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Racial and Religion Influence towards Natural Environmental Risk Management in Credit Financing

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ABSTRACT

Background: Corporate social responsibility (CSR) concept has a long and varied history. In the west, there has been extensive literature highlighting on CSR that concentrates on natural environmental management along with social and cultural differences. However, such research is lacking in Malaysian financial context. **Objective:** This study tries to investigate on the environmental management in Malaysia's banking sector and how banks' managers perceive environmental risk in their credit evaluation process. Malaysia has been chosen as a place of study as it has dual banking system (Conventional and Islamic Banking). These allow the study to investigate how racial groups, religions may affect the performance of environmental management. For these purposes, the questionnaire survey has been conducted to banks' managers and executives in corporate banking department where their main task is to evaluate and recommend loan approval. **Results:** The findings via questionnaire survey suggest that generally, differences in respondents' racial groups and religions had an influence on credit evaluation orientations. Based on analysis conducted using multivariate analysis of variance (MANOVA) analysis of variance (ANOVA) supported the hypothesis that there is significant difference of credit evaluation orientation among managers affiliated to different racial groups and religion. **Conclusion:** As a conclusion, the study showed that social and cultural differences may influence the perception towards environmental management. Therefore, it is advisable for policy maker in financial industry or in the global context to consider racial and religious differences for future development in natural environmental programme. This will ensure the effectiveness and acceptance of the new policy in natural environmental management.

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INTRODUCTION

At first glance, banks activities and those of corporations do not have any effect on the environment. They do not produce hazardous chemicals or pollution in the air, on land, or in water. However, through their lending activities, banks are indirectly linked to activities that contribute huge damage to the natural environment (Cowton and Thompson, 2000). In addition, environmental risk can pose a dual threat to their loan portfolio. For example, environmental regulations can impact on a company's cash flow by affecting markets for its products. Moreover, banks often take land as security for their loans, and its value can be significantly reduced where it is found to have been contaminated because of polluting activities. The Fleet Factor case in the USA illustrates this. An environmental issue not only reduced the value of collateral but the bank was also held liable for clean-up costs at a site owned by a defaulting client, since it was adjudged to have been in a position to influence the company's business decisions (Cowton and Thompson, 2000).

Hill (2007) has also pointed out that the financial sector has been heavily criticised in recent years due to extensive environmental and social degradation linked to the funding of development projects. However, banks can try to avoid lending in ways that expose them to environmental risk. In a more proactive vein, banks can, through their business relationships, make a positive contribution to the environment by influencing their borrowers, not do business with companies involved in activities known to harm the environment and turn down new applications and terminate existing relationships because of environmental concerns.

The importance of the study arises from the need to understand perceptions of and attitudes towards the implementation of natural environmental risk management in credit evaluation process in the banking sector. It

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is important to understand the needs and differences in organisations, societies and countries, as a deep understanding of the variables is one of the main factors that has contributed to the success of policy implementation, such as the United Nations' Environmental Programme and International Codes of Conduct (Equator Principles, 2006).

Implementation of standardised international environmental management without considering the aforementioned differences may affect the effectiveness of policy implementation because of participant resistance due to different nations and organisations having different values and norms. Moreover, there needs to be a comprehensive model of natural environmental risk management which integrates organisational attributes, stakeholders' attributes, and social attributes.

In this study, bank employees in the corporate banking department dealing with the credit financing evaluation process were used as respondents since corporate banking financing activity is associated with large, complex and expensive installations that might include, for example, power plants, chemical processing plants, mines, transportation infrastructure, the environment and telecommunications infrastructure. The nature of corporate banking activities such as project financing exposes banks to high and complex natural environmental risk.

Malaysia has been chosen as a place of study due to the several reasons. First it represents developing countries that received many critiques on natural environmental issues especially on legal implementation and corporate voluntary initiative (Boyle, 1998; Blackman, 2008; Basah and Yusuf, 2013a, 2013b, 2013c). It is therefore important to study the current implementation of natural environmental risk management in the banking sector in Malaysia in order to understand the nature and stages of its implementation. Second, the Malaysian banking system that implement dual banking systems allow the study to investigate on the differences between conventional banks and Islamic banks practice on natural environmental management. Finally, it also allows the study to make a comparison between foreign and local bank.

