

**IMPACT OF FRAUDS AND FORGERIES ON THE
PERFORMANCE OF DEPOSIT MONEY BANKS**

IN NIGERIA

(A Case Study of First Bank of Nig. Ltd.)

BY

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CERTIFICATION

This is to certify that this research study was conducted by **OLUKOWI FATIMOH OLAWUNMI** with Matriculation Number **HND/23/BFN/FT/0371** and this work has been read and approved as meeting the requirement for the award of Higher National Diploma (HND) in Banking and Finance, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic.

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DEDICATION

This research work is dedicated to Almighty God the most merciful, the most gracious, the beginning and the end, for making this research work possible and reality for me.

I also dedicated this research, work to my late Mom **MRS ADIJAT OLUKOWI** May her soul continue to rest in perfect peace and my Dad **MR BASHIRU OLUKOWI** for his unwavering support and love. May Almighty Allah continue to keep you safe to enjoy the fruit of your labour on earth in sound health. AMIN

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All praises, adoration and glorification are due to Almighty Allah (S.W.T) the most gracious, the most beneficent, the most merciful and I seek his benevolent peace and blessing be showered upon his noble prophet Muhammad (S.A.W) his house hold, his companion and the entire generally of Muslim till the day of judgment (Amen).

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ABSTRACT

This research examines the impact of fraud on the performance of deposit money banks in Nigeria. The incidence of fraud in the Nigerian banking industry has assumed an alarming proportion of late. It is against this back drop that secondary data on fraud and forgeries were collected and analyzed using the Ordinary Least Square (OLS) method of regression analysis complemented with econometric test to ascertain the validity of regression result. To facilitate the study, it was tentative that there is no significant relationship between fraud and performance of deposit money banks. E-view statistical analysis showed a significant relationship between the dependent and explanatory variables hence, it was concluded that significant relationship exist between bank fraud cases, bank fraud losses, bank fraud amount and bank loans and advances. As a preventive measure, it is recommended that banks should ensure strict pre-employment screening to give room to only qualified and ethically informed persons. Periodic mobility of staff will help to reduce the incidence of fraud in the banking industry.

Key words: Fraud, Deposit Money, Banks Performance.

TABLE OF CONTENT

CHAPTER ONE

- 1.0 Introduction
- 1.1 Background to the Study
- 1.2 Statement of Research Problem
- 1.3 Research Questions
- 1.4 Objective of the Study
- 1.5 Research Hypothesis
- 1.6 Significance of the Study
- 1.7 Scope of The Study
- 1.8 Definition of Terms
- 1.9 Plan of Study

CHAPTER TWO

- 2.0 Literature Review
- 2.1 Conceptual Review
- 2.2 Theoretical Review
- 2.3 Empirical Review
- 2.4 Gap Identified in Literature

CHAPTER THREE

- 3.0 Research Methodology
- 3.1 Research Design
- 3.2 Population of the Study
- 3.3 Sampling Size and Sampling Techniques
- 3.4 Methods of Data Collection
- 3.5 Methods of Data Analysis
- 3.6 Limitations to Methodology

CHAPTER FOUR

- 4.0 Data Presentation, Analysis and Interpretation
- 4.1 Data Presentation
- 4.2 Data Analysis
- 4.3 Interpretation of Data

CHAPTER FIVE

- 5.0 Summary, Conclusion and Recommendations
- 5.1 Summary of Findings
- 5.2 Conclusion
- 5.3 Recommendations

References

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The evolution of the Nigerian banking system can be traced back to 1892, when the Africa Banking Corporation was established. After that, numerous added international and indigenous banks were formed. According to Abayomi (2011) frauds and forgeries is an act or course of deception, deliberately practiced to gain unlawfully or unfair advantages to the detriment of another. Any act of unfair dealing, whether against the bank by his customers or against the customers by the bank (including its officials) is regarded as fraud and forgery. frauds and forgeries can also be defined as an internal distortion, misstatement, omission, or non-disclosure to obtain financial and other benefits. It could involve defalcation or other means of misappropriation of assets or management frauds and forgeries to intentionally misrepresent accounting record and financial statement.

Having explained what frauds and forgeries are, it is pertinent to define bank frauds and forgeries which is the subject matter of the study; however, bank frauds and forgeries is the use of frauds and forgeries means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by frauds and forgeries by representing to be a bank or financial institution. For an action to constitute frauds and forgeries 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 and forgeries in Nigeria cannot be restricted to the banks alone. A lot of frauds and forgeries activities are prevalent in Nigerian economy ranging from bloody killings, ritual, kidnapping, robberies, forgery, misappropriation, cheating, and gangsters and looting. Bank frauds and forgeries ranges from account-opening, money transfer frauds and forgeries, cheque kiting, telex frauds and forgeries, money laundering frauds and forgeries, Automated

Teller Machine (ATM) frauds and forgeries, computer frauds and forgeries, loans frauds and forgeries and the likes.

According to Oseni (2006) the incessant frauds and forgeries 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. Also, Oseni and Idolor (2010) stressed that the spate of frauds and forgeries 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 and forgeries is neither limited to the banking industry nor peculiar to Nigeria economy, however the high rate of frauds and forgeries within the banking industry, calls for urgent attention with a view to finding solutions. It is important to note customer's confidence is very important in the banking industry. Whenever there is loss of confidence as a result of bank frauds and forgeries, it will have effect on the customer's confidence.

On January 2016, the Nigerian Deposit Insurance Corporation reported that the total cases of banks frauds and forgeries in Nigeria amounted to 25.6 billion in 2014, and 12,279 frauds and forgeries cases involving the sum of 18.08 billion in 2015 actual amount lost to the incidence of frauds and forgeries. Therefore, there is a need for the supervisory authorities shall develop ways to reduce the cases of bank frauds and forgeries to the varies minimum so as to increase customer's confidence.

It is asserted by Adeyemo (2012) that frauds and forgeries in the bank is possible with confirmation of an insider. The banks are expected to ensure that they carry out their responsibilities with sincerity of purpose which is devoid of frauds and forgeries practices. There are three basic elements (perceived pressure, perceived opportunity and perceived rationalization) that constitute frauds and forgeries practices in the banking industry. Therefore, the problem is how these trends of frauds and forgeries practices can be minimized. Upon these backdrops, this study

tends to resolve the problems to address the worrisome reduction in the profitability level of banks due to frauds and forgeries activities.

Banks cannot withstand the growing pressure of competition among various banks due to the monster called bank frauds and forgeries. If this act of frauds and forgeries is not arrested, it might delete our resources because foreign investors might not find it wise to transact business via our banks. In this research, the researcher discovered that the alarming degree of distresses created a great fear on the banking industry and customer's, especially the shareholders which frauds and forgeries in banking industry affect the performance of customer's and profitability of the bank which lead to the collapse of the banks. Banks performance was proxy by the earning per share of the Deposit Money Banks (DMB) which measures the level of their performance and its contribution to the economy as well serves as the dependent variable. The independent variable is total actual loss to frauds and forgeries for the period under study as reported by NDIC. Accordingly, financial intermediation promotes the performance of other sectors and the nation's economic growth as a whole. Failure of the DMBs to effectively carry out their intermediation roles might lead to a credit crunch Kanu C, Idume GI. (2016). The ability of the DMBs to perform their intermediation role is dependent on the level of public trust and confidence.

