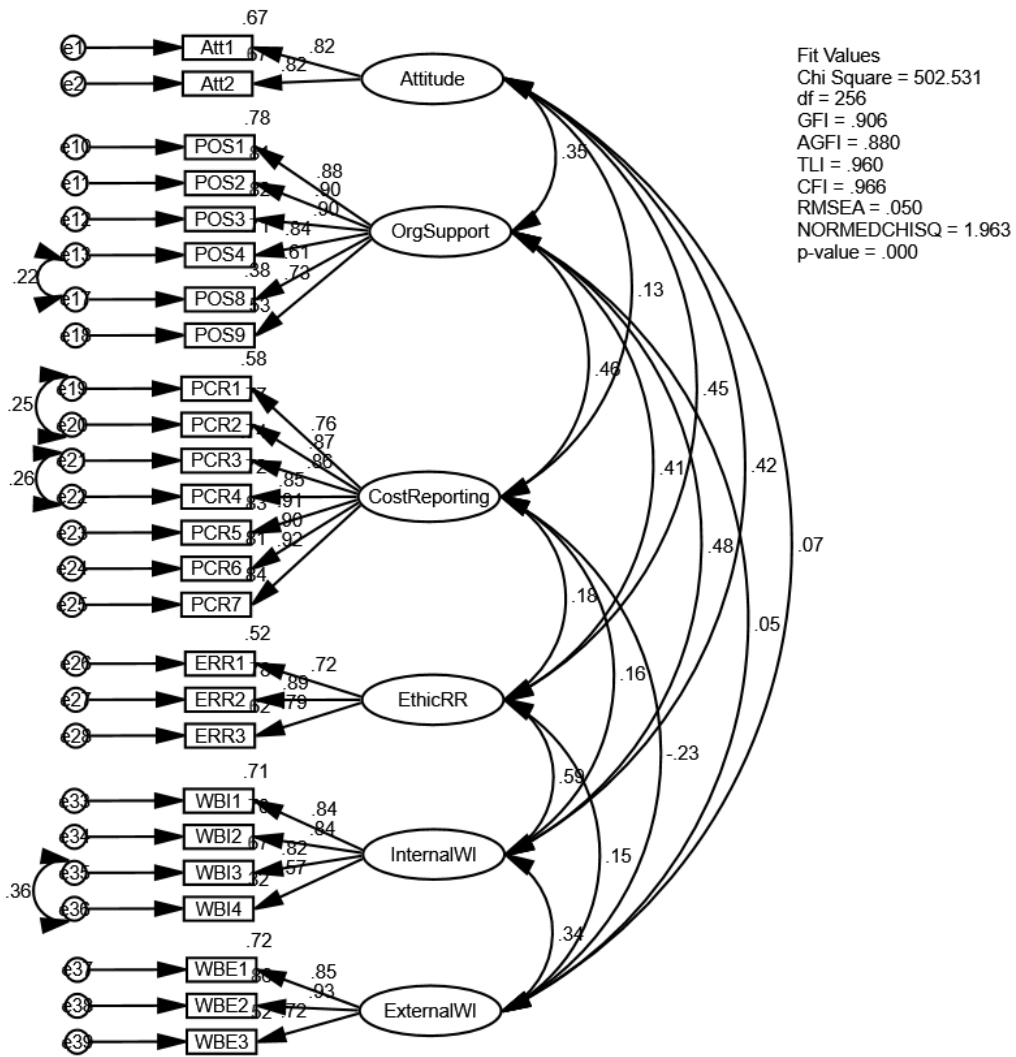
The measurement model was tested in Figure 3 and the major goodness-of-fit requirements for SEM analysis are shown in Table 10 below. From Table 10, all the incremental fit values exceed 0.90 (the threshold value). Meanwhile, the RMSEA value is 0.05 (threshold value 0.08), which has great goodness of fit. These results suggest the measurement model has high goodness of fit to the data (df = 1.963, GFI = 0.906, CFI = 0.966 and TLI = 0.960).



Table 10: Goodness-of-fit statistics for the CFA model

Model tested	$\chi^2/df$	GFI	CFI	TLI	RMSEA
Criterion for goodness of fit	< 3	≥ 0.90	>=0.90	≥ 0.90	≤ 0.08
Model performance	1.963	0.906	0.966	0.960	0.050

Figure 3: Structural Model



## 4.6.2 Composite Reliability and Convergent Validity

### 4.6.2.1 Convergent Validity

Table 11 below depicts the CR, AVE and correlation between variables. From Table 11, the value of composite reliability is greater than 0.70. It shows the data has high reliability. Convergent validity is the degree of multiple items to measure whether the same concept is in agreement (Zakaria, Razak and Yusoff, 2016). The value of AVE is range from 0.601 to 0.754 which exceed the recommended value of 0.50 (Hair et al., 2010). This result shows there is no validity concern and meet the recommended requirement.

Table 11: Results of Measurement Model (CR, AVE and correlation between variables)

<b>Construct</b>	<b>CR</b>	<b>AVE</b>	<b>ATT</b>	<b>POS</b>	<b>PCR</b>	<b>ERR</b>	<b>WBI</b>	<b>WBE</b>
Attitude (ATT)	0.805	0.674	<b>0.821</b>					
Perceived Organizational Support (POS)	0.923	0.671	0.347 ***	<b>0.819</b>				
Personal Cost of Reporting (PCR)	0.955	0.754	0.130 *	0.460 ***	<b>0.868</b>			
Ethical Responsibility of Reporting (ERR)	0.843	0.643	0.451 ***	0.408 ***	0.182 **	<b>0.802</b>		
Internal Whistle-blowing (WBI)	0.855	0.601	0.424 ***	0.485 ***	0.158 **	0.594 ***	<b>0.775</b>	
External Whistle-blowing (WBE)	0.874	0.701	0.066	0.055	-0.232 ***	0.155 **	0.345 ***	<b>0.837</b>

### 4.6.2.2 Discriminant Validity

According to Cheung and Lee (2010), discriminant validity is use to measure the degree to which items differentiates among constructs and measure distinct concepts. Table 12 below presents the result of testing discriminant validity using heterotrait-monotrait ratio (HTMT analysis). Based on the analysis result, the value of HTMT is smaller than 0.90. All values are showing below threshold value of 0.90. Hence, there is no warning for HTMT analysis and all the constructs are acceptable.