Natural Environment Risk Assessment and Credit Evaluation:

Banks (1997), Bessis (1998), and Greuning and Bratanovic (2000) state that banking business as per the normal course of business activity is exposed to various types of risk. These at any point in time may include credit risk, legal risk, operational risk, liquidity risk, and market risk. Thus, in order to succeed in a stiff competitive market, each bank must consider all dimensions of risk in its daily operation and business. Different departments within a bank are generally responsible for monitoring and managing a given set of risks. For example, the legal department is responsible for aspects of legal risk and the credit department is accountable for credit risk.

Duffie and Singleton (2003) described five types of risk as follows: (1) credit risk - the risk of changes in value associated with unexpected changes in credit quality; the risk that the borrower will fail to repay the interest or principal on a debt at the appointed time; (2) legal risk – the risk that changes in regulations, accounting standards, tax codes or the application of any these will result in unforeseen losses or lack of flexibility; (3) operational risk - the risk of fraud, system failures, trading errors, and other internal organisational risks; (4) liquidity risk - the risk that the costs of adjusting financial positions will increase substantially or that a firm will lose access to financing; and (5) market risk - the risk of unexpected changes in prices or rates.

Since this study has focused on the credit evaluation process, credit risk will be discussed in this section. Donaldson (1989, p. 1) defined credit risk as follows:

"The risk of loss because of a borrower failing to meet its obligations. Failure may reflect financial problems and ultimately bankruptcy; or an unethical or near fraudulent refusal to meet obligations which are morally due, but not legally enforceable."

Bessis (1998) stated that credit risk is also the risk of a decline in the credit standing of counterparty. It may not imply default, but means that the probability of default increases. Hence, credit risk for Bessis (1998) can be divided into three risks: (1) default risk; (2) exposure risk; and (3) recovery risk. Default risk is the probability of the event of default, for example, missing a payment obligation, breaking a covenant, and entering a legal procedure. Exposure risk is generated by the uncertainty prevailing over future amounts at risk, and recovery risk refers to uncertainties of recoveries in the event of default. Type of risk depends upon the type of default and numerous factors such as the third party guarantee and collateral offered by the borrowers.

Effective credit risk management is most important for the survival of banking businesses and is also the major single cause of bank failures (Greuning and Bratanovic, 2000). Because of the potentially dire effects of credit risk, it is very important that banks have a comprehensive credit evaluation process. Bessis (1998) described the credit evaluation process as covering the decision-making process, before the decision is made, and the follow-up of credit commitments, plus all monitoring and reporting processes.

Basically, implementation of the credit evaluation process consists of customer management and product risk management (Banks, 1997). Customer management allows banks to evaluate individual customers while product risk management allows banks to quantify, and manage their credit exposure and potential credit losses.

Successful implementation of the credit evaluation process is important to minimise overall credit losses. Accordingly, credit officers (bank personnel/credit specialists) play a vital role as their capability to accurately assess customers will assist banks in avoiding exposure to credit risk.

Bessis (1998), Greuning and Bratanovic (2000), Saunders and Allen (2002) and Basah and Yusuf (2013a and 2013b) emphasised the importance of the expertise of banks' credit specialists, their subjective judgement, and weighting of certain key factors in the decision to grant credit. The key factors usually considered in the credit evaluation process are known as the five Cs (Saunders and Allen, 2002). The credit officer analyses these five key factors, subjectively weights them, and then reaches a credit decision. The five Cs are: (1) character; (2) capital; (3) capacity; (4) collateral; and (5) condition. Table 1 presents a brief explanation of each factor.

Table 1: Explanation of the five Cs.

Factor	*Explanation*
Character	*A measure of the reputation of the borrower, its willingness to repay, and its repayment history.*
Capital	*The equity contribution of owners and its ratio to debt.*
Capacity	*The ability to repay, which reflects the volatility of the borrower's earnings.*
Collateral	*In the event of default, a banker has claims on the collateral pledged by the borrower.*
Condition	*The state of the business cycle; an important element in determining credit risk exposure, especially for cycle dependent industries.*

As in the credit evaluation process, bank lending principles remain centred upon financial risk management that may affect the present value of their loan portfolio (Thompson 1998). In this study, environmental risks were considered among the main factors for credit evaluation purposes along with the five Cs as the study aimed to investigate how bank managers ascertained and evaluated environmental risk in their project financing decisions. How cultural and organisational differences influenced the implementation of natural environmental management was also investigated.

