INTERNATIONAL JOURNAL OF RESEARCH AND SCIENTIFIC INNOVATION (IJRSI)
ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XII Issue IX September 2025

# The Quantitative Approach of Corporate Ethical Culture in Reducing Corporate Fraud

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**DOI: https://doi.org/10.51244/IJRSI.2025.120800232**

**Received: 22 Aug 2025; Accepted: 28 Aug 2025; Published: 26 September 2025**

## ABSTRACT

**Purpose** This study aims to examine corporate ethical culture practices as to whether the existence of core ethical values, ethics programs, and ethical leadership infused throughout the organisation will reduce corporate fraud.

**Design/methodology/approach** This study used questionnaires to survey employees of publicly listed companies in Malaysia, and we analysed the data using a statistical test in SPSS. A total of 214 responses were received and were deemed as usable. Multiple regression was performed to achieve the objectives of this study.

**Findings** This study validates the need for more corporate ethical practices as part of corporate governance to reduce corporate fraud. Consequently, it provides the rationale for undertaking this research as well as the basis for generating research questions and hypotheses.

**Research limitations/implications** The organisation needs to develop knowledge and skills to help the employees make decisions in the best interest of their companies and to view corporate ethical practices as widespread throughout the organisation. One excellent approach to reducing corporate fraud is to examine core ethical values, implement ethics programs, and foster ethical leadership.

**Theoretical/Practical Implication**. This study provides the latest literature that supports the validated results of the inductive data analysis of the survey. From a practical perspective, a corporate ethical culture can enhance optimal productivity, minimise the cost of employee turnover and retraining, and give the organisation higher profitability.

**Keyword:** Corporate Fraud, Ethical Culture, Ethical Program, Ethical Values, Ethical Leadership

## INTRODUCTION

Corporate fraud in Malaysia had been increasing year by year. In Malaysia, a survey by PwC (2020) revealed that 43% a slight increase from 41% in 2018, which is a significant drop from the 83% KPMG (2013) of the respondents representing 14 industry segments felt that fraud is a major problem for Malaysia's business. Corporate fraud is a major problem for Malaysia's businesses, in which 60% reported crimes came from organisations with trading and services as the main line of business (BDO,2023). In addition, the victims of corporate fraud in Malaysia incurred financial losses of between US$100,000 and US$5,000,000 during the year. Malaysian corporate fraud cases that break the law include Transmile Group Berhad (2007), which lied about their profits, Megan Media Holdings Berhad (2007), which didn't pay their RM47m bondholders, Noradz Travel & Services Sdn. Bhd. for making an illegal deposit, and Symbol Technologies Incorporation, a small company that committed financial statement fraud and covered it up by using all seven earnings manipulation schemes, all four cash flow schemes, and both key metric schemes (Omar, Said & Johari, 2016; Omar & Yusof, 2022). ACFE (2022) had stated that corporate fraud has not declined globally and remains one of the greatest risks in business in the last two years, although there were some improvements in certain countries.

According to Joseph (2024), corporate fraud occurs when there is a misalignment between values and norms, leading to confusion among individuals, a phenomenon known as ethical culture. Weak corporate governance contributes towards the likelihood of corporate fraud; therefore, it is critical to curb the incidence of fraud by generally focusing on strengthening the corporate governance structure within companies (Luu, 2012; Ahmad & Hashim, 2022). Corporate governance includes a company's ethical culture. If a company doesn't have strong corporate governance, it will show in its core ethical values, ethics programs, and ethical leadership. This is because many companies don't communicate well enough to make sure their employees understand the company's ethical vision. Even though there is an existence of codes of ethics, it is not sufficient to influence ethical behaviour due to the influence of leaders' beliefs and actions, which are among the factors that influence employees in attaining ethical standards (Villegas & McGivern, 2016; Girau, Smith & Adewale, 2022).

Other than that, from 2001 to 2010, a lack of documented standards within ethics programs inhibited decision-making, management practices, and corporate strategies for corporate leaders in the United States (Smith & Jones, 2023). Corporate management practices and strategies that don't work can be caused by problems in society, unethical behaviour, and bad leadership decisions made in response to demands from shareholders for quick profits (Wesley & Ndofor, 2023). For example, the problem of poor ethical behaviours by corporate leadership, either personal or professional ethical standards, had caused the collapse of financial markets in the US, costing American taxpayers almost $1 trillion and resulting in the loss of public confidence (Costello, 2024).

The influence of proper ethics training programs has been ignored by the trainers and the trainers of the ethics programs do not know the importance of ethics program to reduce unethical mistakes in decisions, actions, and behaviours by business leaders and owners (Tan & Rahman, 2023). Other than that, corporate fraud had been influenced by weak leadership where the leaders cannot be accountable and have unethical behaviour (Wood & Winston, 2007; Abdullah, 2020). The specific problem is leadership that lacks accountability and ethical conduct which can be risky, damaging, and very harmful (Toor & Ofori, 2022). Trapp (2022) wrote that the scandals have led to public shocking and need for legislation to address these issues and ensure citizens are interested in strategies such as to increase accountability and ethical behaviours. The leaders should behave in an ethical manner and be accountable for their actions or else the organizational culture will be affected negatively (Muya & Wasonga, 2022).

