**FRAUD AND FINANCIAL MALPRACTICE AS A LENDING FACTOR TO BUSINESS FAILURE**

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**Abstract**

Fraud and financial malpractice as a leading factor in business failure provides means of appraising company’s performance and diagnosing its ills and weakness. The research conducted a critical study on this topic with the intention of finding out the extent to which a company, firm or business organization has carried out efficiently appraisals and highlighting deficiencies which are usually believed are not existing or whether the company is as efficient as it should be. The researcher also carried out the cause of low company performance and how to eradicate the abnormality efficiency in auditing process

**CHAPTER ONE**

**INTRODUCTION**

* 1. **Background of the study**

This research work is an attempt to study on fraud and financial malpractice as a leading factor to business failure. Business can be seen as all profit directed towards providing goods and services to mankind. The business organization under usual condition of operation is the result of growth of any business. Individuals are to fill the various positions which will help the organization to achieve its desired objective. Companies are today going through life threatening challenges which are the culmination of several years of a base and mismanagement from their employees. Some of the reason for these anomalies in business trends resulted in the general company down turn, ranging from fraud misappropriation of fund, lack of accountability and general company crises. This write up will advantageously help companies on application of rigidly administered monetary policy instrument of their company.

Fraud is irregularities involving the use of criminal mind to obtain and gain illegal advantages. Fraud involving the manipulation of the records and the accounts usually by the company’s senior officers, with a view to benefit in some way from the false picture which they convey (e.g. Obtaining finance under false pretence, or concealing a material that will worsen the company true position).

Frauds, usually by employers, involving the theft, misappropriation or embezzlement of the company’s funds, usually in the form of cash, or of its assets (such as goods held in warehouse) Fraud and financial malpractices in many business involving the public sector organization today contributes mostly to one of the sector that lead to business failure.

In all human endeavor and activities, there are usually stories of success and achievement and failures, business are therefore no exemption initially, a motive for setting up a company for economic reasons which are usually taken to be profit maximization objectives. In period of booms as was experienced in mid-seventies during oil boom, making business including the public sector organization thrived in an era of abundance.

**1.2 STATEMENT OF THE PROBLEM**

A company whether small medium or large in developing country like Nigeria faces special problems which include fraud and financial malpractice. These problems include incomplete recording of account and poor attitude to adhere to the accounting standard and guideline on these key problem areas that undermine fraud and financial malpractice in a company and make suggestions about their possible solutions.

* 1. **OBJECTIVE OF THE STUDY**

The objectives of the study are;

1. To ascertain the reasons why business fail and how to control them
2. To ascertain the causes of financial malpractice in organization
3. To find out how mangers, directors and staff manipulate figures and thereby throwing the internal control system into confusion and leaving the accounting system in shambles
4. To ascertain whether fraud and financial malpractice are the major factors to business failure
   1. **RESEARCH HYPOTHESES**

For the successful completion of the study, the following research hypotheses were formulated by the researcher;

**H0:** there are no causes of financial malpractice in organization

**H1:** there are causes of financial malpractice in organization

**H02:** fraud and financial malpractice are not the major factors to business failure

**H2:** fraud and financial malpractice are the major factors to business failure

* 1. **SIGNIFICANCE OF THE STUDY**

This research is aimed at highlighting area of problems and to advise solutions. This solution if properly implemented will bring the government and the sandal public at large to associate them with investing in a company. It is however significant to undertake such study because it intend to give the researcher, a thorough and full understanding of the subject matter which is title: fraud and financial malpractice as leading factor to business failure. The research is also a paramount important because in form basis or standard format which is intended to be followed by other student. The government can also use it to improve in its economic projection and plans and adjust some of her economic policies.

* 1. **SCOPE AND LIMITATION OF THE STUDY**

For the purpose of this research work, the researcher will focus his attention on the study dwells on fraud and financial malpractice as a leading factor to business failure. The researcher accounted and skipped so apply herds of both human and material blending before arriving at the conclusion stage of his work. The major problems includes

i)      **FINANCIAL CONTRAINTS:** A project work is a money consuming venture and it is normally sponsored by well to do individuals, firms and organization.

ii)     **TIME CONSTRICTION:** The concentration of the researcher has to respond to various demands because each point in time has so many equally weighted competing factors.

iii)    **HUMAN FACTOR:** The human factor relates to respondent problem encountered during the research process

**1.7 DEFINITION OF TERMS**

**FRAUD:**Is defined either as misappropriation of cash and goods i.e. (decollation) or the falsification of accounts unaccompanied by misappropriation.

