

Research Paper

Determinants of Employee Fraud in Workplace: A Fraud Triangle Perspective

Amirah Mohd Sham¹, Kamaruzzaman Muhammad^{2*}, Erlane K Ghani² and Citra Sukmadilaga³

¹QSR Brands Holding Sdn. Bhd, Malaysia

²Faculty of Accountancy, Universiti Teknologi MARA, Cawangan Selangor, Kampus Puncak Alam, Selangor, Malaysia

³Department of Economics and Business, Universitas Padjadjaran, Bandung, Indonesia

*Corresponding author: kamaruzzaman@uitm.edu.my (ORCID ID: 0000-0002-3803-3364)

Received: 11-02-2023

Revised: 22-05-2023

Accepted: 02-06-2023

ABSTRACT

This study examines the factors influencing fraudulent activities in the workplace. Specifically, this study adopts the Fraud Triangle theory to examine whether rationalisation, opportunity, and pressure influence fraudulent activities in the workplace. Using a questionnaire survey on employees in a company, this study shows that rationalisation is positively and strongly significant in influencing fraudulent activities in the workplace, indicating that when the employees tend to be rational, it will positively influence their action toward fraudulent activities in the workplace. This study also shows that the opportunity factor influences fraudulent activities in the workplace, indicating that even when there is an opportunity, it does not positively influence the employee's action toward fraudulent activities in the workplace or that there is a lack of opportunity to commit fraud. However, this study shows that pressure does not positively influence fraudulent activities in the workplace. The findings in this study contribute to the literature on fraudulent behaviours. The findings of this study can assist companies in understanding their employees' needs and strategizing to enhance their employee management.

HIGHLIGHTS

- This paper is devoted to studying the factors influencing fraudulent activities at the workplace of XYZ company, which is a food and beverage company using the fraud triangle theory.
- In the course of the study, the effect of rationalization, opportunity and pressure faced by employees on fraudulent activities are examined.

Keywords: Employees, rationalization, opportunity, pressure, fraud

Fraud is an act of deceit that consists of seven elements: it is a representation; it pertains to a material issue; it is truly untrue; it is purposeful or irresponsible; it is done on the victim; and it causes harm to the victim (Albrecht, 2012). Fraudulent activities have been known to affect the workflow, and a company can suffer financial and non-financial losses (N'Guilla Sow *et al.* 2018, Mamchur *et al.* 2023). According to studies, organisations lost around 5 percent of their yearly sales to fraud, with a total loss of more than USD 7.1 billion (ACFE, 2018). It is estimated that this figure represents just

a small percentage of all frauds performed against organisations worldwide, with the total costs likely to be far higher than what is recorded. As a result, it is sufficient to demonstrate that fraud is a worldwide problem that must be investigated and handled. Eighty-three percent of public and private limited enterprises in Malaysia have suffered fraud (Ngu, 2005). As compared to the study conducted

How to cite this article: Sham, A.M., Muhammad, K., Ghani, E.K. and Sukmadilaga, C. (2023). Determinants of Employee Fraud in Workplace: A Fraud Triangle Perspective. *Econ. Aff.*, 68(02): 1015-1025.

Source of Support: None; **Conflict of Interest:** None



in 2002, this represents a rise of 33 percent. Sixty-two percent of those polled said they think fraud is a significant issue in Malaysia. Of those who lost money to fraud, 36% had losses between RM10,000 and RM100,000.

Among all types of fraud, employee fraud is a concern that is worthy of debate in today's global economy. Employee fraud instances involving workers and high management are being reported in increasing numbers from nations throughout the world, including Malaysia (ACFE, 2018; PwC, 2020). According to PwC (2020), 68 percent of fraud in Malaysia is conducted by workers, with 35 percent committed via cooperation with third parties. Employee fraud is frequently associated with deception, which is at the heart of fraud regardless of the industry or type of fraud depicted (Aris *et al.* 2013). It is described as purposeful or deliberate misbehaviour or theft of a business's assets by workers, resulting in losses for the companies (Said *et al.* 2015). It is regarded as a prohibited criminal action because it involves the misuse or false representation of a position or the jeopardization of a person's right to get personal profit. In other terms, employee fraud is a crime perpetrated by an individual or group of workers who use deceit to achieve a personal benefit by exploiting control flaws. As a result, it will cause financial or non-financial damage to their employers (Mohamed *et al.* 2021).