Table 12: Results of Discriminant Validity

Construct	ATT	POS	PCR	ERR	WBI	WBE
Attitude (ATT)						
Perceived Organizational Support (POS)	0.352					
Personal Cost of Reporting (PCR)	0.137	0.465				
Ethical Responsibility of Reporting (ERR)	0.474	0.422	0.197			
Internal Whistle-blowing (WBI)	0.397	0.49	0.178	0.587		
External Whistle-blowing (WBE)	0.042	0.031	0.261	0.128	0.317	

#### 4.6.3 Structural Equation Modeling

Structural equation modeling is used to test the hypotheses in this study. Table 13 and Figure 4 below illustrates the relationship between variables.

Table 13: Result of Inferential Analysis

			Unstandardized Beta	S.E.	C.R.	P	Standardized Beta
InternalWI	<---	ATT	0.179	0.078	2.288	0.022	0.135
InternalWI	<---	POS	0.283	0.056	5.069	***	0.299
<b>InternalWI</b>	<---	<b>PCR</b>	<b>-0.083</b>	<b>0.054</b>	<b>-1.545</b>	<b>0.122</b>	<b>-0.080</b>
ExternalWI	<---	ERR	0.289	0.107	2.710	0.007	0.185
InternalWI	<---	ERR	0.530	0.078	6.826	***	0.432
<b>ExternalWI</b>	<---	<b>ATT</b>	<b>-0.022</b>	<b>0.114</b>	<b>-0.194</b>	<b>0.846</b>	<b>-0.013</b>
ExternalWI	<---	POS	0.168	0.081	2.074	0.038	0.140
ExternalWI	<---	PCR	-0.439	0.083	-5.268	***	-0.330

Note: \*\*\* p-value < 0.001

Hypothesis 1 proposed that there is positive relationship between attitude and internal whistle-blowing intentions. The results in Table 13 demonstrated that attitude is influencing the employee's internal whistle-blowing intention ( $\beta = 0.14$ ,  $p < 0.02$ ). Hypothesis 1 is supported.

Hypothesis 2 proposed that there is positive relationship between attitude and external whistle-blowing intentions. The results in Table 13 showed that there is a negative relationship between attitude and external whistle-blowing intentions ( $\beta = -0.01$ ,  $p < 0.85$ ). Hypothesis 2 is not supported.

Hypothesis 3 proposed that there is positive relationship between perceived organizational support and internal whistle-blowing intentions. As shown in Table 13, there is positive relationship between perceived organizational support and internal whistle-blowing intentions ( $\beta = 0.30$ ,  $p < 0.001$ ). The result indicated that Hypothesis 3 is supported.

Hypothesis 4 proposed that there is positive relationship between perceived organizational support and external whistle-blowing intentions. As shown in Table 13, there is positive relationship between perceived organizational support and external whistle-blowing intentions ( $\beta = 0.14$ ,  $p < 0.04$ ). The result showed Hypothesis 4 is supported.

Hypothesis 5 proposed that there is positive relationship between personal cost of reporting and internal whistle-blowing intentions. The results in Table 13 showed that there is a negative relationship between personal cost of reporting and internal whistle-blowing intentions ( $\beta = -0.08$ ,  $p < 0.12$ ). Hypothesis 5 is not supported.

Hypothesis 6 proposed that there is positive relationship between personal cost of reporting and external whistle-blowing intentions. The results in Table 13 demonstrated that personal cost of reporting is influencing the employee's external whistle-blowing intention ( $\beta = -0.33$ ,  $p < 0.001$ ). Hypothesis 6 is supported.

Hypothesis 7 proposed that there is positive relationship between ethical responsibility for reporting and internal whistle-blowing intentions. As shown in Table 13, there is positive relationship between ethical responsibility for reporting and internal whistle-blowing intentions ( $\beta = 0.43$ ,  $p < 0.01$ ). The result indicated that Hypothesis 7 is supported.

Hypothesis 8 proposed that there is positive relationship between ethical responsibility for reporting and external whistle-blowing intentions. As shown in Table 13, there is positive relationship between ethical responsibility for reporting and external whistle-blowing intentions ( $\beta = 0.19$ ,  $p < 0.07$ ). The result indicated that Hypothesis 8 is supported.

