

**UNIVERSITI TEKNOLOGI MARA**

**ANALYSIS OF INDIVIDUAL AND  
ORGANISATIONAL FACTORS ON  
LOAN DECISION PERFORMANCE  
AMONG BANK OFFICERS**

**NATALIA BINTI HAKIMI**

Thesis submitted in fulfillment  
of the requirements for the degree of  
**Doctor of Philosophy**  
**(Financial Criminology)**

**Accounting Research Institute (ARI)**

**November 2022**

## **ABSTRACT**

Frequent occurrences of fraud cases involving the banking institutions have triggered an alarming concern, especially on the loan application issues. There were numerous reported incidences involving bank officer's poor judgement which can irreparably tarnish the banking profession. Due to the incidences involving the loan fraud cases in the banking sectors, it has led to the issues involving bank officers' loan decision performance to be fore fronted and closely scrutinized. In the banking profession, the risk judgement and decision-making are complex processes because the processes have to undergo the bank officer's fiduciary obligation to their clients, banking regulations by the institutions itself and regulation set-up by Bank Negara Malaysia (BNM). The purpose of this study is to examine the effect of competency, internal control, teamwork, information technology support, data security and fraud indicators intensity on the loan decision performance. Based on The Behavioural Decision Theory (BDT), this study addresses these shortcomings by taking into account the combined effect of internal and external factors on the loan decision performance of the bank officers. A survey method with a total respondent of 234 bank officers, had been used in this study. Overall, the results through the analysis of Partial Least Squares (PLS) of Structural Equation Modelling had confirmed the effect of the internal and external factors in influencing the bank officers' loan decision performance. The outcome of the study showed mixed results. The analysis and findings indicated the direct effect of competency, teamwork, data security and fraud indicators intensity which had improved the loan decision performance of the bank officers. There were evidences provided on the mediation effects of the fraud indicators intensity on the competency and the loan decision performance. Furthermore, it also provides evidence on the moderation effect of internal control on the competency and loan decision performance. The findings of the study are useful and beneficial for the people in the banking profession and academia in improving the credibility and viability of the bank officers' loan decision performance. Moreover, this study can be used as the guidelines for the banking institutions in developing and enhancing a better risk judgement program. This study is also meaningfully contributed to the existing body of knowledge on loan decision performance in a less-explored area in the study of the behavioural judgement.

## ACKNOWLEDGEMENT

In the name of Allah S.W.T., the Most Beneficent, the Most Gracious, and Most Merciful. First and foremost, the greatest and infinite appreciation and gratitude to Allah All Mighty for His divine blessing in conferred me with toughness, perseverance, and good health throughout this amazing journey of in completing this s study.

My sincere deepest gratitude is especially to my main supervisor, Prof. Dr Zuraidah binti Mohd Sanusi, for her motivation, support and never-ending encouragement, as well as her willingness to sacrifice her valuable time and her generous heard in sharing her knowledge and expertise. I am also immensely thankful to my co-supervisors, Dr Shuhaida binti Mohamed Shuhidan, for her help and support while enduring this whole PHD journey. I honestly believe that there is no expression of gratitude that can adequately express my deepest appreciation for their support and encouragement in all this while. It has been an unforgeable working experience under their supervisions, along with their professionalism, and proficiency, which have helped me to stay focused on what I actually wanted to accomplish in this study. Furthermore, endless thank you to the examiners of this PhD thesis, Prof. Dr. Erlane K. Ghani and Assoc. Prof. Dr. Noor Afza Amran, for their willingness to look into this write-up and make suggestions for improvement in the future.

My heartfelt gratitude and appreciation is exclusively to my family - my loving parents (Haji Hakimi Hasan and Hajjah Zawiyah Ahmad), my beloved husband (Mohd Amirul Khasim) for their constant support and for always being by my side in rain or shine. Not forgetting to two my adorable daughters (Aurielia and Adelia), and my amazing sister (Rafiqah Hakimi), for their prayers, support, and unconditional love. There is no word that can express my gratitude for their contributions and sacrifices in assisting me to achieve my dream and being a role model to them. Thank you for always be my number one fan! This endeavor would never have been possible without their love, patience, support, encouragement, and understanding.