Malaysia's corporate landscape has been tarnished by some cases of bad corporate governance, such as Renong, Perwaja Steel, and Malaysia Airlines System (MAS), because of poor corporate governance, weak investor relations, and a low level of transparency in disclosing information by companies listed at Bursa Malaysia (BMB) (Shanthy Rachagan & Elsa Satkunasingam, 2022). An unethical culture within corporate governance plays a role in management fraud (Morgan & Burnside, 2023; Md Nasir & Hashim, 2023). Therefore, as stated in KPMG (2013), the factors that lead to unethical culture in the organisations were poor communication of the organisation's values, code of ethics, or code of conduct and poor examples shown by senior management due to leadership issues. The implications of unethical corporate culture resulted in the loss of employee morale or productivity (70%), loss of public trust and damage to reputation (66%), high staff turnover (58%), and loss of new or existing customers (46%) (KPMG, 2024; BDO, 2023).

Hence, there is a gap identified from the literature that is significant in influencing corporate fraud by the corporate ethical culture, where if the awareness of the importance of corporate ethical culture had been neglected, this would increase the unethical behaviour that can lead to corporate fraud.

## LITERATURE REVIEW AND HYPOTHESS DEVELOPMENT

### Fraud Triangle Theory

Corporate fraud involves different types of fraud, such as minor employee theft, unproductive behaviour, misappropriation of assets, company funds, fraudulent financial reporting, and scams that represent the unjust in gaining advantage and criminal deception. According to Soltani (2014), corporate fraud is widely discussed in accounting and auditing literature, but a major part of the analyses is based on the concept of the fraud triangle as defined in SAS No. 99 and becomes an integral part of ISA 240 of IFAC, SAS 99, and PCAOB-AU Section 316. In addition**,** Rosmini Mohd Aripin (2024) affirm that the components of the fraud triangle pressure, opportunity, and rationalisation continue to inform the understanding of fraudulent financial reporting in Malaysia, although the impact of each element remains inconclusive.

As stated by Price water house Coopers (2018), there must be three elements in place, which are incentive or pressure, opportunity, and rationalisation for fraud to occur. In addition, the opportunity that is addressed by internal control to commit fraud is cited as the most influential factor contributing to internal fraud. It ranked 48% of the US and 59% of global respondents, followed by incentive or pressure with 37% of the US respondents citing this as the main driver of internal fraud and global response with 21%. Finally, rationalisation depicts that 12% of the US respondents reported this as the primary trigger of internal fraud and global response with 11%. According to ACFE (2021) and PwC (2022), asset misappropriation constitutes 85% of fraud cases, corruption 40%, and financial statement fraud 10%. Firms experience annual losses of about 5% of their revenue because of fraud (ACFE, 2021). Approximately two-thirds of firms in Southeast Asia identified internal perpetrators, underscoring the need for strong internal controls to address opportunities (PwC, 2022).

The “fraud triangle” shows the factors that were influenced by the fraud perpetrators’ psychology that led fraudsters to commit fraud and violate ethical standards. The pressure referred to where the employees are highly motivated to commit fraud because of personal interests such as greed or pressure on management to meet financial targets regarding sales and profitability. Second, there is a chance for fraud whenever there is a hole, such as when controls are missing or not working well, when the system is weak, or when management has the power to bypass controls. Thirdly, rationalisation comes in with the attitudes, character, or set of ethics that a person knowingly and intentionally has, along with the pressure to commit a dishonest act. However, as stated by Awang (2021), the fraud triangle has several major deficiencies; the framework should be performed widely based on the characteristics of organisational ethical culture, corporate functioning, and the decision-making process of the management.

## Corporate Fraud

The flaw of existing corporate fraud is that it affects not only individual members of a society but also affects the country’s macroeconomic performance, which leads to a bad reputation for economic growth (Ahmad,Ciupac-Ulici & Beju, 2024). There are other negative macroeconomic consequences, such as large fiscal liabilities for banks, lessening their ability to attract foreign investment, and increasing the volatility of money flows and exchange rates (Rashid, 2007; La Rocca, Stagliano, & La Rocca, 2023). Md Nasir & Hashim (2021) stated that corporate fraud occurs whenever an organisation does not set ethical values, and this leads to unethical behaviour.