**MISAPPROPRIATION OF CASH:**Cash misappropriation is the alternative of cash so that the actual balance presents a different balance. This brought about employees when they hide the receipt of cash of falsify payments which are not authorized. Also a cashier can be used the teeming and leaning process of misappropriation of cash and later covered the receipt embezzled.

**MISAPPROPRIATION OF GOODS**: Where accurate record of goods in stock are not maintained of properly maintained. There is every possibility that the goods in stock will be misappropriated.

**FALSIFICATION OF ACCOUNTS UNACCOMPAINED BY MISAPPROPRIATION:**This type of fraud is brought about by to officials of the organization. It is false representation of a matter of fact whether by conduct or misleading allegation or by concealment of that which should have been disclosed which deceived or intended to deceive another so that he should act upon it to its legal infury.

**MALPRACTIONS**: This can best be described as acts or omission if any functionary company whereas contrary to the promotion of safe and sound practice.

**1.8 ORGANIZATION OF THE STUDY**

This research work is organized in five chapters, for easy understanding, as follows

Chapter one is concern with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

**2.1 INTRODUCTION**

It is pragmatically essential to exegesis on the various operational definitions of major concepts of this topic. This will give a clear understanding of the concepts that are very synonymous but never the same, especially the word fraud, forgeries and errors. Different scholars have defined fraud, forgeries and errors in various ways. Fraud is described as an act of deliberate deception with the intention of gaining some benefit, in other words it is the act of dishonestly pretending to be something that one is not. (Chamber English Dictionary, 2002). Wikipedia (2008) defines bank fraud as whenever a person knowingly executes, or attempts to execute, a scheme or artifice (1) to defraud a financial institution; or (2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by or under the custody or control of, a financial institution, by means of false or fraudulent pretences, representations, or promises. Also from the legal point of view, Fagbemi (1989) perceived fraud as “the act of depriving a person dishonestly of something which is his or something to which he is or would or might but for the perpetration of fraud, be entitled” The view of Adewumi (1986) is that fraud is a conscious premeditated action of a person or group of persons with the intention of altering the truth and or fact for selfish personal monetary gain. It involves the use of deceit and trick and sometimes highly intelligent cunning and know-how. The action usually takes the form of forgery, falsification of documents and authorizing signatures and an outright theft. Almost in the same direction Nwankwo (1991) also opined that fraud occurs when a person in a position of trust and responsibility, in defiance of norms, breaks rule to advance his personal interests at the expense of the public interest, which he has been entrusted to guide and promote. It occurs when a person through deceit, trickery or highly intelligent cunning ways, gains an advantage he could not otherwise have gained through lawful, just or normal process. It is evidence from the multiple-definitions given by various scholars that the word fraud is generic in nature. However fraud is generally considered to be anything calculated to deceive. This include all arts, omissions, and concealments involving a breach of legal or equitable duty, trust or evidence justly reposed which result in damage to another or by which undue and conscienceless advantage is taken of another. Fraud is distinctive from any other term that looks like it such as forgery and errors in that, it shows a more affirmative action, evil in nature such as intentionally and deliberately proceeding or acting dishonestly with a wicked motive to cheat or to deceive another. Forgery is a type of fraud which is mainly a falsification or manipulation of documents. Generally forgery is characterized by alteration of writing to the prejudice of other rights. Basically, three elements are identified with forgery.

**2.2 MALPRACTICES IN THE BANKING INDUSTRY**

**. Malpractices by Bank Employees**

Bank employees malpractices are mainly practices perpetrated by bank employees against interests of their banks/employers or the customers of the banks, solely for the benefits of themselves (the employees), or for the joint benefits of themselves and their outside collaborators, such malpractices include stealing of bank's monies, stealing of customers monies, falsification of accounts and forgery of bank papers for the purposes of stealing or in order to corruptly enrich themselves, or deliberately breaching banking rules to make money for themselves or for such other reasons.