Figure 4: Structural Model

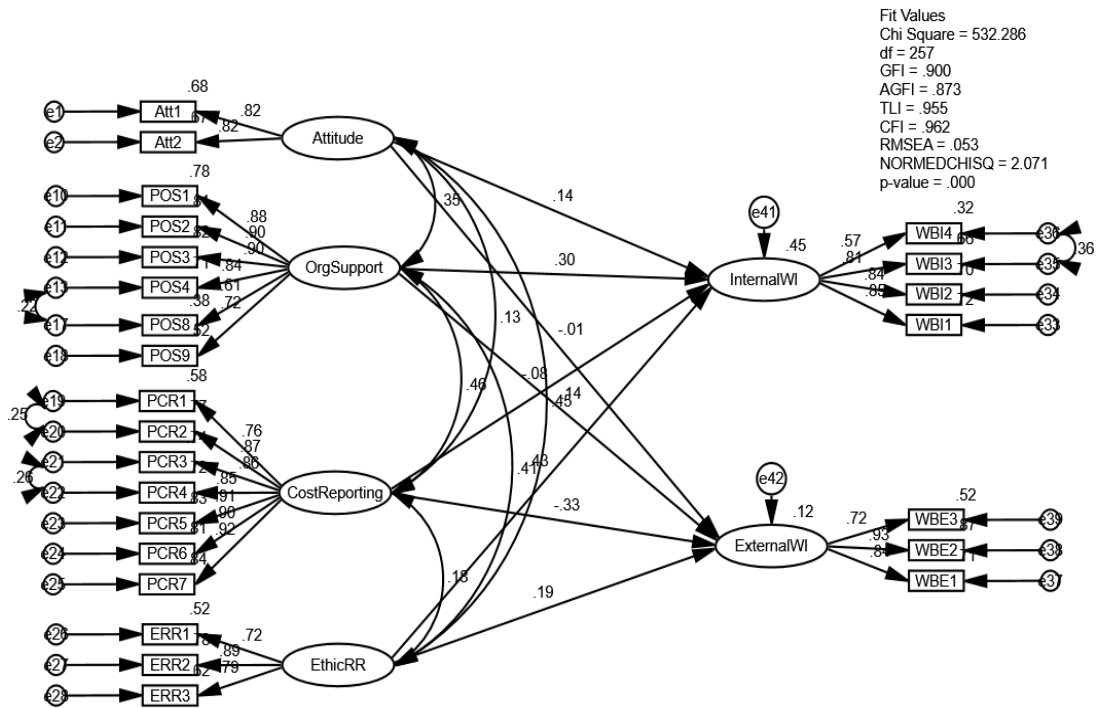


Figure 4 above showed the causal relationships among the constructs in the structural model.

## **4.7 Chapter Summary**

This chapter explains how questionnaire survey was used to collect data from employee working in industry banking. The types of methods and analysis used to test hypotheses are discussed in this chapter as well. This chapter also presents the findings of various statistical analyses (descriptive analysis and inferential analysis) in examining the relationships between the factors influencing whistle-blowing and employees' whistle-blowing intention. Later in Chapter 5, the findings of this study will be presented and explained in more details.

## **CHAPTER 5**

### **DISCUSSION, IMPLICATIONS AND CONCLUSION**

#### **5.1 Introduction**

This study examines the factors that will influence employees working in the banking industry to whistle-blow when they discover wrongdoing. This study covers four (4) factors which are attitude, perceived organizational support, personal cost reporting and ethical responsibility for reporting. A discussion of the research findings, implication of findings, limitations of the current study, and suggestions for future research will be provided in this chapter.

#### **5.2 Summary of Statistical Analysis**

##### **5.2.1 Demographic Profile of Respondents**

Based on the statistics from Department of Statistics Malaysia, Malaysian population for the third quarter 2021 is consists of 16.77 million males and 15.89 million females (updated as at November 2021). Although male sex ratio is greater than female (106 males per 100 females), this study shows there are more female employees (68.7%)

working in the banking sector compared to male employees (31.3%). The reasons why there are more female employees prefer working in the bank maybe due to lower degree of risk. Employees working in the bank are less exposed to injury and fatality risk compare to other sectors like manufacturing, construction and engineering industry.

As shown in Table 4, the majority of respondents are working with the same employer for more than 10 years (34.1%) and within 3-5 years (32.3%). Due to higher job security and earnings stability offered in the banking industry, employees are loyal to their employer. To be competitive in the market, almost all the banks offer similar employment packages to attract new blood joining their bank. To retain existing employees, some bank like Public Bank is giving pension fund to employees who reach retirement age.

Most of the respondents that participated in this survey are aged between 25 years old to 45 years old (76.3%), working in the junior level position (26.6%) and middle management position (64.1%). There are only a small percentage of employees working in the senior management position (9.3%). Logically, employees who work in the senior management position are usually senior employee who stays in the bank for many years. This study showed different findings. Although more than half of the respondents that participated in the survey are working in the banks for more than 5 years (56.8%), there are not many employees hold a senior management position in the bank. Besides that, the percentage of employees having a senior management position (9.3%) and aged above 45 years old (22.7%) is also low. This could imply that most probably employees started joining the bank at a young age with a middle management position role.

### **5.2.2 Descriptive Analysis**

Based on the results showed in item 4.4.1 (Table 5 to Table 8), ERR has the highest means and lowest standard deviation for whistle-blowing intentions ( $M=4.17$ ,  $SD=0.04$ ), followed by POS ( $M=3.87$ ,  $SD=0.05$ ), PCR ( $M=3.26$ ,  $SD=0.05$ ) and ATT



(M=3.26, SD=0.05). Comparing to others factor (ATT, POS and PCR), employees rated ERR as the main factor that influence them to whistle-blow. Employee working in the banking industry has little tolerance on unethical conduct happening in the bank. Organizations that value and care about their employee's opinion, well-being, goal and integrity was rated second important factor that will affect employees to report wrongdoing in the bank. The descriptive analysis also showed that PCR gave greater impact on influencing the employees' whistle-blowing intention compared to ATT factor. Fear of retaliation such as demotion, transferring to other undesirable job and receiving poor job performance appraisals will affect employee's willingness to whistle-blow wrongdoing. The last factor that influences employee whistle-blowing intention is ATT. Employee with positive attitude toward whistle-blow is motivated to report wrongdoing.

### 5.3 Inferential Summary and Discussion

Table 14: Results of Hypotheses Testing

<b>Hypothesis</b>	<b>Relationship</b>	<b>Result</b>
H1	Attitude and internal whistle-blowing intentions	Supported
H2	Attitude and external whistle-blowing intentions	Not Supported
H3	Perceived organizational support and internal whistle-blowing intentions	Supported
H4	Perceived organizational support and external whistle-blowing intentions	Supported
H5	Personal cost of reporting and internal whistle-blowing intentions	Not Supported
H6	Personal cost of reporting and external whistle-blowing intentions	Supported
H7	Ethical responsibility of reporting and internal whistle-blowing intentions	Supported
H8	Ethical responsibility of reporting and external whistle-blowing intentions	Supported

Table 14 above illustrates the result of the hypotheses testing on whistle-blowing intentions.