According to Ogbechie and Koufopoulos, the business of the DMBs has been built on public trust and confidence Ogbechie C, Koufopoulos DN (2016). Their role cannot be fulfilled without taking cognizance the trust and confidence repose on them by the public. Because public trust and confidence enabled surplus and deficit units to transact with the DMBs, in turn, they were able to perform their role as financial intermediaries effectively. Whether the DMBs can effectively perform their intermediation role is determined by public trust and confidence. According to Abas and Salami, the business of the DMBs has relied on public trust and confidence Abass WO, Salami S (2021). Only with such conviction and belief

can the DMBs fulfill their role effectively. This was because public trust and confidence would facilitate the readiness of the surplus and deficit units to transact with the DMBs and, in turn, allowed them to perform their financial intermediation role.

However, public trust and confidence in the DMBS have deteriorated due to the occurrence of frauds and forgeries. frauds and forgeries has become a significant threat to the DMBs in terms of profitability and survival. This is because it has not only destroyed the corporate image of the DMBs, it has also undermined the ethics of the banking profession. Ordinarily, for the DMBs to earn and sustain public trust, confidence and goodwill, they are expected to discharge their duties with absolute sincerity and integrity. It means that people expect fairness, accountability, transparency and effective intermediation from the DMBs. Unfortunately; the DMBs have failed in these expectations due to frauds and forgeries and other unethical conducts. frauds and forgeries occurrence is very critical and more pronounced in the banking sector globally. This is basically because the stock-in-trade of a bank is cash Association of Certified frauds and forgeries Examiners (2020). frauds and forgeries activity was viewed as involving several actions embodied by willful deception for the advantage of or to the disadvantage of the business and can include staff and non-staff of an organization Olaoye CO and Dada RA (2014). Its definition also comprises of the intentional use of trick to acquire unlawful gain or unfair advantage of others, such as misleading financial reporting, misappropriation, or accumulation of illegal assets Raju KK and Murthi KR (2015).

According to Ihiagarajah (2008), frauds and forgeries in the DMBs involved a set of actions and conduct done to defrauds and forgeries a financial institution Ihiagarajah F (2008). This could lead to a loss of money, assets, or other property. Banking frauds and forgeries affects the foundation and credibility of most banks, as there will be serious implications for all the interested parties and the economy of a nation in general. It has remained the principal cause of bank downfall and anguish

in the Nigerian banking sub sector of the economy, as experienced in the 1990s and 2008, and 2009. It has even led to the closure of some banks [9,10]. Banking frauds and forgeries has become the leading cause of bank collapse.

Meanwhile, bank failure brings unspeakable adversity to stakeholders to such as shareholders, staff of the staff and clients. The majority of staff, both in banking and non-banking organizations, commit frauds and forgeries. These acts are sometimes referred to as occupational frauds and forgeries. Several categories of staff were affected, as even the CEOs would not be spared. This situation has become scary due to the involvement of CEOs who are expected to protect the interests of the other principals. Commercial bank executives, as well as bank officials generally, should share the same commitment and focus on effectively facilitating interbank financial transactions to lead to good profitability for their banks. However, there will be bank employees who will work against this expectation and engage in frauds and forgeries practices, which means they will not achieve shareholders' objectives. Consequently, such actions will bring about a poor image of the bank for external stakeholders. frauds and forgeries involving high level officials in the bank has a high tendency of affecting the bank's performance. Pressure, opportunity, Rationalization and the capacity of the employees have contributed in no small measures to the increase in frauds and forgeries perpetrated by the bank staff. Therefore, this work is hinged on the frauds and forgeries triangle and diamond theories in investigating the association between frauds and forgeries and bank performance. The reason for this is that the theories explain the four explanatory variables (apparent rationalization measured by number of reported cases involved in the frauds and forgeries, perceived pressure proxy by losses expected from the frauds and forgeries, perceived opportunity measured by monetary value concerned on frauds and forgeries and capacity measured by number of staff participation in frauds and forgeries act). Cressey concentrated his study on the reason that drives

persons to involve in dishonest and unscrupulous practices Cressey DR (1971). The rationale of this work is to assess the consequence of frauds and forgeries triangle Diamond components, pressure, apparent opportunity, Rationalization on the performance (measured by Return on Asset), of DMBs in Nigeria. It also aimed at ascertaining the effect of staff involvement (capacity) in frauds and forgeries on the return on asset of DMBs in Nigeria.

1.2 Statement of the Problem

The inability to identify the immediate remote causes of continuous cases of bank frauds and forgeries in virtually all banks in Nigeria is one of the problems brought to minimum. frauds and forgeries is a major challenge to the entire banking industry; no bank is immune to it and in all facets of the life (Olorunsegun, 2010). The banking public expects accountability, fairness, transparency in their day operation for effective intermediation. However, ATM bank frauds and forgeries poses a problem in the activities of banking industry as they contribute to bank frauds and forgeries in Nigeria. This divulges that the ATM for bank business in Nigeria nowadays is risky and disastrous. This is so because of irregularities and malpractice in order to regulate economy like ours this unappealing trend seems capable of reducing the increase or growth of banks of above frauds and forgeries appears to constitute risky variable that stand between banks and progress. Banks now have the dilemma of losing over N25.6-N18.02 billion in 2014-2015 (NDIC 2015). The main objective of this study is to examine the impact of frauds and forgeries on financial performance of First Bank of Nigeria Plc and other Deposits Money Banks in Nigeria.

1.3 Research Questions

These research questions guided this study:

- i. What is the effect of frauds and forgeries cases on the return on assets of banks in Nigeria?
- ii. To what extent does Actual loss associated with frauds and forgeries affect the return on assets of banks in Nigeria?
- iii. What is the effect of ATM frauds and forgeries on the return on assets of banks in Nigeria?
- iv. What is the relationship between total amount involved in frauds and forgeries and performance of First Bank of Nigeria Plc.

1.4 Objectives of the Study

The general objective of this study is to empirically examine the impact of frauds and forgeries on the performance of deposit money banks (DMB) in Nigeria. The specific objectives are:

- i. to ascertain the effect of frauds and forgeries cases on the return on assets of banks in Nigeria.
- ii. to determine the effect of Actual loss associated with frauds and forgeries on the return on assets of banks in Nigeria
- iii. to evaluate the effect of ATM frauds and forgeries on the return on assets of banks in Nigeria
- iv. to examine the relationship between total amount involved in frauds and forgeries and performance of First Bank of Nigeria Plc.