Generally, many scholars have proposed that banks are confronted with three types of environmental risk: (1) direct risk; (2) indirect risk; and (3) reputational risk (Coulson and Dixon, 1995; Thompson, 1998; Cowton and Thompson, 2000; Thompson and Cowton, 2004). Thompson and Cowton (2004) state that a direct risk can occur when a bank takes possession of land as collateral. The value of the land can be significantly reduced if it is found to have been contaminated as a result of polluting activities and the bank may incur direct legal liability for cleaning up contamination that has been caused by an insolvent borrower.

Indirect environmental risk can lead to simple loan default and cause the bank to incur loss and reduction in revenue (Thompson and Cowton, 2004; Basah and Yusuf, 2013c). Borrowers involved in this type of risk have to eliminate their products or incur legal penalties, or may experience reduced demand for their products. These factors in turn will reduce their revenue and increase the probability of loan default which will indirectly affect the lending bank's revenue. Coulson and Dixon (1995) state that in circumstances where both direct and indirect environmental risks arise, banks face the prospect of paying twice for the same liability of the borrower.

Finally, reputational risk refers to how bank involvement in credit financing can adversely affect its reputation (Thompson, 1998). Reputational risk arises due to a bank's indirect involvement in environmental degradation which will render the bank susceptible to public criticism, adverse customer reaction, negative media coverage, and pressure from NGOs. Given the aforementioned environmental risk factors, it was appropriate for this study to investigate the extent to which Malaysia's banks take natural environmental risk factors into account in the credit evaluation process. Thompson (1998) suggested that one way that banks can limit their exposure to environmental risks is through credit evaluation policy.

Conceptual Framework of the Study:

Credit Evaluation Orientations:

Credit evaluation orientations referred to how bank managers viewed the importance of various types of risk in project financing. Variables included in credit evaluation orientations were conventional risks, such as financial risk, customer risk, management risk, and collateral risk. The study also endeavoured to investigate the natural environmental risk in banks' managers' evaluation, whether environmental issues were among the factors that were considered in credit evaluation, and how such factors differed according to racial groups and religions.

There are significant differences in credit evaluation orientations among managers affiliated to H1 (a): racial groups, H1 (b): religions.

Research Methodology:

This study employed quantitative method with survey questionnaire in order to investigate on the natural environmental risk management practices in Malaysia banking sector. Based on the foregoing literature review ten (10) statements used in this study's questionnaire survey to evaluate environmental management/ commitment in the banking sector in Malaysia. The statements endeavoured to accommodate the different

criteria used in the literature on environmental management commitment in order to achieve a comprehensive set of natural environmental commitment evaluation measures. This was an important aspect in this study as one of the research question sought to ascertain the current state of natural environmental risk consideration and management practice in Malaysia's banking sector.

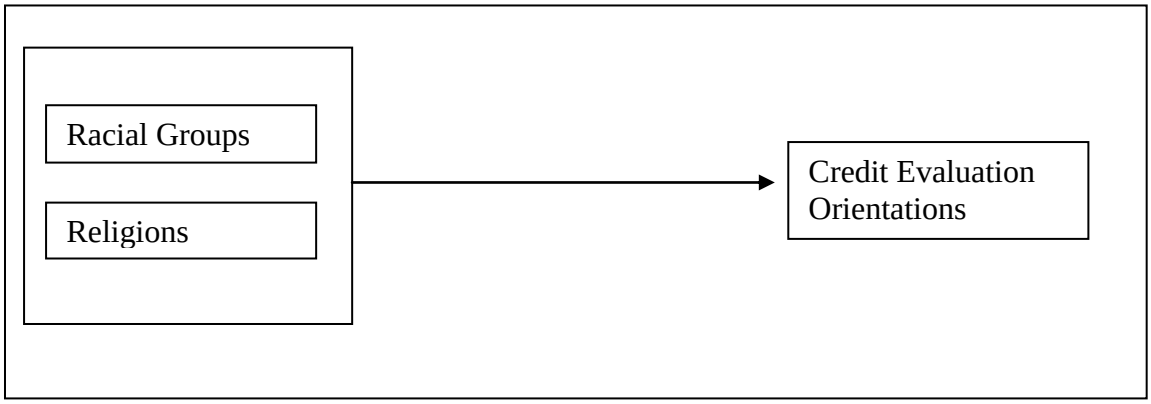

Fig. 1: Conceptual Framework of the Study.

