# CHAPTER 4

# RESULTS AND DATA ANALYSIS

This chapter describes the data collected and the analyses of data. A total of 120 questionnaires were distributed to executives in 18 financial institutions comprising 8 commercial banks, 4 finance companies, 4 merchant banks and 2 leasing companies. Seventy-eight questionnaires were returned thus giving a response rate of 65%.

## 4.1 Demographic Profile of the respondents

Using the frequency distribution and percentage distribution, the demographic profile of the respondents can be analyzed as follows: -

a) Gender

Table 4.1.1
Respondents' Gender

| Gender | Count | Percentage |
|---|---|---|
| Male | 45 | 57.7% |
| Female | 33 | 42.3% |

b) Age group

Table 4.1.2
Respondents' Age Group

| Age | Count | Percentage |
|---|---|---|
| 20 – 30 years | 38 | 48.7% |
| 31 – 40 years | 36 | 46.2% |
| 41 – 50 years | 3 | 3.8% |
| Above 50 years | - | - |

The majority of the respondents were from the younger age group i.e. 20 to 40 years. This reflects the industry's resource structure and the designation of the executives. Most of the respondents were fresh graduates. The rests of the respondents were those promoted to executive level from the clerical level.

c) Ethnic Composition

Table 4.1.3
Respondents' Ethnic Composition

| Race | Count | Percentage |
|---|---|---|
| Malay | 23 | 29.5% |
| Chinese | 30 | 38.5% |
| Indians | 25 | 32.1% |
| Others | - | - |

c) Job Designation

Table 4.1.4
Respondents' Designation

| Designate | Count | Percentage |
|---|---|---|
| Managers | 15 | 19.2% |
| Executives | 62 | 79.5% |

d) Years in Service

Table 4.1.5
Respondents' Years in Service

| No of Years | Count | Percentage |
|---|---|---|
| 1 – 5 | 40 | 51.3% |
| 6–10 | 23 | 29.5% |
| 11 – 15 | 8 | 10.3% |
| Above 15 | 7 | 9.0% |

A Large portion of the respondent have been working in this sector from 1 to 5 years. This reflects the sample population of executives to have at least 5 years of experience before being promoted.

f) Salary

Table 4.1.6
Respondents' Salary Scale

| Salary | Count | Percentage |
|---|---|---|
| Above RM1000 | 9 | 11.5% |
| Above RM2000 | 34 | 43.6% |
| Above RM3000 | 28 | 35.9% |
| Above RM4000 | 6 | 7.7% |

The majority of the respondents were earning between RM2000 to RM4000 per month.

g) Type of Financial Institutions

Table 4.1.7
Respondents' Type of Institutions

| Type | Count | Percentage |
|---|---|---|
| Commercial Bank | 42 | 53.8% |
| Merchant Bank | 11 | 14.1% |
| Finance Company | 17 | 21.8% |
| Leasing Company | 8 | 10.3% |

h) Education Level

Table 4.1.8
Respondents' Educational Level

| Education | Count | Percentage |
|---|---|---|
| Local Tertiary | 44 | 56.4% |
| Oversea Tertiary | 18 | 23.1% |
| Professional Qualification | 12 | 15.4% |
| Non-tertiary | 4 | 5.1% |

## 4.2 Reliability Analysis

Before the data is used for analysis, we need to perform a reliability analysis on all the scales of the variables.

All the variables affecting the 5 constructs were tested to measure and determine whether they form an additive scale that measures a concept. Cronbach Alpha used is a correlation coefficient that indicates average correlation of all items on the scale. It ranges from 0 to 1, with higher scores indicating greater reliability. A guide often used is alpha value is 0.7 and above (SPSS Handbook, page 159).

The alpha value for scale used to measure the ethical conduct of the executives was significantly above 0.70. However, this is not an absolute standard and values below 0.70 have been deemed as acceptable for researches which is exploratory in nature. Cronbach alpha value for total opinion of the executives about their company's ethical practices was 0.66 while value for ethical conduct was 0.7343.

