

Predicting Whistleblowing Intentions among Ar-Rahnu Institutions' Employees in Malaysia: Theory of Planned Behaviour Perspectives

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ABSTRACT

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Past research has indicated that whistleblowing serves as an effective tool to uncover violations in ethical practices. Nevertheless, few have studied whistleblowing in the context of Islamic pawn-broking scheme (Ar-Rahnu) despite the reported cases of unethical conducts perpetrated by its employees. Utilizing the Theory of Planned Behaviour, this study aims to identify the relationships among attitude, subjective norms and perceived behavioural control with the whistleblowing intention of employees in Ar-Rahnu institutions in Malaysia. The questionnaires were distributed to 250 employees of Ar-Rahnu institutions across the country. The data was analysed using Partial Least Squares Structural Equation Modelling Version 3.3.3 (PLS-SEM V 3.3.3). The results revealed that subjective norms and perceived behavioural control do have significant positive relationships with whistleblowing intention. Meanwhile, the employee's attitude was found to have an insignificant effect on whistleblowing intention. Theoretically, the study's outcome may contribute to the existing body of literature in the areas of whistleblowing. The findings might shed some practical insights into designing a more effective internal control mechanism by the management of Ar-Rahnu and policymakers in Malaysia so that the good governance practices shall be uplifted throughout the entire system.

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1. INTRODUCTION

Fraudulent financial scandals and corruption remain a growing concern worldwide regardless of the stringent rules to enhance corporate governance. For instance, World Finance (2015) reported that Toshiba, a Japanese conglomerate, was involved in a controversy that led to the resignation of its CEO when it was found that the company inflated its earnings by \$1.2 billion (Edwards, 2015). Meanwhile, Singapore called for more scrutiny on the country's corporate governance due to the case of the alleged use of forged documents by an oil trader to secure funding from HSBC Holding Plc (Yep, 2020). Furthermore, the finance director of King Mongkut's Institute of Technology Ladkrabang in Thailand reportedly embezzled 1.5 billion Baht (USD 52 million) in a significant financial scandal (Terdpapong & Trimek, 2015). Apart from that, the corruption scandals involving state-owned insurer PT Jiwasraya have resulted in Indonesia's most significant public losses in its history, amounting to Rp 16.8 trillion (USD1.15 million) worth of embezzlement (Jakarta Post, 2020). Malaysia is not spared either, where a well-known corporate scandal has recently hit the country in the form of 1 Malaysia Development Berhad (1MDB), with RM4.5 billion laundered through a series of complex agreements and phony shell companies with bank accounts in Singapore, Switzerland, Luxembourg, and the United States (Ali, 2018).

Financial scandals involving corporate giants such as Enron, WorldCom and Tyco were mainly exposed when their employees blew the whistle (Ab Ghani, 2013). Whistleblowing refers to the exposure of an individual or group incorporated as an organizational member concerning unlawful, immoral, or other illegal conduct (Tarjo et al., 2019). It is an effective control mechanism for detecting fraud in organizations (Rustiarini & Merawati, 2021). The act of whistleblowing may promote good governance and improve transparency and accountability (Pillay et al., 2018). Due to this, the government sees that whistleblowing should become an instrument of accountability and risk management to protect the interests of shareholders, organizations, and the public (Yatim, 2009; Tarjo et al., 2019; Chang et al., 2017). Employees play a significant role in identifying fraud within organizations since they might be the first to notice any possible wrongdoings (Park & Blenkinsopp, 2009; Micelli et al., 2009). In line with this, the Association of Certified Fraud Examiners reported in 2020 that employees did 50% of occupational fraud disclosures. However, whistleblowing is rather challenging to implement because employees may opt to remain silent despite their awareness of the misconduct since whistleblowers are often subjected to demotion, dismissal, and safety threats (Near & Miceli, 1996; Chang et al., 2017; Mesmer-Magnus & Viswesvaran, 2005; Schwartz, 2016).

Studies investigating whistleblowing intentions of individuals have been on the ascendancy. The Theory of Planned Behaviour (TPB) seems to be an adequate theoretical framework for predicting one's intentions regarding ethical behavior (Buchan 2005; Chang 1998; Mcmillan & Conner, 2003). From the perspective of the TPB, intentions are influenced by three determinants: attitude, subjective norms, and perceived behavioral control (Ajzen, 1991). First is attitude, which refers to an individual's positive or negative reaction to a specific object, person, entity, event, or behavior (Ajzen & Fishbein, 2005). Several researchers concluded that if people have a positive attitude toward whistleblowing, they will agree that it has positive effects and that it is essential to act against misconduct (Park & Blenkinsopp, 2009). The second is subjective norm, which reflects an individual's normative beliefs about approval or disapproval by influential referent individuals or groups about a given behavior (Ajzen, 1991). When an authority, organization, or key members of a group approves or supports the intention to report wrongdoing, observers are more likely to report the misconduct (Trongmateerut & Sweeney, 2013). The third determinant is perceived behavioral control, defined as the perceived ease or difficulty of performing the behavior (Ajzen, 2005).