**Stealing of Bank’s Monies**: This includes stealing by customers, stealing from cashiers by other employees, and stealing by other employees of higher rank, up to the managerial level. This type of stealing may be committed by cashiers from their daily receipts, or it can be committed by other employees who steal from monies in the custody of cashiers, who may be momentarily absent from their cages without locking them up. While managerial stealing may be committed in so many ways, including stealing money from the strong-room, money with forged currency roles. However, the most baneful of this act of theft is now done by fraudulent transfers of bank funds from one bank to the other. Such fraudulent transfers are now considerably aided by the use of telexes and computers.

This practice usually involves collusion by employees, of, at least, two banks. An example of this practice is that a certain amount of money goes out from Bank A, requesting Bank B to transfer a certain amount of money from a customer X's account in Bank B, on the purported authority of customer X. Everything about the procedures of the exchanges between the two banks is regular except the fact that customer X never requested for the transfer of money to Bank A in the first place. Often times, a forged request form or letter is prepared to authenticate the basis for the action in Bank A. Bank B then responds eventually by effecting the transfer of the requested amount to Bank A. The culprit thereafter effects a fake payment to customer X, through the clearance of a forged cheque or through the transfer of the funds to yet another bank, Bank C, again supported by false documentation. The money is then taken out' from Bank C. On the completion of the operation, the documents are then made to disappear from the coffers of Bank A, and possible also, from those of one or both of Banks B. & C. An actual, usually impecunious, "customer X", or an outsider, posing as customer X, may be involved in the fraudulent transfer operations. Such Inter-bank fraudulent transfers are now becoming frequent in the area of international transfers, involving foreign exchange transfers, which are now resulting, not only in losses to Nigerian banks in Naira, but also losses to the country in relation to its foreign exchange holdings, quite apart from the fact that it is adding to an already bad international reputation for the country.

**.Defalcation**: - Defalcation of customer's deposits either by conversion or fraudulent alteration of deposit vouchers by either the bank cashier or customer's agent is another form of fraud. The case of Lippit v Ashley1 centered on an action by a receiver against directors of a bank that failed as a result of defalcation by its treasurer. Where the bank cashier and customer’s representative collude to defalcate, such frauds are usually neatly perpetrated and take longer time to uncover. They are in most cases discovered by customers during reconciliation of their bank statements.

**Stealing of Customers Monies** :- This can be through simple or complicated methods. Instance of simple methods may be where a customer pays money into a bank and the cashier counting the money drops same money into his till from a packet, and then claims that the packet of, say N2, 000 in N20 notes, is short by about fifteen pieces that is by N300.00. The unsuspecting customer then begins to doubt in his own calculation or counting, or honesty of his staff or members of his family who assisted him in counting the money. The reverse situation may again occur in the case of withdrawal of money by a regular customer who believes in the honesty and/ or infallibility of banking staff or one who is in a hurry. Here the cashier may short-count the money. Once the customer fails to count the money immediately in receipt of the money in the presence and in full view of the cashier, he himself will hardly be able to come back to claim the short fall successfully from the cashier of the bank. Sometimes the situation occurs in the course of the payment of large sums to big customers, usually companies, government departments or parastatals, where some few packets may have minor shortfalls, like one N20 out of N2, 000 packets of N20 notes. The complicated instances may range from fraudulent intra-bank crediting and debiting of respective customer’s accounts, with a view to transferring money from one account to the other form. Which arrangements have been made to take money out, to the procedures of fraudulent inter-bank transfers discussed earlier, with the difference that the objectives is to get at money kept in a customer's account. The same way may also be achieved through the passage of a forged cheque which, more often than not, usually involves collusion with non-banking officials, like the staff of the customer whose cheque is forged.

**Falsification of Accounts and Forgeries for Stealing purposes** :- For instance, customer A, who has very little funds in his account, approaches or is approached by staff X of the bank. They agree that a certain amount, say about NI00, 000 be transferred from an account of customer B, which has a balance of N789, 000. The purpose of the withdrawal is to use the money for some business. After the business they hope to return the NI00, 000 to customer B's account, and split the profit. During the period of transaction, arrangement is usually made to prevent the Statement of Account from being sent to customer B, or fake ones, not reflecting the withdrawal, are usually arranged to be sent to him. The withdrawal itself is reflected as follows: The ledger of customer B's account is simply debited to the tune of NI00, 000, whilst customer A's account is simultaneously credited to the tune of NI00, 000 the same day. At the close of banking transactions for the day the bank records a balanced account. A few days later, customer A gives an order for transfer of the NI00, 000 to another bank, or he instructs the bank to prepare a draft to the tune of NI00,000. The money now available in the case of customer A's used for whatever business contemplated. At the end of it, customer A pays NI00,000 back into his account. That very day or some days later, his account is debited, through an entry on his account ledger, to the tune of NI00,000 whilst the account of customer B is credited to the tune of NI00,000 , that very same day. Again, at the close of banking transactions on that day, the bank again achieves a balanced account. The debiting and crediting and the subsequent reversals, are simply explained off as machine or computer errors.

