White-collar crime: a statistical study on its common causes

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Abstract

White-collar crime has always managed to find its way to corrode the values and ethics that people have in a society. A statistical study was carried out to identify some of the common causes of white-collar crime in Malaysia. To pursue this, survey questionnaires were distributed to both potential and existing investors to assess their view regarding the matter. The study found that, one of the leading causes of white-collar crime in Malaysia is due to the fact that there is a belief that competitors are paying bribes to win contracts, and hence others follow suit. On the other hand, most perpetrators commit white-collar crime because there are many opportune moments for them to do so. Companies should, therefore, gear toward good governance structure and internal controls so as not to give potential and existing perpetrators opportunity to engage in any misdeed.

Keywords: White-Collar Crime; Fraud; Internal Control; Governance Structure

1. Introduction

White-collar crime can occur or exist in many forms. Gottschalk (2010) categorized it into four main forms, namely: corruption, fraud, theft, and manipulation. Arguably, an apt definition of white-collar crime is perhaps formulated by Edelhertz (1970). According to Edelhertz (1970, p. 3), crime is defined as "an illegal act or series of illegal acts committed by non-physical means and by concealment or guile, to obtain money or property, to avoid the payment or loss of money or property, or to obtain business or personal advantage".

In a survey conducted by PricewaterhouseCoopers in 2009, it is found that the most common types of white-collar crime perpetrated worldwide were asset misappropriation, accounting fraud, as well as bribery and corruption (PricewaterhouseCoopers, 2009). In Malaysia, the survey initiated by KPMG shows that theft of cash, theft of inventory, fraudulent expense claims, and kickbacks are the most common types of corporate fraud committed (KPMG, 2009). KPMG (2009) also reported that "49 percent of all respondents experienced at least one fraud during the survey period" from 2006 to 2008.

According to the statistics compiled by the Commercial Crimes Investigation Department (CCID), the number of white-collar crime cases investigated by the police in 2003 was 11,714 cases and it involved approximately RM579 million, and in 2004 the number of cases declined to 9,899 but the amount of losses rose to about RM836 million (Lim, 2005). For the year 2008, the amount of losses recorded a slight increase of about RM846 million, but the number of cases climbed significantly to 17,311 ("White-Collar Crimes," 2009). In another study carried out by the Global Financial Integrity (GFI) (2011), illicit financial flows for the years 2000-2008 from Malaysia is US$291 billion (GFI, 2011).

Evidently, the statistics and survey reports showed that the acts of white-collar crime in Malaysia are rampant. Therefore, the purpose of the study is to provide further empirical evidence regarding the pertinent issue so that appropriate actions can be taken to minimize illegal behaviors by irresponsible individuals. Building on such awareness and knowledge, the relevant stakeholders of organizations can make informed decisions to reduce the number of occurrences of white-collar crime and in fact this can be seen as the beginning of a new climate to combat white-collar crime proactively in Malaysia.