**THE IMPACT OF BANK FRAUD ON BANK PERFORMANCE IN NIGERIA**

**Abstract**

Fraud is an epidemic dimension that has eaten deep into the banking sector as well as the entire economy. Itsdevastating effect manifests itself in the deteriorating balance sheet of banks as well as in economic backwardness. As a result, measures to eradicate fraud in banking sector become a central focus of the government and the monetary authorities. It was against this backdrop that this study was aimed at providing empirical evidence on the effect of fraud on performance of banks. Data for the analyses were obtained from primary data through questionnaires and secondary data from Nigeria Deposit Insurance Corporation (NDIC) Annual Report. Four hypotheses were formulated to access the impact of looting of fund, social and environmental factors, motivation and government effort on effect of fraud on banks performance in Nigeria. These were tested with simple percentages and chi-square (x2) statistical technique at 5% significance level. Results showed that lack of adequate motivation is not a major cause of fraud in banks, looting of fund by bank managers and directors constitutes the major form of fraud in Nigeria, government effort and its agencies have negatively impacted on combating fraud in Nigeria and environmental or social factors have negative impact on bank fraud.

**CHAPTER ONE**

**INTRODUCTION**

* 1. **Background of the study**

The level of fraud in the present day Nigeria has been on the high side. It has eaten into every aspect of our life and economy to the extent that a three years old child talks about Advance Fee Fraud Scheme (419). The economy has faced several challenges today as a result of the billions of naira that have been lost due to the ugly Monster (fraud). The term “fraud” has been defined in different ways by different authors.    For the purpose of this study, fraud can be viewed from the following scholars and experts. The Oxford Advanced Learner’s Dictionary defined fraud as criminal deception. Fagbemi (1986) defined it as the act of depriving a person dishonestly of something which is his. In its lexical meaning, fraud is an act or course of deception deliberately practiced to gain unlawful or unfair advantage; deception directed to the detriment of another. Financial Institution Training Centre (FITC). Helicon (2000) also defines “fraud in  law as an act of deception resulting in injury to another,”. For an action to  constitute  frauds therefore, there must be a dishonest intention and the action must be intended to benefit the perpetrator to the detriment of another person.

 Going by the definition, fraud in the Nigerian   economy cannot be   restricted   to       banks alone.  Although, fraud cuts across all sectors of the economy but the size of an enterprises usually determines the volume of fraud perpetrated. The problems such as; inadequate manpower, poor internal control system and internal checks, inadequate incentives and unsuitable legal  framework for dealing with offenders, downturn in economy,   recognition   being   accorded the   wealthy    people   regardless   of   their  source   of  wealth   play  a  major  role  in  the  perpetration   of  frauds. The fear now  is  threat  of which the devilish and unscrupulous act will pose to the stability and survival of individual banks, financial institution the performance of the industry and economy as whole. Fraud results in huge financial losses to financial institutions and their customers, depletion of shareholder funds and capital base as well as loss of confidence in financial institutions. In intermediation, banks mobilize savings from the surplus units of the economy and channel these funds to the deficit unit, particularly private business enterprises, for the purpose of expanding their productive capacity. Fraud however has been defined by many scholars Olufidipe (1994) defined trick deliberately practiced in order to gain some advantage (1991), fraud is described as „any premeditate a person or group of persons with the intention of altering facts in order to obtain undue personal monetary advantage‟. Another scholar Idowu (2 camouflage, or exclusion of the truth for the purpose of dishonesty/stage management to the financial damage of an individual or an organization. Going by the definition of the chambers universal learners dictionary Kirkpatrick (1985) define fraud as any person who pretends to be something that he is not is a fraud, a snare, a deceptive, trick, cheat and a swindler. Having explained what fraud is, it is pertinent to define bank fraud which is the subject matter of this study; however bank fraud is the use of fraudulent means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by fraudulently representing to be a bank or financial institution. For an action to constitute fraud there must be a dishonest intention and the action must be intended to benefit the perpetrators to the detriment of another person. Going by the definitions, frauds in Nigeria cannot be restricted to the banks alone. A lot of fraudulent activities are prevalent in Nigerian economy ranging from bloody killings, ritual, kidnapping, robberies, forgery, misappropriation, cheating, and gangsters and looting. Bank fraud ranges from account-opening, money transfer fraud, cheque kiting, telex fraud, money laundering fraud, computer fraud, loans fraud and the likes.

According to Oseni (2006) the incessant frauds in the banking industry are getting to a level at which many stakeholders in the industry are losing their trust and confidence in the industry. Corroborating the view of Oseni, Idolor (2010), stressed that the spate of fraud in Nigerian banking sector has lately become a source of embarrassment to the nation as apparent in the seeming attempts of the law enforcement agencies to successfully track down culprits. Although the incidence of frauds is neither limited to the banking industry nor peculiar to Nigeria economy, however the high rate of fraud within the banking industry, calls for urgent attention with a view to finding solutions. Fraud in its effect reduces organizational assets and increases its liabilities. With regards to banking industry, it may engender crises of confidence among the banking public, impede the going concern status of the bank and ultimately lead to bank failure (Adeyemo, 2012). According to kimani (2011) `A way of making money is to stop losing it. The level of fraud in the present day Nigeria has assumed an epidemic dimension. It has eaten deep into every aspect of our life to the extent that a three years old child talks about 419, the name given to the newly discovered advanced fee fraud that is hunting our nation.

“In July 2004, central bank of Nigeria (CBN) unveiled new banking guidelines designed to consolidate and restructure the industry through mergers and acquisition. Banks and Other Financial Institutions Act (BOFIA) 1991, section 15, was also designed to prevent fraud and to make Nigeria banks more competitive and able to play in the global market.

The Nigeria Deposit Insurance Corporation (NDIC) 2007 annual report and statement of accounts report that cases of attempted frauds and forgeries in insured banks, as at 2007 exceeded what was recorded in the year 2006. For instance, the NDIC report for 2007 disclosed that a total of 1,553 reported cases of attempted frauds and forgeries involving over symbols ₦10 billion compare with 1,193 reported cases of fraud and forgeries involving ₦4,832.17 billion in the year 2006. The foregoing statistics clearly unfolds the extent to which fraud had had eaten deep into the financial strength benefit the perpetrators to the department of another person”.

Today, banks cannot withstand the growing pressure of competition among various banks due to the monster called bank frauds. If this act of fraud is not arrested, it might delete our resources because foreign investors might not find it wise to transact business via our banks.

**1.2: STATEMENT OF THE PROBLEM**

Since evolution banks have been experiencing fraud, this tends to affects the performance and the profitability of banks and may possibly lead to distress. The larger society expects greater accountability, fairness, transparency and effective intermediation from banks, ensuring that they carry out their responsibilities with sincerity of purpose and unquestionable integrity with respect to their operations as a means towards earning public trust and goodwill. The banking business has become more complex with the development in the field of Information and Communication Technology (ICT) which has changed the nature of bank fraud and fraudulent practices. Berney (2008) observed that customers rely heavily on the web for their banking business which leads to an increase in the number of online transactions. Gates, Jacob and Malphrus (2009) assert that the internet provides fraudsters with more opportunities to attack customers who are not physically present on the web to authenticate transactions. In Nigeria, in spite of the banking regulation and bank examination by the Central Bank of Nigeria (CBN), the supervisory role of the Nigeria Deposit Insurance Corporation (NDIC), and The Chartered Institute of Bankers of Nigeria (CIBN), there is still a growing concern about fraud and other unethical practices in the banking industry. This study thus, examines the extent to which fraud and other unethical practices have affected the Nigerian banking sector both in the past and present.