**Corruption**

There are two broad categories of corruption among banking officials namely:- (a) Corruption involving falsification of accounts and other documents. (b) Corruption involving breaches of banking rules. In either case it is with the view to highly placed banking officials rewarding themselves, their wives, relations, girl-friends, friends or some other persons in position of authority. Quite apart from falsifying accounts and other documents for purposes of stealing money from the banks or their customers, bank officials also use the same methods for other fraudulent purposes. For example, in order to back up illegal transfer of foreign exchange, bank officials, in collusion with custom officials and the Nigerian Ports Authority officials, conspire with certain customers to prepare letters of credit for unimported goods, or for an amount considerably than (may be ten times) the actual amount of goods actually ordered and imported into the country. All banking documents, customs documents and the Ports Authority documents are false or entirely fake. In the case of UBA Ltd . v Ibhafidon1 a Nigerian Case..The appellant gave some money to a man in the presence of the bank official. This money was not in order to purchase some foreign exchange from the man’s domiciliary account. The bank asked him to return the next day to collect the money. On getting to the bank he was informed that he could not collect the money as there were insufficient funds in the man's account and that the funds in the account were from a forged cheque. This was in contravention of Foreign Currency (Domiciliary Account) Act of 1986, which forbids transactions in foreign exchange other than with an unauthorized dealer. The court upheld this and said all transactions involving foreign exchange are to be done in accordance with the existing laws; any transactions in breach of these laws are illegal. In the case of nonobservance of rules this related largely to areas of loans, there, for a particular percentage share of the loan, the manager may decide to grant a loan exceeding his authority, without reference to the appropriate headquarters for approval. Again he may even grant the loan without adequate or, even any collateral at all. Also there are instances of bank managers granting unlimited overdraft facilities to their wives, girl friends, relations or other friends, to trade with, or without any collateral at all. Other malpractices by bank staff include suppression of cheques in clearing, interception of telex messages meant for transfer of funds under international commercial, and other transactions with the object of diverting the proceeds into their own foreign accounts

**Malpractice by Non-Employee of Banks** These categories of persons also, engage or participate in the commission of these crimes. The area which the Nigerian banks now watch out for is the area of computer transfer. Banks and law enforcement authorities at present do not know enough about the incidence of computer frauds in practice. Through the use of computer terminal at one branch of a bank or the other, the sort of fraudulent transfers discussed above are now more readily facilitated by computer, whereby it is now possible for a branch to lock in into the computer control database or of another branch (or even from one bank computer to another bank's computer) and programme that other branch's or banks computer to transfer money from the account(s) into designated account(s) at the originating bank branch or ,elsewhere. Hence the banks need adequate training for their staff about building a lot of security checks into their computer systems, and carefully guarding same. This will involve letting the general staff have access only to the routine of the packaging system, whilst the secret codes for the security checks/guards should be known only to the managing director and one or two of his top', aides' or to the computer operations top cadre (not more than two or three in number). Such people must have bear full responsibility for computer operations in their banks. They should, of course periodically test their systems for security leakages, and change their code's where leakages have been discovered or suspected. It is essential and urgent for our banks to take sewing precautions in this area, bearing in mind that computers now operate via satellite, so telecommunications transmissions have demonstrated. The implication of this is that a very competent foreign resident computer scientist can induce transfer of frauds from any of our banks via satellite at will, unless adequate care is taken. The prospects of this must be quite frightful for a developing country like Nigeria. Also, it is common knowledge that confidence tricksters, fake business men and women, as well as port agents, produce forged letters of credits, and spurious bank drafts purportedly issued by Nigerian banks with the aim of receiving large consignments of goods and other supplies from overseas manufactures and traders which are never paid for. Similar to this is the practice of printing bank’s stationery, carving bank rubber stamp , and use of fake letter headed paper.