### **5.3.1 Relationship between Attitude and Whistle-blowing Intention**

Attitude was hypothesized to influence internal and external whistle-blowing intentions. The result supported hypothesis H1 but not supported hypothesis H2. This result is aligned with past studies (Park and Blenkinsopp, 2009; Zakaria, Razak and Yusoff, 2016; Alleyne, Hudaib and Haniffa, 2018). Employees with positive attitude towards whistle-blowing will prefer to blow the whistle internally rather than resorting to external whistle-blowing. These employees believed that reporting wrongdoing internally will provide a chance for the bank to rectify the wrongdoing without bringing negative consequences and bad reputation to the bank. However, in the event that employees are unsatisfied with the actions taken by the organization and the outcome, employees may choose to make disclosure again to external parties. Some internal auditors also support their organization by whistle-blowing internally as it allow the organization to take appropriate measure in rectifying the error before making disclosure to external parties (Dasgupta and Kesharwani, 2010).

### **5.3.2 Relationship between Perceived Organizational Support and Whistle-blowing Intention**

Perceived organizational support was hypothesized to influence internal and external whistle-blowing intentions. The results supported both H3 and H4. This implies that when employee feel that their organization's values and supports the act of disclosing unethical misconduct, they are willing to whistle-blow using both internal and external channels. On the other hand, when there is lack of fair system implemented in the organization and employee felt there is bias and mistreatment of whistleblowers, the willingness to whistle-blow is low. The implementations of whistle-blowing policy encourage employees to report wrongdoing committed by the banks using internal resources such as contact whistle-blowing hotline or email to audit committee members. Also, WPA 2010 encourages whistleblower to report fraud, bribery and corruption to enforcement agencies as their identity will be keep confidential. This result is in line with the finding of Gupta and Chaudhary (2017). Both studies found there is a high likelihood that employee will disclose wrongdoing when organization

value whistle-blowing. Keena (2002) also suggested that employee's whistle-blowing intention will increase when they believed their organization value whistle-blowing and there was reporting policies being implemented.

Applying whistle-blowing in actual incident that happened recently in Malaysia. In the case of Top Glove (Teng, 2020), the foreign workers felt the company did not care about their safety on preventing transmission on Covid-19 viruses. The company did not fully follow the Health Minister's Standard Operating Procedure in preventing Covid-19 outbreak. The condition of accommodation provided by the company was poorly ventilated and cramped. Most of the employees were not practising social distancing when taking the temperature checked before entering the factory. One of the workers (Khadka) did not dare to report this matter to the management as he fear that his employment would be terminated. Later, he decided to report this matter by sending photos to the workers' rights campaigner which later forwarded back to Top Glove and Malaysian's Government. This incident proved employee who perceived lack of organizational support in the organization will discouraged them to report wrongdoing to management as they fear losing their job and subsequently report to external parties.

### **5.3.3 Relationship between Personal Cost Reporting and Whistle-blowing Intention**

Personal cost of reporting was hypothesized to influence internal and external whistle-blowing intentions. The result supported hypothesis H6 but not supported hypothesis H5. This result indicates that personal cost of reporting has negative relationship with internal whistle-blowing intention but has positive relationship with external whistle-blowing intention. It showed that employees are not motivated to report wrongdoing to management but they are willing to report wrongdoing to external parties like BNM, MACC, police and so on.

As evidenced by previous researches, greater personal cost of reporting will not motivate employee to whistle-blow internally (Lee and Xiao, 2018; Latan, M.Ringle

and Jabbour, 2018; Alleyne, Hudaib and Haniffa, 2018). Due to fear of retaliation, some employees are willing to disclose wrongdoing using external channel compared to internal channel. Employee felt it is safer to disclose the wrongdoing to external body because the identity of the whistleblower is confidential unless it make known to the organization for investigation. Besides that, employees have a perception that once the whistle-blowing case make public, the organization will definitely take action to rectify the wrongdoing. Due to these reasons, employees decided not to rely on internal whistle-blowing. As we can see in the whistle-blowing case of Education Malaysia Global Services, one of the employees preferred making a misconduct disclosure to Malaysia's Anti-Corruption Commission (MACC) instead of going through the company's management (Worth, 2020). The employee was afraid of being fired by the company which proved that his worries was not wrong. He was terminated after the the company found out about his action reporting the company misconduct to MACC. As such, personal cost reporting is influencing employee to whistle-blowing externally whereas employee is not motivated to whistle-blow internally.

Even though the banks have implemented whistle-blowing policy to protect whistleblowers, the result showed that some employees do not prefer to report wrongdoing internally but rather opt for report wrongdoing using external channel. This could imply that there are still some gaps for future improvements on the bank current whistle-blowing policy. It is suggests that the bank can consider developing a sound, transparent and fair system of whistle-blowing policy. By doing so, employee may feel confident to report wrongdoing to management. Other than improvising the existing whistle-blowing policy, organization may opt for giving financial incentive to whistleblower as part of an employee reward and recognition package program. There are employers rewarding their employees for their effort in disclosing unethical misconduct to minimize risks. Past researches showed cash incentive is a good method to encourage employee to whistle-blow (Xu and Ziegenfuss, 2008; Lee and Xiao, 2008). In Oct 2021, US regulators announced that they had rewarded about US\$200 million to whistleblower who furnished information related benchmark rigging cases (The Straits Times, 2021).

### 5.3.4 Relationship between Ethical Responsibility for Reporting and Whistle-blowing Intention

Ethical Responsibility for Reporting was hypothesized to influence internal and external whistle-blowing intentions. The results supported both H7 and H8. Employees working in banking industry are rule-abiding professionals. They ought to conduct their work ethically and objectively as required by BNM, bank’s policies and Government’s laws and regulations. They have responsibility to report any unethical misconduct and fraudulent act that they suspected and detected. The finding of this study is consistent with Finn and Hunt (1988) where only 3% of accountants often involved in unethical behavior. Employee engaged in accounting profession is acting as a gatekeeper detecting fraud in accounting system and monitoring internal control, sharing similar role like a banker.

