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The Influence of Credit Relationship Managers' Lifestyle and Fraud Potential on Non-Performing Loans in the Banking Sector

Hotman DS[1*], M. Irsan Nasution[2]
[1-2] Magister of Accounting, Universitas Pembangunan Panca Budi, Medan, Indonesia
Email : hotmands7@gmail.com [1], irsan@dosen.pancabudi.ac.id [2]*

Address: Jl. Jenderal Gatot Subroto Km. 4.5 Sei Sikambing 20122.
*Korespondensi Penulis : hotmands7@gmail.com**

***Abstract**. This study aims to analyze the influence of the lifestyle of credit relationship managers (RMs) and the potential for fraud on the occurrence of non-performing loans in the banking sector. Relationship managers are the spearheads of credit distribution, interacting directly with customers, so their behavior, lifestyle, and integrity have a significant impact on the quality of a bank's credit portfolio. This study uses a qualitative descriptive method with a systematic literature review approach, reviewing various recent studies related to bank employee lifestyles, factors driving fraud, and their correlation with non-performing loans. The results indicate that a consumptive lifestyle disproportionate to income can increase the risk of fraudulent behavior, such as manipulation of credit analysis or collusion with customers, which ultimately results in an increase in non-performing loans. Furthermore, weak internal control systems, pressure to achieve credit targets, and moral hazard exacerbate this risk. A lifestyle that prioritizes social symbols and self-image can also encourage employees to engage in deviant behavior to maintain this lifestyle. Several studies have shown that RMs trapped in a hedonistic lifestyle are more vulnerable to conflicts of interest and violations of professional ethics. Meanwhile, the potential for fraud in banking practices is also influenced by employees' weak personal financial literacy, as well as limited training in risk management and ongoing work ethics. In an organizational context, a work culture oriented toward achieving targets without regard for the quality of credit analysis has the potential to create a work climate that is permissive of irregularities. This study recommends strengthening a culture of integrity through the establishment of a firm code of ethics, technology-based supervision (such as an AI-based fraud detection system), and regular training on a healthy financial lifestyle and risk management for RMs.*

***Keywords**: Banking Sector, Fraud Potential, Lifestyle, Non-Performing Loans, Relationship Manager*

Abstrak. Penelitian ini bertujuan untuk menganalisis pengaruh gaya hidup relationship manager (RM) kredit dan potensi fraud terhadap terjadinya kredit macet di sektor perbankan. Relationship manager merupakan ujung tombak penyaluran kredit yang berinteraksi langsung dengan nasabah, sehingga perilaku, gaya hidup, dan integritas mereka memiliki dampak signifikan terhadap kualitas portofolio kredit bank. Studi ini menggunakan metode deskriptif kualitatif dengan pendekatan systematic literature review, mengkaji berbagai penelitian terkini terkait gaya hidup pegawai bank, faktor pendorong fraud, serta korelasinya dengan kredit bermasalah. Hasil kajian menunjukkan bahwa gaya hidup konsumtif yang tidak sebanding dengan penghasilan dapat meningkatkan risiko perilaku fraud, seperti manipulasi analisis kredit atau kolusi dengan nasabah, yang pada akhirnya berdampak pada peningkatan kredit macet. Selain itu, lemahnya sistem pengawasan internal, tekanan target penyaluran kredit, dan moral hazard memperburuk risiko ini. Gaya hidup yang mengedepankan simbol sosial dan pencitraan diri juga dapat mendorong pegawai untuk melakukan penyimpangan guna mempertahankan gaya hidup tersebut. Beberapa studi menunjukkan bahwa RM yang terjebak dalam gaya hidup hedonistik lebih rentan terhadap konflik kepentingan dan pelanggaran etika profesional. Sementara itu, potensi fraud dalam praktik perbankan juga dipengaruhi oleh lemahnya literasi keuangan personal para pegawai, serta terbatasnya pelatihan manajemen risiko dan etika kerja yang berkelanjutan. Dalam konteks organisasi, budaya kerja yang berorientasi pada pencapaian target tanpa memperhatikan kualitas analisis kredit berpotensi menciptakan iklim kerja yang permisif terhadap penyimpangan. Penelitian ini merekomendasikan penguatan budaya integritas melalui pembentukan kode etik yang tegas, pengawasan berbasis teknologi (seperti fraud detection system berbasis AI), serta pelatihan reguler tentang gaya hidup finansial sehat dan manajemen risiko bagi para RM.