1,080 questionnaires were distributed to relevant bank staff, comprising managers, senior managers, executives and Chief executives officers where their main task are responsible in credit financing evaluation in corporate banking department at 36 participants banks. The researcher allowed two weeks for target respondents to reply to the questionnaire. Those target respondents who had not replied were sent a reminder given a further two weeks in which to reply to the questionnaire survey. Ultimately, of the 1080 questionnaires distributed, 225 were returned as usable for research purposes, a response rate of 21%. This response rate is acceptable in Malaysian studies: for example, Ramasamy and Ting (2004) reported a response rate of 31%, and Ahmad and Rahim (2005) and Dusuki (2008) reported a response rate of 11.6% and 48.5% respectively. In a review of Malaysian studies in CSR, Dusuki (2008) reported response rates ranging between 20% and 30%.

Factor Analysis and Multivariate Analysis of Variance (MANOVA):

Tabachnick and Fidell (2007) defined factor analysis as a statistical technique applied to a single set of variables in order to discover which variables in the set form coherent subsets that are relatively independent of one another. Variables that are correlated with one another but largely independent of other subsets of variables are combined into factors. Factors are thought to reflect underlying processes that create the correlations among variables.

Factor analysis was deemed appropriate for this study because one of the objectives of factor analysis is to reduce a large number of observed variables to a smaller number of factors. Factor analysis was used to reduce or summarise data relating to credit evaluation orientations and stakeholder groups' orientations. Factor analysis was also used to validate respondents' ability to distinguish between two variables.

Multivariate Analysis of Variance (MANOVA) is the multivariate extension of the univariate technique for assessing the differences between group means (Hair et al., 1998). Pallant (2007) stated that Multivariate Analysis of Variance (MANOVA) is useful when there is more than one dependent variable. In this case, MANOVA compares the groups and identifies the mean differences between the groups. MANOVA has the power to detect whether the groups differ along a combination of factors (Tabachnick and Fidell, 2007).

Tabachnick and Fidell (2007) indicated that there are number of advantages of MANOVA over univariate analysis of variance (ANOVA). First, by measuring several dependent variables, MANOVA improves the chance of discovering what it is that changes as a result of different treatments and their interactions. Second, the advantage of using MANOVA is that it 'controls' or 'adjusts' for the increased risk of type 1 error. Third, the use of MANOVA may reveal some differences that cannot be identified in separate ANOVA.

RESULTS AND DISCUSSION

Table 2 shows respondents' management/work position profiles. Six options were presented to them: (i) Executive; (ii) Manager; (iii) Senior Manager; (iv) Chief Executive Officer (CEO); (v) Member of Board of Directors; (vi) Other (s). Just under half (101) of respondents were managers, 44.9% of total respondents; 66 respondents were senior managers, 29.3% of total respondents; and 53 were executives, 23.6% of total respondents. Only five respondents, 2.2% of total respondents, were Chief Executive Officers or CEOs.

Table 2: Respondents' Management/Work Position Profiles.

Work Position	Frequency	Per cent
Manager	101	44.9
Senior manager	66	29.3
Executive	53	23.6
CEO	5	2.2
Total	225	100.0

Next, respondents were asked details about their employer bank. They were first asked to indicate its bank type from seven options. Just under half of respondents (97) were employed by local conventional banks, 43.1% of total respondents. Forty-four respondents were employed by fully-fledged Islamic banks, 19.6% of the total sample. Smaller numbers were employed by investment banks and Islamic bank subsidiaries of local conventional banks, 25 (11.1% of total respondents) and 23 (10.2% of total respondents), respectively. Fifteen respondents (6.7% of total respondents) and 14 respondents (6.2% of total respondents) were employed by foreign Islamic banks and foreign conventional banks, respectively. Only 7 respondents (3.1% of total respondents) were employed by Islamic bank subsidiaries of foreign conventional banks. Table 3 shows respondents' employer banks' profiles.

Table 3: Respondents' Employer Banks' Profiles.