Soltani (2014) stated that there are many factors that can cause corporate fraud, such as corporate ethical climate and management misconduct, tone at the top and executive leadership, environmental factors including bubble economy and market pressure, accountability, control mechanisms, auditing, weak corporate governance, personal interest of an individual, compensation package and bonus, fraudulent financial reporting, and earnings management. These factors can be found in the HealthSouth Corporate Fraud scandal, where it was the largest provider of outpatient surgery, diagnostic, and rehabilitative healthcare services in the U.S. and collapsed in the year 2003 because of the charge of Medicare fraud, management of falsifying the earnings, cooking the books, and internal control violations. Corporate fraud usually occurs in organisations that are goal-orientated, where the greater the pressure to achieve goals, the greater the probability to lead the organisations to commit crimes. In addition, the organisation’s corporate culture will encourage employees to hide illegalities as proof of organisational loyalty and the weakening of internal control in the organisation (Gottschalk, 2010; Girau, Bonini, & Bianchi, 2022)

According to Devarajar, Tan, and Lim (2024), there are many factors of the inducements of corporate fraud, ranging from wealth maximisation to governance frameworks, such as manipulation of earnings, where organisations attempt to gain financing from outside and save money. Other than that, Goldstraw, Smith, and Ng (2005) stated the inducements of corporate fraud also are from the factors of personal interest, such as greed and gambling. Voon, Tan, and Lee (2008) also stated that lacking employees' controls, financial pressure, and expensive lifestyles are those factors of inducements of corporate fraud. Devarajar (2024) highlight that deficiencies in governance, such as multiple directorships and non-audit services, increase the likelihood of fraudulent financial reporting in Malaysian listed companies.

Wang, Winton, and Yu (2010) found that the short-term advantage of corporate fraud leads to the increase of the confidence of the investors in the industry prospect, while in the long term, corporate fraud will give so many harms that can lead to the bankruptcy and bad reputation of the organisation. According to Tan and Rahman (2023), weak financial control and weak internal control systems lead to the propensity to fraud and the consequences that lead to poor performance. This can be proven by the studies, where 70 percent of the respondents confirmed that most organisations do not have qualified internal audit departments, internal controls, and checks due to poor compensation, which are considered poor performance companies. Meanwhile, 85 percent of the respondents agreed that poorly performing companies are generally defaulters of banks or financial institutions, which decided to take off the funds of the company. This indicates that companies defaulting with banks and financial institutions may have a higher propensity to fraud, but this kind of corporate fraud can be deterred by exercising due diligence.

However, the advantages of corporate fraud had risen the monitoring system, which serves as a deterrent in the form of corporate governance (Afjal, Salamzadeh, & Dana, 2023). In addition, there are other fraud detections, such as governance structures and modifications in the legal and reporting systems. However, corporate frauds are easy to commit, but the prevention of corporate crime is something that must be taken seriously, as it is not an easy task to fix corporate fraud (Ahmad, Ciupac-Ulici, & Beju, 2024). Md Nasir and Hashim (2023) suggested that government law is very important to deter corporate fraud. Other than that, vigilance and innovativeness are the steps to deter corporate fraud by conducting an effective corporate investigation (Coburn, 2006).

**Core Ethical Value and Corporate Fraud**

Core ethical values must include mutual respect, trustworthiness, tolerance, curiosity, courage and fairness that will assist the management to determine the appropriate course of ethical conduct in terms of policies, process and practices to help the organisation to sustain in long term financial and increase the profit (Nguyen, 2023)

According to Kaptein (2008), core ethical values consist of eight virtues such as clarity, congruency of supervisor, congruency of management, feasibility, supportability, transparency, discussability and sanctionability that can prevent unethical behaviour and act ethically accordingly. Congruency of supervisors and management refer to the role models that supervisors and management show to the employees. Feasibility is related to resources allocated by an organization so that employees would be able to follow the normative expectations. Supportability denotes organizational support and encouragement to follow the norms. Transparency is a degree to which consequences of employees' ethical or unethical behaviour are perceived by employees themselves and their colleagues. Discussability concerns employees' opportunities to be open and sincere when facing ethical issues and have a possibility to discuss them. Finally, sanctionability relates to the degree employees perceive that unethical behaviour is punished in the organization (Kaptein, 2008). In addition, Fernandez (2022) stated that core ethical values must include mutual respect, trustworthiness, tolerance, curiosity and courage and this will focus on the customer, empowerment of people, fact-based management which is reliable, and commitment to continuous improvement to achieve organization's goals.

In practical, a set of core ethical values are infused throughout the organization in its policies, processes, and practices. In terms of the policies, core ethical values must be stated clearly in the firm's policy documents such as firm's annual report, public accountability statement, or social report. For processes, the very important process that organization has to make is hiring the right employees and during the interview session, the question that needs to be asked is the awareness of ethical issues. Lastly, the practices are done by all decision making and behaviour at every level and function based on the firm's ethical values (Schwartz, 2022).