Table 4.2.1 below shows the summary of reliability analysis for all the five constructs measurements scale.

Table 4.2.1
Reliability Test

| Scale/Construct | No of Variables Used | Alpha Value |
|---|---|---|
| WHISTLE BLOWING | 4 | 0.3172 |
| SHIRKING ISSUES | 4 | 0.3669 |
| TOTAL OPINION ON INDUSTRY'S ETHICAL PRACTICE | 7 | 0.4829 |
| TOTAL OPINION ABOUT COMPANY'S ETHICAL PRACTICE | 5 | 0.6631 |
| TOTAL PERCEPTION | 10 | 0.4860 |
| CONDUCT OF EXECUTIVES | 5 | 0.7343 |

From the reliability coefficient results, the study concludes that only the scales used to measure the ethical conduct of the executive and their opinion about their company's ethical practices are reliable. The reliability of scales of other constructs although low in its coefficient, can still be used for the purpose of this study.

## 4.3 Analysis of Constructs

### 4.3.1 Whistle Blowing

Whistle blowing is a term used for a wide range of activities that are dissimilar from a moral point of view. Sometimes the term refers to disclosures made by employees to executives in a firm, perhaps concerning improper conduct of fellow employees or superiors who are cheating on expense account, or are engaging in petty or grant theft. (De George, 1995)

The study is aimed to find out the perception of the executives in respect to whistle blowing and the results are summarized in the Table 4.3.1.

Overall, the respondents have indicated clear perceptions on the importance of ethical behavior in respect to whistle blowing. A total of 96.1% of the respondents indicated that it is wrong to allow their colleague to get away with unethical behavior. However, only 66.7% of the respondents expressed disagreement to lie to cover their boss mistakes. About 33.3% of respondents however indicated that they will lie to certain extend to cover their bosses mistakes. This may be due to the relationship that has been established or the perception of the executives on the seriousness of the mistakes.

In relation to exposing their fellow employee taking home some office stationeries, only 64.2% of the respondents indicated that they will report to their boss and 35.8% of the respondents indicated that they will not. This shows that the executives are not willing to blow the whistle on their boss. It may also be due to the degree of the behavior perceived as "minor" and "more frequent" in daily working environment. On the other hand, if their boss is found to be on the take (bribery) 71.9% of the respondents indicated that they will definitely report to the management.

This finding is somewhat similar to the findings of the studies done in the west. Perhaps, we could conclude that cultural differences do not influence the ethical perception of the executives in the financial institutions. However, for certain, the responses of the respondents' differ according to the degree or seriousness of ethical behavior. Perhaps, the frequent unethical behaviors are perceived as not worth to be reported.

The executives' responses for the whistle blowing in the HES were as follows:

Table 4.3.1
Perception on Whistle Blowing

| Measurement | Strongly Disagree | Disagree | Somewhat Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| V07 Its Morally wrong to allow your colleague get away with unethical behavior | 1.3% | 0% | 2.6% | 19.2% | 39.7% | 37.2% |
| V11 I will be willing to lie for my boss to cover his mistake | 24.4% | 20.5% | 21.8% | 20.5% | 12.8% | 0% |
| V13 I will not report to my boss if I see my fellow employee taking home some office stationery | 24.4% | 16.7% | 23.1% | 19.2% | 16.7% | 0% |
| V17 Its would not report to management if I found my boss is on the take | 32.1% | 16.7% | 23.1% | 20.5% | 5.1% | 1.3% |

### 4.3.2 Shirking Issues

The common practice of giving and receiving gifts to and from those with whom the executives regularly do business may or may not be ethical. If a person does not give favoured treatment from whom he/she accepts gift and is not prejudiced against those who fail to give, no conflict of interest is created. However, in situations where the independence of a person's judgements is affected by the fact of a gift changing hands, it may be seen to be in the nature of bribe.

A gift of high value is likely to have a potential for encouraging unethical behavior. Executives participating in the study was ask to give their opinion on these issues.