**Money Laundering**

This falls under fraud committed by non-bank employees. One of the greatest problems that were encountered by Nigeria was money laundering. The Nigerian Money Laundering Decree No. 38 1995 does not define money laundering, what it does is to criminalize money-laundering activities and make such activity triable. Money Laundering involves putting ill-gotten money into the banking system. This type of money was got from money scams (popularly called "419" which has been identified with S.419 of the Criminal Code of Nigeria, this section deals with obtaining by false pretence which has blurred the image of the country internationally. This is the primary focus of the law enforcement, legislative and regulating bodies. When this occurs, the evidence of this transaction is adulterated or eliminated so the origin of the transaction cannot be traced. Money laundering has always been about concealing the proceeds of organised crime. Criminals of every kind through traffickers, smugglers, illicit arm dealers, corrupt officials - must find ways to launder the money flowing from their crimes.3 They want their ill-gotten gains to look legitimate so they don't come under the prying eyes of law enforcement agencies. And one' way they clean this dirt is to move it around the world's financial systems4 . Money laundering and terrorism financing have several similarities. Both are secretive financial activities on a global scale. But terrorism financing differs from usual money laundering patterns because it includes legal, as well as illegal sources of funds, so for terrorism financing we need to look for clean money being used for dirty purposes, as well as dirty money that is been cleansed5 . A recent case in Hong Kong also highlights how other illicit commodities can be used. Three people were extradited from Hong Kong to San Diego in March for allegedly trying to sell drugs to buy missiles from Talibam

**Electronic Fraud**

Electronic Fraud is a term applied to all cases of fraud involving the computer system. It covers all sorts of abuses ranging from malicious damage to data, outright theft of data, unauthorized amendments for tampering with the programme, unlawful access to the system, willful damage to computing resources, denial of access to authorized user and removal of protection features. In fact, fraud is today seen as a fast growing "Industry" of its own and the advent of information on technology obviously facilitates and accelerates the growth. Security is obviously a key challenge in the evolving electronic culture8. The problem transcends both geographical barriers and level of sophistication of various economics. For instance, fraudsters in recent past broke into the computer system of the Federal Bureau of the investigation (FBI) in the United States of America., one of the most protected systems in the world, such development have given organizations and governments serious cause for concern about their secrets

