

A STUDY ON THE EFFECTIVENESS OF FRAUDULENT
FINANCIAL STATEMENTS PREVENTION & DETECTION
METHODS FROM USERS PERSPECTIVE



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TABLE OF CONTENTS

	PAGES
ABSTRACT	II
ACKNOWLEDGEMENTS	IV
TABLE OF CONTENTS	V
LIST OF TABLES	IX
LIST OF FIGURES	X

CHAPTER ONE: INTRODUCTION

1.1	Introduction	1
1.2	Research Objectives	5
1.3	Significance of the Study	5

CHAPTER TWO: LITERATURE REVIEW

2.0	Fraud Prevention and Detection Strategy	7
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CHAPTER THREE: RESEARCH METHODOLOGY

3.0	Measurement of the variables	12
3.1	Population and Target Samples	12
3.2	Instrument	15

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF RESULTS

4.0	Respond Rate	17
4.1	Descriptive Analysis for Understanding of Banking Fraud	18
4.2	Descriptive Analysis on the Effectiveness of Fraud Prevention and Detection Techniques Fraud	26

CHAPTER FIVE: CONCLUSION AND FUTURE DIRECTIONS	30
BIBLIOGRAPHY	33

LIST OF TABLES

TABLE	PAGE
Table 3.1 List of License Islamic Banks in Malaysia by BNM	13
Table 4.1 Summary of Response Rate	18
Table 4.2 Descriptive Analysis of Common perpetrators, the likelihood of fraud, fraud awareness session, the responsibility for preventing, detecting and investigating fraud	25
Table 4.3 The Effectiveness of Fraud Prevention and Detection Techniques	28

FIGURE	PAGE
Figure 4.1 Response about whether bank has been a victim of fraud	19
Figure 4.2 Number of years bank has been a victim of fraud	20
Figure 4.3 The amount of fraud losses for the past 10 years	21
Figure 4.4 Type of fraud that bank experienced frequently	22
Figure 4.5 Determinants of fraud	23
Figure 4.6 Department that experienced fraud frequently	24

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 happen 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 the level of effectiveness of fraud prevention and detection techniques. The targeted 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 the protection software/application as the most effective components of fraud prevention techniques. Meanwhile, bank reconciliation, password protection and internal control review and improvement represents as the most effective techniques when assessing independently. The results also show that there are no significant differences between gender, education level and working experience of a banker towards the level of effectiveness of fraud prevention and detection techniques. This study hopefully will benefit both academicians and practitioners in term of evaluation of the current level of protection against bank fraud in Malaysia.