1.5 Research Hypothesis

H0: frauds and forgeries cases do not significantly affect the return on assets of First Bank of Nigeria.

H1: frauds and forgeries cases significantly affect the return on assets of First Bank of Nigeria.

1.6 Significance of the Study

The impact of bank frauds and forgeries on the operations of banks in Nigeria and indeed the economy at large is of interest to researchers and industry practitioners. The study also seeks to improve on the methodology and findings of past researchers by conducting some statistical tests of significance. Furthermore, the study will be of value and very useful to all categories of bank managers, financial information users such as existing and potential shareholders, creditors and fund providers and the relevant government agencies. Besides, researchers and students in the field of banking and finance who want to know more about frauds and forgeries, its causes and possible ways of preventing it will also find the study beneficial.

1.7 Scope and Limitation of the Study

The study will focus on the impact of frauds and forgeries on the performance of Nigerian Deposit Money Banks, with a specific case study of First Bank Plc.

The study will examine the types of frauds and forgeries and frauds and forgeries, their causes, and their effects on bank performance.

The study will be limited to First Bank Plc, which may not be representative of all Nigerian Deposit Money Banks.

The study will rely on secondary data, which may have limitations in terms of accuracy and completeness.

The study will focus on financial performance, which may not capture other important aspects of bank performance.

1.8 Organization of the Study

Chapter one which comprises the introduction which is sub divided into six sub section as follows: Background of the study, Statement of the Study, Statement of Research Question. Chapter Two covers the Literature Review where we have the Conceptual Framework, Theoretical Review and Empirical Review.

Chapter Three entails Research Methodology

Chapter Four contains the Data Analysis, Presentation and Interpretation

Chapter Five comprises of the Summary, Conclusion and Recommendation.

1.9 Definition of Terms

Forgery: The act of creating or altering a document or other item with the intention of deceiving others.

Deposit Money Banks: Financial institutions that accept deposits and make loans, providing financial services to individuals and businesses.

Bank Performance: The financial and operational efficiency of a bank, measured by indicators such as profitability, return on assets, and return on equity.

Financial Loss: A reduction in the value of a bank's assets or income due to frauds and forgeries or forgery.

Risk Management: The process of identifying, assessing, and mitigating potential risks to a bank's financial performance.

Internal Control: Procedures and policies implemented by a bank to prevent or detect frauds and forgeries and forgery.

External Audit: An independent examination of a bank's financial statements and operations.

Regulatory Compliance: Adherence to laws, regulations, and industry standards governing banking operations.

Cybercrime: Criminal activities involving computers, networks, or other digital technologies.

Identity Theft: The unauthorized use of someone's identity or personal information.

Check Kiting: A type of check frauds and forgeries involving the deliberate exploitation of the delay between the time a check is deposited and the time it is cleared.

ATM frauds and forgeries: Unauthorized transactions or activities involving automated teller machines (ATMs).

CHAPTER TWO

2.0 Literature Review

2.1 Conceptual Framework

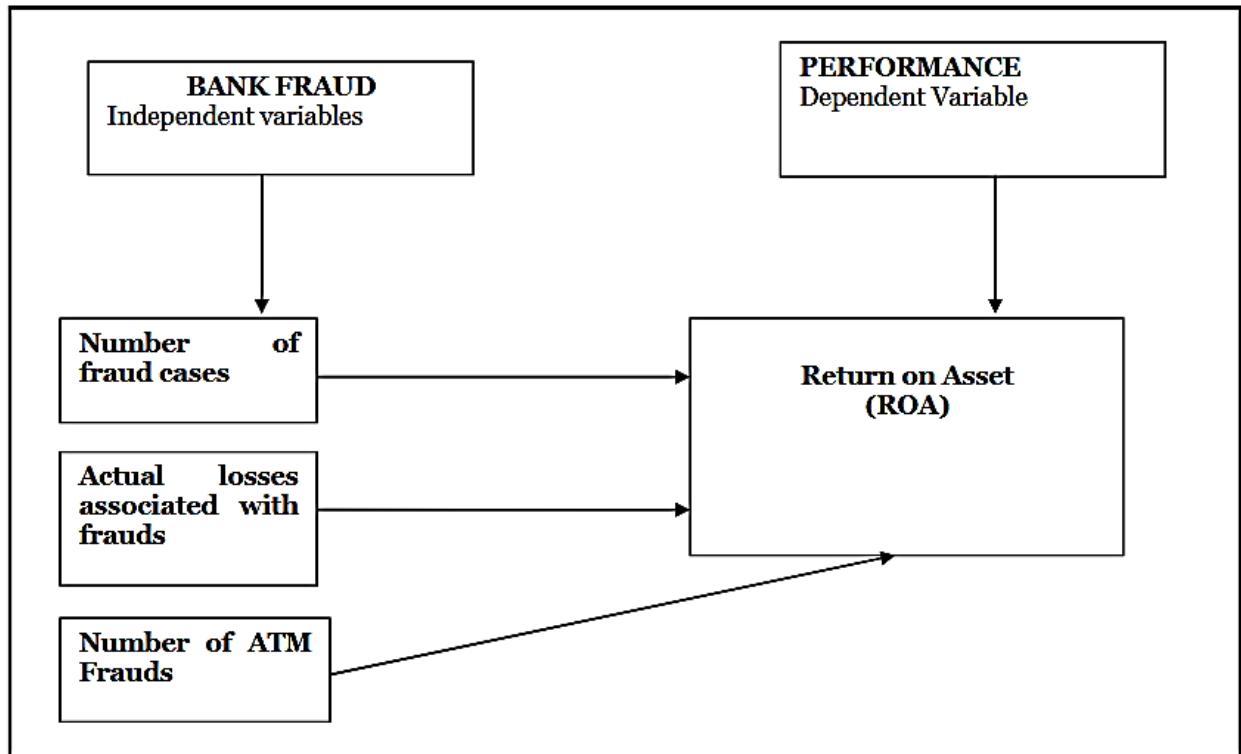


Fig.1: Schematic representation of the conceptual framework of the study

Source: Researchers' innovation (2025)

2.1.1 Concept of Frauds and Forgeries

As submitted by Anand, frauds and forgeries is a debated phenomenon as quite a lot of definitions emerge which is largely dependent on organisational world views of what constitute ethical and unethical practices. Anand et al. contended that numerous categories of frauds and forgeries exist to wit: frauds and forgeries orchestrated by staff of the organization, which can also be referred to as occupational frauds and forgeries perpetrated by external individuals. This study focuses on the frauds and

forgeries perpetrated by both internal and external individuals against banks. The disposition of offenders towards their employers could influence their judgments to commit job-related frauds and forgeries, which can swing contingent on the frauds and forgeries situation external to the work Andon P, Free C, Scard B (2015). The threat of deceitful acts to a business is on the rise, especially with the rise of sophisticated frauds and forgeries schemes involving financial transactions in the age of technological advancements Oyedokun GE (2020). Detecting and deterring frauds and forgeries requires understanding the variety of frauds and forgeries schemes, including employee theft, vendor frauds and forgeries, and corruption. There must be a wrongdoer, a victim, and no safeguards or controls in place for frauds and forgeries to occur. Oyedokun explains that Internal frauds and forgeries schemes are typically fabricated by staff within a firm Oyedokun GE (2020). An Internal frauds and forgeries scheme is one structured at the risk of unanticipated pecuniary, substantial or loss of image resulting from the frauds and forgeries activities of a person who works within a firm. frauds and forgeries has been defined at innumerable times and circumstances by multiple academics.