Table 4.3.2 below summarizes the respondent's responses on their perception of some shirking issues. The results show that 80.7% of the respondents perceived as wrong to accept gift or attend dinner given by a prospective loan applicant. Whereas, 19.3% of executives perceive it as not wrong. The variances in the responses suggest that the executives perceive differently in accepting gift or attending dinner given by prospective loan applicant. This may be due to the perception of accepting gift during festival season or attending dinners as a normal way to do business in this competitive industry or some may give reasons as to know the customer better.

In using the company's time for personal purposes, 83.3% of the responded perceived this as wrong behavior. About 16.7% of the respondents perceived this as not wrong. However, 76.9% of the respondents disagree with statements on calling sick to take a day off. In which, 41.0% of the respondents strongly disagree with this behavior, thus suggesting a relatively high ethical perception among the executives. In the case of taking longer than necessary to do a job, 84% of the respondents agree that it is wrong with 42.3% of them indicating strong agreement.

As in total perception of these shirking issues, the study suggests that the executives in the financial institutions have a clear perception of ethical behaviors. The small variation in responses may be due to the reason underlying within the executives, which led them to regard certain unethical behaviors as acceptable.

The executives were tested on their perception of some shirking issues in their office environment. The results are shown in the Table 4.3.2 below.

Table 4.3.2
Perception on Shirking Issues

| Measurement | Strongly Disagree | Disagree | Somewhat Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| V05 It is wrong for a credit executive to receive a gift or attend a dinner given by a prospective loan applicant | 5.1% | 5.1% | 9.0% | 25.6% | 26.9% | 28.2% |
| V16 It is wrong to use company time for personal purposes | 2.6% | 1.3%% | 12.8% | 14.1% | 29.5% | 39.7% |
| V18 Its okay to call in sick in order to take a day off | 41.0% | 21.8% | 14.1% | 14.1% | 5.1% | 2.6% |
| V20 Its wrong to take longer than necessary to do a job | 1.3% | 3.8% | 10.3% | 15.4% | 26.9% | 42.3% |

### 4.3.3 Opinion on the Industry's ethical practices

The hypothetical ethical situation and its results suggest that, overall the executive perceived the industry practices are very ethical. The results are shown in the Table 4.3.3.

A total of 98.7% of the respondents indicated their opinion that a company must treat its customers well. This may be due to the culture of the financial institution, which is customer focussed and customer orientated. But, their opinion on practicing fairness among their competitor has shown variation whereby only

80.8% of the respondents agreed that financial institutions must be fair with their competitors, suggesting again the competitive nature of this industry.

An interesting finding was the opinion of the executives about the industry's moral duty to provide clean loans to small businessman. A total of 26.9% of the respondent disagreed to financial institution granting loan without collateral. This may be due to the practice and training obtained in conventional banking. However, their opinions on Government's policy to provide preferential loans to certain sector of the economy was well received whereby 93.5% of the respondents indicated strong agreements with the governments' move. This may be typical opinion of bankers, to comply with Bank Negara's directives.

In upholding the customer's confidentiality, about 97.5% of the respondent are of the opinion that it's morally wrong to violate a customer's confidentiality. This suggests two things. The respondents may have high ethical opinion on personal privacy or the opinion has been influenced by the strict conditions stipulated in the Banking And Financial Institutions Act, which imposes a prison term for the violation of customers' confidentially.

With regards to compliance to BAFIA and having code of ethics, the executives are of the opinion that it is a vital move. This is reflected by 97.4% of the respondent's indicating the importance to have code of ethics. This results suggest that the executives in the financial institutions are either aware of their role, responsibility and accountability or they are well scrutinized by Bank Negara via strict reporting system and auditing procedures.

The executives' perception on the industry's ethical practices is shown in the Table 4.3.3.