Institution	Frequency	per cent
Local Conventional Bank	97	43.1
Fully-Fledged Islamic Bank	44	19.6
Investment Bank	25	11.1
Islamic Bank Subsidiary of Local Conventional Bank	23	10.2
Foreign Islamic Bank	15	6.7
Foreign Conventional Bank	14	6.2
Islamic Bank Subsidiary of Foreign Conventional Bank	7	3.1
Total	225	100.0

Banks were then divided according to type and nationality in order to distinguish between Islamic and conventional banks without considering bank nationality and to distinguish between foreign and local banks without considering the Islamic or conventional of the bank.

Table 4: Bank Types.

Type of Bank	Frequency	Per cent
Conventional Bank	140	62.2
Islamic Bank	85	37.8
Total	225	100

Table 4 shows 140 respondents (62.2% of total respondents) were employed by conventional banks and 85 respondents (37.8% of total respondents) were employed by Islamic banks.

Table 5: Bank Nationalities.

Nationality	Frequency	Per cent
Local Bank	189	86
Foreign Bank	36	14
Total	225	100

As regards bank nationalities, Table 5 shows 189 respondents (86% of total respondents) were employed by local banks and 36 respondents (14% of total respondents) were employed by foreign banks.

Table 6: Rotated Component Matrix of Credit Evaluation Variables.

Variable	Factor			Communality of each variable
	1	2	3	
X_2	0.802			0.630
X_6	0.740			0.696
X_1	0.726			0.658
X_3	0.700			0.659
X_5	0.636			0.597
X_8		0.844		0.571
X_9		0.839		0.587
X_7		0.659		0.725
X_{10}		0.595		0.738
X_4			0.750	0.402
X_{11}			0.675	0.560
Eigenvalue	3.297	2.183	1.341	
% of variance	25.689	23.400	12.921	
Cumulative %	25.689	49.089	62.010	

Australian Journal of Basic and Applied Sciences, 8(3) March 2014, Pages: 368-376

Factor Analysis of Credit Evaluation Orientations:

Responses to the 11 credit evaluation variables were studied by factor analysis to identify the interrelationships among these independent variables and to summarise the information into a smaller set of variables.

Extraction Method: Principal Component Analysis and Varimax Rotation with Kaiser Normalisation.
a. Rotation converged in 6 iterations

Variables:

X_1	Financial performance
X_2	Customer track record
X_3	Customer character
X_4	Collateral/Security
X_5	Management of the company
X_6	Customer creditworthiness
X_7	Ethical performance
X_8	Potential environmental impact of the financing
X_9	The environmental performance of the company
X_{10}	Business that complies with religious requirement
X_{11}	Political connections of the company

Table 6 shows all the variables under Factor 1, namely, *customer track record, customer creditworthiness, financial performance, customer character* and *management of the company* measure performance and profit in credit evaluation, therefore, Factor 1 was labelled a '*performance and profit*' measure. The variables under the second factor, i.e. *potential environmental impact of the financing, the environmental performance of the company, ethical performance* and *business that complies with religious requirement* are related to the environmental, ethical and religious perspectives, therefore, Factor 2 was labelled an '*environmental and ethical measure'*. Finally, the variables under Factor 3, i.e. *collateral/security* and *political connections of the company* resulted in it being termed an *'additional measure'*.

Based on factor analysis results, banks' managers categorised credit evaluation variables into a '*performance and profit'* measure, an '*environmental and ethical*' measure, and an '*additional*' measure. Factor loadings 0.5 or greater can be considered significant (Hair et al., 1998). Since Factor 1 '*performance and profit'* had the highest Eigenvalue and Variance (Eigenvalue = 3.3, Variance = 25.7%), it represented a more important measure in credit evaluation than Factor 2, an *'environmental and ethical'* measure (Eigenvalue = 2.2, Variance = 23.4%), and Factor 3, an *'additional'* measure (Eigenvalue = 1.34, Variance = 13.0%).

The findings suggest that bank managers regarded profit and return more important in project financing evaluation than the other measures. Variables grouped under Factor 2, i.e. *ethical performance, business that complies with religious requirement, potential environmental impact of the financing,* and *the environmental performance of the company* suggest that banks' managers were unable to differentiate the environmental factor as a stand-alone factor in credit evaluation appraisal. The findings also imply that the additional measure was the least important in credit financing evaluation

Testing of Hypothesis H1 (a):

To test hypothesis H1 (a), Multivariate Analysis of Variance (MANOVA) was undertaken using the three credit evaluation orientations (performance and profit, environmental and ethical, and additional measure) as dependent variables and racial groups as an independent variable with three multiple levels: Malay, Chinese and Indian.