In XYZ Company, their employees have been highlighted with the company's policies, guidelines, standard operating procedures, and limits of authority. However, certain employees are still ignoring the policies and procedures that were provided by the organization. Aside from that, a food and beverage organisation like XYZ Company has strong purchasing power from both the end consumer and the market, according to its finance department. Further than that, the purchase order cycle is small, and the credit term for raw materials is short. This situation may create fraudulent activities. Currently, there are few cases that have been investigated. The first case is on the quotation issue, where according to the limit of authority, the purchases that amount to less than RM50,000 are required to disclose a minimum of three quotations. The issue is that three quotations that were used to purchase spare parts for repair and maintenance are

based on one original and another two that were purposely created. In order to meet the condition, the quotation was never checked and compared. The impact of this case is a violation of guidelines or limits on authority and jeopardises the objective of obtaining three quotations, which is to have knowledge and make comparisons with market prices; if there are personal relationships, this might affect business operations. The second case involves the tendering process, in which an appointment must be carried out independently, such as with a background check and financial assessment required from Suruhanjaya Syarikat Malaysia (SSM), financial statements, and the director's bankruptcy and performance history. The problem is that two of the five external transporters were family members, a father and his daughter. The daughter transporter was found to do deliveries on her father's route. The impact of this case is that a family relationship is not permissible as it is against the objective of obtaining a quotation. It will also monopolise the transportation services provided by this family in the future and not diversify vendors. This study aims to examine the factors influencing fraudulent activities at the workplace of XYZ Company, which is a food and beverage company. Specifically, using the fraud triangle theory, this study examines the effect of rationalisation, opportunity, and pressure faced by employees on fraudulent activities in the workplace of XYZ Company. The study's findings can help XYZ Company's management and other interested parties understand the factors that influence fraud activities and strategies to mitigate fraudulent activities. The next section provides the literature review related to this study. This is followed by the research design, and the results and discussion. The last section concludes this study.

LITERATURE REVIEW

Girgenti and Hedley (2011) defined fraud as "a misrepresentation properly relied upon by someone to that person's detriment or the unfair advantage of the fraudster." Hermaj (2004) defined fraud not just by focusing on the misuse of corporate resources and assets; he also considered the manipulation of financial statements such as the income statement, balance sheet, and cash flow. One type of fraud is occupational fraud. Occupational fraud is defined as the purposeful abuse or misapplication of the

employing organization's resources or assets for personal benefit (Lin *et al.* 2022). It typically involves employee malfeasance, for which the organisation would suffer costs as a result of the misconduct. Fraud may be perpetrated by any employee at any level of the organisation, as long as they have a thorough grasp of the company and the authority to override management (Zhang, 2020). Occupational fraud can be divided into management fraud and employee fraud. Employee fraud, according to Wulanditya *et al.* (2022), includes but is not limited to acts of embezzlement, petty theft, asset misappropriation, bribery, corruption, and computer fraud committed by lower-level workers. They also noted that fraud committed by employees might occur in any organisation. Fraud committed by employees may take various forms and affect workers at all levels of an organisation. People often seek employment in buying and procurement departments, which deal with large amounts of money and valuable assets (Nawawi and Salin, 2018).

According to Peters and Balasundram (2016), there are a number of different schemes that workers might use to defraud their employers. These include reporting on payroll forms more hours worked than were actually worked, taking company property without paying for it or having permission to do so, and transferring money from company accounts to personal ones. Other examples include stealing company property without paying for it or having permission to do so (Aris *et al.* 2013). Fraudulent actions are defined as unlawful activities that induce a person to engage in unethical behaviour in order to get the results they seek. Because of this, customers would receive poor service, workflow or operations would be disrupted, the amount of time and money spent on training and resources would increase, there would be insufficient productivity or service, poor quality work, an inability to compete with other businesses, an inability to meet regulatory requirements, and finally, employees would be dissatisfied (Nawawi & Salin, 2018, Kovalenko *et al.* 2023). The concept of fraud triangle theory has been used and applied in the literature. Basically, this theory can determine the reason why people commit fraud (Abdullahi, 2015). A 1953 hypothesis proposed by Donald Cressey called the "fraud triangle" identified three factors:

pressure, opportunity, and rationalization, which are considered essential for white-collar crime to occur (Schuchter & Levi, 2013). Most fraudsters may rationalise their immoral behaviour by appealing to their own sense of morality, which relates to rationalisation (Schuchter & Levi, 2013).

Rationalization is defined as the capacity to neutralise the crime. Rationalization is the process of committing fraud in which a fraudster must adopt different types of morally acceptable behaviours that will be used to rationalise their idea before violating trust. Fraudsters also insist on acting unethically based on their logical reasoning and opinions, regardless of the consequences to themselves and others. The fraudster's belief that the dishonest and unethical act committed was something other than criminal activity is referred to as rationalization. Some examples of the moral behaviour used by the fraudsters to rationalise their fraudulent act include "I deserved more" or "I was underpaid." It is difficult to observe rationalisation because it is hard to read the mind of fraudsters.

Rationalization is the process of committing fraud in which a fraudster must adopt different types of morally acceptable behaviours that will be used to rationalise their idea before violating trust. Fraudsters also insist on acting unethically based on their logical reasoning and opinions, regardless of the consequences to themselves and others. The fraudster's belief that the dishonest and unethical act committed was something other than criminal activity is referred to as rationalization. Some examples of the moral behaviour used by the fraudsters to rationalise their fraudulent act include "I deserved more" or "I was underpaid." It is difficult to observe rationalisation because it is hard to read the mind of fraudsters. The fraudsters, at the time of committing fraud, know their behaviour to be illegal, unacceptable, or wrong, but they merely "kid themselves" into thinking that it is not "rationalizations as mental strategies that allow employees to view their corrupt acts as justified" (Zuberi & Mzenzi, 2019).