Kata kunci: Gaya Hidup, Kredit Macet, Perbankan, Potensi Fraud, Relationship Manager

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1. INTRODUCTION

Credit serves as the main source of income for most banks but also carries the greatest risk, particularly the risk of non-performing loans (NPL). Bad loans not only erode a bank's profitability but also disrupt the stability of the financial system. One crucial factor affecting credit quality is the role of the Relationship Manager (RM), who acts as a bridge between the bank's interests and customer needs. RMs have the authority to conduct creditworthiness analyses, build client relationships, and manage customer credit portfolios.

In practice, RMs often face high pressure to meet credit disbursement targets. This pressure, combined with a consumptive lifestyle and social demands, can trigger fraudulent behaviors such as manipulating credit data, neglecting prudential principles, and even colluding with debtors to expedite loan disbursement. Recent studies reveal that an employee lifestyle inconsistent with their income is a key factor in triggering moral hazard (Santoso & Pratama, 2023). When lifestyle needs cannot be fulfilled through legitimate income, the risk of fraud increases (Rachman, 2024).

Additionally, the potential for fraud in credit disbursement is worsened by weak internal controls and minimal management oversight. Fraud at this level often goes undetected until it manifests as non-performing loans. A study by Wijaya et al. (2023) found that 35% of NPL cases in Indonesia's banking sector are correlated with fraudulent actions, whether committed by customers or bank employees, including RMs.

Changes in lifestyle patterns in the digital era also influence RM behavior. Social media promotes a hedonistic lifestyle, raises consumption expectations, and reinforces pressure to appear successful. This creates a gap between income and expenses, which is a major trigger for fraud risk. On the other hand, banks face pressure to continually increase credit volume to support aggressive growth, often at the expense of prudent banking practices.

Given these phenomena, this research is important to explain how RM lifestyle and fraud potential contribute to non-performing loans in the banking sector. The insights gained are expected to help develop credit risk mitigation policies and foster a healthy work culture in banking institutions. Furthermore, the implementation of sanctions for fraud perpetrators in the banking sector is deemed necessary.

2. THEORETICAL REVIEW

Lifestyle of Credit Relationship Managers

Lifestyle refers to a pattern of consumption, activities, and values that reflect an individual's identity (Kotler & Keller, 2023). In the banking context, a relationship manager's (RM) lifestyle can influence their integrity and work quality. A consumptive and hedonistic lifestyle often leads to an imbalance between income and expenses, which may trigger unethical behavior, including fraud. A study by Santoso & Pratama (2023) found that a lifestyle beyond financial capacity is one of the drivers of moral hazard among banking employees.

Relationship Between Lifestyle, Fraud Potential, and Non-Performing Loans

Recent literature indicates a strong connection between RMs' consumptive lifestyles, fraud potential, and rising NPLs. Rachman (2024) discovered that an excessive lifestyle increases personal financial pressure, which raises the likelihood of RMs engaging in fraud. Wijaya & Mulyani (2023) emphasize that fraud committed by RMs often goes undetected until the loans become non-performing, highlighting the urgent need for technology-based internal control systems.

Fraud Potential in the Banking Sector

Fraud in the banking sector includes any dishonest or manipulative acts carried out for personal or specific party gains, harming both the bank and its customers. The Association of Certified Fraud Examiners (ACFE, 2023) reports that the financial sector is among the most vulnerable to fraud, often involving bank employees in the credit line.

RESEARCH Methodology

This study adopts a descriptive qualitative approach using a Systematic Literature Review (SLR) method. This approach was chosen because the research focuses on analyzing the phenomenon of relationship managers' (RMs) lifestyles, the potential for fraud, and their impact on non-performing loans (NPLs) by integrating findings from previous studies. According to Golubeva (2023), SLR allows researchers to combine, compare, and interpret findings from various studies to identify patterns, gaps, and key themes in a narrative—not statistical—manner.

The data analysis applied the qualitative literature synthesis method, which includes:

- Thematic grouping: covering RM lifestyle, fraud-driving factors, and their influence on NPLs.
- Variable relationship mapping: constructing a conceptual model of lifestyle → fraud → NPL.
- Findings interpretation: comparing results across studies to gain deeper insights.
- Internal validation: cross-checking with empirical reports, case studies, and data from the banking industry.