Table 7: MANOVA Results for Credit Evaluation Orientations by Racial Groups.

Test	Value	F
Pillai's Trace	0.557	28.427 (0.0001)***
Wilks' Lambda	0.450	35.984 (0.0001)***

Pillai's Trace test and Wilks' Lambda test were used to assess the overall multivariate relationship. The MANOVA results are displayed in Table 7. The tests indicated that the relationship was significant (Pillai's Trace = 0.557, $F(6, 442) = 28.427$, $p < 0.01$; Wilks' Lambda = 0.450, $F(6, 440) = 35.984$, $p < 0.01$. Thus, it was decided that there were significant differences in credit evaluation orientations as perceived among managers affiliated to different racial groups and statistically significant MANOVA results were followed with ANOVA testing of each dependent variable to further examine the effect of racial groups on differences in attitude towards credit evaluation orientations among managers. Prior to interpreting the results, the data was checked for the homogeneity of variance assumption using Levene's F test. This showed that performance and

profit credit evaluation orientation and environmental and ethical credit evaluation orientation were significant at $p < 0.05$, indicating that the assumption for these variables was not met. Thus, Brown-Forsythe's one way ANOVA, which does not assume equal variance, was utilised for comparisons between groups for these dependent variables.

Table 8: ANOVA Results for Credit Evaluation Orientations by Racial Groups.

Credit Evaluation Orientations	F
Performance and Profit	29.72 (0.0001)***
Environmental and Ethical	42.99 (0.0001)***
Additional	0.335 (0.872)

** $p < 0.05$; *** $p < 0.01$

One way ANOVA results are displayed in Table 8. Statistically, significant differences were found in two of the credit evaluation orientations, namely, performance and profit (Brown-Forsythe's $F(2, 13.037) = 29.72$, $p < 0.01$ and environmental and ethical ($F(2, 119.314) = 42.99$, $p < 0.01$), among managers affiliated to different racial groups. There were no significant differences in the additional measure credit evaluation orientation among managers affiliated to different racial groups. The means and standard deviation are reported in Table 9.

Table 9: Descriptive Statistics for Credit Evaluation Orientations by Racial Groups.

Credit Evaluation Orientations	Malay	Chinese	Indian
Performance and Profit	23.71(1.53)	23.64(1.73)	15.55(4.64)
Environmental and Ethical	13.79(2.69)	13.10(2.80)	19.64(1.21)
Additional	7.13(1.32)	6.98(1.43)	6.91(1.14)

Pairwise multiple comparison tests were conducted on significant findings to determine the differences in detail. For performance and profit credit evaluation orientation, a significant difference was found between Indian managers and Malay managers ($p = 0.0001$) and Chinese managers and Indian managers ($p = 0.001$). The cell means indicated that the Indian mean score was the lowest ($M = 15.55$) than the Chinese ($M = 23.64$) and Malay ($M = 23.71$) mean scores. The result suggested that Indian managers placed less emphasis on performance and profit than Malay and Chinese managers. With regard to the ethical and environmental credit evaluation orientations, a significant difference was also found between Indian managers and Malay managers ($p = 0.0001$) and Indian managers and Chinese managers ($p = 0.0001$). The cell means indicated that Indian had the highest mean score ($M = 19.64$) followed by Malay ($M = 13.79$) and Chinese ($M = 13.10$). The results suggested that Indian managers put more emphasis on the environmental and ethical than Malay and Chinese managers.

Testing of Hypothesis H1 (b):

To test hypothesis H1 (b), Multivariate Analysis of Variance (MANOVA) was undertaken using three credit evaluation orientations (performance and profit, environmental and ethical measure, and additional measure) as dependent variables and religions as an independent variable with four multiple levels: Islam, Christianity, Buddhism, and Hinduism.