Besides acting individually, fraudsters tend to observe and blame other people based on actions that they have taken. The last is rationalisation. It is associated with the fraudster's justification to show that his or her action is morally right and permissible. For example, the fraudster may

falsify a sick certificate by justifying that his or her colleagues also do the same, but punishment is not taken (Zakaria *et al.* 2016; Kopanchuk *et al.* 2021; Dani *et al.* 2022). Therefore, based on the above studies, it is believed that rationalisation will have a positive influence on fraudulent activities in the workplace. Hence, the hypothesis proposed is as follows:

H₁: *Rationalisation has positive relationship to the factors influencing fraudulent activities*

According to Rae and Subramanian (2008), opportunity is a weakness in the system where the employee has the chance, power, and ability to exploit and possibly commit fraud. The weaker an organization's internal control system, the easier it is to conceal fraud. Hooper and Pornelli (2010) state that, even when an employee is under excessive pressure, financial fraud may not occur unless an opportunity exists. Organizational internal control weaknesses, a poor auditing system, a lack of accounting records, and poor segregation of duties are significantly influencing individuals to commit fraud. Tunerj *et al.* (2003) argue that despite the presence of pressure or motive on a person, he cannot be able to commit fraud until the possibilities are created. Moyes *et al.* (2005) state that related-party transactions would be considered the second factor among the numerous opportunity risk factors. Wilks and Zimbelman (2004) argue that a related-party transaction can only be considered in the third position among the various elements that indicate the presence of an opportunity to commit fraud. Ability brings similar meaning to opportunity. There should be any opportunity to take fraud action, such as low internal control, no rotation of work, trusting employees too much, and so on.

Opportunity may involve weaknesses in the detection and prevention systems, a weak ethical culture, excessive trust placed on some key executives, loopholes in regulations, and inadequate disciplinary sanctions that allow culprits to escape punishment (Zahra *et al.* 2005). Albrecht (2012) has identified situations that magnify fraud opportunities as excessive trust in key employees, failure to discipline perpetrators, lack of technical knowledge by customers to ascertain the quality of performance or reasonableness of the payment, and victims' ignorance, incapacity, or incompetence. An

opportunity to commit fraud poses a risk. It has an inverse relationship with an organisation's internal controls. Weak internal controls mean that the risk of committing fraud and getting caught is low. For example, the absence of asset listing documentation will create opportunities for asset misappropriations (Zakaria *et al.* 2016). Therefore, based on the above studies, it is believed that rationalisation will have a positive influence on fraudulent activities in the workplace. Hence, the hypothesis proposed is as follows:

H₂: *Opportunity faced by employees can influence fraudulent activities in the workplace of XYZ Company.*

When it comes to perpetrating fraud, pressure is a major contributor. There are three different kinds of pressure, including personal pressure, pressure from work, and pressure from the outside world. Significant motivational factors for the commission of fraud have been found as being individual pressure as well as corporate pressure (Saleem *et al.*, 2021). Greed, living above one's means, excessive spending or personal debt, family financial troubles, and drug addiction are all examples of types of pressure that people might experience. When the pursuit of organisational objectives becomes an obsession for the sake of reaching those goals no matter what the consequences, the system becomes unstable and, in the end, leads to its demise. As a result of this circumstance, people are more prone to participate in questionable behaviours, which may ultimately result in fraudulent behaviour (Saleem *et al.* 2021).

Lack of recognition can make an individual demotivated and lose interest in working. This issue may result in vengeance against a superior or a desire to make mistakes. Financial pressures are derived from such factors as greed, extravagance, financial distress, work conditions that indicate little recognition for job performance, the need for revenge, social status comparisons, passion for crime, demonstration of mastery of a situation (beating the system), feelings of job dissatisfaction and job insecurity, and the insistence on meeting aggressive targets with disproportionate resources to accomplish them (Zuberi & Mzenzi, 2019). Furthermore, rising living costs can put individuals under pressure to meet their basic needs. Individuals tend to falsify or alter their claims to gain more

money. Pressure can take many forms, including financial and employment pressure. An employee may experience pressure to feed his family due to low income, thus stealing cash from the company to feed his family (Zakaria *et al.* 2016; Smith & Marx, 2022; Handoyo & Putri, 2022). Therefore, based on the above studies, it is believed that rationalisation will have a positive influence on fraudulent activities in the workplace. Hence, the hypothesis proposed is as follows:

H₃: *Pressure faced by employees can influence fraudulent activities in the workplace of XYZ Company*

RESEARCH METHODOLOGY

Sample Selection

The employees of XYZ Company that are directly exposed to the management, processes, and decision-making are selected as the sample. The employees are placed in the office for management tasks in various fields, which include departments such as the finance department, procurement department, sales export department, purchasing department, strategic department, and human resource department. These employees are in charge of decision-making and procedures for goods purchased and sold, incoming funds, payments, tendering, employee management, corporate strategy, and others. They are considered appropriate respondents to participate in this study since they are directly involved in the daily events regarding management, decision-making, procedures, goods, and money.