**1.3 OBJECTIVES OF THE STUDY**

The general objective of the study is to highlight cause and various forms of bank frauds, its effect and ways of preventing them. The specific objectives which this study is designed to achieve include.

i.             To identify the causes of fraud in banks

ii.           To examine the various types of fraud perpetrated in banking.

iii.          To identify the various ways employed in defrauding banks.

iv.          To recommend measures aimed at preventing, controlling and detecting the incidence of banks fraud.

**1.4    RESEARCH QUESTIONS**

The following research question guided this study:

1. In what ways does lack of effective internal control system lead to banking fraud?

2. In what ways does lack of enough motivation or incentive causes banking fraud?

3. In what ways do societal values contribute to bank fraud?

4. In what ways do bank frauds contribute to the dwindling economy fortune of our country?

**1.5    RESEARCH HYPOTHESES**

For the purpose of this research work, the following assumptions are made;

**Ho:**There is no relationship between effective internal control and bank fraud.

**Hi:**     There is relationship between effective internal control and bank fraud.

**Ho:**    There is no relationship between motivation or incentive and bank fraud.

**HI:** There is relationship between motivation or incentive and bank fraud.

**Ho:**    Societal values do not of have any effect on bank fraud.

**Hi:**     societal values do have effect on bank fraud

**1.5 SIGNIFICANCE OF THE STUDY**

It is believed that at the completion of the study the findings will be very useful;

To Banks and Financial Institutions as it will be beneficial to the authorities concern with banking operation, managements, staff customers and prospective investors in the industry so as to identify the various means (theft, embezzlement, forgeries etc.) employed in defrauding banks and to identify the cause of frauds in banks in Nigeria. To government as they will find this work relevant to future policy and decision making with particular to restructuring its agencies for better performance in detaching frauds in Nigeria banks. To the general Public the study will be so useful because the banking industry touches the life of everyone in an economy. Banks all over the world have contributed immensely to the economic growth and development of nations. As such, problems such as fraud which can hinder the smooth operation of the banking industry should be viewed with all seriousness in other not to intercept or destroy the rate of development. Finally, to academia it will also be beneficial to people who will intend to carry out further research in this area, to find this study relevant in their research.

**1.6 SCOPE AND LIMITATION OF THE STUDY**

This study centers on fraud in the Nigerian banking industry with a keen interest on four (4) insured banks. The four insured banks covered includes United Bank for Africa Plc, Diamond Bank Plc, First Bank of Nigeria Plc, Zenith Bank Plc, all in Nigeria. In the cause of the study, the researcher encounters some limitations which limited the scope of the study;

**Staff Reluctance:** In most cases the staff of the banks used in the study often feels reluctant over providing required information required by the researcher.

**Researcher’s Commitment:** The researcher, being of full time student spent most of her time on other academic activities such as test, class work, assignment, examination etc which takes average focus from this study.

**Inadequate Materials:** Scarcity of material is also another hindrance. The researcher finds it difficult to long hands in several required material which could contribute immensely to the success of this research work.

**1.7 DEFINITION OF TERMS**

Fraud: In [law](https://en.wikipedia.org/wiki/Law" \o "Law), fraud is [deliberate](https://en.wikipedia.org/wiki/Intent_(law)" \o "Intent (law)) [deception](https://en.wikipedia.org/wiki/Deception" \o "Deception) to secure unfair or unlawful gain, or to deprive a victim of a legal right. Fraud itself can be a [civil wrong](https://en.wikipedia.org/wiki/Civil_law_(common_law)" \o "Civil law (common law)) (i.e., a fraud victim may sue the fraud perpetrator to avoid the fraud or recover monetary compensation), a [criminal wrong](https://en.wikipedia.org/wiki/Criminal_law" \o "Criminal law) (i.e., a fraud perpetrator may be prosecuted and imprisoned by governmental authorities) or it may cause no loss of money, property or legal right but still be an element of another civil or criminal wrong.

**Banking sector:** The banking sector is the section of the economy devoted to the holding of [financial assets](http://www.investopedia.com/terms/f/financialasset.asp) for others, [investing](http://www.investopedia.com/terms/i/investing.asp) those financial assets as leverage to create more wealth, and the regulation of those activities by government agencies.

**Financial Crime:** Financial crimes are [crimes](https://en.wikipedia.org/wiki/Crimes" \o "Crimes) against [property](https://en.wikipedia.org/wiki/Property" \o "Property), involving the unlawful [conversion](https://en.wikipedia.org/wiki/Conversion_(law)" \o "Conversion (law)) of the ownership of [property](https://en.wikipedia.org/wiki/Property" \o "Property) (belonging to one person) to one's own personal use and benefit. Financial crimes may involve [fraud](https://en.wikipedia.org/wiki/Fraud" \o "Fraud) ([cheque fraud](https://en.wikipedia.org/wiki/Cheque_fraud" \o "Cheque fraud), [credit card fraud](https://en.wikipedia.org/wiki/Credit_card_fraud" \o "Credit card fraud), [mortgage fraud](https://en.wikipedia.org/wiki/Mortgage_fraud" \o "Mortgage fraud), [medical fraud](https://en.wikipedia.org/wiki/Medical_fraud" \o "Medical fraud), corporate fraud, [securities fraud](https://en.wikipedia.org/wiki/Securities_fraud" \o "Securities fraud) (including [insider trading](https://en.wikipedia.org/wiki/Insider_trading" \o "Insider trading)), [bank fraud](https://en.wikipedia.org/wiki/Bank_fraud" \o "Bank fraud), [insurance fraud](https://en.wikipedia.org/wiki/Insurance_fraud" \o "Insurance fraud), market manipulation, payment ([point of sale](https://en.wikipedia.org/wiki/Point_of_sale" \o "Point of sale)) fraud, [health care fraud](https://en.wikipedia.org/wiki/Health_care_fraud" \o "Health care fraud)); [theft](https://en.wikipedia.org/wiki/Theft" \o "Theft); [scams or confidence tricks](https://en.wikipedia.org/wiki/Confidence_trick" \o "Confidence trick); [tax evasion](https://en.wikipedia.org/wiki/Tax_avoidance_and_tax_evasion" \o "Tax avoidance and tax evasion); [bribery](https://en.wikipedia.org/wiki/Bribery" \o "Bribery); [embezzlement](https://en.wikipedia.org/wiki/Embezzlement" \o "Embezzlement); [identity theft](https://en.wikipedia.org/wiki/Identity_theft" \o "Identity theft); [money laundering](https://en.wikipedia.org/wiki/Money_laundering" \o "Money laundering); and [forgery](https://en.wikipedia.org/wiki/Forgery" \o "Forgery) and [counterfeiting](https://en.wikipedia.org/wiki/Counterfeit" \o "Counterfeit), including the production of [Counterfeit money](https://en.wikipedia.org/wiki/Counterfeit_money" \o "Counterfeit money) and [consumer goods](https://en.wikipedia.org/wiki/Counterfeit_consumer_goods" \o "Counterfeit consumer goods).