Figure 5: Structural Model

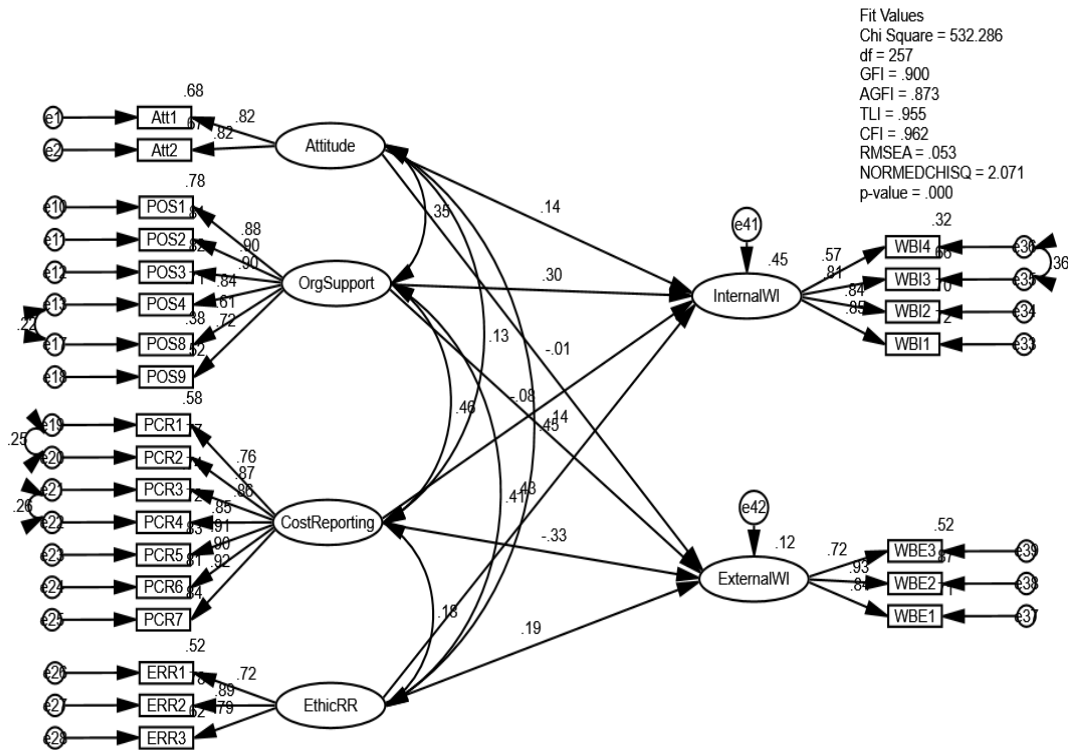


Figure 5 above showed the causal relationships among the constructs in the structural model.

## **5.4 Implication of Findings**

### **5.4.1 Theoretical Implications**

There are numerous studies on whistle-blowing intention in other countries with different type of professions but to the best of the researcher's knowledge, there seems to be no research on employees' whistle-blowing intention in the banking industry in Malaysia. This study gives new insight to researchers and gives a significant contribution to the limited literature in respect of whistle-blowing in Malaysia's banking sector context. The implication of this study was that POS and ERR were positively significant to both internal and external whistle-blowing intention. Meanwhile, ATT was positively significant to internal whistle-blowing intention only and PCR was positively significant to external whistle-blowing intention only. These findings were consistent with previous researchers (Lee and Xiao, 2018; Latan, M.Ringle and Jabbour, 2018; Alleyne, Hudaib and Haniffa, 2018; Gupta and Chaudhary, 2017; Keena, 2002; Park and Blenkinsopp, 2009; Zakaria, Razak and Yusoff, 2016).

Despite the fact that intention to perform certain behavior can be predicted by attitude, perceived behavioral control and subjective norm, past researchers have modified Theory of Planned Behavior to include additional variables to suit their studies context. In the present study, besides testing the relationship between attitude and whistle-blowing intention using the Theory of Planned Behavior, Perceived Organizational Support Theory was used to test the additional variables such as personal cost of reporting, ethical responsibility for reporting and perceived organizational support. This study provides new insight on the relationship between these new variables with the whistle-blowing intentions. Based on the findings, it indicated that these variables are influencing the whistle-blowing intentions of the employee working in the banking industry.

### **5.4.2 Practical Implications**

The result in this study indicates that the existing whistle-blowing policy implemented in the bank does not fully motivate employees to disclose wrongdoing committed in the bank. Fear of retaliation still has an impact on the whistleblower's intention to report wrongdoing using internal channel. Further improvement on policies and procedures are needed to increase the employee's whistle-blowing intentions. Bank can organize training or seminar in educating the employee on importance in reporting wrongdoing internally to improve the willingness of employees to rely on internal whistle-blowing mechanisms when the need arises. This would avoid the any damage to bank's reputation, financial losses and risks that will impact the share price of the banks when employees whistle-blow externally.

Employees that possess ethical responsibility for reporting will increase whistle-blowing intention. Banks should foster an ethical culture to encourage employee in reporting wrongdoing. Kaptein (2011) proved that creating an ethical organizational culture will helps to motivate employee report wrongdoing to the management. From the perspective of perceived ethical climate, a strong perceived ethical climate increase employees' willingness to whistle-blow whereas a weak perceived ethical climate reduce employees' willingness to whistle-blow (Liu, Zhao, Li, Zhou and Tian, 2018).

With full organizational support, employee is willing to assist the bank detecting any unethical misconduct and fraudulent act. Giving organizational support such as rewarding whistleblower with money, career advancement and recognition can be considered. Based on the finding from Xu and Ziegenfuss (2008), it suggested that giving cash incentives or employment protection have a significant influence on whistle-blowing behavior. Reported by Xiao and Lee (2018), internal and external whistle-blowing intentions are high when monetary reward is offered to employee by organization and regulator.