Stevens (2002) suggested the use of 15 respondents per independent variable or at least 45 respondents for reliable social science research. Meanwhile, Roscoe (1975) suggested that the appropriate sample size should not be larger than 500 but must not be less than 30. Thus, in this study, since there are 3 independent variables, the minimum sample size would be 45 respondents.

Research Instrument

The research instrument for this study is a questionnaire survey. The development of the questionnaire was based on previous studies, particularly those by Ahmad and Norhashim (2008) and Zuberi and Mzenzi (2019), with some

modifications. The questionnaire consisted of five sections. The first section of the questionnaire, which is Section A, requests the respondents share information regarding their demographic profile, such as gender, age, education level, job level, monthly income level, and length of employment.

The second section of the questionnaire, Section B, requests the participants share information on their understanding and awareness of fraudulent activities in the workplace. Six questions were answered on a five-point scale, with 1 being "strongly disagree" and 5 being "strongly agree." The third section of the questionnaire, Section C, required the respondents to share information on their opinions on rationalisation to measure the influences on fraudulent activities. There were six questions asked in this section, and each question used a five-point scale from "strongly disagree" to "strongly agree." The fourth section, which is Section D, requests the respondents furnish information about their opinions on opportunity. This section assessed the possibility of fraudulent activity. There were six questions asked in this section. A five-point scale was also used in this section, ranging from "strongly disagree" to "strongly agree." Section E is the final section, in which respondents are asked to provide information on their opinions on pressure in order to measure the influences on fraudulent activities. There were six questions in this section. Similar to the other variables, this section also used a five-point scale from "strongly disagree" to "strongly agree."

Data Collection

A pilot study was conducted on 15 randomly selected employees prior to data collection. The purpose of the pilot study is to explore what is understandable and suitable to meet the objectives of this study. From the result of the pilot study evaluation, all unclear words or hazy questions raised were either deleted or rephrased to a simpler word. Following the completion of the questionnaire, it was constantly distributed to random employees of the XYZ Company.

The survey was conducted through an electronic platform provided by Google, which is called a Google form. The link to the address of the Google form was distributed through the *Whatsapp* application to make it quicker to reach the respondents and

for them to complete the survey. The headline of the questionnaires clarifies the objective of the research. The privacy and confidentiality guarantee of all information provided was also enclosed with the questionnaires circulated. A total of 200 questionnaires were distributed to the employees of XYZ Company. Out of the 200 questionnaires distributed, 140 completed questionnaires were received, resulting in a response rate of 70 percent.

RESULTS

Demographic Profile

This section presents the demographic profile of the respondents. Table 1 presents the individual profiles of the respondents. Based on Table 1, the results show female respondents are higher than male respondents, where the number of female respondents is 96 (68.6 percent) of the total number of participants, while male respondents contribute 44 participants (31.4 percent). Table 1 also shows that the highest frequency is 86 participants, representing those participants who are between 26 and 35 years old, which results in 61.4 percent of total circulation by age. This is subsequently followed by participants who are between 36 and 45 years old, resulting in 27.1 percent, and participants who are above 46 years old, resulting in 11.4 percent, which is also the lowest age range for this total circulation of age in this study.

Table 1: Individual Profile

Item	Frequency	Percent
Gender		
Male	44	31.4
Female	96	68.6
Age		
26 to 35 years old	86	61.4
36 to 45 years old	38	27.1
46 years old and above	16	11.4
Education Level		
O-Level/ SPM and below	10	7.1
A-Level/ Diploma	10	7.1
Bachelor's Degree	80	57.1
Master's Degree and above	40	28.6

Table 1 also reveals that more than half of the total respondents have at least a bachelor's degree, with 88 participants totalling 57.1 percent of the total for

the education level. This information is presented in the form of a percentage. This is then followed by 40 respondents who possess a master's degree or above, 5 respondents who hold an O-level or SPM and lower, and 5 respondents who hold an A-level or diploma, for a total of 7.1 percent.

Table 2 presents the work profiles of the respondents. The results show that 68 respondents are at the executive level, which is more than half of the circulation's result of 48.6 percent. It is then followed by managers and above with 40 respondents, resulting in 28.6 percent, and by senior executives and assistant managers with 28 respondents, resulting in 20.0 percent. The lower frequency is from the non-executive level, which contributes 4 respondents (2.9 percent). Most of the respondents have an income level between RM2,001 and RM4,000, with 86 responding (61.4 percent). It is subsequently followed by respondents with income levels between RM4,001 and RM8,000, with 46 respondents (32.9 percent). With 4 respondents (2.9 percent), the lower monthly income level is less than RM2,000 and between RM8,001 and RM12,000. Therefore, it can be assumed that most of the participants have middle-class income levels.