For illustration, the Oxford Dictionary states that frauds and forgeries as unlawful dishonesty concerning a person or thing that is not demanded. Adeboye posited that frauds and forgeries is an intentional and premeditated effort geared towards gaining illegitimate monetary gains at the disadvantage of someone who is the legal possessor of the property/ fund. Adewunmi opined that frauds and forgeries act is a “conscious premeditated action of a person or group of people to alter the truth or a fall for selfish monetary gain”, further to the above, sees frauds and forgeries as every act of chauvinistic dealing even if it is perpetrated by employee of the bank, or by external individuals or the one perpetrated by the staff of the bank against customers Akindele RI (2011). Occupational frauds and forgeries is usually referring to frauds and forgeries perpetrated by a staff of an organization.

Three types of schemes can be distinguished: misappropriation of assets, corruption, and financial statement frauds and forgeries Andon P, Free C, Scard B (2015). Occupational frauds and forgeries also known as frauds and forgeries committed by employees against their employers, is the commonest frauds and forgeries usually committed against businesses that are smaller Kennedy JP (2016). Peltier-Rivest and Lanoue posited that assets misappropriation is amongst the greatest regularly happening work-related frauds and forgeries acts amongst all deceitful schemes Peltier-Rivest D, Lanoue N (2015). Though, employee related frauds and forgeries impacts an organization within and outside also Peltier-Rivest D, Lanoue N (2015). The business entity would lose its assets and income as well as reputation as a result of frauds and forgeries practices. Banks are more prone to employee frauds and forgeries because of the sensitive of the work and the stock in trade is usually cash. frauds and forgeries however has been defined by many scholars. frauds and forgeries can be defines as any illegal act that is characterized by any deceit, concealment or violation of trust (Agwu, 2013). According to Barnabas (2011) frauds and forgeries is an act or course of deception, deliberately practiced to gain unlawfully or unfair advantages to the detriment of another. Any act of unfair dealing, whether against the bank by his customers or against the customers by the bank (including its officials) is regarded as frauds and forgeries. Another scholar Idowu, (2009) also sees frauds and forgeries 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.

Frauds and forgeries 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). The bank frauds and forgeries does not only effect customers' confidence but also, increase organisation's liabilities and

by implication reduce its assets which will also reduce the earning per share of organisation.

According to Kimani (2011), a way of making money is to stop losing it. The level of frauds and forgeries 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 frauds and forgeries 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 institution Act (BOFIA) 1991, section 15, it was also designed to prevent frauds and forgeries and to make Nigeria banks more competitive and able to play in the global market. frauds and forgeries can also be defined as an internal distortion, misstatement, omission, or non-disclosure to obtain financial and other benefits.

2.1.2 Emerging Frauds and Forgeries Patterns in the Banking Industry

frauds and forgeries comes in different forms, patterns, styles and approaches. Perpetrators of frauds and forgeries employ different techniques to achieve their objectives. The techniques adopted by frauds and forgeries are usually in sync with trending activities or technology and seek to exploit apparent weaknesses in target system.

2.1.3 Types of Frauds and Forgeries

The following are the most common types of frauds and forgeries highlighted by Bank Administration Institute (2007) in frauds and forgeries prevention and detection series;

i. 1 Advanced fees frauds and forgeries

This is popularly known as “419” Advanced fee frauds and forgeries may involve an agent with an offer of a business proposition which would lead to access often for a long term. The source of funds or business is not specific and can only be reached

through the agent who does so for commission once the commission is paid the agent disappear into thin air.

ii. Account opening frauds and forgeries

This involves the deposit and cashing of frauds and forgeries cheques. This occurs when an individual open a transaction account at an unsuspecting bank with false identification

paper unknown to the bank. This type of frauds and forgeries is detected by the bank through referee forms or status enquiry when closely scrutinized.

iii. Cheque frauds and forgeries

Most common case of this kind of frauds and forgeries is through stolen cheques and forged signatures. This is very popular because cheques are used daily and are not too hard to come by. Most times, this type of frauds and forgeries does not require collusion unless the perpetrator is greedy.

2.1.4 Causes of Bank frauds and forgeries

According to Abiola, Adedokun and Oyewole (2013) bank frauds and forgeries can be categorized in two main groups, namely; internal and external frauds and forgeries.

a. **Internal frauds and forgeries:** Are frauds and forgeries committed by employees and

managers of an organization, either acting alone or in groups or through collusion with outside parties. Management frauds and forgeries can be quite difficult to detect because managers have access to most information and system and have the power to disguise their actions because they know that their decisions may not necessarily be questioned by others. They can also intimidate junior employees to commit frauds and forgeries on their behalf.

b. **External frauds and forgeries:** Is frauds and forgeries committed by third parties of

organizations such as suppliers, competitors, partners and customers. Other offenders include potential customers, governments and criminal organizations. The perpetrators can work independently or can collude with staff to defraud and forge the bank. The various types of external frauds and forgeries witnessed by the bank are money laundering; identify theft and use of lost or stolen documents, use of counterfeit cards, theft and confidential information etc. These types of frauds and forgeries can be relatively costly if not detected quickly. The probability that the bank could unknowingly be transacting with criminal gangs is very challenging. If for instance such a transaction was to come in the limelight, the bank could face a great damage to its reputation and customer confidence.

c. Theft and Embezzlement

This is a form of frauds and forgeries which involves the unlawful collection of monetary items such as cash, travellers' cheque and foreign currencies. It could also involve the deceitful collection of bank assets such as motor vehicles, computers, stationeries, equipment's, and different types of electronics owned by the bank.

d. Defalcation

This involves the embezzlement of money that is held in trust by bankers on behalf of their customers. Defalcation of customers deposits either by conversion or frauds and forgeries alteration of deposit vouchers by either the bank teller or customer is a common form of bank frauds and forgeries. Where the bank teller and customer collude to defalcate, such frauds and forgeries is usually neatly perpetrated and takes longer time to uncover. They can only easily be discovered during reconciliation of customers' bank account. Other forms of defalcation involves colluding with a customer's agent when he/she pays into the customers' account and when tellers steal some notes from the money which are billed to be paid to unsuspecting customers/clients.