**Nigeria**:  is a [federal](https://en.wikipedia.org/wiki/Federation" \o "Federation) [republic](https://en.wikipedia.org/wiki/Republic" \o "Republic) in [West Africa](https://en.wikipedia.org/wiki/West_Africa" \o "West Africa), bordering [Benin](https://en.wikipedia.org/wiki/Benin" \o "Benin) in the west, [Chad](https://en.wikipedia.org/wiki/Chad" \o "Chad) and [Cameroon](https://en.wikipedia.org/wiki/Cameroon" \o "Cameroon) in the east, and [Niger](https://en.wikipedia.org/wiki/Niger" \o "Niger) in the north. Its coast in the south lies on the [Gulf of Guinea](https://en.wikipedia.org/wiki/Gulf_of_Guinea" \o "Gulf of Guinea) in the [Atlantic Ocean](https://en.wikipedia.org/wiki/Atlantic_Ocean" \o "Atlantic Ocean). It comprises [36 states](https://en.wikipedia.org/wiki/States_of_Nigeria" \o "States of Nigeria) and the [Federal Capital Territory](https://en.wikipedia.org/wiki/Federal_Capital_Territory,_Nigeria" \o "Federal Capital Territory, Nigeria), where the [capital](https://en.wikipedia.org/wiki/Capital_city" \o "Capital city), [Abuja](https://en.wikipedia.org/wiki/Abuja" \o "Abuja) is located. Nigeria is [officially](https://en.wikipedia.org/wiki/Constitution_of_Nigeria" \o "Constitution of Nigeria) a [democratic](https://en.wikipedia.org/wiki/Democracy" \o "Democracy) [secular country](https://en.wikipedia.org/wiki/Secular_state" \o "Secular state).

**Economy:** The economy is defined as a social domain that emphasizes the practices, discourses, and material expressions associated with the production, use, and management of resources'. Economic agents can be individuals, businesses, organizations, or governments. Economic transactions occur when two parties agree to the value or price of the transacted good or service, commonly expressed in a certain [currency](https://en.wikipedia.org/wiki/Currency" \o "Currency). Monetary transactions only account for a small part of the economic domain.

**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), statement of problem, objectives of the study, research question, significance or the study, research methodology, definition of terms and historical background of the study. Chapter two highlight 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**

* 1. **Introduction**

Fraudulent activities can ultimately result to bank failure. Bank failure in Nigeria can be traced to the 1930‟s bank failure and crisis. According to Nwankwo (1994) the crisis of confidence in the Nigerian banking industry is back dated to the1930s when all indigenous banks, except the National Bank, collapsed. It occurred again during the banking „boom and crash‟ of the late 1940s when all, but four indigenous banks, experienced the liquidators‟ hammer. According to Boniface (1991), fraud is described as „any premeditated act of criminal deceit, trickery or falsification by a person or group of persons with the intention of altering facts in order to obtain undue personal monetary advantage‟; Idowu (2009) also sees fraud as a deliberate falsification, camouflage, or exclusion of the truth for the purpose of dishonesty/stage management to the financial damage of an individual or an organization. Also between 1952 and 1954, 16 out of 21 indigenous banks failed. In the late 1990s, 26 failed banks were liquidated while others went through various surgical operations ranging from restructuring, renaming, acquiring and outright sales to new investors. Fraud and fraudulent activities affect every business. A prominent feature of bank failure which led to the reforms in the banking sector in Nigeria was fraud. This indicates a fundamental problem with fraud investigation and management in Nigerian banks. There is, therefore, need for a comprehensive fraud management scheme to have a holistic view of all the factors involved in fraud occurrence. Fraud losses continue to pose a significant problem to many industries despite significant advances in fraud detection technologies. In a nutshell, fraud, which literarily means a conscious and deliberate action by a person or group of persons with the intention of altering the truth or fact for selfish personal gain, is now by far the single most veritable threat to the entire banking industry. It is indeed worrisome that while banks are constantly trying to grapple with the demands of monetary authorities to recapitalize up to the stipulated minimum standards, fraudsters are always at work threatening and decimating their financial base. Also more worrying is the rise in the number of employees who are involved in the act as well as the ease with which many escape detection thus encouraging many others to join in perpetuating fraud (Onibudo, 2007). Wilhem (2004) estimated annual losses due to fraud for various industries in the US to include $67b (Insurance), $150b (Telecommunication), $1.2b (Bank), $40b (money laundering), $5.7b (Internet) and $1b (Credit card). These losses pose a significant threat to banks considering their role in the economy. Owolabi (2010) noted that the problem of fraud in the banking industry is not limited to any economy, nation, continent or environment. Banks all over the world have through their unique position in an economy, contributed immensely to the economic growth and development of a nation. The significance of the banking sector in any country stems from its role of financial mobilization from surplus to deficit units of any economy, provision of a competent payment system and facilitation of the implementation of monetary policies. In intermediation, banks mobilize savings from the surplus units of the economy and channel these funds to the deficit unit, particularly private business enterprises, for the purposes of expanding their productive capacity. As intermediaries to both suppliers and users of funds, banks are effectively situated in a continuum that determines the pulse of the economy. Idolor (2010), stressed that the spate of fraud in the banking industry has lately become an embarrassment to the nation as apparent in the seeming inability of the law enforcement agents to successfully track down culprits. Whereas the activities of armed robbers are given widespread reviews in the pages of newspapers, especially during major thefts, it is an irony that what they cart away from banks is only a slice of what fraudsters remove from bank tills. Corroborating the view of Idolor, Oseni (2006), stated that the incessant frauds in the banking industry are getting to a level at which many stakeholders in the industry are losing their trust and confidence in the industry. Olufidipe (1994) defined fraud as “deceit or trickery deliberately practiced in order to gain some advantages dishonestly. Statistics on the activities of fraudsters in the industry have been both amazing and confounding. In 2001, 943 fraud cases involving 11.2 billion were recorded. Ogbu (2003:42) stated that frauds in Nigerian banks continued to rise in 2002 with 77 banks of the 90 in operation, recording cases involving the sum of N12.9 billion. Onyeogocha (2001:34) attributed it to insider abuses and even board tussles.

**2.2 NATURE AND CLASSIFICATION OF FRAUDS**

Quoting Boniface (1991), fraud is described as “any premeditated act of criminal deceit, trickery or falsification by a person or group of persons with the intention of altering facts in order to obtain undue personal monetary advantage”. Frauds usually involve the perpetration of some forgery or falsification of documents or illegal authorization of signature (Ojo, 2008:91). It can be summarily concluded from the foregoing definitions that fraud arises when a person in a position of trust and responsibility digresses from agreed standards, breaks the rules to advance his personal interest at the expense of the interest of the public. The term ‘Fraud’ has been defined in different ways by different authors. According to the Collins English Dictionary, fraud can be defined as: "deceit, trickery, sharp practice, or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage". Also, the Association of Certified Fraud Examiners defines fraud as “any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent on the application of threat of violence or of physical force”. Frauds are perpetrated by individuals and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

* 1. **CONCEPTUAL FRAMEWORK**

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 (i) to defraud a financial institution; or (ii) 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 pretenses, 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.