Table 2: Work Profile

Job Level		
Non-Executives	4	2.9
Executives	68	48.6
Senior Executives/ Assistant Managers	28	20.0
Managers and above	40	38.6
Monthly Income		
RM2,000 and below	4	2.9
RM2,001 to RM4,000	86	61.4
RM4,001 to RM8,000	46	32.9
RM8,001 and above	4	2.9
Working Experience		
5 years and below	94	67.1
6 years to 10 years	26	18.6
11 years to 20 years	8	5.7
20 years and above	12	8.6

Table 2 also shows that slightly less than half of the respondents have less than 5 years of working experience, with 94 respondents (67.1 percent). It is then followed by those with 6 to 10 years of working experience, with 26 respondents (18.6 percent).

The second lowest is 20 years and older, with 12 participants, resulting in 8.6 percent. The lowest is 11 years to 19 years with 8 participants (5.7 percent). It can be summed up by saying that more than half of the participants are new to the XYZ Company.

Preliminary Analyses

This study performed two preliminary analyses, namely a reliability test and a normality test. The reliability test, which measures the internal consistency of the variables, was conducted by analysing the Cronbach's alpha. Table 3 shows the values of Cronbach's alpha for every variable. The Cronbach's alpha for fraudulent activities, rationalization, and pressure are all above 0.90, which are 0.913, 0.955, and 0.925, respectively. Meanwhile, opportunity has a value of 0.895 for Cronbach's alpha. George and Mallery (2003) interpreted the result of Cronbach's alpha as excellent if it is above 0.90 and good if it is between 0.8 and 0.89. Therefore, the results of Cronbach's alpha in this study show that the measurement items or statements used can reliably measure each variable studied.

Table 3: Reliability Test

Variable's Name	No. of Items	Cronbach's Alpha
Fraudulent Activities	6	0.913
Rationalisation	6	0.955
Opportunity	6	0.895
Pressure	6	0.925

Table 4 shows the normality analysis result. A normality test was implemented to determine whether the data was normally distributed or not. It was conducted by using the skewness and kurtosis values on fraudulent activities, rationalisation, opportunity, and pressure. Data is normally distributed if the skewness and kurtosis are in the range of -2 to +2 (George & Mallery, 2010; Ghani *et al.* 2022; Novatiani *et al.* 2022; Eko, 2022) and if the kurtosis is in the range of -7 to +7 (Byrne, 2010). Table 4.13 shows that the values of skewness for all variables in this study are in the range of -0.414 to 2, and the values of kurtosis for all variables in this study are in the range of -0.142 to 5.957. This implies that the mean scores for fraudulent activities, rationalisation, opportunity, and pressure are normally distributed.

Table 4: Normality Test

Variables	Normality Test		
	Skewness	Kurtosis	Mean
Fraudulent Activities	-2.000	5.957	4.4524
Rationalisation	-2.000	5.105	4.3095
Opportunity	-0.414	-0.142	3.6786
Pressure	-1.671	3.622	4.2071

Descriptive Statistics

Table 5 presents the details of the descriptive statistics for all questions about fraudulent activities in order according to the question number. The results show that all items have reached more than the 4.000 mean. On average, the mean score for fraudulent activities is 4.4524. This indicates that the respondents strongly agree on statements about fraudulent activities in the workplace. While the highest standard deviation is 1.06798, which was reported for item "File an expense claim for lunches with friends is a fraud," the lowest standard deviation is 0.45502 for item "Skip the job procedure or act unethically without the presence of anybody is a fraud." The average standard deviation for fraudulent activities is 0.8818, which means that the total dispersion from the mean is small.

Table 5: Descriptive Statistics on Fraudulent Activities

List of Item	Mean	SD
File for extra travelling/mileage expense claim including personal trip is a fraud	4.5286	0.92817
File for expense claim for lunches with friends is a fraud	4.3000	1.06798
Alter the job task / documentation record / report is a fraud	4.4286	0.95662
Skip the job procedure or act unethically without presence of anybody is a fraud	4.7143	0.45502
Bring home the office stationery for personal use is a fraud	4.4143	0.97048
Use the office photocopy machine for personal use is a fraud	4.3286	0.91242
All Items	4.4524	0.8818

Table 6 represents the details of the descriptive statistics for all questions of rationalisation in order according to the question number. The results show

that all items have reached more than the 4.000 mean. On average, the mean score for rationalisation is 4.3095. This indicates that the participants were strongly agreed on statements of rationalisation. The highest standard deviation is 1.18138, which was reported for item *"I deserve a better promotion and offer than others,"* whereas the lowest standard deviation is 0.88008 for item *"I think it is normal to make a minor error in general."* The average standard deviation for fraudulent activities is 1.0200.