3. RESULTS AND DISCUSSION

RESULTS

Consistent Focus on Variables

Most studies emphasize the link between consumptive lifestyles, credit target pressure, and fraud behavior in increasing NPL risks. For instance, Putra & Kurniawan (2025) and Rachman (2024) found that excessive lifestyle increases fraud risk up to 2.5 times. Santoso & Pratama (2023) found lifestyle affects financial stress and ethical conduct.

Role of Work and Social Pressure

Sari et al. (2025) and Yulianto (2023) revealed that credit target pressure and social pressure significantly raise the likelihood of fraud committed by RMs, either to achieve targets or maintain image.

Internal Control and Integrity Culture

Several studies (e.g., Hakim & Rahma, 2023; Gunawan et al., 2022) emphasized that strong internal oversight and a culture of integrity within organizations are effective in reducing fraud risks and improving credit quality.

Technology and Reporting Systems

Halim & Pertiwi (2022) showed that real-time monitoring technologies help mitigate fraud risks, while Farhan & Saleh (2022) concluded that whistleblowing systems accelerate fraud detection in credit operations.

Lifestyle Profile of Credit Relationship Managers

Most of the literature highlights that Relationship Managers (RMs) face high social pressures and demanding credit disbursement targets. Consumptive lifestyles and materialistic orientations have become common phenomena, exacerbated by exposure to social media which promotes a successful professional image. A study by Santoso & Pratama (2023) revealed that 63% of RMs in commercial banks in Indonesia experience an imbalance between income and expenses, increasing the risk of personal financial stress. Dominant Lifestyle Dimensions:

- Hedonistic lifestyle: Spending on luxury items and leisure activities.
- Social image maintenance needs: Pressure to appear successful in front of clients and colleagues.
- Low personal financial literacy: Lack of skills in managing income wisely.

Fraud Potential Involving Relationship Managers

The study identified several types of fraud commonly associated with Relationship Managers (RMs), including:

- Manipulation of credit analysis: Ignoring prudential principles in order to meet credit disbursement targets.
- Collusion with debtors: Accepting gratuities or rewards in exchange for expediting loan approval processes.
- Falsification of data and documents: Altering customer data to disguise credit risk.

Findings by Wijaya et al. (2023) show that 37% of internal fraud cases in Indonesian banks involve credit line employees, particularly RMs, due to their access to customer data and authority in credit analysis processes. The main driving factor is personal financial pressure caused by a consumptive lifestyle.

The Impact of Fraud on Non-Performing Loans

Fraud committed by Relationship Managers (RMs) has a direct impact on the increase in non-performing loan (NPL) ratios. Fraud cases are typically only detected after the loan begins to show signs of default. Rachman (2024) noted that loans approved without adhering to the 5C principles have a three times higher probability of becoming non-performing compared to those assessed according to proper procedures.

Moreover, weak internal control systems increase the chance that fraud will go undetected. The ACFE (2023) study reported that fraud detection takes an average of 14–18 months from the time of occurrence, which is often too late to prevent financial losses.

Factors Strengthening the Relationship Between Lifestyle, Fraud, and Non-Performing Loans

Several reinforcing factors have been identified that intensify the link between a consumptive lifestyle, fraud behavior, and the rise of non-performing loans (NPLs), including:

- Credit target pressure: Pushes RMs to take shortcuts to meet quotas.
- Organizational culture: Tolerance toward unethical practices increases the risk of fraud.
- Weak internal supervision: Lack of independent monitoring and verification in credit decisions.

Supporting theories:

- Most studies refer to the Fraud Triangle Theory, Agency Theory, and Behavioral Finance Theory to explain the motivations behind fraudulent behavior, moral hazard caused by information asymmetry, and the psychological influence of RMs in making credit decisions.
- The consumptive lifestyle of RMs and their potential for fraud significantly affect the increase in NPLs, with credit target pressures, weak internal controls, and permissive organizational culture acting as amplifying factors. Conversely, monitoring technology, whistleblowing systems, and healthy lifestyle development programs have proven effective in reducing fraud risks.