Table 4.3.3
Perception on Industry's Ethical Practices

| Measurement | Strongly Disagree | Disagree | Somewhat Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| V01 A Company has a responsibility to treat its customers well | 0% | 0% | 1.3% | 9.0% | 17.9% | 71.8% |
| V 08 A Company must be fair with its competitor | 2.6% | 2.6% | 14.1% | 25.6% | 30.8% | 24.4% |
| V 12 Financial institutions have moral duty to provide loans to small businessmen who may not have adequate collateral | 5.1% | 7.7% | 14.1% | 34.6% | 24.4% | 12.8% |
| V 15 The Government is right when it requires financial institutions to provide preferential loans to certain sectors of the economy | 1.3% | 3.8% | 1.3% | 25.6% | 34.6% | 33.3% |
| V19 It is important for a company to have code of ethics | 1.3% | 0% | 0% | 11.5% | 29.5% | 57.7% |
| V22 It is morally wrong to violate a customers' confidentiality | 0% | 0% | 2.6% | 10.3% | 32.1% | 55.1% |
| V 23 It is important to adhere to BAFIA | 0% | 0% | 2.6% | 5.1% | 17.9% | 74.4% |

### 4.3.4 Opinion about their Company's Ethical Practices

The survey results in Table 4.2.4 shows that majority of the executives perceived their company to have good ethical practices. However, their responses on the training provided on the subject of ethics are not consistence with their opinion on company practices.

About 89.7% of the respondents regarded their company to have good overall reputation while 89.8% perceived their company lives up to its social responsibility. However, only 71.8% of the respondents agreed that their top management does practice openness, trust and transparent management. Whereas 28.2% of the respondents are of the opinion that their top management is not transparent and does not practice openness.

This finding should be well noted, as the opinion of the executives on the top management is crucial for ethical behaviors. Top management should take necessary actions to eliminate this perception in order to create a better working environment.

In respect to human rights, 82% of the respondents agreed that their company treats all employees with respect and consideration.

An interesting finding of this study is that 34.6% of the executives are of the opinion that their company does not provide adequate training on the subject of ethics. Perhaps, this indicates that financial institutions in general, are not giving emphasis on ethical training for their employees. To improve ethical behavior across the industry, the institutions should increase their training program on the subject of ethics. Otherwise, at the present economic conditions, the entire financial system may collapse due to a high rate of unethical practices.

Table 4.3.4
Opinion on Company's Ethical Practices

| Measurement | Strongly Disagree | Disagree | Somewhat Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| V 04 My Company has a good overall reputation | 1.3% | 2.6% | 6.4% | 19.2% | 42.3% | 28.2% |
| V 09 My Company lives up to its social responsibility | 0% | 3.8% | 6.4% | 32.1% | 32.1% | 25.6% |
| V 14 My top management always create an atmosphere of openness and trust | 2.6% | 3.8% | 21.8% | 32.1% | 25.6% | 14.1% |
| V 21 My Company treats all employees with respect and consideration | 0% | 9.0% | 9.0% | 43.6% | 19.2% | 19.2% |
| V 24 My Company provides adequate training on the subject of ethics | 6.4% | 15.4% | 12.8% | 29.5% | 23.1% | 12.8% |

### 4.3.5 Ethical Conduct of the Executives

To measure the ethical conduct of the executives, respondents were given a scenario in which a manager accepts a secret commission (bribe) to expedite a loan approval. The executives were requested to indicate their action if they are working for that manager. The results are summarized in the Table 4.2.5 below.

Table 4.3.5
Ethical Conduct of the Executives

| Measurement | Strongly Disagree | Disagree | Somewhat Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| V 31 Ignore the situation by not taking any action | 47.4% | 17.9% | 12.8% | 12.8% | 2.6% | 6.4% |
| V 32 Caution the Manager over his action | 7.7% | 14.1% | 17.9% | 16.7% | 19.2% | 24.4% |
| V 33 Inform the Managers' Superior | 6.4% | 14.1% | 16.7% | 21.8% | 15.4% | 25.6% |
| V 34 Inform Bank Negara of the violation | 15.4% | 5.1% | 19.2% | 26.9% | 41.1% | 19.2% |
| V 35 Try to market some new customers to the manager so that you too receive a confidential commission | 92.3% | 7.7% | 0% | 0% | 0% | 0% |

A total of 78.1% of the respondents indicated that they will not ignore the Managers action but only 60.3% indicated that they would caution the Manager over his action. This is perhaps due to the close working relationship established. However, 62.8% of the respondents agreed that they would report to the managers' superior and 60.2% respondents agreed to inform Bank Negara.