1. There must be a false writing or alteration of an instrument.
2. The instrument must be apparently capable of defrauding.
3. There must be intent to defraud.

Deceit is another prominent nature of fraud or fraudulent practices. Deceit is a kind of fraud, it consisting of any false representation or contrivance whereby one person overreaches and misleads another to his hurt. Most fraud cases are based on false representations or concealment of material facts. False representations are those made directly by an interested party to induce action on the part of another; those made with reference to the subject matter, those made by a third party torching some fact which is not the subject of the contract, and those made under such circumstances as to cause unknown persons to act on them. (IIA 1977) Fraud and fraudulent practices are of various forms in the banking industry. There are general types of fraud that is more of a common denomination to various organizations e.g. accounts manipulation, deliberate reclassification of accounts to show fictitious profit.

* 1. **THEORETICAL FRAMEWORK ON FRAUD**

The relevant theories on fraud are briefly reviewed below: Differential Association theory as postulated by Edwin Sutherland (1883-1950), states that Crime is learned as we learn any other subject or trade and that learning of criminal behavior occur with other persons in a process of communication. The fundamental observation of Donald Cressey (1919-1987), in the theory of fraud triangle was that fraud is likely to occur given a combination of three factors i.e. Pressure, (Motivation), Opportunity and rationalization Albretch et al emphasized in the theory of fraud scale that, when situational pressure and perceived opportunity are high and personal integrity is low, then fraud is much more likely to occur According to Wolfe and Hermerson (2004), in the theory of fraud diamond, an individual's capability, personality traits and abilities can play a major role in determining whether fraud may occur. While opportunities can open the doorways to fraud, incentive and rationalization will attract people to it, but such an individual must have the capability to recognize the open doorway as an opportunity and should be able to take an undue advantage of the identified loopholes. Social learning theory on fraud postulates that if deviant behaviors are reinforced and alternative behaviors are not reinforced as strongly, then an individual is likely to engage in fraudulent / deviant behaviors. The theory of work place deviance reiterates that employees steal primarily as a result of workplace conditions, and that a lowered rate of employee theft is a by-product of a management team that is responsive to employee‟s plights. The theory of hyper motivation opines that ’’ Given a sufficiently powerful motivation to commit an act of fraud, people are generally more than capable of rationalizing why it does not in fact conflict with their own ethical precepts. And once they have taken the first step towards unethical behavior, subsequent steps into abyss of immorality gets progressively easier. The basic condition was that of a visceral state, that can lead an individual into an action that one would normally have deemed unacceptable. According to the Anomie theory on fraud, in every competitive capitalist society, the other members of the society who are excluded from access to legitimate means to success and stardom will experience a sense of relative deprivation which they try to relieve by way of social vices like (1) aggressive criminal behaviors, like bank frauds, and armed robbery attacks, ( 2) Aggressive revolutionary behaviors like Coup de tat in the military and (3) A retreat into psychosomatic illnesses like drug addiction, alcoholism ,etc The American dream theory posits that in a given corporate environment, to pull an impressive level of accomplishment, a strong pressure to succeed is mounted on executives to pass through a narrowly defined way. To overcome the inevitable challenges, desperate managers pass through the fraudulent path to achieve a measure of success when others could not. The Potato Chips theory explains that fraud can be additive. If the perpetrator is not caught in the act, he gets bolder to commit more fraud and eventually makes a mistake that will expose him. Fraud has therefore been likened to a person that eats a potato chip, but may never be satisfied The Rotten Apple theory opines that good and bad conducts within corporate organizations are infectious. Fraudulent actions by supervisors and top management can easily be emulated by their subordinates. Similarly, good conducts exemplified by top management will be emulated. This poses a challenge to management that whenever a “rotten and fraudulent apple” is identified in the organization, it must be quickly plucked off to ensure it does not contaminate the other good fruits on the tree. A tip of the iceberg theory posits that whenever fraud is discovered, it must be fully investigated and probed to its foundation. On many occasions, a massive fraud may be disguised as a minor one and even as an innocent error. The theory of low hanging fruits refers to frauds of minor value but with high frequency. The temptation is to overlook items of low amount in the cause of investigations, but this can be dangerous because frauds of low amounts and high frequency can equally be devastating to the bottom line. The addition by subtraction theory explains that whenever any person is found guilty of fraud, he or she must be fired, irrespective of the amount involved and his or her position within the organization Travis Harchis (1969), in the social control theory proposes that exploiting the process of socialization and social learning helps to build in self-control in individuals and thus, reduce the inclination to indulge in behavior recognized as anti -social The cognitive theory asserts that fraudsters are naturally intelligent and are imbued with high intelligent quotient. The implication is that organizations should watch out for those staff that are tagged “smart” and rated, “indispensable”. The Differential opportunity theorists see fraudsters as victims of unequal opportunities, structures and the obstacles to legal opportunities that lower class citizens need to overcome in order to achieve success. The Social ecology theory states that crimes are high in areas characterized by urban decay and large scale unemployment, in such a manner that control agents cannot function properly Lastly, the labeling theory posits that some individuals tend to internalize and accept “a label’’, a criminal or fraudulent concept or tendencies to which an audience (say the law enforcement agencies) are looking out for and have associated them with.

**2.4 TYPOLOGY OF BANKING FRAUD**

It could be said that banking fraud is not very convenient to group into types, because it takes various dimensions, nature and forms. Nwanze (2006) submitted that bank fraud can be classified into, executive fraud and other frauds. Ogundeji (2005) as cited by Nwanze (2006) gave the following types of bank fraud, executive, foreign exchange, domestic operations, reconciliation, money market and treasury, risk assets, information technology, financial control, clearing, fund transfer, teller operations and customer services related frauds. Olojo (2006) also described fraud typology as consisting of syndicated fraud, corporate fraud, executive fraud, internal fraud, external fraud, internal/external fraud, computer fraud, electricity failure aided fraud, good boy and good girl syndrome aided fraud, rotten leadership aided fraud, slow judicial aided fraud and survival politics induced aided fraud. Also, Owho (2005) emphasized the following types of fraud, theft and embezzlement, defalcation, forgeries, suppression, fraudulent substitution, payment against uncleared effects, unauthorized lending, lending to ghost borrowers, kite flying and cross Firing, unofficial borrowing, foreign exchange malpractices, impersonation, over invoicing, manipulation of voucher, fictitious contracts, fictitious accounts, over valuation/under valuation of properties, false declaration of cash shortages, fraudulent use of bank documents, falsification of status report, misuse of suspense account, duplication of cheque books, drafts, mail transfers, interception of clearing cheques, interception and switching of telex messages, inflation of statistical data, laundering, computer frauds, false proceeds of collection, robberies, teeming and lading, fake payment, claim of supernatural influence, and double pledging. This study will examine typology of fraud under the following headings: executive/corporate fraud, common fraud, and computer aided fraud.