CEV is measured using Zuckweiler, Rosacker and Hayes (2016) questionnaire which asked respondents to rate their level of agreement with statements about corporate ethical culture best practices to reduce the likelihood in corporate fraud. Sample items include “Does an organization establish the corporate code of conduct?” and “My Company creates a positive workplace environment”. The study used descriptive analysis, multiple regression and ANOVA to evaluate whether the respondents understand the relative importance of corporate ethical culture practices and it used a five-point Likert-type scale with response options anchored at Strongly Disagree and Strongly Agree.

The aim of improving the quality of decision making can be obtained by every individual and organization by applying core ethical values in its policies, process and practices (Mercader, 2023). According to Hutala (2013), the approach to enhance the corporate ethical culture in organisations is by making a clear strategy on the role of management.

H1: There is a relationship between Core Ethical Values (CEV) and Corporate Fraud (CF).

**Ethics Program and Corporate Fraud**

An ethics programme is a set of activities, policies and procedures in an organization for employees to understand and comply with. Ethical standard is a very important element to help in ensuring an ethical corporate culture and prevent misconduct. According to Lartey and Mensah (2022), the elements that contribute to effective ethics programs are development of codes ethical of conduct, ethics training, mechanisms to seek ethics advice and information, channels to report misconduct anonymously, discipline of employees who violate ethical standards, and evaluation of employees’ ethical performance. For example, Sarbanes-Oxley Act (SOX) and the U.S. Federal Sentencing Guidelines for Organizations (FSGOs) require firms to ensure the presence of ethics program elements to prevent illegal and unethical behaviour.

As stated by Park and Blenkinsopp (2021), the first element that contributes to effective ethics programme begins with the development of a code of ethical conduct to guide employees as ethics codes influence behaviours such as decision making. The second element is ethics training which helps the employees to understand the ethical goals and values of the organization and increase their ability to deal with ethical issues. The third element is implementation of mechanisms to provide ethics information which is to solve the employee’s issues by advising them while the fourth element is provision of an anonymous reporting system to allow employees on whistleblowing to provide information on ethical violations in an organization. The fifth element is disciplining of violators which has a relationship with the sixth element that is the importance in evaluating an employee’s ethical performance so that the employees are acknowledged that there is a reward and punishment in promoting ethical behaviour.

As stated by Siedel and Haapio (2020), in practical, the Manager’s Legal Plan is an effective ethics programme to assist organizations in converting competitive advantage concepts and theories into tangible action plans where this plan focuses on understanding and learning how to work alongside legal professionals, examines on how to cope with legal issues, concentrates solutions to find a way on preventing legal problems and think out of box by taking the challenges on facing legal problems as business opportunities, thereby allowing organizations to create new options for discovering value and gaining a competitive advantage.

By making the ethics program as a compliance program, it allows organizations to address such uncertainty where ethics program will enhance knowledge of the legal system which helps the organization to avoid doing unethical behaviours (DOJ, 2023). However, Lartey and Mensah (2022) stated that even the ethics program as a compliance program does not guarantee on the success in preventing illegality but through the modification of ethics program and regular monitoring and the feedback from the employees, the ethics program is still relevant as an element to deter corporate fraud.

Ethical program refers to the establishment of a formal ethics program including a code of predetermined and clearly defined bottom-line which tells employees how to act and it can be reinforced by rewards, punishment structures and behaviour in the organisations. The corporate ethics programs contribute in decision making of corporate leaders as to get rid ethical dilemmas through a component of modern corporate ethics programs such as whistle blower hotline (Cabana & Kaptein, 2025). As stated by Strawhacker (2024), he introduced the approaches to enhance ethical culture in organisations by creating a code of ethics which is a method of reporting employee or organizational wrongdoing and applied to all organisational members.

H2: There is a relationship between Ethics Program (EP) and Corporate Fraud (CF).

## Ethical Leadership and Corporate Fraud

Leaders can give a huge impact in enhancing employee's loyalty and commitment to the organization as in the repeated scandals involving leaders from business and government organizations. An ethical person in leadership can lead to promote ethical organizational culture (Muktamar, 2023).

Bauman (2013) identified that leadership integrity has three types which are substantive leadership integrity, formal leadership integrity and personal leadership integrity. This integrity can reduce corporate fraud in terms of enhancing leadership. Leaders of substantive leadership integrity are the leaders that have responsibility and full capability in morale values while leaders of formal leadership integrity are the leaders that have charismatic in making the right decision. Finally, leaders of individual leadership integrity are leadership that can make the right decision without mixing their personal gain interests that resulted into the disruption of moral values (Bauman, 2013).

According to Young (2010), corporate ethical culture including leadership can be used in reducing procurement fraud. The leader plays an important role in creating, monitoring, influencing good values and altering aspects of ethical culture in organizations as employees will usually imitate what the leader do (Zahari, 2024). Leader also plays important role to make sure organizational design is in ethical way to produce more positive outcome to the organization (Prayudi, 2024).