As discussed earlier, WPA 2010 only protects whistleblower who discloses wrongdoing to enforcement agencies. The shortcoming of WPA 2010 might lead to

lower reporting cases in the country. As stated by Worth (2020), one of the employees of Education Malaysia Global Service has taken the initiative to report misconduct to MACC. Unfortunately, the employee was not protected under WPA 2010 because the deputy director (Wafiy Abd Aziz) still pursued the company's chairperson to fire the whistleblower for his action in defaming the company reputation. As a consequence, Wafiy Abd Aziz was charged under WPA 2010 for violating the act. Besides, in the 1MDB scandal, the opposition politician (Rafizi Ramli) was charged under the Official Secrets Act 1972 (OSA 1972) for disclosing part of the Auditor General's report at a press conference on 24 March 2016. As a whistleblower, Rafizi Ramli was not protected under WPA 2010 but he was charged for criminal defamation under OSA 1972. This implies the existing WPA 2010 still have gap for improvement. The Malaysian's regulator can consider extending protection to whistleblower that report wrongdoing other than these enforcement agencies. It is also advisable to give protection under WPA 2010 for employee who whistle-blow to private sector.

## **5.5 Limitations of Study**

This objective of this study was to examine the whistle-blowing intention for employees currently working in the banking industry. There was no testing on the actual behavior of the employee. As such, the feedbacks received in this survey were not reflecting the actual behavior and action taken by the employees when they encounter same wrongdoing happening in the bank.

The instrument used to collect data was self-administrated questionnaire survey. Although this method is easy to collect data, some respondents may not answer the questions truthfully because of emotional factors. Even same set of questionnaire being distributed out, different people may have different understanding to answer the questions. The respondents may interpret and answer the question differently resulting in irrelevant information. Respondents also find it troublesome to seek clarification on self-administrated question which lead to inaccurate result.



Convenient non-probability sampling was used in this study. The respondents were not randomly selected because of the limitation to identify the sample population. Respondents participated in this research based on voluntary basis. As the sampling frame cannot be identified, the sample size was determining based on estimation only. The sampling location is confined to Kuala Lumpur and Selangor in Malaysia only. Questionnaire was not distributed out to other states in Malaysia in view that there are not many employees working in outstation branches. On top of that, due to the Movement Control Orders (MCO) imposed by the government, it was difficult to arrange any appointment to provide briefing and to encourage respondents to participate in this survey. Instead, questionnaires were emailed to employees working in the bank via web link and posting the Google form in social media such as Facebook, Messenger and WhatsApp. Thus, the findings of this study may not be able to represent all employees working in banks in Malaysia.

## **5.6 Suggestion for Future Research**

This study examines the employee's whistle-blowing intention relying on self-administered questionnaires. Instead of conducting survey using questionnaire instrument, future research can use face-to-face interview to examine the factors on disclosing wrongdoing using an actual setting field. By doing so, actual behavior of the respondent can be observed and actual incident that encouraged employee to whistle-blow can be taken as reference to help the organization designing and improving current processes and policies as well as the regulatory body in revising the current guidelines and regulations.

There were past studies suggested demographic characteristic such as age, gender and organizational tenure may affect the whistle-blowing intentions of the whistleblower. There are literatures reported that female employee and senior employee who are reaching retirement age and in senior management position, holding high level of power and authority tend to have higher whistle-blowing intention (Gupta and Chaudhary, 2017). Hence, it is recommended to study the

influence of whistleblower's demographic characteristic on whistle-blowing intentions.

According to the Department of Statistic Malaysia, the population in Malaysia is about 32.67 million as at November 2021. Out of 32.67 million, only 30.01 million people is holding a Malaysian citizenship. Malaysia is a country situated in Southeast Asia with many ethics group having different cultures, values, norms and languages (Ahmad, 2011). The top three (3) ethics groups are Malay (69.8%), Chinese (22.4%) and Indian (6.8%). The remaining other ethics groups are representing 1% of Malaysia population. Since Malaysia is a multi cultural country, future research can also extend this study to East Malaysia (Sabah and Sarawak) in Malaysia. People staying in East Malaysia and West Malaysia may have different point of view on whistle-blowing intention. These differences of ethical culture, values, working lifestyle and state regulations may be influence the employee's whistle-blowing intention.

To have a comprehensive understanding on whistle-blowing intention in the banking industry, it is recommended to consider the influence of group cohesion. Referring to Carron (1982), cohesion is defined as a dynamic process which is reflected in the tendency for a group to stick together and remain united to meet the goal and objective. A high group cohesion can control the action and desire of the individual to report unethical behavior as it can bring disadvantage to the group. Priority will be given to meet the agreement from the group instead of individual ethical belief in reporting the wrongdoing. This is supported by the research conducted by Alleyne, Haniffa and Hudaib (2019) where group member is eager to engage in unethical behavior that mutually benefits the group and self instead of engage in behavior that will harm the group and benefit own self.

Banks that value group cohesion and emphasize on teamwork will influence the employee's behavior to follow the group norm. This will have significant impact on the employee's intention to blow the whistle when they encounter improper conduct committed by the bank. Alleyne, Haniffa and Hudaib (2019) found that low group cohesion will strengthen the relationship between attitude with internal and external

whistle-blowing intention. Auditor that has positive attitude on ethical standards is more willing to report any wrongdoing internally and externally when group cohesion is low. When employee has high personal cost of reporting and high group cohesion, employees are more likely to disclose wrongdoing externally. Serving as a professional body, chartered accountant and chartered banker must act independently and in the best interest of the profession. Compliance is always the first priority of all employees working in the bank to ensure an effective management on managing compliance risk. Chartered banker is committed to act independently and professionally in complying with the regulatory standard and legal requirement. Subsequent research can also study the influence of independence commitment on whistle-blowing intentions for chartered banker.