e. Frauds and Forgeries

Frauds And Forgeries involve the frauds and forgeries copying and use of customer's signature to draw huge amounts of money from the customer's account without prior consent of the customer. Such frauds and forgeries may be targeted at savings accounts, deposit accounts, current accounts or transfer instruments such as drafts. Experience has shown that most of such frauds and forgeries are perpetrated by internal staff or by outsiders who act in collusion with employees of the bank who usually are the ones who release the specimen signatures being forged (Onibudo, 2007).

f. Unofficial Borrowing

In some instances, bank employees borrow from the vaults and teller tills informally. Such unofficial borrowings are done in exchange of the staff post-dated cheque or I.O.U. or even nothing. These borrowings are more prevalent on weekends and during the end of the month when salaries have not been paid. Some of the unofficial borrowings from the vault, which could run into thousands of naira, are used for quick businesses lasting a few hours or days after which the funds are replaced without any evidence in place that they were taken in the first place. Such a practice when done frequently and without official records, soon very easily becomes prone to manipulations, whereby they resort to other means of balancing the cash in the bank's vault without ever having to replace the sums of money collected.

g. Foreign Exchange Malpractices

This involves the falsification of foreign exchange documents and diversion of foreign exchange that has been officially allocated to the bank, to meet customers' needs and demand, to the black market using some "ghost customers" as fronts. Other foreign exchange malpractices include selling to unsuspecting and naïve customers at exchange rates that are higher than the official rate and thus claiming the balance once the unsuspecting customer has departed. This practice usually find

fertile grounds to grow in banks which have weak control, recording and accounting systems and corrupt top management staff.

h. Impersonation

Impersonation involves assuming the role of another person with the intent of deceitfully committing frauds and forgeries. Impersonation by third parties to frauds and forgeries obtain new cheque books which are consequently utilized to commit frauds and forgeries is another popular dimension of bank frauds and forgeries. Cases of impersonation have been known to be particularly successful when done with conniving bank employees, who can readily make available, the specimen signatures and passport photograph of the unsuspecting customers.

i. Manipulation of Vouchers

This type of frauds and forgeries involves the substitution or conversion of entries of one account to another account being used to commit the frauds and forgeries. This account would naturally be a fictitious account into which the funds of unsuspecting clients of the banks are transferred. The amounts taken are usually in small sums so that it will not easily be noticed by top management or other unsuspecting staff of the bank. Manipulation of vouchers can thrive in a banking system saddled with inadequate checks and balances such as poor job segregation and lack of detailed daily examination of vouchers and all bank records.

j. Falsification of Status Report

A common type of frauds and forgeries is falsification of status report and/or doctoring of status report. This is usually done with the intent of giving undeserved recommendation and opinion to unsuspecting clients who deal with the bank customers. Some clients for example will only award contracts to a bank customer if he/she provides evidence that he/she can do the work and that they are on a sound footing financially. Such a frauds and forgeries customer connives with the bank staff to beef up the account all with the aim of portraying himself not only as being

capable but also as a persons who will not abscond once the proceeds of the contracts has been paid. The inflation of statistical data of a customer's account performance to give deceptive impression to unsuspecting third parties (which is very common in Nigeria), for whatever reasons, is a frauds and forgeries behavior.

k. Money Laundering

This involves the deceitful act of legitimizing money obtained from criminal activity by saving them in the bank for the criminals or helping them transfer it to foreign banks, or investing it in legitimate businesses. In the recent political dispensation (in Nigeria), money laundering by con men, politicians and frauds and forgeries bank staff have assumed alarming dimension.

2.1.5 Ways to Prevent Bank frauds and forgeries

Another way of reducing or eradicating frauds and forgeries in banking industry is through the shareholders by complying with the following recommendations according to (Abiola et al, 2013).

a. Hire Sincere People

The need to hire honest people cannot be over emphasized. Though it is the ambition of every organization, but it is easier said than done. The cost of hiring a dishonest employee is incalculable dishonest employee will undermine any attempt to create a positive work environment and constantly strive to defeat any internal control put in place. Pre- employment background checks that over criminal history, educational history verification, previous employment verification, civil history for possible lawsuits etc, will be helpful in hiring honest people.

b. Exemplary Leadership

Top management of the bank must set the standard for other employees by their conduct. Every staff, no matter how highly placed, should be governed by the rules of the organization and not above it.

c. Instauration of an Encouraging Atmosphere

An encouraging work environment boosts employees to follow established policies and procedures, and operate in the best of the organization. It opens line of communication between employees and management of the bank, and guarantees positive employees recognition and sound reward system. This kind of environment is likely to reduce the internal frauds and forgeries in the bank.

d. Perform Expected and Unexpected Audits

Every bank should have regular assessments procedures which will be complemented with uncustomary, random, unannounced financial audits and frauds and forgeries assessments. This can help to send message to all employees that frauds and forgeries prevention and control are of high priority to the bank.

e. Adequate training and education must especially on frauds and forgeries should be organized from time to time for banks staff.

f. The judicial process should be reinforced to encourage speedy hearing of frauds and forgeries cases brought before it.

g. Annual leave should be made compulsory for all categories of staff particularly for all those occupying sensitive position such as managers could be relieved by officials who are not part of the branch; this will forestall possible compromise and cover up.

h. Register of dismissed staff to be kept and to all banks for blacklisting; to be sent also to CBN, Nigeria Deposit Insurance Corporation (NDIC) and Chartered Institute of Bankers of Nigeria (CIBN).

2.1.6 Government Attempt to Prevent Bank frauds and forgeries

This research will be emphasized that the classic rule of banking, “Know Your Customer” is the key to identifying, preventing and controlling frauds and forgeries. It is appropriate to submit that the role of government and its agencies is more of benefit whereas the financial institutions and members of the public have dual role

of preventing and curing frauds and forgeries. The role of government in the prevention and control of frauds and forgeries in banks is an important task. Some of the government agencies that help to prevent and control bank frauds and forgeries in Nigeria are as follows;

a. Nigerian Deposit Insurance Corporation (NDIC)

The NDIC is specially charged with the responsibility of protecting debtors. The prudential regulations of the NDIC to banks are also aimed at preventing and controlling frauds and forgeries. For example the conditions in the guidelines for licensed banks that all banks should review their credit portfolio quarterly would help early detection of any acts of frauds and forgeries, frauds and forgeries and financial malpractices relating to loans and advances granted under suspicious circumstances. Section 35 and 36 of Nigerian deposit insurance corporation (NDIC) Act 2006 mandates banks to render monthly returns of frauds and forgeries and also notify the corporation of any staff dismissed or whose appointment was terminated on accounts of frauds and forgeries or financial irregularities. There is also a requirement for banks not to employ external auditors to check their books and affairs and for banks not to exercise undue influence on external auditors, their appointment and termination is subject to the approval of the CBN.