**2.3 MALPRACTICES BY BANKS**

Here, we are concerned with those malpractices which can be attributed to the official policies of a bank's management. In this section some broad Categories of malpractices shall be focused upon, namely; bursting of credit ceilings, illegal sales of foreign exchange round tripping of funds. (i) Exceeding Credit Ceilings:- In Nigeria, the Central Bank of Nigeria1 imposes general credit ceiling on banks on the percentages of their operational funds they may lend out as loans. Within these limits, it then sets out guidelines for the sect oral allocations of such loan funds. In this regard, it is known that banks breach the Central Bank of Nigeria's Guidelines on sectoral allocations. Such breaches may be due to the quest for excessive profits namely: operating policies guidelines. Such activities must be classified as malpractices, properly so called. So should motivated bursting of the overall ceiling levels. (ii) Illegal sales of Foreign Exchange: Banks are known to be Purchasing foreign exchange from independent sources in circumstances almost similar to what obtains in 'parallel' or the 'black' market. The banks then sell off such privately purchased foreign exchange to their customers at exorbitant rates. Another malpractice in this area is that the banks hoard their officially purchased foreign exchange. They are able to account for their sales by entering into their sales the transactions involving their sales of the parallel market purchases. This then involves cooking up the books to reflect what was considered to be acceptable exchange sales rates, which do not often reflect the actual rates of exchange sales. The hoarded officially acquired foreign exchange is also sold at exorbitant rates, leading to exorbitant overall profits all round for the banks. Where any such malpractices have been discovered, the banks at fault would have been suspended from bidding at the next auction. (iii) Round Tripping of Funds:- This is the practice whereby a foreign bank would guarantee a local loan for a local project. Usually the foreign bank would be a corresponding bank or an affiliate of the local bank. The two banks would then enter into collusion and the following scenario would emerge. On the raising of the bank guarantee by the foreign bank to the Nigerian bank to back up an application to the Nigerian bank for a loan in naira for the execution of the project in Nigeria. The Nigerian bank would then decide to grant the loan. The project would subsequently be executed in Nigeria. All necessary foreign importation would be effected by the normal procedure of purchasing the required foreign exchange on the open foreign exchange market in Nigeria. Usually, during the execution or after the completion of the project, all the parties, namely the contractor or project proprietor, the Nigerian bank and the foreign bank would, in accordance with their initial conspiracy record the failure to execute or complete the project. The Nigerian bank would then formally call upon the foreign bank to remit the amount of the foreign exchange provided for in its guarantee to enable the completion of the project or reimbursement of itself. The foreign exchange so transferred would then be sold at exorbitant rates locally. After the deduction of its own profit locally, the remaining amount would then be transmitted back to the foreign bank through the purchase of foreign exchange in the Nigerian market. All the parties to the conspiracy, banks and individuals concerned, would then share the remaining profit over and above the original sum guaranteed in foreign exchange. The issue here is that the involvement of the foreign bank in the form of a guarantee usually does not result in any actual foreign investment in the country. Additionally, it operates to drain further the available scarce foreign and local resources. Consequently, this malpractice in effect, operates to reduce the amount of foreign exchange available to the country for the real investment for the development of the economy. Also, further depreciation of the naira at the time of the remittance of the money abroad would also result in the contraction of the amount of naira that would have been available for local investment in the Nigerian economy. Consequently, it was a welcome relief, even though somewhat belated, when the malpractice was abolished by circular Number 23, in April 1989. (iv) Interest Rate Policy: Item 9 of the central Bank of Nigeria Credit Policy Guidelines for 1990 fiscal year provides that banks shall pay interest on current accounts deposit, also that the rate of interest payable shall be subject to negotiation between banks and their customers. Research revealed that virtually all banks did their best to avoid paying interest on current accounts. The guidelines cited earlier further provides that banks shall continue to design their passbook in such a way that the following information will be clearly shown when calculating interest yield on savings deposits, interest rate applied, the amount of savings on which calculation is based and the period for which interest is calculated. Just as was the case with interest on current accounts, most banks flouted this directive (v) Forgeries: - The area’s most vulnerable to fraud and forgeries are the procedures for granting, recording and monitoring of loans and advances to customers. In Odu v The State3 and UBA v Ibhafidon , what constitutes forgery under the Nigerian Criminal code arose. Nevertheless, looking at definition of the word 'forgery' in the dictionary, it means “an act of making or writing in fraudulent imitation”. The more generally acceptable definition of the word is "the act of falsifying or altering any writing for customer’s signature

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

* 1. **Research design**

The researcher used descriptive research survey design in building up this project work the choice of this research design was considered appropriate because of its advantages of identifying attributes of a large population from a group of individuals. The design was suitable for the study as the study sought fraud and financial malpractice as a lending factor to business failure

* 1. **Sources of data collection**

Data were collected from two main sources namely:

(i)Primary source and

(ii)Secondary source

**Primary source:**

These are materials of statistical investigation which were collected by the research for a particular purpose. They can be obtained through a survey, observation questionnaire or as experiment; the researcher has adopted the questionnaire method for this study.

**Secondary source:**

These are data from textbook Journal handset etc. they arise as byproducts of the same other purposes. Example administration, various other unpublished works and write ups were also used.

* 1. **Population of the study**

Population of a study is a group of persons or aggregate items, things the researcher is interested in getting information on fraud and financial malpractice as a lending factor to business failure. 200 staff of selected banks in Abuja was selected randomly by the researcher as the population of the study.

* 1. **Sample and sampling procedure**

Sample is the set people or items which constitute part of a given population sampling. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample population of the study.

n= N

1+N (e) 2

n= 200

1+200(0.05)2

= 200

1+200(0.0025)

= 200 200

1+0.5 = 1.5 = 133.

**3.5 Instrument for data collection**

The major research instrument used is the questionnaires. This was appropriately moderated. The secretaries were administered with the questionnaires to complete, with or without disclosing their identities. The questionnaire was designed to obtain sufficient and relevant information from the respondents. The primary data contained information extracted from the questionnaires in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer and administered the same on staff of the two organizations: The questionnaires contained structured questions which were divided into sections A and B.

* 1. **Validation of the research instrument**

The questionnaire used as the research instrument was subjected to face its validation. This research instrument (questionnaire) adopted was adequately checked and validated by the supervisor his contributions and corrections were included into the final draft of the research instrument used.