The results suggest that the executives in the financial institutions are not too keen in exposing their managers' wrong doings although they opined that the managers' action is wrong. Perhaps, this is due to unfamiliarity of the case or they have not observed this scenario before.

### 4.3.6 Ethical Perception of the Executives

Various behavioral categories were given in the form of hypothetical ethical situations and scenario analysis. The responses of the executives are summarized in the Table 4.3.6 below.

Table 4.3.6
Ethical Perception of Executives

| Measurement | Strongly Disagree | Disagree | Somewhat Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| V 02 An executive must not get too friendly with his/her clerical staff | 7.7% | 14.1% | 14.1% | 35.9% | 20.5% | 7.7% |
| V 03 It is important to follow credit policies closely although at times it appears to be cumbersome | 0% | 3.8% | 0% | 19.2% | 35.9% | 41% |
| V 06 It is wrong to falsify credit reports or conceal pertinent facts during a credit evaluation | 0% | 0% | 1.3% | 2.6% | 24.4% | 71.8% |
| V10 The interest of the Company is more important than my own personal interest | 1.3% | 1.3% | 12.8% | 39.7% | 30.8% | 14.1% |
| V25 Salary is more important for me than good working condition | 3.8% | 11.5% | 37.2% | 19.2% | 16.7% | 11.5% |
| V26 The action of the manager is wrong | 1.3% | 1.3% | 0% | 2.6% | 7.7% | 85.9% |
| V27 The action of the manager will harm others | 5.1% | 3.8% | 3.8% | 11.5% | 16.7% | 59.0% |
| V28 The action of the Manager is a common case | 19.2% | 12.8% | 19.2% | 19.2% | 17.9% | 10.3% |
| V29 The action of the Manager is socially acceptable | 50.0% | 17.9% | 19.2% | 11.5% | 1.3% | 0% |
| V30 The managers' action is right only if he split the RM10,000 with credit processing executive | 96.2% | 2.6% | 1.3% | 0% | 0% | 0% |

The perceptions of executives of being too friendly with their clerical staff have shown high variation of responses in which 35.8% of the respondents perceived that it is not wrong to be too friendly with their clerical staff. Even among those perceived as wrong, about 35.9% indicated as somewhat agree. This suggests that most executives are too friendly or friendly with their clerical staff.

This, may be due to working conditions in the financial institutions whereby executives highly depend on their clerical staff to get work done. This result may not be the same if we study the relationship between managers and clerical.

In respect to adherence to credit policies, 96.1% of the executives perceived that it is important to follow credit policies closely although at times it appears to be cumbersome. Further, 98.7% of them also perceived as wrong to falsify credit reports or conceal pertinent facts during credit evaluation. This suggests that the executives in the financial institutions have high ethical values in respect to writing credit report. This may be due to the existing practice in the financial institutions to hold the credit executives accountable if their account is defaulted. However, it could also be that the executives stand to submit a good report for their management's decision making.

A total of 84.6% of the respondents perceived that the interest of the company is more important than their personal interest. However, conflict of interest does exist in the financial institutions as reflected by 15.4% of the executives indicating their own interest as more important than the company's interest. This result is consistent with 47.7% of the executives indicating salary as more important than working environment.

As for the perception on the manager's action given in the scenario, 96.2% of the respondents perceived the managers' action as wrong but only 72.2% of them perceived the action will harm others. This may be because of their understanding of the consequences of an unethical action to others.

Interestingly, more than half of the executives (51.2%) perceived the managers' action as a common case. Is it being implied that bribery of this nature happens frequently in the financial institutions? Can we conclude that unethical practice among managers in the financial institutions is so common?

However, 87.1% of the executives perceived that the manager's action is not socially acceptable. In justifying the managers' action as acceptable if the secret commission is shared with the processing executives, 100% of the executives rejected this choice.

In sum, the findings suggest that the executives' perceptions in general, are highly ethical.