* 1. **METHODS THROUGH WHICH FRAUDS ARE PERPETRATED IN THE NIGERIAN BANKING INDUSTRY**

There are various methods through which frauds are perpetrated in the Nigerian banking industry. The list is not exhaustive as new methods are devised with time. The most important and common methods according to Benson and Edwards (2006), Nwaze (2009) and Adebisi (2009) are: Mail Fraud: This is a process whereby the content of a duly authorized mail originated in a bank is converted to the benefit of illegitimate recipient. Tellering Frauds: This is the act of stealing from counted cash by a bank staff. This could come in the form of pilfering, teaming and lading and deposit suppression. Others include unauthorized withdrawals, vault / till cash manipulations and the manipulation of foreign currency in tellers till or vault. Clearing fraud manifests mainly in the use of cheques to fraudulently obtain cash. In Nigeria, the major types of frauds committed with cheques, are: Presentation of forged cheques, Cheque substitution, Suppression of clearing cheques, cheque cloning, cheque kiting, Issuance of „rubber‟ cheques. Forgery of signatories and re-representation of already paid cheques through insider assistance. Fund transfer frauds can be local or international, e.g. Money gram, Western union etc. Fraudulent activities through this channel could include identity fraud and fake confirmation: Fraudulent activities could come via manipulation of Fixed Deposit transactions. This includes fixing of fixed deposits above approved rates, Back value dating of fixed deposit transactions and seeking for undeserved rate for customers, to the detriment of the of the bank etc. Manipulation/ Conversion of Assets: Some bank assets i.e. consumables, e.g., photocopying papers, staplers, biros, pencils, fuel, etc, as small as they are, can easily be converted by staff to personal property to the detriment of the bank .Others include income leakages, over invoicing/expense padding Risk Asset Manipulation: Loans are the commonest type of credits granted by banks and experience shows that their vulnerability into fraudulent manipulation begins as soon as the first requests are made. However, it has also been confirmed that at any stage, most- loan frauds are perpetuated with the active collaboration of bank employees. The Common categories of loan fraud includes:

1. Manipulation of facilities
2. Unauthorized Facilities,
3. Excess above approved limits:
4. Expired Facilities:
5. Swapping of credit facilities.
6. Selling of Bank Draft/Certified Cheque on insufficient funds.
7. Giving of false financial accounts by some deceptive customers, as well as giving of false guarantees and presentation of false collateral etc.
   * 1. **Computer fraud**

Computer fraud is more sophisticated than the manually processed fraudulent activities. It is any fraud accomplished by tampering with computer programs; data files, operations, equipment or media, resulting in losses to the bank whose computer system is manipulated. The following are examples of computer frauds that are perpetrated in the banking systems on a regular basis

1. Program Manipulation
2. Data manipulation,
3. Transaction Entry Fraud:
4. Stealing of passwords etc.

**2.5.2 Electronic Banking Fraud (E-fraud)**

While the development of e-banking has brought with it new products and ways of doing business, it has also spurned a wide variety of frauds and ways of perpetrating them. The nature of perpetration is often the internet or electronic card products-hence the term e-banking frauds or cyber-frauds. Electronic banking frauds are perpetrated via (a) ATM/ Card– related Frauds, (b) Spam Mails / denial of services (c) Hacking / Unauthorized Access (d) SWIFT frauds (e) Money Transfer Frauds (Western Union Money Transfer & Money Gram)

* + 1. **Advance Fee Fraud (419)**

The dynamics of Advance Fee Fraud is to trick prospective victims into parting with funds by persuading them that they will receive a substantial benefit, in return for providing some modest payment in advance Counterfeit securities: Daily huge sums of money are lost by banks through fraudulent use of counterfeit financial documents. Apart from money itself, other financial instruments and documents are susceptible to forgery, a trend made easy with the advent of modern photographic and printing equipment. Account Opening Fraud: In the last few years many banks have lost money through corporate and personal - account - opening frauds. Some of these frauds would have been prevented had the banks applied their standard account-opening controls.

* + 1. **Money Laundry fraud**

Money laundering is a means to conceal the existence source, or use of illegally – obtained money – by converting the cash into untraceable transactions in banks. The cash is disguised to make the income appear legal. Insider Dealing Fraud The impact of Insider dealing fraud is better appreciated from the standpoint of supplying insider related information that are used in defrauding a bank.. Executive or management fraud is characterized by lack of transparency on the part of Board, management, and officers of some banking institutions in financial reporting and transactions with clients and unsuspecting members of public. The more common types of executive fraud include, but are not limited to the following

1. Foreign Exchange Scam,
2. Unethical Balance Sheet Management
3. Illegal bank charges, transactions, and unfair dealings by banks against their customers
4. Cross dealings to conceal violation of single obligor limits
5. Loan Application through fronts,
6. Foreign Exchange Transfer Profiteering
7. Business Development/ Public Relations Payment
8. Loan Recovery Fraud
9. Cost of fund: Interest Padding
10. Property Rental Fraud
11. Over–invoicing on Purchases and other Contracts:
12. Utilization of Bank‟s Time and other Resources,
13. competition with Employer and Financial Statement fraud
    1. **CAUSES OF FRAUD**

According to Benson and Edwards (2006), Nwaze (2009) and Adebisi (2009), there are many causes of fraud, depending on the enabling environment. We will focus our attention on the common ones under the following classifications: Social, technological and legal. Others are personal and management. These are briefly discussed below. Social: The following social issues are capable of causing or encouraging fraud:

1. Placing of high value on accumulation of wealth by the society without regard for the source.
2. Non reward of honesty within a system; in which case, honest staff are regarded as slow and stupid
3. The promotion of nepotism in office where by only those with people in „‟high places‟‟ or high deposit mobilizes who have relations or people holding sensitive political positions are favored,
4. Placing less emphasis on professionalism, as has been the case in recent times where by having a better or related qualification becomes meaningless. This way some very intelligent staff gets aggrieved and often constitutes a threat to the organization when dissatisfied.

**Technological**

Continuous advancement in technology constitutes a major factor in enhancing fraud. The easier things become the more it is for fraudsters too. The cost of perpetrating fraud using available technology is very low. Technology facilitates near perfection of documents‟ replication. It has turned the world to a global village. It has removed physical boundaries, hence fraud can be perpetrated along far distances. Proceeds from fraudulent activities can be obtained with ease, e.g. via electronic money transfers. Most of the technological fraudsters are youths with highly developed minds and are often influenced by successful peers. Technological frauds are not easy to detect or prevent. There are so many user points worldwide where such frauds can be perpetrated. Technological development is a continuous process. While a particular fraudulent act is being detected and prevented, other methods are being develop.

**Legal**

The legal system causes or encourages fraud in the following ways;

Most fraudulent cases are “bail able offences”, hence perpetrators in most cases get off the hook even when caught. Fraud prosecution requires “due process of the law”. This involves a careful but very long investigation process before the culprits are brought to book. Sometimes when “suspects‟‟ or known fraudsters are arrested, they are discharged by the court for want of evidence. Documents that look like clear evidence to a layman are inadequate before the law. The rot in the law enforcement arm of the legal system i.e. police, judiciary etc, also assist fraudsters. In most cases, fraudsters settle their way out.