In Malaysia, whistleblowing is not a unique method of revealing organizational misconduct (Ngui, 2005); hence, the Whistleblowing Protection Act 2010 was enacted by the Malaysian government to encourage whistleblowers to step forward with any information on alleged organizational misconduct (Yekta, Ahmad, & Kaur, 2010). While numerous studies focused on whistleblowing in various industries using Ajzen (1991) TPB, the number of studies on the whistleblowing intention in Ar-Rahnu institutions is still limited. Ar-Rahnu is an Islamic credit institution encompassing all Muslim employees who must adequately conform to the basic ethical conduct outlined by the institutions. In this regard, the employees should be allowed to express their concerns about any wrongdoing, especially when their everyday operations entail assets (gold and cash). Unfortunately, there have been reports of Ar-Rahnu employees engaging in unethical behavior such as fraud and breach of trust. For instance, in 2017, a former Ar-Rahnu operations manager was charged with 28 violations of trust charges amounting to RM440,409 (Berita Harian, 2017), while Ar-Rahnu Xchange's former finance firm executive was indicted with 31 forgeries and breach of trust charges amounting to RM494,554 in 2019 (Berita Harian, 2019). Given these issues, the current study aims to address the gap by identifying the relationships between attitude, subjective norms, and perceived behavioral control with the whistleblowing intention of employees in Ar-Rahnu institutions in Malaysia.

The rest of this paper is structured as follows. The following section provides context for the current study by describing the TPB in detail, followed by prior literature and the development of hypotheses. The research methodology section describes research methods, detailed sample explanation, collection of data as well as the regression models that are to be examined to achieve the desired results. The following section discusses the findings and discussion while the final section concludes the study's outcome.

2. LITERATURE REVIEW

2.1 Theory of Planned Behaviour

The TPB is a psychological philosophy encompassing values and actions for understanding human conduct and is well-known for its ability to successfully anticipate and explain the elements that influence whistleblowing intentions (Zakaria et al., 2016). According to Ajzen (1991), the three main factors influencing an individual's intention to perform any action are attitude, subjective norms, and perceived behavioral control. Attitude towards behavior denotes how an individual evaluates a particular behavior favorably or unfavorably. In contrast, subjective norms characterize a social factor in the perceived social pressure of whether to perform such behavior. Perceived behavioral control indicates how an individual perceives the ease or difficulty of performing the behavior, presumably reflecting on past experiences and anticipated obstacles. Individual intention to achieve a particular behavior is associated with a more significant positive attitude, subjective norms, and perceived behavioral control. Since this idea impacts employee morale and behavior, the current study sets out to identify the factors (attitude, subjective norms, and perceived behavioral control) outlined in the TPB that influence the whistleblowing intention of Ar-Rahnu employees.

2.2 Whistleblowing Intention

Whistleblowing intention refers to the likelihood that the member of an organization would expose fraudulent or unethical conduct to parties inside the association that are readily able to repair such misconduct (Mesmer-Magnus & Viswesvaran, 2005). However, "universal whistleblowing" has no precise meaning (Jubb, 1999). While Farooqi et al. (2017) defined whistleblowing as the disclosure of an unlawful, unethical, or illegitimate conduct by members

of an organization to individuals or organizations who might be affected, whistleblowing intention, on the other hand, is defined as the actual whistleblowing behavior to be performed by an individual (Chiu, 2003). Since numerous researchers asserted that forcing actual whistleblowing behavior is complex, studies have mainly examined whistleblowing intentions rather than actual whistleblowing behavior (Park & Blenkinsopp, 2009; Suyatno, 2018; Zakaria et al., 2020).

The two perspectives on whistleblowing are purpose and actual actions (Tarjo et al., 2019). As indicated by Ajzen (1991), the actual actions of individuals can be described by recognizing individual intention or tendency to demonstrate a particular behavior. While observations of the actual behavior can be rather difficult (Awang & Ismail, 2018), it is possible to define the behavior by examining the possibility of its appearance. Besides, since the individual intention is a predictor of actual behavior (Ajzen, 1991), whistleblowing can further be defined by the reason for which it is done (Park & Blenkinsopp, 2009), owing to the possible link between purpose and the actual behavior (Chang et al., 2017). According to Ab Ghani (2013), since whistleblowing intention is treated as the dependent variable in this study instead of actual whistleblowing behavior, the issue surrounding behavioral intention must, therefore, be considered. Ajzen's (1991) TPB also indicated behavioral intention as a strong predictor of actual behavior (Chiu, 2003). In other words, the strongest predictor of actions is the intention, which cognitively represents individual readiness to execute a specific action that is recognized as the immediate behavioral precedence (Ajzen, 1991).