There are some empirical researches have been performed on the relationship between independence commitment and whistle-blowing intentions on accountant. According to Gendron et al. (2006), independence commitment is refers to “the extent to which the individual accountant considers auditor independence as a key attribute of the profession, and believes that regulatory standards of auditor independence (issued by the profession and/or external regulatory agencies) should be rigorously binding and enforced in the public accounting domain”. It is worth to study whether there is any significant relationship between independence commitment and whistle-blowing intentions on Chartered Banker as well since both professions also serve as a professional body.

Based on the result from Alleyne, Hudaib and Haniffa (2018), they found there was significant relationship between independence commitment and internal whistle-blowing intention. Accountant who possesses a strong independence commitment will have a higher obligation to report any unethical conduct using internal channel. In contrast, independence commitment was found to be insignificant and negatively associated with external whistle-blowing. In other words, accountants with high independence commitment were bound to abide the accounting standards in detecting and reporting any fraud or improper misconduct within the organization which in turn lead to stronger internal whistle-blowing intention. In addition, another study found

that independence commitment was positive and significant for both internal and external whistle-blowing intention (Latan, M.Ringle and Jabbour, 2018).

Besides group cohesion and independence commitment, promoting and fostering an effective organizational culture that emphasize on ethic, integrity and morality can influence employee whistle-blowing intentions. Suggested by Berry (2004), organizational strategies that strengthen the cultural dimension of accountability can be used to influence the employee's whistle-blowing intention. For instance, when organization required employee to be accountable in making wrongdoing reporting, human resource play a role to ensure every employment contract states a clause where ethic and compliance is compulsory to be comply for every new hired employee. For existing employee, yearly performance appraisal needs to evaluate whether employee demonstrate ethic and compliance value while performing their job. To ensure new hired employee can get employment confirmation before the expiry of probation period and existing employee receive satisfactory performance for bonuses, all of them will comply with organization strategies in reporting any wrongdoing when they witness any wrongdoing happening in the bank.

We had discussed earlier that there is a negative relationship between personal cost reporting and whistle-blowing intention. The finding showed employee did not prefer to report wrongdoing when they perceived their action does not benefiting the organization or bringing negative impact to themselves. To encourage employee to whistle-blow, some organizations are giving monetary reward to whistleblower. There are also some literatures suggesting to offer financial incentive to whistleblower and the results showed financial incentive lead to higher whistle-blowing intention (Xiao and Lee, 2018; Xu and Ziegenfuss, 2008). Xu and Ziegenfuss (2008) also found there was significant relationship between financial incentive and perceived seriousness of the wrongdoing on the external whistle-blowing intention. Hence, it is recommended to study the relationship between benefit of reporting and whistle-blowing intention for future research.

## 5.7 Conclusion

Accounting scandals and fraud cases are increasing tremendously every year due to changing in global banking landscape. The roles and responsibilities of employees working in the bank in detecting fraudulent act and accounting errors are becoming more vital in protecting all stakeholders of the bank. All banks have developed policies and procedures to promote good corporate governance and complying with WPA 2010. One of the actions taken by banks is implementing whistle-blowing policy. There are many researches in accounting literature examining the factors that affecting the whistle-blowing intention. Nevertheless, not many literatures were found related to whistle-blowing intention on employee working in bank industry. This study offers new insight to researchers and contributes literatures on the factors influencing the employees' whistle-blowing intention in the banking industry.

In this study, we identified four (4) factors affecting the whistle-blowing intentions of the employee working with financial institution in Malaysia. Based on the findings, it suggests that perceived organizational support and ethical responsibility reporting is significant and positively influencing employees' internal and external whistle-blowing intention. Meanwhile, employee with positive attitude toward whistle-blowing will influence them to report wrongdoing internally rather than externally. There is negative relationship between personal cost reporting and internal whistle-blowing intention. All of these results are consistent with previous researchers.

Employees with positive attitude towards whistle-blowing prefer to disclose wrongdoing to management because it allows the bank to make rectification and reduce risks which may tarnish the bank reputation. Employees appreciate employers which value and protect their well-being. The likelihood to report wrongdoing is high when employee perceives there is full organization support to disclose wrongdoing. The implementation of whistle-blowing policy in the bank is one kind of organization support to encourage employees to report wrongdoing. Employees would feel motivated to support the bank's direction in combating fraud and unethical misconduct as they are assured of the bank's serious commitment in achieving this objective. This initiative helps the bank to detect, prevent, mitigate and rectify any

fraud, misconduct and malpractice committed by the bank. Employees with high sense of ethical responsibility for reporting are willing to report wrongdoing in the bank because it protect all stakeholders' welfare and increase the value of the bank's shares.

As discussed earlier, there are some limitations that need to be take note. Firstly, the result of this study is purely based on the intention of the employee without considering the actual behavior. Secondly, the accuracy of data collected might not be hundred percent correct as respondent may misinterpret the question while answering the self-administrated questionnaire. Thirdly, due to constraints in identifying the sampling frame, the sample size is selected based on estimation only. As a result, a convenient sampling method was chosen instead of using random sampling method. To improve on the limitation of this study, some recommendation should be consider for future research used.

To summarized, future research can consider selecting East Malaysia population as their sampling frame since most of the whistle-blowing research was performed in West Malaysia because they have different value, lifestyle, culture which may show different result from this present study. Some of the banks value and emphasize on teamwork. The effect of working as a team may influence the employees' whistle-blowing intention in the bank. Future research can consider studying the influence of group cohesion. Other factors like independence commitment can be adopt in future research on Chartered Banker as well because they have responsibility to act independently and professionally.

Last but not least, each bank would have different organizational culture to meet their mission and vision. It is of utmost importance for the banks to adopt an organizational culture that promotes ethic, integrity and morality which would be able to encourage employees' whistle-blowing intention.