Whipple and Swords (1992) stated that employees and leaders can make ethical decision making if an organization implements good ethical culture in terms of placing high internal. Leadership plays a significant role in determining the overall character of the organization whether the organization had been managed in good terms, how its employees engage in daily tasks in the workplace and the accountability of making decision that can affect the future setting of the organization (Hakimi, 2025).

Jordan, Brown, Trevino, and Finkelstein (2013) observed that a leader is likely to promote an organizational culture if a leader with an ethical leadership act upon the situation rationally by not only giving good outcomes on financial of the organizations but maximizing the ethics and moral values. Therefore, employees will pursue an ethical outcome. When employees are included in discussions in which ethics and values are given the same intrinsic worth as profitability or other traditional business outcomes, then ethical leadership is used to convey the need to pursue ethics as being critical to the organization as financial gain (Wang, 2024).

The reduction of workplace deviance and moral disengagement of workers in workgroups was one of the results in the implementation of ethical leadership in an organization as leaders acknowledge that their role is important in influencing the moral development of their workgroups and in making decision on their employee's ethical performance (Mahendra, Qamari & Roni, 2024).

Ethical leadership is related to the presence of tone at the top in the management leadership including the board of directors, senior executives and managers towards the integrity, fairness, and ethics (Siregar et al., 2023). According to Yukl, Gary & Mahsud, Rubina & Hassan, Shahidul & Prussia, Greg. (2013) leadership and empowering leadership are associated with a variety of important outcomes including subordinate motivation, satisfaction, performance, pro-social behaviours, and deviant or counter-productive behaviours. Ethical leadership has been found to be positively associated with employees' ethical decision making, prosocial behaviour, satisfaction, motivation and commitment to the organisation, and negatively associated with harmful behaviour. Copeland (2015) also stated that to recover from the failures of the previous ethical leadership, it is critical to develop exemplary leaders such as in the accounting profession to reduce corporate fraud.

H3:There is a relationship between Ethical Leadership (EL) and Corporate Fraud (CF).

## RESEARCH METHODOLOGY

### Data Collection

This study employed a quantitative research design. The sample size of this study is 214 of the trading and services companies in Malaysia Public Listed Companies out of the population of 930 companies (Bursa Malaysia, 2024). The sample size is selected because the trading and services, consumer products and construction sectors are the main line of business in Malaysia and trading and services sector is the highest ranking of the organizations experiencing fraud which is about 26% (BDO ASEAN, 2023). Likewise, the consumer products and construction sector only reported 18% on the occurrence of fraud (BDO ASEAN, 2023). In addition, the highest percentage of employment is in the services sector (59% or 8,035.9 million people) (DOSM, 2023). However, the empirical evidence in related studies (e.g. Intanmarzita, 2012; Rahman, 2008) in Malaysia revealed that an average rate of return is only between 30 to 40 percent, as such a total of 214 (100%) set of questionnaires are distributed to employees of the companies under review. This research is a non-experimental field study that seeks to establish the relationships among the independent variables (CEC) and dependent variable (CF). The purpose is to ascertain the role of independent variables CEC in the above-mentioned relationship as to gauge their influences in reducing Corporate Fraud (CF). Hence, this study examines the relationship between predictors, (CEC) with the criterion (CF) among employees of the Public Listed companies in Malaysia

This study, rather than exploring in an interpretive way, sought to confirm, support or challenge the findings of other scholars in a different research context. For that reason, the quantitative paradigm is employed in this research. This study used a non-experimental field study that seeks to establish the relationships among the independent variables (CEC) and dependent variable (CF). The purpose is to ascertain the role of independent variables CEC in the above-mentioned relationship as to gauge their influences in reducing Corporate Fraud (CF). Hence, this study examines the relationship between predictors, (CEC) with the criterion (CF) among employees of the Public Listed companies in Malaysia. In a nutshell, it is a hypothesis and causal testing study under the scope of Malaysian Trading and Services industry environment as the main line business in Malaysia.

### Research Instrument

This study applies self-administered questionnaire in collecting the data. The selection of the research instrument for this research is based on research questions and objectives of the study. A combination of existing validated measurements based on the extensive review of literature is utilised and the selected validated measurements are then tailored slightly to accommodate the sample of this research. The survey questionnaire consists of measurements previously developed and validated from the literature.

A questionnaire comprising of various sections is developed to assess the direct relationship. The questionnaire of this study consists of six (6) sections of variables (Part A, Part B, Part C, Part D, Part E, and Part F) and one (1) section of demographic (Part G). Bias responses may happen due to uncontrollable factors in life (Podsakoff et al., 2022). Therefore, Zhou & Wu (2021) suggested using open-ended questionnaire items to test the consistency among the multiple method results.

Part A measures the respondent's opinion on Core Ethical value in the organization based on five-point Likert-type rating scale ranging from 1 (strongly agree) to 5 (strongly disagree). Seventeen (17) questions were inquired. Items C1-C17 were adopted from Corporate Ethical Virtues questionnaire (Kaptein, 2008; Kaptein, 2021).