**Personal**

The following are personal issues that have been found to cause, influence or encourage fraud;

There are professional criminals whose specialty is to defraud corporate bodies and banks. They go around recruiting interested people with impaired character. Research has shown that some people have insatiable appetite for adventure- criminal or otherwise. Such people will steal if they have opportunities, notwithstanding their status or material possessions (Kleptomaniacs). Moral upbringing among people varies. While some parents pay attention to this important issue at home, others leave it to teachers, pastors or Islamic scholars. Wrong choice of friends or mentors can link one to fraudulent people. Such persons may be enticed with generous cash or material gifts before the „‟subject‟‟ is introduced to them. Some people are from good homes, attend good schools and have very good or refined religious backgrounds but they have week minds and can easily be convinced. Some fraudsters believe in the use of their „‟crime fathers‟‟, friends or parental influence to slow down investigation. These „‟backers‟‟ are usually influential and may call on their big friends in high places to rescue their children or „‟boys‟‟ from justice. In the process, the entire syndicate members could be let off the hook.

* 1. **A CRITIQUE OF RELATED WORKS AND CONSEQUENT RESEARCH GAPS**

A large number of studies have been carried out in the area of fraud. Notable works include that of financial institutions training centre, Lagos (FITC: 1985) .The center sought to investigate the relationship between sizes of bank frauds and the ages of such banks. The study concluded that experienced staff swindles the bank of larger sums of money compared to their relatively inexperienced counterparts. Again, they opined that falsification of accounts and suppression of entries was the commonest methods employed to defraud banks. In a related development, NDIC annual reports on fraud and forgeries have consistently warned banks about the rising trend of fraud risks and the need to update their internal control mechanisms. The studies posits that between 1989 anD1999, there were a total of 2,667 reported cases of attempted frauds and forgeries involving over =N=23.52billion. The obvious short comings of NDIC reports lie in the fact that, they appeared in silos. There was no comparative analysis done to establish trends. Iyiegbuniwe (1999), carried out a study of frauds on Nigerian banks using a 10 year sample data set, collected from NDIC annual reports for his analysis. His study failed to consider the possibility of producing spurious results by not applying the necessary econometric tools. Akinfala (2005) carried out a research on job involvement/ experience factors and fraudulent behaviors amongst serving and convicted bankers. The level of job involvement was found to be a function of three factors: motivation, identification and a feeling of pride that people achieve in their jobs Nwude (2006) did a study on bank frauds. The methodology he adopted involved an interaction with bank staff of various cadres with structured questionnaire to identify the fraud forms and characteristics in the banking industry. In a different study, Otusanya (2008) investigated the role of Bank CEO‟s in the perpetration of corporate executive frauds in the Nigerian Banking sector. The study posits that, recent banking crises in Nigeria have exposed the activities of bank executives in corruption and fraudulent practices. The paper locates the role of corporate executives within the institutional anomie theory called American dream theory, whereby the pursuit of monetary success has come to dominate society. Given the strong and relentless pressure for everyone to succeed, understood in terms of an inherently elusive monetary goal, people formulate wants, targets and desires that are difficult, if not impossible, to satisfy within the ambit of legally permissible behavior. Idowu (2009) did a research aimed at finding means of minimizing the incidence of fraud in Nigerian banks Findings of this study revealed that, so many factors contributed to the incidence of frauds in banks amongst which are poor management of policies and procedures, inadequate working conditions, bank staff staying longer on a particular job and staff feeling frustrated as a result of poor remunerations. Adepoju & Alhassan (2010) opined that bank customers have come to depend on and trust the Automatic teller machine (ATM) to conveniently meet their banking needs, but that in recent times; there have been a proliferation of ATM frauds in the country. Managing the risks associated with ATM fraud as well as diminishing its impact is an important issue that face banks as fraud techniques have become more advanced with increased occurrences. Akindele (2010) posits that lack of adequate training, communication gap, and poor leadership skills were the greatest causes of fraud in banks. He advised that adequate internal control mechanism be put in place and that workers satisfaction and comfort be taking care of. The research interest of Onuorah and Ebimobowei( 2011), were on „‟ fraudulent activities and forensic accounting . They called on banks to adopt more proactive measures such as the use of forensic accounting techniques Abdulrasheed, Babaitu & Yinusa (2012) examined the impact of fraud on bank performance in Nigeria. The study revealed that Nigerian banks recorded the highest cases of fraud in 2008. Result of the study shows that, there is a significant relationship between banks profit and total amount of funds involved in fraud. Lastly, Adeyemo (2012) examined the nature, causes, effects and remedy for bank fraud in Nigeria. The study opined that the battle for reclusion, uncovering and retribution of fraud, offenders must be fought on two extensive fronts. First is to reduce the temptation to commit fraud and second is to increase the chances of detection. The above studies seem to have dwelt largely on perpetrators of frauds and their modus operandi. While it is generally believed that fraud depletes the quantum of cash deposits at the disposal of deposit money banks, there has not been any empirical evidence to that effect. That re-enforces the need for this current effort.

* 1. **METHODS THROUGH WHICH FRAUDS ARE PERPETRATED IN THE NIGERIAN BANKING INDUSTRY**

There are various methods through which frauds are perpetrated in the Nigerian banking industry. The list is not exhaustive as new methods are devised with time. The most important and common methods according to Benson and Edwards (2006), Nwaze (2009) and Adebisi (2009) are: Mail Fraud: This is a process whereby the content of a duly authorized mail originated in a bank is converted to the benefit of illegitimate recipient. Tellering Frauds: This is the act of stealing from counted cash by a bank staff. This could come in the form of pilfering, teaming and lading and deposit suppression. Others include unauthorized withdrawals, vault / till cash manipulations and the manipulation of foreign currency in tellers till or vault. Clearing fraud manifests mainly in the use of cheques to fraudulently obtain cash. In Nigeria, the major types of frauds committed with cheques, are: Presentation of forged cheques, Cheque substitution, Suppression of clearing cheques, cheque cloning, cheque kiting, Issuance of „rubber‟ cheques. Forgery of signatories and re-representation of already paid cheques through insider assistance. Fund transfer frauds can be local or international, e.g. Money gram, Western union etc. Fraudulent activities through this channel could include identity fraud and fake confirmation: Fraudulent activities could come via manipulation of Fixed Deposit transactions. This includes fixing of fixed deposits above approved rates, Back value dating of fixed deposit transactions and seeking for undeserved rate for customers, to the detriment of the of the bank etc.. Manipulation/ Conversion of Assets: Some bank assets i.e. consumables, e.g., photocopying papers, staplers, biros, pencils, fuel, etc, as small as they are, can easily be converted by staff to personal property to the detriment of the bank .Others include income leakages, over invoicing/expense padding Risk Asset Manipulation: Loans are the commonest type of credits granted by banks and experience shows that their vulnerability into fraudulent manipulation begins as soon as the first requests are made. However, it has also beenconfirmed that at any stage, most- loan frauds are perpetuated with the active collaboration of bank employees. The Common categories of loan fraud includes:( i) Manipulation of facilities, ii) Unauthorized Facilities,(iii) Excessabove approved limits: iv) ExpiredFacilities: (v) Swapping of credit facilities.(vi) Selling of Bank Draft/Certified Cheque on insufficient funds.(vii) Giving of false financial accounts by some deceptive customers, as well as giving of false guarantees and presentation of false collateral etc . Computer fraud: Computer fraud is more sophisticated than the manually processed fraudulent activities. It is any fraud accomplished by tampering with computer programs; data files, operations, equipment or media, resulting in losses to the bank whose computer system is manipulated. The following are examples of computer frauds that are perpetrated in the banking systems on a regular basis (i) Program Manipulation,(ii) Data manipulation, (iii)Transaction Entry Fraud:(iv)Stealing of passwords etc. Electronic Banking Fraud (E-fraud): While the development of e-banking has brought with it new products and ways of doing business, it has also spurned a wide.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