b. Dishonored Cheque Act

This act affects bank in their collection and payment of cheques on behalf of their customers; it is an offence for any person to issue a dud cheque in Nigeria because the person is trying to commit frauds and forgeries activity and this discourages people from accepting cheque payment. The act made it an offence for any person to issue a dud cheque therefore helping in preventing and controlling bank frauds and forgeries in Nigeria.

c. Land Use Act

This act lays down the principles of land tenure, control and management, rents and rights of occupiers. This is where the act affects banks mainly, when banks accept land as collateral for a loan, the transfer, assignment or mortgage of the land (such as buildings) must be made in accordance with the provisions of this act for such transfer, assignment or mortgage to be valid. The bank must rely on the provisions of this Act to establish the evidence of title to land in the form of statutory rights of occupancy to know if it is a right granted by the governor of a state that entitles the holder to have the sole right to absolute possession or know if it is a stolen certificate or fake certificate.

d. Money Laundering Act

This act is empowered to place surveillance on any account through which such excess cash deposit or withdrawals are made. The reason for the creation of this act is to focus on resources and to prevent and control financial crimes. This act also requires banks to report customers single deposits and withdrawals up to a given limits and discourages some genuine customers from keeping large deposits with banks for fear of being interrogated.

e. Bank Verification Number (BVN)

2.1.7 Concept of Bank Financial Performance

The performance of Deposit Money bank's (DMB's) exist because of the various services

they provide to sectors of the economy, for example, information services, liquidity services, transaction cost services, maturity intermediation services, money supply transmission, credit allocation services, and payment services. Failure to provide these services or a breakdown in their efficient provision can be costly to both the ultimate sources (households) and users (firms) of savings, as well as to the overall economy. The effect of a disruption in the provision of the various services on firms,

households, and the overall economy when something goes wrong in the Deposit Money bank sector makes a case for the need to monitor performance and market value and to impose regulations that in turn affect bank performance and market value (Review of Financial Economics, 2004). For example, deterioration in Deposit Money bank's performance and value to the point that the bank fails may destroy household savings and at the same time restrict a firm's access to credit. Further, individual Deposit Money bank's failures may create doubts in savers' minds regarding the stability and solvency of Deposit Money banks in general and cause panics and even runs on sound institutions. Although regulations may be beneficial to households, firms, and the overall economy, they also impose private costs that can affect the performance and market value of Deposit Money banks. This special issue of the journal is devoted to issues examining regulation, performance, and market value of Deposit Money banks. The majority of the papers take a combined look at a specific type of regulation and how the regulation affects the performance and/or market value of Deposit Money banks.

There are many ways to determine the financial performance of Bank, depending on the context and also the nature of the research. For the purposes of this research earning per share was considered as the variable to measure bank's financial performance. According

to Sani and Alani (2013) financial performance variables that are used to measure banks performance are many, which include earning per share, return on asset, dividend per share and return on equity.

The regulations that imposed on Deposit Money banks include five types of regulation seek to enhance the performance and value of Deposit Money bank's and thus the viability of the Deposit Money banks. These include;

- (1) Entry regulations
- (2) Safety and soundness regulations

- (3) Credit allocation regulations
- (4) Consumer protection regulations
- (5) Monetary policy regulations (elsevier, 2014)

The substantial changes that have happened in the financial sector of emerging economies like Nigeria have amplified the significance of the performance review of contemporary banks. Casu noted that performance evaluation is a critical tool utilized numerous bodies functioning either within the bank or an integral part of the bank's outside working setting. This is why shareholders and creditors of banks consider the investment product prior to creating a judgement regarding the capability of its management. Rational ways of gauging the performance of banks and other business organizations is financial analysis. Financial examination is, therefore, the procedure of categorizing the financial strengths and weaknesses of an organization by appropriately creating the association between the elements of statement of financial position and income statement.

Return on assets (ROA), which is also known as return on total assets, measures the extent of profit an organization is generating in relation to its assets. This performance ratio establishes the percentage progression rate in earnings in relation to the assets controlled by an organization produce. Return on assets communicates to investors how proficiently an organization creates profit increase from the capital it has been contracted, inclusive of debt and equity. This parameter relates comparable organizations or governs the way a firm has achieved over diverse times.

2.2 Theoretical Review

Several theories exist in the area of frauds and forgeries, Job dissatisfaction theory, The frauds and forgeries Scale, the Theory of Concealment, the Theory of frauds and forgeries Diamond, and the Theory of Work Place Deviance. This study is built on the Theory of Work Place Deviance.

2.2.1 Theory of Work Place Deviance

This theory was pioneered by Comer (1985). He believes that frauds and forgeries are deviant behaviour. Deviance theory postulates that employees steal primarily as a result of the conditions of the workplace. It adds that a lower rate of employee theft is a by-product of management responsiveness to the employee's affairs. Workplace conditions bring to force the issue of corporate governance. Banks being institutions where the object of trade is money require good management, internal control, updated equipment, adequate remuneration, and high security. Good management is essential and good and bad conduct within a corporate organization is infectious. This implies that bad attitudes (like frauds and forgeries) as well as good conduct by supervisors and top management in corporate organizations could be easily emulated. The nature of the banking business where the object of trade is money itself makes it special as much effort is made on frauds and forgeries prevention. This is because frauds and forgeries in banks affect the transactions directly, and has psychological effects on the depositors as regards the safety of their deposits. The ripple effect of reporting frauds and forgeries in banks is the cause of underreporting of frauds and forgeries in the industry. Good corporate governance becomes the key to locking the elements in frauds and forgeries diamond such that they might be like a thought inside the box (Okoye, 2016).

2.2.2 Frauds and Forgeries Triangle Theory

According to Dorminey, Fleming, Kranacher, and Riley (2010), the origin of the theory dates to the works of Sutherland, who coined the term white collar crime, and Cressey, one of Sutherland's former students. The frauds and forgeries triangle theory consists of three elements that are necessary for theft or frauds and forgeries to occur: perceived pressure, perceived opportunity and rationalization

2.2.3 Frauds and Forgeries Scale Theory

The frauds and forgeries scale theory was developed by Albrecht, Howe, and Romney (2008) as an alternative to the frauds and forgeries triangle model. The model is similar to the frauds and forgeries triangle; however, the frauds and forgeries scale uses an element called “personal integrity” instead of rationalization. This personal integrity element is associated with each individual’s personal code of ethical behaviour. Albrecht et al. (2008) also argued that, unlike rationalization in the frauds and forgeries triangle theory, personal integrity can be observed in both an individual’s decisions and the decision-making process, which can help in assessing integrity and determining the likelihood that an individual will commit frauds and forgeries.

2.2.4 Frauds and Forgeries Diamond Theory

The frauds and forgeries diamond model was introduced by Wolf and Hermanson in 2004. In their work, they presented another view of the factors to frauds and forgeries by adding the fourth variable “capabilities” to the three factor theory of frauds and forgeries triangle. Wolf and Hermanson believed many frauds and forgeries would not have occurred without the right person with right capabilities implementing the details of the frauds and forgeries.