Part B measures the respondent's opinion on Ethics Programs based on five-point Likert-type rating scale ranging from 1 (strongly agree) to 5 (strongly disagree). Eight (8) questions were inquired. Questions E1 to E8 were adopted from Corporate Ethical Virtues questionnaire (Kaptein, 2008; Kaptein, 2021).

Part C measures the respondent's opinion on Ethical Leadership based on five-point Likert-type rating scale ranging from 1 (strongly agree) to 5 (strongly disagree). Ten (10) questions were inquired. Questions L1 to L10 were adopted from Corporate Ethical Virtues questionnaire (Kaptein, 2008; Kaptein, 2021).

Part D measures the respondent's opinion on Fraud awareness based on five-point Likert-type rating scale ranging from 1 (strongly agree) to 5 (strongly disagree). Eight (8) questions were inquired. Questions F1-F8 were adapted from Siregar and Tenoyo (2015) with modifications to reflect the Malaysian corporate environment and recent anti-fraud guidelines (ACFE, 2024).

Part E comprises of demographic profile of the respondents. The demographic questions consist of gender, race, age and marital status, number of children and highest level of education, education background, position, department and tenure working in organizations.

### Data Analysis

Multiple regression analysis and correlation is used to explore the predictive ability of the personal factors on ethical judgement (Pallant, 2020; Field, 2022).

To investigate the elements that influence the ethical judgment of Malaysian professional accountants, correlation and multiple regression analysis were used to examine the predictive ability of personal factors on ethical judgment (Pallant, 2020; Field, 2022). Ethical ideology (X1 and X2), which covers two forms of ideology: idealism and relativism (X1 and X2), and emotional intelligence are among the independent variables (X3). Gender, age, and working experience are the control variables. An ethical judgment is a dependent variable. To illustrate the model of the regression equation, the details are outlined below.

A regression model can be expressed as:

$$Y = B(0) + B(1)X(1) + B(2)X(2) + B(k)X(k)$$

Where Y is defined as the dependent (criterion) variable while X(l) X(k) are independent (predictor) variables, B(0) is a fixed constant, and B(1) V(k) are linear coefficients (operators). The values of Y and X's are known from observation, where the X's "accounts for" the variability of Y.

## RESULTS AND DISCUSSION

### Demographic Information

**Table I** shows the total sample of 52.3 percent (81 respondents) are male respondents while a balance of 47.7 percent (74 respondents) are female respondents. Most of the respondents hold a bachelor degree with 52.99 percent. In addition, most of the respondents are in the age range of 21-30 years with 47.1 percent, 31-40 years with 28.4 percent, 41-50 years with 17.4 percent, 51-60 years with 3.9 percent and more than 60 years old with 3.2 percent. About 52.9 percent of the respondents are bachelor's degree holders, 29 percent are master's degree holders, 12.9 percent are diploma holders, 3.2 percent of high school and 1.9 percent are PhD holders. Finally, experience in trading and services industry may influence the respondent's knowledge of corporate ethical culture. Based on the study conducted, 56.8 percent of the respondents have three to five years working experience, 33.5 percent of the respondents have six to ten years banking experience and 7.1 percent of the respondents have more than ten years of experience and 2.6 percent of the respondents have less than 3 years of experience. The respondents in this study are from internal audit division with about 54.2 percent, human resource division with about 28.4 percent and finance and accounting division with about 17.4 percent. Therefore, due to the dissimilarities, the sample in this research is believed to be peculiar representative of employees working in trading and services industry of public listed companies in Malaysia.

Table I – Demographic Profile

| Demographic Profile | Frequency(n=140) | Percentage (%) |
|---|---|---|
| **Gender** | | |
| Male | 81 | 52.3% |

| | | |
|---|---|---|
| Female | 74 | 47.7% |
| **Age** | | |
| 21-30years | 73 | 47.10% |
| 31-40 years | 44 | 28.40% |
| 41-50years | 27 | 17.40% |
| 51-60 years | 6 | 3.90% |
| More than 60 years | 5 | 3.20% |
| **Marital status** | | |
| Bachelor | 28 | 18.10% |
| Married | 125 | 80.60% |
| Divorcee | 2 | 1.30% |
| **Education Level** | | |
| High School | 5 | 3.20% |
| Diploma | 20 | 12.90% |
| Bachelor's Degree | 82 | 52.90% |
| Master's Degree | 45 | 29.00% |
| PhD | 3 | 1.90% |
| **Education Background** | | |
| Economics | 36 | 23.20% |
| Management | 33 | 21.30% |
| Accounting | 86 | 55.50% |
| **Position** | | |
| Director | 11 | 7.10% |
| Manager/Supervisor | 57 | 36.80% |
| Executive | 87 | 56.10% |
| **Department** | | |
| Finance/Accounting | 27 | 17.40% |
| Internal Audit | 84 | 54.20% |
| Human Resource | 44 | 28.40% |
| **Income** | | |