Table 6: Descriptive Statistics on Rationalisation

Item	Mean	SD
I should earn more than my current salary	4.3286	0.91242
I deserve a better promotion and offer than others	4.1000	1.18138
I am aware of "White Collar Crime"	4.4000	1.05501
I am aware lying and stealing are unethical acts	4.3714	1.05186
I think avoid job procedure is temporary as everything will be fine	4.1857	1.03969
I think it is normal to make a minor error in general	4.4714	.88008
All Items	4.3095	1.0200

Table 7 shows the details of the descriptive statistics for all questions of opportunity in order according to the question number. The results show that only one item has reached 4.0429, while other items range from 3.5143 to 3.7429. On average, the mean score for opportunity is 3.6786. This reveals that the participants agreed on statements of opportunity. The highest standard deviation is 1.25966, which was stated for item *"The internal control procedure will slow down work speed,"* whereas the lowest standard deviation is 0.98445 for item *"The organisation is able to instruct employees to override."* The average standard deviation for opportunity is 1.1427.

Table 7: Descriptive Statistics on Opportunity

Item	Mean	SD
The internal control procedure will slow down work speed	3.5143	1.25966
The organisation has not implemented a proper internal control system	3.5714	1.11084
The organisation is not monitoring tightly the activities of working procedure	3.7429	1.08595

Each employee's roles and responsibilities are not clear	3.6000	1.15971
The organisation is able to instruct employee to override what otherwise appears to be effective controls	4.0429	.98445
The concealment through collusion among management, employee or third party are normal	3.6000	1.25571

Table 8 illustrates the particulars of the descriptive statistics for all questions of pressure in order according to the question number. The results show that all items have reached more than the 4.000 mean. On average, the mean score for pressure is 4.2071. This shows that the participants agreed on statements of pressure. The highest standard deviation is 1.15658, which was stated for item *"The cost of living is increasing,"* whereas the lowest standard deviation is 0.82858 for item *"The lack of recognition and appreciation from superiors or organizations."* The average standard deviation for opportunity is 1.05432.

Table 8: Descriptive Statistics on Pressure

Item	Mean	SD
The cost of living is increasing	4.1000	1.15658
The working culture is very tense	3.9857	1.10981
The salary was paid with under market value / too low	4.1571	1.04446
The lack of employee's benefit offered	4.1571	1.07185
The lack of recognition and appreciation from superior / organisation	4.5429	.82858
The Superior / organisation has absolute power towards subordinate	4.3000	1.05432
All Items	4.2071	1.0443

Factors influencing Fraudulent Activities

Table 9 presents the results of the factors influencing fraudulent activities among the employees of XYZ Company. The results show that rationalisation is positively and strongly correlated with fraudulent activities ($r = 0.895, p = 0.001$). The result shows that higher rationalisation will result in higher fraudulent activities and vice versa. Table 9 illustrates that opportunity has a positive but low correlation with fraudulent activities ($r = 0.237,$

$p = 0.048$). This indicates that, to a small extent, an increase in opportunity would result in an increase in fraudulent activities and vice versa. Table 9 proves that pressure has a positive but moderate correlation with fraudulent activities ($r = 0.631$, $p = 0.000$). This shows that an increase in pressure will moderately result in an increase in fraudulent activities, and vice versa.

Table 9: Factors influencing Fraudulent Activities

Variables	Fraudulent Activities	
	Pearson Correlation Coefficient (r)	p-value
Rationalisation	0.895	0.000
Opportunity	0.237	0.048
Pressure	0.631	0.000

Table 10 demonstrates the summary of the multiple regression results and the statistics of its total match. From the R-square results, it shows that 80.2% of the variation in fraudulent activities is explained by the variation of rationalisation, opportunity, and pressure. The F-test is used to determine the overall significance of the model and to reveal whether there is a linear relationship between all the independent variables and the dependent variable. Based on the F value, the model is considered significant [$F = 89.124$, $p < 0.000$], which means that at least one of the independent variables has a significant linear relationship with fraudulent activities (the dependent variable). The p-value of rationalisation (p-value 0.001) in Table 10 indicates that there is evidence that rationalisation affects fraudulent activities at the 5% significance level ($= 0.000$). However, opportunity (p-value = 0.920) and pressure (p-value = 0.470) are both greater than 0.05, indicating that both opportunity and pressure do not significantly affect fraudulent activities. As a conclusion, H_1 is supported. However, H_2 and H_3 are not supported.