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## APPENDICES

### APPENDIX A: QUESTIONNAIRE COVER LETTER

#### **Employees' Whistle-blowing Intention in the Banking Industry**

Dear Sir / Madam / Miss,

I am currently conducting a research and would like to invite you to participate in this survey to examine the whistle blowing intentions of employees working in the banking industry in Malaysia.

Your responses will be kept confidential. Results will be reported in general terms and responses will not be identified by individual. All responses will be compiled together and analyzed as a group. I would appreciate if you can take your time to complete the following survey.

Should you have any questions, please contact me via email at [chengcwei@gmail.com](mailto:chengcwei@gmail.com).

Thank you.

Yours sincerely,

Cheng Chee Wei

## APPENDIX B: QUESTIONNAIRE SURVEY

### Section A: Demographic Profile

This section relates to demographic information about you and your company. Please answer the question in the space provided by putting a tick. All answers will remain strictly confidential and anonymous.

This questionnaire is design specifically for employee working in the banking industry.

1. Gender

- Male  Female

2. Age

- Under 25 years old  25 – 35 years old  
 36 – 45 years old  Above 45 years old

3. How many years have you been with your present employer?

- Less than 2 years  3 years – 5 years  
 6 years – 10 years  Over 10 years

4. Please indicate your position in your current company

- Senior Management  Middle Management  
 Junior Level

5. How many people are currently employed at your company?

- 0 to 500 employees       501 to 1,000 employees  
 1,001 to 3,000 employees    More than 3,000 employees

**Section B: Factors**

Please rate the following:

Attitude - the feeling to respond positively or not, either for an object, a person, an institution, or an event.

No	Statement	Strongly Disagree		Neutral		Strongly Agree
1.	Att1: Report wrongdoing would help prevent serious harm to the firm.	1	2	3	4	5
2.	Att2: Reporting wrongdoer's action is helpful in controlling unethical behavior.	1	2	3	4	5
3.	Att3: Whistleblowing enhances the public interest.	1	2	3	4	5
4.	Att4: Reporting action in the workplace is a way for an employee to do his or her duty.	1	2	3	4	5
5.	Att5: Whistleblowing on is the moral thing to do.	1	2	3	4	5



Perceived organizational support - the extent to which the organization values their contributions and cares about their well-being (perceived the organization in willing and capable of giving high level support).

No	Statement	Strongly Disagree		Neutral		Strongly Agree
1.	POS1: My company cares about my opinions.	1	2	3	4	5
2.	POS2: My company really cares about my well-being.	1	2	3	4	5
3.	POS3: My company strongly considers my goals and values.	1	2	3	4	5
4.	POS4: My company is always available to offer me help when I have a problem.	1	2	3	4	5
5.	POS5: My company would forgive an honest mistake I made.	1	2	3	4	5
6.	POS6: If given the opportunity, my company would take advantage of me.	1	2	3	4	5
7.	POS7: My company shows very little concern for me.	1	2	3	4	5
8.	POS8: My firm is willing to assist me if I need a special favour.	1	2	3	4	5
9.	POS9: My company values my integrity.	1	2	3	4	5

Personal Cost Reporting - individual's perception of the risk of retaliation from the members in the organization that could affect one's willingness to report wrongdoing.

No	Statement	Strongly Disagree		Neutral		Strongly Agree
1.	PCR1: I would be given less favorable job duties.	1	2	3	4	5
2.	PCR2: I would be unfairly demoted.	1	2	3	4	5
3.	PCR3: I would be denied a promotion I deserved.	1	2	3	4	5
4.	PCR4: I would be denied an opportunity for training I deserved.	1	2	3	4	5
5.	PCR5: I would be given poor job performance appraisals.	1	2	3	4	5
6.	PCR6: I would be transferred to a less desirable job.	1	2	3	4	5
7.	PCR7: I would be unfairly disciplined.	1	2	3	4	5

Ethical Responsibility for Reporting – relates to personal preferences whether performing a behavior is morally right or wrong and whether their sense of moral responsibility engenders them to perform or not to perform the behavior.

No	Statement	Strongly Disagree		Neutral		Strongly Agree
1.	ERR 1: My company have made it known that unethical conducts would not be tolerated.	1	2	3	4	5
2.	ERR 2: Any employee in my company would be severely reprimanded if his unethical conduct results in his personal gain.	1	2	3	4	5
3.	ERR 3: Any employee of my company would be severely reprimanded if his unethical conduct results in primarily the company's gain.	1	2	3	4	5

### Section C: Whistle-blowing Intention

Please rate the following as to the extent that you would intend to whistle-blow if you discover a wrongdoing within your company.

#### Whistle-blowing Intention (Internal)

No	Statement	Strongly Disagree		Neutral		Strongly Agree
1.	WBI1: I would report the wrongdoer's act to the appropriate persons within the company (e.g: human resource, risk and compliance team)	1	2	3	4	5
2.	WBI2: I would use the reporting channels inside of the company (e.g: whistle-blowing hotline)	1	2	3	4	5
3.	WBI3: I would let upper level of management know about the wrongdoer's act (e.g: audit committee).	1	2	3	4	5
4.	WBI4: I would tell my supervisor about the wrongdoer's act.	1	2	3	4	5

#### Whistle-blowing Intention (External)

No	Statement	Strongly Disagree		Neutral		Strongly Agree
1.	WBE1: I would report the wrongdoer's act to the appropriate authorities outside of the company (e.g: Royal Malaysia Police and Malaysian Anti-Corruption Commission (MACC)).	1	2	3	4	5
2.	WBE2: I would use the reporting channels outside of the company (e.g: Bank Negara's hotline).	1	2	3	4	5
3.	WBE3: I would provide information to outside agencies (e.g: public hotline designed for reporting fraud).	1	2	3	4	5
4.	WBE4: I would inform the public of wrongdoer's act (e.g: social media - facebook, Instagram and twitter).	1	2	3	4	5