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XII Issue IX September 2025

| | | |
|---|---|---|
| RM2,500-RM4,500 | 79 | 51.0% |
| RM4,501-RM6,500 | 52 | 33.5% |
| RM6,501-RM8,500 | 17 | 11.0% |
| RM8,501-RM10,500 | 3 | 1.90% |
| More than RM10,500 | 4 | 2.60% |
| **Years Working in Trading Services** | | |
| Less than 3 years | 4 | 2.60% |
| 3-5 Years | 88 | 56.80% |
| 6-10 years | 52 | 33.50% |
| More Than 10 Years | 11 | 7.10% |
| **Total Assets of the company** | | |
| Less than 100 million | 77 | 49.70% |
| 100-499 million | 28 | 18.10% |
| 500million-2.5billion | 36 | 23.20% |
| More than 2.5 billion | 14 | 9.00% |

**Descriptive Analysis**

Table II depicted the descriptive statistics which examine the relationship between corporate ethical culture, ethics programs and ethical leadership in reducing corporate fraud (Pallant, 2013).

Table II Descriptive Analysis

| **Descriptive Statistics** | | | |
|---|---|---|---|
| | **Mean** | **Std. Deviation** | **N** |
| TotalCEV | 52.4774 | 13.52023 | 155 |
| TotalEP | 23.8839 | 6.18540 | 155 |
| TotalEL | 31.8065 | 8.83992 | 155 |
| TotalCF | 23.3935 | 5.53442 | 155 |

**Multiple Regression Analysis**

**Table III** and **IV** provide the results of multiple regression analysis and Pearson Correlation, respectively. Consistent results were revealed by the two analyses as depicted in the two tables.

Table III Regression Analysis

| **Variables** | **Std Coefficients** | **Std Error** | **t-stat** | **p-value** |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Constant | 10.441 | 2.024 | 5.159 | .000 |
| Core Ethical Value | .590 | .026 | 9.340 | .000 |
| Ethics Program | .217 | .061 | 3.185 | .002 |
| Ethical Leadership | -.218 | .044 | -3.097 | .002 |
| $R^2$ - 0.512<br>$R^2$ (Adjusted $R^2$) - 0.503 | | | | |
| Significance at $p < 0.05$ | | | | |

**Table IV Correlation Table**

| Correlations | | | | | |
|---|---|---|---|---|---|
| | | TotalCEV | TotalEP | TotalEL | TotalCF |
| TotalCEV | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) | | | | |
| | N | 155 | | | |
| TotalEP | Pearson Correlation | .146 | 1 | | |
| | Sig. (2-tailed) | .070 | | | |
| | N | 155 | 155 | | |
| TotalEL | Pearson Correlation | -.296** | .464** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | | |
| | N | 155 | 155 | 155 | |
| TotalCF | Pearson Correlation | .686** | .201* | -.293** | 1 |
| | Sig. (2-tailed) | .000 | .012 | .000 | |
| | N | 155 | 155 | 155 | 155 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | |

This study is conducted to examine the relationship between core ethical value, ethics program and ethical leadership in reducing corporate fraud. The first hypothesis H1 was developed to examine the relationship between core ethical values in reducing corporate fraud. Based on the finding, corporate ethical value is significant in reducing corporate fraud. This can be supported by previous studies whereby Demirtas and Akdoğan (2020) suggested core ethical culture is the ethical aspects of an organization's culture and builds up a guide in decision making that is created through management practices to achieve the organization's goals. Other than that, a well-developed section addressing moral values and principles should be included in the code of ethics as part of core ethical value where an effective code must also be clear such as containing specific punishment for violations and unethical behaviours. Most previous studies agreed that codes which contain specific sanctions and enforcement provisions are more likely to be effective in reducing corporate fraud (Kaptein, 2021). This is also supported by Ruiz-Palomino, Martinez Canas and Fontrodona (2019) who suggested the best way to implement measures to combat corporate fraud is to establish a strong set of corporate ethical values that are adopted by the entity in which these values provide the framework structure of key principles to be guided by all the actions of employees. Therefore, hypothesis H1 is accepted.

The second hypothesis H2 was developed to examine the relationship between ethics programs in reducing corporate fraud. From the analysis, ethics program has significant relationship with corporate fraud. Hence, ethics programs could influence in reducing corporate fraud. This hypothesis can be supported by prior studies research which showed that the implementation of ethics programs in the corporate governance in response to regulations such as the Foreign Corrupt Practices Act (FCPA), the Federal Sentencing Guidelines for Organizations (FSGO), and the Sarbanes-Oxley Act (SOX) of 2002 (Weber & Wasieleski, 2021). In addition, the ethics programs that had been implemented in an organisation have been shown to reduce managers' opportunistic behaviour as they accept or act in accordance by the code (Ruiz-Palomino et al., 2019). Other than that, an organization that implements ethics program discloses more information and has greater financial transparency (De Roeck & Maon, 2018). Therefore, hypothesis H2 is accepted.