* 1. **Introduction**

This chapter deals with the method used in collecting data required in carrying out this research work it explains the procedures that were followed and the instrument used in collecting data.

* 1. **Sources of data collection**

Data were collected from two main sources namely:

1. Primary source and
2. 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 for the study internal control and financial management of universities in Nigeria. The researchers randomly select 200 staff of four banks which include United Bank for Africa Plc, Diamond Bank Plc, First Bank of Nigeria Plc, Zenith Bank Plc, all in Nigeria 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.

**3.6 INSTRUMENT FOR DATA COLLECTION**

The major research instrument used is the questionnaires. This was appropriately moderated. The managers 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 about 16 structured questions which was 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** | Managers | 37 | 27.8 | 27.8 | 27.8 |
| Cash attendant | 50 | 37.6 | 37.6 | 65.4 |
| Customer relation | 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 represents 27.8% of the respondents are managers, 50 respondents which represents 37.6 % are cash attendant, 23 respondents which represents 17. 3% of the respondents are customer relation, while 23 respondents which represents 17.3% of the respondents are marketers.

**TEST OF HYPOTHESES**

Lack of adequate motivation is not a major cause of fraud in the banking sector in Nigeria

**Table III**

|  |  |  |  |
| --- | --- | --- | --- |
| **Lack of adequate motivation is not a major cause of fraud in the banking sector in Nigeria** | | | |
| 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** | |
|  | Lack of adequate motivation is not a major cause of fraud in the banking sector in Nigeria |
| 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 that state that Lack of adequate motivation is not a major cause of fraud in the banking sector in Nigeria.

Therefore the alternate hypothesis is accepted that state that Lack of adequate motivation is a major cause of fraud in the banking sector in Nigeria

**TEST OF HYPOTHESIS TWO**

There is no relationship between effective internal control and bank fraud.

Table V

|  |  |  |  |
| --- | --- | --- | --- |
| **There is no relationship between effective internal control and bank fraud.** | | | |
| 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** | |
|  | There is no relationship between effective internal control and bank fraud. |
| 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 reject the null hypothesis that state that There is no relationship between effective internal control and bank fraud as the calculated value of 28.211 is greater than the critical value of 5.99

Therefore the alternate hypothesis is accepted that state that there is relationship between effective internal control and bank fraud.

**CHAPTER FIVE**

**SUMMARY CONCLUSION AND RECOMMENDATION**

**5.1 Introduction**

It is important to ascertain that the objective of this study was to evaluate the effects of fraud in bank sector in Nigeria.

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 bank fraud in the banking sector in Nigeria.

**5.2 Summary**

This study focused on the major causes of fraudulent practices in the

Nigerian Banking sector. A detailed analysis of major types of fraud was done to include presentation of forged cheques, granting of unauthorized loans and credit, posting of fictitious credits, fraudulent transfers/withdrawals, cheque and cash defalcation, loss of money to armed robbers and outright theft of money.

The work also examined the level of employees’ involvement in the fraudulent practices. The workers are categorized into supervisors and manager carrying the lead in number and amount of loss involved in this evil act; officers, Accountants and Executive Assistants, clerks and cashiers,

Typists Technicians and stenographer, massagers, Drivers, Cleaners, Security and Temporary staff. The major concern is the level of involvement of temporary workers, if left unchecked it may became a big threat. There are 1283 staff that were involved in fraudulent act between 2002 to 2006 out of which managers and supervisors accounted for 485 (37.89%).

Officers/Accountants and Executive Assistants also accounted for 431

(33.59%). This demonstrates that this two category of worker accounted for

916 out of a total of 1283 employees involved in fraudulent acts. This represents 71.39% of totals. By this, the banking industry should focus on the management and control of this category of workers.

Also theories of fraud were analyzed, while several detectives, preventive and control measures were given. In conclusion there is an urgent need for the responsible agents of control to put adequate measure in place to block major loop holes, and adequate sanctions to punish and discourage culprits must be devised.

**5.3 Conclusion**

This research investigates the effects of bank frauds in the bank sector and it impacts on the economic growth of the Nigerians. Based on the research findings, it can be inferred that it is important to emphasize that the management and regulation of bank fraud was quantitatively important in the performance of Nigerian economy and the banking sector as a whole. It was observed that bank fraud whether through electronic device, clearing or cheque has had a positive effect on the performance of commercial banks in Nigeria and this affect the growth of the Nigerian economy. This is because the results obtained from this study support both theoretical and empirical evidence that bank fraud have a great consequences on the performance of Nigerian commercial banks and concluded that the level of ATM bank fraud over the years have indeed negatively affected insignificantly on performance of commercial banks in Nigeria and the Nigerian economy as a whole; that forged cheque has negative effect but significant on the performance of commercial banks in The threat of fraud in the Nigerian banking industry can be contained by taking the right steps. A bank that is alert to the risks that affect its business, that puts in place appropriate controls and procedures, monitors the operation of these controls and their effectiveness, creates favorable working environment and maintains an anti-fraud culture, is going to be better placed to deter, prevent and at worst detect fraud timely. Above all, the fight against fraud requires a holistic approach through the efforts and cooperation between individuals, organizations, law enforcement agencies and other stakeholders.

**5.4 Recommendations**

The above research findings are very significant and have far negatives effects on the Nigerian banking sector. It has become expedient to act on them in order to guard against future occurrence. The following recommendations were made to improve the consequences of bank fraud on the growth of the Nigerian economy;

1. The regulatory and supervisory bodies of banks in Nigeria need to improve their supervision using all tools at their disposal to appropriately check and curtain the incidence of fraud and fraudulent practices in the banking industry in Nigeria.
2. Furthermore, training techniques should be upgraded to test honesty and integrity and not just technical skills. This should entail extensive training programme regularly done, as well as personality tests and IQ tests so as to understand the personality and character of the trainee. This would reduce negligence and carelessness in carrying out basic procedures that could pose as loopholes for fraud.
3. A good internal organization should be put in place by banks. This will ensure that proper delegation exists, duties and job, are clearly divided and that jobs do not overlap. Similarly, staff members should not have unlimited access to sensitive machines and instruments like cheques, and official stamps. Data security should be ensured at all times. The bank however, should make it a point to take good care of their staff through fringe benefits and incentives Jobs at the bank should be constantly rotated, so that no staff stays in one position for too long.
4. It is also recommended that Auditors and Accountants in organizations and financial institutions should be trained on how to carry out forensic investigation since the fraudsters are now sophisticated in their act. Also internal control systems should be strengthened to block opportunities that attract fraud perpetrators.