My thankfulness also goes to Malaysia's Ministry of Higher Education for providing me with a scholarship to continue my doctoral studies. I would also like to thank the Accounting Research Institute (ARI), Universiti Teknologi MARA, Malaysia, for giving me the opportunity and time to complete this study. Thank you for the arrangements being made along the journey of my study until its final completion.

Special thanks to my colleagues and friends, especially Dr Nurliyana Khalid, Dr Yusarina, Dr Aima, Dr Fazlida, and Farah Wahida Ariff, for their unending love, endless support and willingness to help when necessary. May this experience soar us to a number of exciting opportunities in our lives!

This PhD thesis would not have been possible without the support and cooperation from many people. With all of that, I humbly would like to take this opportunity to express my heartfelt appreciation and personal gratitude again to everyone who has helped to contribute to this life-changing journey, directly or indirectly. May Allah SWT bless and reward all of your kindness., InsyaAllah. Thank you.

# TABLE OF CONTENTS

	<b>Page</b>
<b>CONFIRMATION BY PANEL OF EXAMINERS</b>	<b>ii</b>
<b>AUTHOR’S DECLARATION</b>	<b>iii</b>
<b>ABSTRACT</b>	<b>iv</b>
<b>ACKNOWLEDGEMENT</b>	<b>v</b>
<b>TABLE OF CONTENTS</b>	<b>vi</b>
<b>LIST OF TABLES</b>	<b>xi</b>
<b>LIST OF FIGURES</b>	<b>xii</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xiii</b>
<b>CHAPTER ONE INTRODUCTION</b>	<b>1</b>
1.1 Chapter Overview	1
1.2 Introduction of Study	1
1.3 Loan in Banking Institutions	3
1.4 Roles and Responsibilities of Bank Officers	5
1.5 Background of Study	11
1.6 Statement of The Problem	14
1.7 Research Questions	22
1.8 Research Objectives	22
1.9 Scope of Study	24
1.10 Rationale of the Study	25
1.11 Significance of the Study	28
1.11.1 Theoretical Foundation	28
1.11.2 Conceptual Framework	29
1.12 Definition of Terms Used	30
1.13 Structure of the Thesis	32
1.14 Summary of the Chapter	34
<b>CHAPTER TWO LITERATURE REVIEW</b>	<b>35</b>
2.1 Chapter Overview	35

2.2	Fraud in Banking Institution	35
2.2.1	Fraud in Malaysia Context	37
2.2.2	Factors of Fraud Occurrences	40
2.2.3	Consequences of Fraud Activities	41
2.3	Loan Application Fraud	42
2.3.1	The Implication of Loan Application Fraud	44
2.4	Loan Decision Performance	45
2.4.1	Procedures on Loan Decision Performance	46
2.5	Factors that Affect the Bank Officers' Loan Decision Performance	49
2.5.1	Competency	49
2.5.2	Internal Control	56
2.5.3	Fraud Indicators Intensity	63
2.5.4	Teamwork	68
2.5.5	Information Technology Support	73
2.5.6	Data Security	78
2.6	Chapter Summary	83

### **CHAPTER THREE THEORETICAL AND CONCEPTUAL FRAMEWORKS85**

3.1	Chapter Overview	85
3.2	Judgement and Decision Making	85
3.2.1	Behavioural Decision Making	92
3.2.2	Determinants of Judgement	93
3.2.3	Underlying Theories on Judgement	94
3.3	Behavioural Decision Theory (BDT)	96
3.4	JDM Framework	105
3.5	Conceptual Framework and Hypotheses Development	107
3.5.1	The Effect of Competency on Loan Decision Performance	108
3.5.2	The Effect of Internal Control on Loan Decision Performance	111
3.5.3	The Effect of Teamwork on Loan Decision Performance	115
3.5.4	The Effect of Information Technology Support on Loan Decision Performance	117
3.5.5	The Effect of Data Security on Loan Decision Performance	119
3.5.6	The Effect of Fraud Indicators Intensity on Loan Decision Performance	121