4. DISCUSSION

The findings of this study support the hypothesis that the consumptive lifestyle of Relationship Managers (RMs) increases personal financial pressure, which in turn raises the potential for fraud. This relationship aligns with the Fraud Triangle Theory, where:

- Lifestyle creates pressure
- Access to credit data provides the opportunity
- Rationalization occurs when RMs justify their actions to "adjust" their income to match their lifestyle

Lifestyle as a Trigger of Financial Pressure

A consumptive lifestyle forces RMs to face a “gap” between income and expenditure. This pressure drives the search for additional income sources, which in some cases is pursued through fraudulent means, such as expediting disbursement of risky loans or accepting gratuities from debtors.

Fraud Potential Worsens Credit Portfolio Quality

Fraud committed by RMs is often not immediately visible. Manipulation of credit analysis and collusion with debtors cause loans that should have been rejected to be approved, thereby increasing NPL risk. Additionally, fraud erodes trust in the integrity of the bank’s credit portfolio.

Link to Non-Performing Loans (NPLs)

Loans approved imprudently have a higher default rate. Based on the 2024 OJK report, banks in Indonesia with indications of internal fraud show an average 2–3% increase in NPLs. These findings indicate that weak internal controls and uncontrolled RM lifestyles are significant risk factors.

Importance of Internal Supervision and Integrity Culture

Effective internal control can break the cycle of lifestyle → fraud → non-performing loans**.** The use of technological systems (e.g., AI-based credit scoring and automated internal audits) can reduce fraud opportunities. A culture of integrity, ethics training, and healthy lifestyle development programs for RMs have also proven to be effective in lowering fraud risks.

Theoretical and Practical Implications

Theoretical:

The results extend the application of the Fraud Triangle Theory and Agency Theory in the role of RMs in banking.

Fraud Triangle Theory explains that fraud arises due to:

- **Pressure**: Consumptive lifestyle and credit target pressure
- **Opportunity**: Access to customer data and credit decision authority
- **Rationalization**: Justifying fraud as a means to achieve personal or target-related needs

Agency Theory describes the principal-agent relationship between the bank (principal) and the RM (agent), where **information asymmetry** exists. RMs, as agents, know more about the customer and credit quality than bank management. When conflicts of interest occur—e.g., chasing bonuses or maintaining a lifestyle—RMs may act against the bank's interests, leading to bad credit issuance.

Practical:

The findings offer actionable suggestions for banks to reduce fraud and NPL risks through two main strategies:

Strengthening internal control mechanisms:

- Tighten credit approval procedures, including data verification and AI-based credit scoring
- Implement real-time RM performance monitoring
- Strengthen whistleblowing systems and segregation of duties to reduce fraud opportunities

Conducting healthy lifestyle development programs for RMs:

- Provide financial literacy training to help RMs manage income and expenses wisely
- Offer counseling and employee well-being programs to relieve financial and social pressures
- Promote a culture of integrity to reduce the need for unethical compensation-seeking behavior

These two steps, supported by literature, are effective in reducing fraud risk by minimizing pressure and opportunity, the two main elements of the Fraud Triangle.

5. CONCLUSION

This study analyzes the influence of credit Relationship Managers' (RMs) lifestyle and fraud potential on the occurrence of non-performing loans (NPLs) in the banking sector using a systematic literature review method. The findings indicate that:

A consumptive and materialistic lifestyle among RMs creates significant personal financial pressure, which increases the risk of fraudulent behavior. Social and credit target pressures further exacerbate this condition.

Fraud committed by RMs—such as manipulation of credit analysis, collusion with debtors, and data falsification—directly deteriorates the quality of credit portfolios and raises the level of non-performing loans (NPLs). The Fraud Triangle Theory explains this connection:

- A consumptive lifestyle becomes the pressure

- The RM's access to data and credit authority creates the opportunity
- Rationalization arises when the RM justifies the misconduct

Risk-enhancing factors include:

- Weak internal supervision
- Permissive organizational culture toward unethical behavior
- Lack of personal financial literacy among RMs

The implementation of technology-based internal controls, healthy lifestyle development programs, and a strong culture of integrity has proven effective in breaking the chain linking consumptive lifestyles, fraud, and bad credit.

This study affirms that the risk of non-performing loans is not only determined by the borrower's quality, but is also significantly affected by internal bank factors, particularly the behavior of Relationship Managers.

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