**Reference**

Adeyemo, K.O.(2012): Frauds in Nigerian Banks: nature, deep seated causes, aftermaths and probable remedies. Mediterranean Journal of Social sciences. Vol. 3 (2).

Akinyomi, O.J. (2012): Examination of Fraud in the Nigerian Banking sector and it’s prevention. Asian Journal of Management Research.Vol.3 issue 1.

Akindele, R.I (2011):Fraud as a negative catalyst in the Nigerian Banking industry. Journal of Emerging Trends in Economic and Management Sciences. 2(5).

Alashi, S.O. (1994): Fraud prevention and control: The role of Government and Government agents. Chartered institute of Bankers, Lagos. 30(4).

Akpa, A. (2009) Impact of the Financial Meltdown on the Nigeria Economy”unpublished paper.

Andoh, K. (2004) “Criminology and Code of Professional Ethics” A paper delivered during workshop on fraud and related Financial Crimes at Rapour Hotels, Owerri, November 24 to 26.

Babalola, R. (2010), Nigeria: Excess Crude Account to Drop to N528.4 billion, This Day newspaper, May 25.

Black, H.C. (1979), Blacks law Dictionary, 5 th edition, St. Paul Minnesota, West Publishing Co.

Benjamin, E.O. et al. (2015): The impact of forensic investigative methods on corporate fraud detection in banks in Nigeria. European Journal of Accounting Auditing and Finance Research, vol.3(4).

Boniface, B. (1991): Fraud in the Banking industry. The Nigerian Bankers. OCT-DEC 22 & 23. CIBN Press. Deloitte, (2012), “Indian banking fraud survey: Navigating the Challenging Environment”. Retrieved July 15, 2013 from <http://www.deloitte.com>.

Diamond, D. W. (1984), “Financial Intermediation and Delegated Monitoring”.Review of Economic Statistics, Volume 51, No. 10. Donald Cressey (1986): Why managers commit fraud. Australia and New Zealand Journal of criminology.

Ebhodaghe J.U (1996) The impact of failed banks on the Nigerian Economy, NDIC quarterly reports, volume 6, numbers 1&2

Ebhodaghe J.U ( 1997),‟‟ Malpractices in the banking industry: Nature, Types, Causes, and Remedies‟‟ , NDIC Quarterly, Vol.7 No.1

FITC (1989), Fraud in banks. A research report by the financial institutions training centre( FITC), Lagos.

Gates, T. & Jacob, K. (2009),“Payments fraud: perception versus reality – a conference Summary”. Economic Perspectives, 33(1), 7-15.

Gold, S. (2009),“BT starts Switchboard: Anti-Hacking Investigation Newsbytes”, Retrieved January 25, 2013 from http//:infowar.com. Central Bank of Nigeria Research Bullion Publication (1997) Vol.21 No.2 April/ June 2.

Sanusi J. (1986) “Management Control Systems and the Prevention and Detection of Frauds in Nigeria” (ED) 1986 3.

Iyiegbuniwe W. (1995) “The Socio-economic and Financial Environment of Fraud” Paper presented at workshop on fraud prevention and control organized by Resman. 4.

Bank Administration Institution (1988) “Fraud Prevention and Detection Series” First Chicago (The First National Bank of Chicago) 5.

Ekechi, A.O (1990) “Frauds and Forgeries in Banks: Causes, Types and Prevention” presented at the National Seminar in Bank Audit Organised by ICAN in Lagos. 6.

Sanda B.A. (1994) “Understanding the Nature, Structure and Dimension of Fraud in Banks and Financial and Administrative System, being a paper presented at a workshop organized by Michael Sttevens and Associates, Lagos. 7.

Eliot R.T. etal (1984) “Management of Fraud Detection and Defence” Petrocell Books Diconpt. New York, USA. (Pg. 331 - 347) 8.

Annual Report of Union Bank of 2004. 9. Holden, J.M. (1998) “The Law and Practice of Bank and Customer, Pitman (Publisher), London. 10.

Sani.A.A. (2002) “Financial Management: Bank risk Assessment Criteria” Unpublished Lecture Notes, Department of Business Administration, A.B.U, Zaria . 11.

Onyiwa, B.C. “Banking Operations in the New Order of Decree No. 24 and 25 of 1991” The Nigerian Accountant, September 1994 Vol. 36 No.3. Economics and management Sciences (JETEMS). Bank administration institute of America and First National bank of Chicago: Fraud prevention series. Benson and Edwards‟s fraud prevention series (Volumes 1-11).B &E publishers Lagos. CBN Statistical bulletin (1990-2008).

Donald Cressey (1986): Why managers commit fraud. Australia and New Zealand Journal of criminology.

**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 in the banking sector?
2. 0-2 years { }
3. 3-5 years { }
4. 6-11 years { }
5. 11 years and above……….
6. Position held by the respondent in secondary school
7. Internal auditors { }
8. Account officers { }
9. Managers { }
10. Senior staff { }
11. How long have you been in working with first bank
12. 0-2 years { }
13. 3-5 years { }
14. 6-11 years { }
15. 11 years and above……….

SECTION B

1. In what ways does lack of effective internal control system lead to banking fraud?
2. Agrees { }
3. Strongly agreed { }
4. Disagreed { }
5. Strongly disagreed { }
6. In what ways does lack of enough motivation or incentive causes banking fraud?

(a) Agrees { }

(b) Strongly agreed { }

(c) Disagreed { }

(d) Strongly disagreed { }

1. In what ways do societal values contribute to bank fraud?
2. Agreed { }
3. Strongly agreed { }
4. Disagreed { }
5. Strongly disagreed { }
6. In what ways do bank frauds contribute to the dwindling economy fortune of our country?
7. Agreed { }
8. Strongly agreed { }
9. Disagreed { }
10. Strongly disagreed { }
11. There is no relationship between effective internal control and bank fraud?
12. Agreed { }
13. Strongly agreed { }
14. Disagreed { }
15. Strongly disagreed { }
16. There is no relationship between motivation or incentive and bank fraud?
17. Agreed { }
18. Strongly agreed { }
19. Disagreed { }
20. Strongly disagreed { }
21. Societal values do not of have any effect on bank fraud?
22. Agreed { }
23. Strongly agreed { }
24. Disagreed { }
25. Strongly disagreed { }
26. There is relationship between effective internal control and bank fraud?
27. Agreed { }
28. Strongly agreed { }
29. Disagreed { }
30. Strongly disagreed { }

1. There is relationship between motivation or incentive and bank fraud?
2. Agreed { }
3. Strongly agreed { }
4. Disagreed { }
5. Strongly disagreed { }