* 1. **Method of data analysis**

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations it is with a view to making valuable recommendations and contributions. To this end, the data collected has to be analysis for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of workers response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion. The simple percentage method is believed to be straight forward easy to interpret and understand method.

The researcher therefore chooses the simple percentage as the method to use.

The formula for percentage is shown as.

% = f/N x 100/1

Where f = frequency of respondents response

N = Total Number of response of the sample

100 = Consistency in the percentage of respondents for each item

Contained in questions

**CHAPTER FOUR**

**PRESENTATION ANALYSIS INTERPRETATION OF DATA**

**4.1 Introduction**

Efforts will be made at this stage to present, analyze and interpret the data collected during the field survey. This presentation will be based on the responses from the completed questionnaires. The result of this exercise will be summarized in tabular forms for easy references and analysis. It will also show answers to questions relating to the research questions for this research study. The researcher employed simple percentage in the analysis.

**DATA ANALYSIS**

The data collected from the respondents were analyzed in tabular form with simple percentage for easy understanding.

A total of 133(one hundred and thirty three) questionnaires were distributed and 133 questionnaires were returned.

Question 1

Gender distribution of the respondents.

TABLE I

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Gender distribution of the respondents** | | | | | |
| Response | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 77 | 57.9 | 57.9 | 57.9 |
| Female | 56 | 42.1 | 42.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

TABLE II

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **The positions held by respondents** | | | | | |
| Response | | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Valid** | HRMs | 37 | 27.8 | 27.8 | 27.8 |
| Accountants | 50 | 37.6 | 37.6 | 65.4 |
| Customers care officers | 23 | 17.3 | 17.3 | 82.7 |
| Marketers | 23 | 17.3 | 17.3 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

The above tables shown that 37 respondents which represents27.8% of the respondents are human resource managers 50 respondents which represents 37.6 % are accountants 23 respondents which represents 17.3% of the respondents are customer care officers, while 23 respondents which represent 17.3% of the respondents are marketers

**TEST OF HYPOTHESES**

There are causes of financial malpractice in organization

**Table III**

|  |  |  |  |
| --- | --- | --- | --- |
| there are causes of financial malpractice in organization | | | |
| Response | Observed N | Expected N | Residual |
| Agreed | 40 | 33.3 | 6.8 |
| strongly agreed | 50 | 33.3 | 16.8 |
| Disagreed | 26 | 33.3 | -7.3 |
| strongly disagreed | 17 | 33.3 | -16.3 |
| Total | 133 |  |  |

|  |  |
| --- | --- |
| **Test Statistics** | |
|  | there are causes of financial malpractice in organization |
| Chi-Square | 19.331a |
| Df | 3 |
| Asymp. Sig. | .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3. | |

Decision rule:

There researcher therefore reject the null hypothesis there are no causes of financial malpractice in organization as the calculated value of 19.331 is greater than the critical value of 7.82

Therefore the alternate hypothesis is accepted that there are causes of financial malpractice in organization

**TEST OF HYPOTHESIS TWO**

Fraud and financial malpractice are the major factors to business failure

Table V

|  |  |  |  |
| --- | --- | --- | --- |
| **fraud and financial malpractice are the major factors to business failure..** | | | |
| Response | Observed N | Expected N | Residual |
| Yes | 73 | 44.3 | 28.7 |
| No | 33 | 44.3 | -11.3 |
| Undecided | 27 | 44.3 | -17.3 |
| Total | 133 |  |  |

|  |  |
| --- | --- |
| **Test Statistics** | |
|  | fraud and financial malpractice are the major factors to business failure |
| Chi-Square | 28.211a |
| Df | 2 |
| Asymp. Sig. | .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.3. | |

Decision rule:

There researcher therefore rejects the null hypothesis fraud and financial malpractice are not the major factors to business failure as the calculated value of 28.211 is greater than the critical value of 5.99

Therefore the alternate hypothesis is accepted that state fraud and financial malpractice are the major factors to business failure

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 Introduction**

It is important to ascertain that the objective of this study was to ascertain fraud and financial malpractice as a lending factor to business failure

In the preceding chapter, the relevant data collected for this study were presented, critically analyzed and appropriate interpretation given. In this chapter, certain recommendations made which in the opinion of the researcher will be of benefits in addressing the challenges of fraud and financial malpractice as a lending factor to business failure