Pillai's Trace test and Wilks' Lambda test were used to assess the overall multivariate relationship. As shown in Table 10, the MANOVA results indicated that religions had a significant impact on credit evaluation orientations at the $p < 0.01$ level (Pillai's Trace = 0.097, $F(9, 663) = 2.456$, $p < 0.01$; Wilks' Lambda = 0.905, $F(9, 553.139) = 2.468$, $p < 0.01$. The effect size for this relationship was 0.032 for both tests. Thus, hypothesis H1 (b) was supported since MANOVA results indicated that there were significant differences in credit evaluation orientations among managers affiliated to different religions and further testing was therefore needed.

Table 10: MANOVA Results for Credit Evaluation Orientations by Religions.

Test	Value	F
Pillai's Trace	0.097	2.456 (0.001)***
Wilks' Lambda	0.905	2.468 (0.001)***

** $p < 0.05$; *** $p < 0.01$

A one way ANOVA testing of each dependent variable was conducted. Prior to interpreting the results, the data was checked for the homogeneity of variance assumption using Levene's F test. This showed that performance and profit credit evaluation orientation was significant at $p < 0.05$, indicating that the assumption for this variable was not met. Thus, Brown-Forsythe's one way ANOVA, which does not assume equal variance, was utilised for comparisons between groups for this dependent variable.

Table 11: ANOVA Results for Credit Evaluation Orientations by Religions.

Credit Evaluation Orientations	F
Performance and profit	59.751 (0.08)
Environmental and ethical	4.416 (0.001)***
Additional	0.235 (0.872)

** p < 0.05 ; *** p < 0.01

ANOVA results are displayed in Table 11. Statistically, there were significant differences in the environmental and ethical credit evaluation orientation among managers affiliated to different religions (F (3, 221) = 4.416, p < 0.01). No significant differences were found in the performance and profit and additional measure credit evaluation orientations. The means and standard deviations are reported in Table 8.8.

Table 12: Descriptive Statistics for Credit Evaluation Orientations by Religions.

Credit Evaluation Orientations	Islam	Christianity	Buddhism	Hinduism
Performance and Profit	23.28 (1.83)	23.52 (1.75)	22.43 (2.61)	23.63 (1.85)
Environmental and Ethical	14.38 (2.89)	12.19 (3.46)	13.47 (2.43)	14.75 (2.25)
Additional	7.11 (1.33)	7.1 (1.55)	7.0 (1.38)	6.75(1.04)

Pair-wise multiple comparison tests were conducted on the environmental and ethical credit evaluation orientation in order to determine the differences among managers in detail. For the environmental and ethical measure, a significant difference was found between Islam and Christianity groups (p = 0.006). Those managers affiliated to Islam had a higher mean score (M = 14.38) than those affiliated to Christianity (M = 12.19).

Based on the MANOVA analysis, all of the hypotheses were accepted. Table 7 below presents a summary of the results. This table shows that differences in respondents' racial groups, religions, and their employer banks' profiles, types, and nationalities had an influence on credit evaluation orientations.

Table 13: Summary of the Credit Evaluation Orientation Results.

Hypothesis	*Result*	*Interpretation*
H1 (a)	*Accepted*	*There are significant differences in credit evaluation orientations among managers affiliated to different racial groups.*
H1 (b)	*Accepted*	*There are significant differences in credit evaluation orientations among managers affiliated to different religions.*

Conclusion:

The present study demonstrated the importance of understanding how cultural and social diversity influences natural environmental management activities. It showed that bank managers' racial and religious affiliations influence their attitude to the natural environment. These findings are important as they demonstrate that policy makers, especially at the international level such as the World Bank and United Nations need to take into account the influence of racial and cultural diversity on natural environmental management before they develop such policies, guidelines and programmes. As a result of such consideration, comprehensive, well-accepted policies and programmes will be developed and accepted.

This study provides a model of project financing decision in a multi-racial and multi-religious developing country. Specifically, it enables environmental management policies to be developed both within the financial sector and the wider political context which accommodate the religious and cultural values of a diverse population. The recommendations proposed in this paper may provide the basis for the evolution of policies and structures by which similar disturbances can be avoided both in Malaysia and similar culturally and religiously diverse countries in the future.

As an overall, the study is very useful to explain the attitude towards the natural environmental management in the banking sector in the Malaysia context. It is clearly showed that different cultural and values system (religious affiliation/geographical factor) can be used as a measure on natural environmental management practices. Therefore, it is advisable by this study, for future policy development to consider these differences.

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