Table 10: Multiple Regression Results

Variable	Unstandardized Coefficients Beta	t-value	Sig.
Constant	1.257	5.351	0.000
Rationalisation	0.699	11.591	0.000
Opportunity	-0.005	-0.101	0.920
Pressure	0.048	0.726	0.470

R square = 0.802; F value = 89.124; Significance = 0.000

The multiple regression equation as follows:

$$\text{Fraudulent Activities} = 1.257 + 0.699 (\text{Rationalisation}) - 0.005 (\text{Opportunity}) + 0.048 (\text{Pressure}) + e$$

CONCLUSION

The main objective of this study is to identify factors influencing fraudulent activities in the workplace, specifically rationalisation, opportunity, and pressure. The mean score for fraudulent activities is 4.4524, indicating that the participants strongly agreed that they are aware of and have knowledge of fraudulent activities and unethical behaviour among XYZ Company employees. This study predicted that the factors, specifically rationalization, opportunity, and pressure, have a positive influence on fraudulent activities using the Fraud Triangle Theory. Hence, based on the theory, there were three objectives that were explored in this study. The first objective of the study was to identify the rationalisation factor influencing fraudulent activities in the workplace. According to the elements of this study, the analysis results show that rationalisation has a positive and strong influence on fraudulent activities in the workplace. This means that when the employees tend to be rational, it will positively influence their action toward fraudulent activities in the workplace at XYZ Company. Employees are more likely to commit fraud as a result of rationalisation factors such as changing their attitude, repeating their "white collar crime" history, and tending to blame management through denial and social weighting with other colleagues.

The second objective of this study was to identify the opportunity factor influencing fraudulent activities in the workplace. The analysis results show that opportunity does not significantly influence fraudulent activities in the workplace, according to this study's elements. This means that, even if an opportunity exists, it will not influence an employee's behaviour toward fraudulent activities in the workplace, or there is no opportunity to commit fraud. Thus, it can also be assumed that the problems of a poor control environment, inadequate control activities, and collusion that were identified by Zuberi and Mzenzi (2019) are not applicable to XYZ Company. The last objective of this study was to identify the pressure factor influencing fraudulent activities in the workplace. The analysis results

show that pressure does not significantly influence fraudulent activities in the workplace, according to the elements of this study. This means that whether there is pressure on the employee, it will not influence their action toward fraudulent activities in the workplace, or whether there is low pressure in the workplace, which discourages employees from committing fraud. Therefore, it can also be concluded that problems with social incentive and pressure, greed, internal pressure, and a malevolent work environment, which were also identified by Zuberi and Mzenzi (2019), are not relevant in XYZ Company.

Overall, the findings of this study provide evidence that rationalisation has a positive and significant influence on fraudulent activities in the workplace. While opportunity and pressure have a positive relationship with fraudulent activities, they do not significantly influence the fraudulent activities of XYZ Company. This can be summarised by saying that in XYZ Company, the internal control, internal audit, and procedures are slightly manageable. Other than that, there is little pressure between employees since many occasions are held within XYZ Company, such as the annual dinner, birthday celebrations, special events, and team building. These occasions have proven to reduce the level of working pressure among employees at XYZ Company. However, since the result of this study shows that employees tend to rationalise fraud, XYZ Company may want to control their employees in terms of rationalisation. The XYZ Company's management may also wish to provide counselling to its employees. Aside from that, XYZ Company should create a platform that allows employees to express any of their desires, suggestions, and ideas and receive a positive response as well as a private and confidential guarantee.

This study is not without limitations. First, the scope of this study is limited to only the employees of XYZ Company. Hence, the findings in this study may not be generalizable. Other than that, due to the limited time, this research uses a simple random sampling technique rather than a stratified random sampling technique, which resulted in the findings not being specifically analysed for each other department in XYZ Company, as different departments have different fields and different exposures. The number of participants who

completed the survey was also considerably low, partly due to the end-of-month report submission period. The frequency distribution is also skewed toward specific categories, such as job level, age, and length of service in the current organization. A higher number and various types of participants may lead to more solid analysis and findings. Other limitations in this study include the fact that this study adopted the fraud triangle theory instead of the diamond theory. There may be other factors that can influence fraudulent activities in the workplace besides these three.

This study provides an additional contribution to the literature on fraudulent behaviors. It provides findings and examples on factors that can influence fraudulent activities in the workplace. The findings of this study can assist XYZ Company in knowing their employees' needs. Other than that, it can help XYZ Company identify the real problem among their employees. The XYZ Company can arrange to improve and enhance their employee management.

Acknowledgment

We would like to thank the Faculty of Accountancy, Universiti Teknologi MARA for their support and funding in this project.