2.3 Attitude and Whistleblowing Intention

Attitude is the first factor influencing whistleblowing intention, which refers to how an individual positively or negatively reacts to a specific object, organization, or activity (Suyatno, 2018). Distinguished assumptions about the behavioral counterpart and the contextual appraisal of consequences form the basis of attitude (Suyatno, 2018; Park & Blenkinsopp, 2009), which estimates any questionable behavior and its impacts (Ab Ghani, 2013). Whistle-blowers value whistleblowing as an appropriate action instead of passive observers (Near & Miceli, 1996). If individuals have a positive attitude toward whistleblowing, they will likely agree with its positive influence and importance in battling corruption (Suyatno, 2018; Park & Blenkinsopp, 2009). However, a positive attitude towards whistleblowing does not mean that when the time comes to whistleblow, everyone will be able to disclose the misconduct (Park & Blenkinsopp, 2009). Only a few people act accordingly. Individual judgments or evaluations of whistleblowing's good or bad consequences may be the subject of whistleblower attitudes. If one believes that whistleblowing only causes a harmful impact, then one will continue to resist it; however, if whistleblowing is deemed a worthwhile action, one will prefer doing it.

Several empirical studies have found that attitude is an essential predictor of ethical intentions in general. For example, Ab Ghani (2013) investigated the impact of attitude on the whistleblowing intentions of 311 personnel of Malaysian publicly listed manufacturing corporations. The findings indicated that the more positive the attitude was towards whistleblowing, the more likely the whistleblowing intention. Similar results are reported among internal auditors of state-owned enterprises (SOEs) in Indonesia in a study conducted by Harsanti et al. (2016). In addition, Alleyne et al. (2018) studied a sample of public accountants in Barbados and documented that attitude significantly influences both internal and external whistleblowing intentions. Likewise, Tarjo et al. (2019) examined the influence of attitude on whistleblowing intentions among 112 East Java Bank employees in Indonesia, which indicated a significant relationship between the variables. Finally, Dalan et al. (2019) explored some of the critical antecedents that drive non-executive public servants'

whistleblowing intention in Kuala Lumpur and revealed that attitude significantly impacts whistleblowing behavior. Therefore, based on the above discussion, the following hypothesis is developed:

H1: Attitudes positively influence employees' whistleblowing intention.

2.4 Subjective Norms and Whistleblowing Intention

Subjective norms are the second factor influencing whistleblowing intention, which denotes the perceived social pressure of whether to perform a particular behavior (Zakaria et al., 2020; Tarjo et al., 2019; Ajzen, 1991). Ajzen (1991) explains that social norms represent an individual's normative ideas about the approval or rejection of a specific action by relevant referent groups or individuals. In other words, subjective norms refer to individual beliefs or knowledge of a particular behavior from the perspectives of others (Park & Blenkinsopp, 2009). Furthermore, subjective norms are defined as a function of expectation and value, determined by normative beliefs about what others believe an individual is capable of, multiplied by the individual's incentive to comply (Ab Ghani, 2013). In this regard, when an official, agency, or significant members of a party acknowledge or encourage the intention to investigate fraud, observers are more prone to report the misconduct (Trongmateerut & Sweeney, 2013). This has also been supported by prior literature (Dozier & Miceli, 1985; Mesmer-Magnus & Viswesvaran, 2005; Near & Miceli, 1995).

Subjective norms can regulate the link between the intention to report misconduct and the actual whistleblowing behavior (Mesmer-Magnus & Viswesvaran, 2005). People live in various contexts in specific communities, and such things are typically determined in society to suit an individual within a group by performing or not performing anything. The individual might be excluded from the group or vice versa. As such, individual behaviors are influenced by norms when describing the habits expected of them and a group. When a benchmarked group expresses an opinion or implicitly chooses to whistleblow, then members of the social group would desire to do so, and while they are prominent in a social group, they consent and conduct as per the benchmarked average (Feldman & Lobel, 2010; Seifert, Sweeney, Joireman & Thornton, 2010).

Existing studies generally suggest that subjective norms affect the whistleblowing intentions of individuals. Richardson et al. (2012) document that the subjective norm predicts whistleblowing intentions of students, whereas Harsanti et al. (2016) found similar results among internal auditors in Indonesia's SOEs. A recent study of accounting students from the University of Ghana Business School revealed that subjective norms are critical predictors of internal whistleblowing intentions (Owusu et al., 2020). Another study by Karlina et al. (2021) involving the employees of insurance companies in Palembang revealed similar findings. On the contrary, the subjective norm has no significant relationship with whistleblowing intention towards whistleblowing behavior among the Malaysian civil servants and government auditors working on the auditor board in Bali, as discovered by Lazim et al. (2022) and Rustiarini and Sunarsih (2017) respectively. Given this ambiguity, this study hypothesizes that:

H2: Subjective norms positively influence employees' whistleblowing intention.

2.5 Perceived Behavioural Control and Whistleblowing Intention

Perceived behavioral control is the third factor influencing whistleblowing intention, which refers to how an individual perceives the ease or difficulty of performing a particular behavior