The third hypothesis H3 examines the relationship between ethical leadership in reducing corporate fraud. Ethical leadership is found significant in reducing corporate fraud. Kalshoven, den Hartog & de Hoogh (2020) stated that to restore trust in business, ethical leadership is a very important element to be considered by stimulating ethical conduct of employees and taking appropriate measures on the basis of that knowledge to reduce unethical behaviour in an organization. Bedi, Alpaslan & Green (2023) added that group ethical leadership is very important in influencing individual employees in ethical behaviour and better work habits. The influence of leadership is a stronger predictor to motivate an individual to act ethically. Therefore, hypothesis H3 is accepted.

**Implications of the Study, Limitations and Suggestions for Future Research**

This study contributes to the fact that ethical leadership and ethical program can reduce unethical mistakes by employees in decision making. It is essential that ethics training be more realistic so that management could send consistent and coercive ethics messages and provides valid information on which fraud detection and prevention methods work best. For example, to conduct the ethics programme, the code of ethics should be highlighted regularly at meetings and the organization should appoint an ethical officer as an administrator who has direct access to the board of directors and cannot be fired by the CEO to monitor and audit the ethics programs so that it can be transparent and fair in judgement of decision making. In addition, an organization should establish a reporting mechanism called whistleblowing channel with the protection towards an employee that makes a report on unethical behaviour of the organization. Therefore, annual audit of the ethics program's effectiveness should take place with modifications made if necessary (Mayer, 2024). Other than that, the improvement in ethical leadership must include effective communication, trust and transparency in a manner that organization can be more transparent, rational and ethically as that core value programs often fail because the failing in communication with the employees with core ethical values (Ferguson & Milliman, 2008; Guo, 2023). Good ethical leadership must be an ethical tone at the top where the leaders and employees communicate in a good way and be together to make ethical decision making to achieve an ethical corporate culture (Kingsley Mensah et al., 2024). Finally, this study may contribute in the aspects of practical and theoretical whether for the academician or the practitioners in the business field. The contribution for academic aspects, this study provides a good approach by examining all the possible causes of corporate fraud. The examination of core ethical value, ethics programs and ethical leadership can be seen as an excellent approach that can be used in reducing corporate fraud. Therefore, this study can provide the academia with the latest literature that supports the validated results of inductive data analysis of the survey. From the practical aspect, corporate ethical culture can enhance optimal productivity, minimizes the cost of employee turnover and retraining and gives higher profitability to the organization.

This study had several limitations. The first limitation in the study is the small size of the sample .The respondents' experience also one of the limitation in this study. There are 56.80% of the respondents have less than 5 years of experience therefore this can caused limit the generalization of the results . However, the results obtained from the samples of this study can still provide significant outcomes. Other than that, this study has identified only three dimensions of Corporate Ethical Culture which are Core Ethical Value, Ethics Program and Ethical Leadership in reducing Corporate Fraud as the findings. Therefore the future research should include other dimensions of corporate ethical culture that had not been tested such as stakeholders balance, process integrity, mission and value driven and long term perspective as stated by (Mayer, 2024). Finally, the result of the study could be vary because of the different settings in business and structures because this study only used trading and services industry as the scope of study. Therefore, other study should be conducted in other industry that had been listed in the public listed companies in Malaysia such as bank industry and estate industry.

This study is to gain insights into corporate fraud. Future study should focus on culture forces that influence accounting decisions where can investigate on why some firms choose different accounting policies whenever there is a different organization pressures. It is suggested for future researcher to study the nature of the business before deciding on variables that will be used in the study. By getting the suitable variables may increase the consistency of the response. For future research, the study could be conducted in various types of businesses in Malaysia other than trading and services industry. Therefore, it provides another step to develop a survey instrument that can be used in a large-scale quantitative study. In addition, future studies could increase the quantity of sample as the smaller the sample, the more difficult it is to get the accuracy of the outcome. Future researchers are also recommended to use other factors in evaluating the factors to reduce corporate fraud. Future research could explore and gather information and data so that accounting profession such as external auditors and tax practitioner can come out with the suggestions on improving in fraud prevention. Future research in this field could gain an understanding of how predetermined ethical positions can take in or fail to take into the ethical culture of the larger organization. This might prove to be a challenging task due to a surfeit of variables and the unwillingness of individuals who have made unethical decisions to openly share the rationale behind those decisions.

## CONCLUSION

In summary, this study offers pertinent data to increase interest in this field of study and open the door for greater research on ethical judgement in the future. To a certain degree, the empirical findings of this study support the goal of enhancing accountants' ethical judgement, which will enhance the accounting profession's reputation.

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