

CHAPTER 3

RESEARCH METHODOLOGY

This chapter describes the research methodology used in this study. The aspects that will be discussed are the measuring instruments and constructs, sampling technique, data collection procedures and the statistical techniques used.

3.1 Measuring Instruments & Constructs

To achieve the objectives of this study, six constructs were measured. These constructs will act as instruments to measure the ethical conduct and perspectives of executives in financial institutions. All the six constructs will be discussed in turn.

3.1.1 Opinion about Industry's Ethical Practices.

Opinion of the executives about the industry's practices was measured with seven variables. The variables consists of statements relating to the industry as treating their customers well, moral obligation in granting loans without collateral, fairness among competitors within the industry, violation of customers confidentiality and adherence to rules and regulations outlined by the authorities.

All the variables were assigned with a 6 point Likert scale and summated with the label named TOPIND i.e. Total Opinion about Industry's Practices.

3.1.2 Opinion about Their Company's Ethical Practices.

The variables that form perceptions of a company's ethical practices includes fairness towards customers, upholding customers confidentiality, top management's transparency, training provided on the subject of ethics, company's reputation and respect of the employees rights.

The variables were assigned with hypothetical ethical statements and a 6 point Likert scale for the executives to indicate their opinion.

3.1.3 Opinion about Shirking Issues.

The variables assigned to this construct were related to normal daily issues happening in the office environment. The variables assigned to this construct are, taking some office stationeries home, using company's time for personal purposes, calling in sick in order to take a day off and taking longer than necessary to do a job.

These variables were assigned a 6 point Likert scale questions ranging from strongly disagree to strongly agree. The executives were to indicate their opinion on the entire variable, which is then summated to form a SHIRKING construct.

3.1.4 Whistle Blowing

This construct was measured by using four variables, which was designed in the form of questions that requires the respondents to indicate their responses. The variables are letting a colleague get away with unethical behaviors, willingness to lie to cover their bosses mistakes, willingness to report to their boss if they see a fellow employee taking home office stationery and willingness to report to management if they found their boss is accepting bribes.

The responses were assigned to a 6 point Likert scale ranging from definitely will to definitely will not.

3.1.5 Perception of the Executives on Unethical Practices.

This construct was measured by ten variables. The variables were designed in the form of simple hypothetical ethical situation (HES) and scenario analysis. The executives were to indicate their perceptions on the ethical situation given.

Major clusters of this HES are perception about relationship with their subordinates, adherence to credit policies at all times, falsifying credit reports, conflict of interest and need for good working environment. The other five variables were tested in the form of scenario analysis. An unethical scenario was given followed by series of five questions to measure the respondent's perceptions about that unethical case. The respondents were indirectly measured of their perceptions on the unethical conduct of the manager, whether the managers action will harm others, is the action a common case or socially acceptable.

Both the HES and scenario statements were measured on a 6 point Likert scale. A positive item was assigned with scoring ranging from 1 to 6, while the negative items ranged from 6 to 1. This is to ensure that the total scoring will be summated and given in the order of very unethical to very ethical.

3.1.6 Ethical Conduct of Executives

This construct is another important aspect of the study. Five variables were assigned to this construct. The variables were measured in the form of questions that requires the respondents to indicate directly what will their action be in the scenario given. They were required to indicate whether they will ignore the situation or caution the manager, or inform their superior or authorities or will join the manager.

Besides the above 6 constructs, this study also aimed to analyze the factors, in the opinion of the respondents that will influence a credit executive to make unethical actions. Eight factors were given and the respondents were required to rank the factors according to its importance. The eight factors were categorized into four main factors, which are environmental pressures, financial need, industry's practices and society's ethical climate.

3.2 Sampling Techniques

The sample population of this study was drawn within the locality of Klang Valley. Samples were mainly drawn from Kuala Lumpur, Petaling Jaya, Shah Alam and Klang.

Sampling frame of this study was a list of financial institutions, which includes Commercial Banks, Merchant Banks, Finance Companies and Leasing Companies. At the final sample size, four types of financial institution participated totaling 18 different financial institutions.

The sampling method employed in this study was non-probability sampling. Non-probability sampling is one, where a case is chosen in a manner that makes it impossible to estimate the probability of selection for each element in the populations. Convenience sampling was used as the study was conducted by contacting population members who are easily located and willing to participate.

Quota sampling method was used in regards of the type of financial institutions. Based on the proportion of the population, subject was selected to match the population proportion.

3.3 Data Collection Procedures

As the study was aimed to find out the perceptions, opinions and conduct of the executives in financial institutions, the respondents were mainly the credit and marketing executives who carry out credit appraisal and market the financial product of their institutions.

Questionnaires were developed based on earlier researches and various common ethical issues related to credit appraisal and marketing of loans as shown in the figure 1 of the chapter two of this study. The questionnaires were distributed to managers or head of credit division in the financial institutions.

The constructs and HES are based on the behavioral category developed by Mitchell (1992) which was done based on 315 articles from a variety of ethical publications. In addition, more frequent issues prevailing in the financial institutions is included as specific moral behaviors.

Each respondent had to complete a 51 item questionnaire which was divided into the following four section:

- Section A : 25 HES
- Section B : 10 statements tied to an unethical scenario
- Section C : Factor ranking
- Section D : Respondents profile (8 items)

The questionnaire also contains some less traditional questions describing an ethically questionable situation in the financial institutions. These type of questions are valuable as it forces the respondent to make up his/her mind in a particular situation and take a stand beyond, general non-committal statements.

All the respondents were informed of the purpose of this study. They were also assured that their responses and personal profile would not be made known to their company.

3.4 Statistical Techniques

The Statistical Package for Social Science (SPSS) program was used to analyze the demographic profile of the respondents and their perception, opinion and conduct with respect to whistle blowing, shirking, the industry's and their own company's ethical standards.

To make the data readable and reliable, the raw data were edited by means of frequency and percentage distribution. This statistical technique will also be used to analyze the demographic profile and general characteristic of the respondents.

Reliability analysis will be performed on all set of variables to determine whether they form an additive scale. This was to provide means to simplify the analysis and reporting the data by showing that a group of variables, possibly all form of scale that is reliable to measure a construct.

Correlation analysis was carried out to measure the relationship of the variables or group of variables with another variable or group of variables. This was to determine the association between each pair of variable or construct, whether they are positively or negatively correlated.

Relationship between dependent variables and independent variables were fit with a straight-line stepwise relationship and will be analyzed by using regression analysis. Analysis of Variance (ANOVA) was used to analyze the variability among the sample means relative to the spread of the observation with each group.

Multiple response analyses were used to analyze the choice of factors that were indicated as most important in ranking.