REFERENCES

- ACFE. 2018. Global Study on Occupational Fraud and Abuse. <https://www.acfe.com/report-to-the-nations/2018/default.aspx>
- Ahmad, Z. and Norhashim, M. 2008. The control environment, employee fraud and counterproductive workplace behaviour: An empirical analysis, *Communications of the IBIMA*, 3, <https://ibimapublishing.com/articles/CIBIMA/2008/585197/585197.pdf>
- Albrecht, W.S. 2012. Who commits fraud and why, in Albrecht, W.S., Albrecht, C.C.,
- Albrecht, C.O. and Zimbelman, M.F. (Eds), *Fraud Examination*, Cengage Learning, Ohio, pp. 17-45.
- Aris, N.A., Maznah, S., Arif, M., Othman, R., Chantrathevi, T. and Tapsir, R. 2013. Internal Control Mechanism Framework for Fraud Prevention in Small Medium Automotive Industry. *IEEE Symposium in Humanities, Science and Engineering Research*, June, pp. 594–598.
- Byrne, B.M. 2010. *Structural Equation Modelling with Amos: Basic Concepts, Applications, and Programming*. New York: Taylor and Francis Group.
- Dani, R.M., Mansor, N., Awang, Z. and Afthanorhan, A. 2022. A confirmatory factor analysis of the fraud pentagon instruments for measurement of fraud in the context of asset misappropriation in Malaysia. *J. Soc. Econ. Res.*, 9(2): 70–79.

- Eko, E.U. 2022. Forensic accounting and fraud management in Nigeria. *J. Accounting, Business and Finance Res.*, **14**(1): 19–29.
- Ghani, E.K., Jabal, Z.A., Zandi, G. and Hye, Q.M.A. 2022. Effects of knowledge, time pressure and personality on professional skepticism among government auditors. *Int. J. Appl. Econ., Finance and Accounting*, **12**(1): 12–20.
- Novatiani, R.A., Afiah, N.N. and Sumantri, R. 2022. Risk management and other factors preventing fraudulent financial reporting by state-owned enterprises in Indonesia. *Asian Economic and Financial Rev.*, **12**(8): 686–711.
- Nawawi, A. and Salin, A.S.A.P. 2018. Internal control and employees' occupational fraud on expenditure claims, *J. Financial Crime*, **25**(3): 891-906.
- Ngui, C.Y.K. 2008. Fighting fraud, Malaysian Business, Asian Business and Reference database. ProQuest.
- N'Guilla Sow, A., Basiruddin, R., Abdul Rasid, S.Z. and Husin, M.M. 2018. Understanding fraud in Malaysian SMEs. *J. Financial Crime*, **25**(3): 870–881.
- Peters, S. and Balasundram, M. 2016, Corporate fraud and employee theft: Impacts and costs on business, *J. Business and Behavioural Sci.*, **28**(2): 104-117.
- Rae, K. and Subramaniam, N. 2008. Quality of internal control procedures: Antecedents and moderating effect on organisational justice and employee fraud. *Managerial Auditing J.*, **23**(2): 104–124.
- Roscoe, J.T. 1975. Fundamental Research Statistics for the Behavioural Sciences [by] John T. Roscoe. Holt, Rinehart and Winston, New York.
- Said, J., Alam, M., Ramli, M. and Rafidi, M. 2017. Integrating ethical values into fraud triangle theory in assessing employee fraud: Evidence from the Malaysian banking industry. *J. Int. Stud.*, **10**(2): 170-184.
- Salim, F., Malik, M.I. and Qureshi, S.S. 2021. Work stress hampering employee performance during Covid-10: Is safety culture needed, *Frontiers in Psychology*, **12**(1): 655839.
- Smith, R. and Marx, B. 2022. Corporate governance practices in large and medium-sized auditing firms in South Africa. *Int. J. Manage. and Sustainability*, **11**(4): 202–220.
- Schuchter, A. and Levi, M. 2013. The fraud triangle revisited, *Security J.*, **29**(2): 1-15.
- Stevens, J. 2002. Applied multivariate statistics for the social sciences. Mahwah, NJ: Lawrence Erlbaum Associates.
- Tunerj, L., Mock, T.J. and Sripastava, R.P. 2003. An Analysis of The Fraud Triangle. The University of Memphis, University of Southern California, University of Kansas. [Http://Aaahg.Org](http://Aaahg.Org)
- Wilks, T.J. and Zimbelman, M.F. 2004. Decomposition of Fraud-Risk Assessments and Auditors' Sensitivity to Fraud Cues. *Contemporary Accounting Res.*, **21**(3): 719-745
- Wulanditya, P., Ardianto, H. and Sistiyarini, E. 2022. Relationship between ethical value and fraud diamond in banking industry during pandemic, *Int. J. Environ., Sustainability, and Soc. Sci.*, **3**(2): 343-350.
- Zahra, S., Priem, R. and Rasheed, A. 2005. The antecedents and consequences of top management fraud, *J. Manage.*, **31**(6): 803-828.
- Zakaria, K.M., Nawawi, A. and Salin, A.S.A.P. 2016. Internal controls and fraud-empirical evidence from oil and gas company, *J. Financial Crime*, **23**(4): 1154-1168.
- Zhang, S. 2020. Workplace spirituality and unethical pro-organizational behaviour: the mediating effect of job satisfaction. *J. Business Ethics*, **161**: 687–705.
- Zuberi, O. and Mzenzi, S.I. 2019. Analysis of employee and management fraud in Tanzania. *J. Financial Crime*, **26**(2): 412–431.