2.2.5 White Collar Crime Theory

Sutherland (1949) as cited in Michael (2004) happened to be the first to formulate the term. According to Sutherland, white collar crime can be described as a crime committed by someone that is respectable and of high status in his place of work. White collar criminals are intelligent, opportunists, affluent and educated individuals who believed they can take advantage of circumstances to accumulate financial gain. Also, they are individuals who are qualified to get a job that give them the

opportunity of unmonitored access to large sum of money. Hence, because of the position and capabilities of those who engage in the above atrocities, the service of a trained and experienced investigator like the forensic accountant is required to forestall the occurrence of such frauds and forgeries.

2.3 Empirical Review

Numerous research works have been conducted on the nexus between bank frauds and forgeries and its effects on the performance of organizations. Despite all these empirical research works reviewed, to the best of the researchers' knowledge, not even a single robust study has been carried out to provide empirical evidence on the effect of bank frauds and forgeries on performance with a particular focus on the number of frauds and forgeries cases occurred, actual losses incurred associated with frauds and forgeries and number of ATM frauds and forgeries occurred as determinants of bank frauds and forgeries in Nigerian Deposit Money Banks. Most related studies reviewed adopted descriptive survey as research design with little interest in ex-post facto research design, however propelled researchers' interest to conduct this study on the effect of bank frauds and forgeries on performance in Nigeria.

For instance, Adekunle (2024) investigated on the nexus between frauds and forgeries prevention and internal control mechanisms in selected banks in Nigeria. Being a survey research study, data was gathered from employees of the chosen banks' internal control units using a purposive sample technique. The study adopted Thematic analysis to examine the gathered data and it was found that the internal control methods that banks used to identify frauds and forgeries were centered on setting up a control environment and identifying, analyzing, and managing risks from both internal and external sources. The study further revealed that Nigerian banks' use of a number of internal control mechanisms such as authorization, asset

security, reviews of operational performance, a regular assessment of the internal oversight structures already in place and others to curtail alarming rate of frauds and forgeries in Banks.

In a related study, Akinyomi (2012) also employed survey research design approach on his study on frauds and forgeries in Nigerian banking sector and its prevention, administered two hundred (200) copies of questionnaire to two hundred (200) staff member in ten (10) deposit money banks in Lagos. The study revealed that implementation of internal control mechanism is not sufficient, hence lack of training, overburdened staff, competition and low compliance level was reported as the main reasons for bank frauds and forgeries.

Wanjohi (2014) studied frauds and forgeries in the banking industry in Kenya using the Commercial Bank of Africa as a case study. By employing descriptive statistics with the use of an online questionnaire to access a population of 68 employees representing 33% of the population, the study revealed that frauds and forgeries in Commercial Bank of Africa was given a very high priority and employee frauds and forgeries was the most prominent frauds and forgeries in the bank, while third party frauds and forgeries was second. It was recommended that banks should implement systems and structures that will reduce the opportunities for frauds and forgeries within the banking environment. In another related study, Abdul-Rahman and Khair-Anwar (2014) investigated the effectiveness of frauds and forgeries prevention and detection techniques in Malaysian Islamic banks. The study adopted a survey research designed approach, and administered 146 questionnaires to the managers of Islamic banks in Malaysia, the study reviewed that the protection software is an exceptionally convincing component/ technique of frauds and forgeries protection

Rabiu, Abbah and Lawan (2021) investigated on the impact of Bank frauds and forgeries on the financial performance of Banks in Nigeria is a related research work to this study, but the study was not robust in surrogating bank frauds and forgeries,

it only captured bank frauds and forgeries with the total actual loss on frauds and forgeries used as independent variable. Whereas, earning per share was used as a proxy of Bank financial performance. The regression output showed that the total actual loss on frauds and forgeries has significant impact on the earnings per share. Ojianwuna, (2024) determined the extent of influence frauds and forgeries exerts on performance Deposit Money Bank in Nigeria. The study used correlational and expo facto research design, utilizing secondary data pooled out from the Nigerian Deposit Insurance Commission (NDIC) and published financial reporting of the DMBs. By the aid of Multiple regression showed that frauds and forgeries triangle and diamond theories have negative and significant effect on of DMBs in Nigeria. Consequent to the mixed research reports reviewed, this study examined the effect of bank frauds and forgeries (surrogated by number of frauds and forgeries cases, actual loss associated with frauds and forgeries and number of ATM frauds and forgeries) on performance (captured as return on assets) of deposit money banks (DMB) in Nigeria.

2.4 Research Gap

The gap this study tends to fill is not only to compares experience and expectation from use; it also compare the impact of frauds and forgeries on the performance of deposit money banks in Nigeria. Respondents are simply asked to rate their experience and express their experience.

CHAPTER THREE

3.0 Research Methodology

3.1 Research Design

The independent variable for the study (bank frauds and forgeries) surrogated by the number of frauds and forgeries cases (FC), Actual losses (AL) associated with frauds and forgeries, and number of ATM frauds and forgeries in Nigerian banks. These were sourced from the annual reports of CBN, NDIC, and NIBSS publication 2020.

3.2 Population of the Study

The population of the study consists of 25 staffs of First Bank of Nigeria Plc using purposive sampling, First Bank of Nigeria Plc is selected based on their liquidity position forwarded by the equity research report (2022)

3.3 Sample Size and Sampling Techniques

The sample size will be determined using a statistically valid method, such as the Yamane formula or the Cochran formula, to ensure that the sample is representative of the population.

Random Sampling

A random sampling technique will be used to select participants from the population, ensuring that every individual has an equal chance of being selected.

3.4 Methods of Data Collection

Bank records: Financial records, reports, and other documents from First Bank Plc will be analyzed to gather data on the bank's performance and fraud-related losses.

Industry reports: Reports from regulatory bodies, industry associations, and other relevant organizations will be reviewed to gather information on the banking industry and trends.

3.5 Methods of Data Analysis

Panel regression analysis was adopted showing fixed effect regression result as supported by the Hausman Specification Test with the aid of Eview V.10 statistical package to ascertain the impact of bank frauds and forgeries on the performance of deposit money banks (DMB) in Nigeria A case study of First Bank of Nigeria Plc. The dependent variable in this study is performance.

It is measured by using Return on Asset as used by Nwobia, et. all, (2020). The independent variable for the study (bank frauds and forgeries) surrogated by the number of frauds and forgeries cases (FC), Actual losses (AL) associated with frauds and forgeries, and number of ATM frauds and forgeries in Nigerian banks. These were sourced from the annual reports of CBN, NDIC, and NIBSS publication 2020.