* 1. **Summary**

This study was on fraud and financial malpractice as a lending factor to business failure. Four objectives were raised which included: To ascertain the reasons why business fail and how to control them, to ascertain the causes of financial malpractice in organization, to find out how mangers, directors and staff manipulate figures and thereby throwing the internal control system into confusion and leaving the accounting system in shambles, to ascertain whether fraud and financial malpractice are the major factors to business failure. In line with these objectives, two research hypotheses were formulated and two null hypotheses were posited. The total population for the study is 200 staff of selected banks in Abuja. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. A total of 133 respondents made up human resource managers, accountants, customer care officers and marketers were used for the study. The data collected were presented in tables and analyzed using simple percentages and frequencies

* 1. **Conclusion**

The prevention, detection and punishment of economic crimes especially banking malpractices is highly essential. Banking malpractices causes economic set-back for any nation in which it is prevalent. When Banking malpractices come to a peak people will lose confidence in using banking and negotiable instruments for carrying out contractual and other obligations. Such loss of confidence then causes a slowdown of the local economy and raises suspicion internationally in commercial and economic circles. Instruments of international commerce like letters of credit, bank drafts, bills of exchange emanating from local banks will then be subjected to serious scrutiny and suspected as fake abroad. Nigeria and other nations of the world of the world should therefore join hands in combating this evil. Jurisdictions around the world should all put in place strong and effective anti-banking malpractices regimes at the domestic level. International cooperation is equally important in fighting these banking malpractices. There must be at all times close collaborations between the different countries of the world

**5.4 Recommendation**

Nigeria and Countries of the world should therefore not relent in the fight against banking malpractices so that the Banking sector which constitutes a major pillar on which the economies of the nations of the world are erected will not be destroyed. The suggestions offered in this paper are very instructive in this regard.

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**QUESTIONNAIRE**

**INSTRUCTION**

Please tick or fill in where necessary as the case may be.

Section A

1. Gender of respondent

A male { }

B female { }

1. Age distribution of respondents
2. 15-20 { }
3. 21-30 { }
4. 31-40 { }
5. 41-50 { }
6. 51 and above { }
7. Marital status of respondents?
8. married [ ]
9. single [ ]
10. divorce [ ]
11. Educational qualification off respondents
12. SSCE/OND { }
13. HND/BSC { }
14. PGD/MSC { }
15. PHD { }

Others……………………………….

1. How long have you been bank
2. 0-2 years { }
3. 3-5 years { }
4. 6-11 years { }
5. 11 years and above……….
6. Position held by the respondent in bank
7. HRM { }
8. Accountant { }
9. Customer care officer { }
10. Marketer { }
11. How long have you been working in bank
12. 0-2 years { }
13. 3-5 years { }
14. 6-11 years { }
15. 11 years and above……….

SECTION B

1. There is no financial malpractice in bank
2. Agrees { }
3. Strongly agreed { }
4. Disagreed { }
5. Strongly disagreed { }
6. There are major factors that causes malpractice in organization

(a) Agrees { }

(b) Strongly agreed { }

(c) Disagreed { }

(d) Strongly disagreed { }

1. Directors are the causes of malpractice in bank
2. Agreed { }
3. Strongly agreed { }
4. Disagreed { }
5. Strongly disagreed { }
6. Lending factor is the major failure to business
7. Agreed { }
8. Strongly agreed { }
9. Disagreed { }
10. Strongly disagreed { }
11. Not all organization lend money from bank.
12. Agreed { }
13. Strongly agreed { }
14. Disagreed { }
15. Strongly disagreed { }
16. Financial malpractice is the major cause of business failure.
17. Agreed { }
18. Strongly agreed { }
19. Disagreed { }
20. Strongly disagreed { }
21. There is no failure in bank when it comes to financial malpractice
22. Agreed { }
23. Strongly agreed { }
24. Disagreed { }
25. Strongly disagreed { }
26. Not all banks experience financial malpractice?
27. Agreed { }
28. Strongly agreed { }
29. Disagreed { }
30. Strongly disagreed { }
31. Fraud is one of the factors to business failure
32. Agreed { }
33. Strongly agreed { }
34. Disagreed { }
35. Strongly disagreed { }