Dedicated to my dearest late Father; Khair Anwar bin Ahmad (1959-2011),

my amazing Mother, my beloved Husband

and the rest of my family members who have been through thick and thin

by walking throughout this wonderful journey with me.

UNIVERSITI TEKNOLOGI MARA

THE EFFECTIVENESS OF FRAUD PREVENTION AND DETECTION TECHNIQUES IN MALAYSIA:

PERCEPTION OF BANKERS IN ISLAMIC BANKS

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Dissertation submitted in partial fulfilment of the
requirements for the degree of
Master of Accountancy

Faculty of Accountancy

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CANDIDATE'S DECLARATION

I declared that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as reference work. This topic has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

In the event that my dissertation be found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree be subjected to the disciplinary rules and regulations of Universiti Teknologi MARA.

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ABSTRACT

Bank fraud may represent one of the major causes of bankruptcy in the world. Motivated by previous bank fraud cases in India (The Ketan Parekh fraud) and in Dubai (Dubai Islamic Bank scandal), this research aims to focus on fraud in Malaysia's Islamic banks. This research is carried out to identify the common types of bank fraud that frequently incurred in Islamic banks, the underlying determinants and the amount of losses as a result of fraud cases. Also, this study aims to provide an insight on the perception of bankers towards the effectiveness of fraud prevention and detection techniques in Malaysian Islamic banks. In addition, this study aims to contribute an empirical analysis on the comparison between demographic variables such as gender, education level and working experience in banking industry towards perception on the effectiveness of fraud prevention and detection techniques. The respondents are among managers and officers within Islamic banks in Malaysia. Out of total the 255 questionnaires sent to the respondents, 146 responses were received, giving a response rate of 57.25%. The findings indicated fraudulent statement is the most common fraud in Islamic banks followed by credit card fraud. The major determinants of fraud in Islamic banks are greed (18%) and non compliance (17%). Meanwhile, the losses incurred due to fraud by these banks approximately more than RM1 million. In fact, bank reconciliation, password protection as well as internal control review and improvement represents as the top three most effective techniques for combating fraud in Islamic banks. Moreover, the results showed that there are no significant differences between gender, education level and working experience of a banker towards their perception on the effectiveness of fraud prevention and detection techniques. This study could benefit both academicians and practitioners in term of evaluation of the current level of protection against bank fraud in Malaysia. This study also could contribute for improvement in fraud prevention and detection techniques by participating banks.

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