Model Specification

In line with the previous research, the researchers adapted and modified the Models of Nwobia, Adigwe , Ezu & Okoye (2020) on the impact of frauds and forgeries on the performance of deposit money banks in Nigeria. This is shown below as thus:

$$ROA = a_0 + a_1POS + u$$

Where

μ = Error term

a_0 = Intercept

a_1 = parameter/ coefficient

Where ROA = Return on Assets

POS = Point of Sale Terminal frauds and forgeries

a_0 , a_1 , a_2 and a_3 - are parameters

U_t = Error term

The model was therefore modified to suit and guide the purpose of this study. The model specified below estimates the functional correlation between the dependent and independent variables in this study as follows:

The model specified below estimates the relationship:

$$\text{Perf.} = f(\text{Bk.frauds and forgeriess}) \dots\dots\dots (1)$$

$$\text{ROA} = \beta_0 + \beta_1 \text{FCs} + \beta_2 \text{AL} + \text{ATMf} + \varepsilon \text{ -----} (2)$$

Where:

- i. Perf. = Performance proxied by Return on Asset (ROA) (Dependent variable).
- ii. Bk.frauds = bank frauds surrogated by FCs, AL & ATMf (Independent variables)
- iii. FCs= fraud cases obtained as number of fraud cases attributable to the selected banks as published in annual reports of NDIC & CBN.
- iv. AL = Actual loss associated with fraud attributable to the selected banks as published in annual reports of NDIC& CBN.
- v. ATMf = ATM frauds attributable to the selected banks as published in NIBSS Publication 2020 and NDIC Annual report
- vi. β_0 is the intercept of the population regression line.
- vii. ε is the error term

Decision Rule: accept H_0 if P-value > 5% significant level otherwise reject H_0 .

CHAPTER FOUR

4.0 Data Presentation, Analysis and Interpretation

4.1 Data Presentation

Table 1: Descriptive Statistics

	ROA	FC	AL	ATMF
Mean	0.128110	93.80000	0.162067	62.33333
Median	0.111711	81.00000	0.146000	54.00000
Maximum	0.265165	198.0000	0.295000	132.0000
Minimum	0.010917	66.00000	0.118000	42.00000
Std. Dev.	0.085381	33.05234	0.045764	22.22183
Skewness	0.380880	2.231209	1.659921	2.184707
Kurtosis	1.860479	7.715656	5.708806	7.562651
Jarque-Bera	1.174242	26.34412	11.47437	24.94348
Probability	0.555926	0.000002	0.003224	0.000004
Sum	1.921647	1407.000	2.431000	935.0000
Sum Sq. Dev.	0.102059	15294.40	0.029321	6913.333
Observations	15	15	15	15

Source: Researchers' review output, 2025

The summary of the statistical properties of the variables used in this empirical study as shown above in Table 1 presented the average value of the Return on Asset (ROA), a performance proxy of the selected banks as 0.128110, this implies sampled selected banks on average earned a net income of 13% of the total asset with a maximum and minimum value of 0.265165 and 0.010917. The standard deviation is 0.085381. On the other hand, the average value of the sampled banks 'fraud is 94 percent (93.80000) which was measured by the number of fraud cases with the maximum and minimum occurrence of 198.0000 and 66.00000 respectively. It

deviates by 33.05234 from the mean value of the sampled selected banks. The fraud of the sampled banks has on average 0.162067 as measured by Actual loss associated with fraud (AL). The maximum value of Actual loss associated with fraud (AL) incurred in banks is 0.295000 and the minimum value is 0.118000. It shows a standard deviation of 0.045764 from the mean value. Finally, the fraud of the sampled banks surrogated by the number of ATM frauds (ATMf) has on average occurred 62 times with a maximum and minimum occurrence of 132.0000 and 42.00000. The standard deviation is 22.22183. In this case, the Skewness coefficient shows that all the variables under study have values less than 1 except the number of fraud cases (FCs) and number of ATM frauds (ATMf) and this indicates that their frequency distribution is normal.

The kurtosis coefficient supports the result of Skewness in all the variables as their coefficient is less than 3, which indicates normally` distributed. Jarque – Bera statistics show that - Return on Asset (ROA), Banks' fraud cases (FCs), Actual loss associated with fraud (AL), and the number of ATM frauds (ATMf) have p-values greater than 0.05 which show that they are not significant and it implies that they are normally distributed supporting the result of Kurtosis

4.2 Data Analysis

Unit Root Tests

Table 2 Result of Unit Root Tests (Augmented Dickey Fuller (ADF))

Variable	ADF P-value @ level	Decision	ADF P-value @ 1st Difference	Decision	ADF P-value @ 2nd Difference	Decision	Order of Integration
ROA	0.0010	reject Null hypothesis			—	—	1(0)
FC	0.9966	Do not reject Null hypothesis	0.2963	Do not reject Null hypothesis	0.0026	reject Null hypothesis	1(2)
AL	0.9940	Do not reject Null hypothesis	0.0765	Do not reject Null hypothesis	0.0000	reject Null hypothesis	1(2)
ATM0	0.9970	Do not reject Null Hypothesis	0.2976	Do not reject Null	0.0016	reject Null hypothesis	1(2)

Source: Researchers' Eview output, 2025.

4.2.1 Panel Regression Result

Table 3: Panel regression result showing the effect of Bank Frauds on Return on Assets

Dependent Variable: ROA

Method: Panel EGLS (Period random effects)

Date: 12/03/23 Time: 16:49

Sample: 2017 2021

Periods included: 5

Cross-sections included: 3

Total panel (balanced) observations: 15

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FC	-0.003264	0.018672	-0.174794	0.8644
AL	3.587355	1.830363	1.959915	0.0758
ATMF	-0.000456	0.027842	-0.016374	0.9872
C	-0.118718	0.089378	-1.328263	0.2110
Effects Specification				
		S.D.		Rho
Period random		0.000000		0.0000
Idiosyncratic random		0.070224		1.0000
Weighted Statistics				
R-squared	0.428274	Mean dependent var		0.128110
Adjusted R-squared	0.272349	S.D. dependent var		0.085381
S.E. of regression	0.072832	Sum squared resid		0.058350
F-statistic	2.746663	Durbin-Watson stat		1.225881
Prob(F-statistic)	0.093421			
Unweighted Statistics				
R-squared	0.428274	Mean dependent var		0.128110
Sum squared resid	0.058350	Durbin-Watson stat		1.225881
Hausman Specification Test				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random		4.301208	3	0.2307

Source: Computer output data using E-views 10.0 output, 2025.

From Table 2 above, one can see that Banks 'fraud cases (FCs), Actual loss associated with fraud (AL), and ATM frauds (ATMf) are stationary at the second difference I(2) stochastic process. This means that at level and first difference of the order of integration, these data were not stationary and by that null hypothesis at that level and first difference cannot be rejected, but; the porosity of the data was ceased at the second difference order of integration which informed that null hypothesis is rejected at this order. In general, they were differenced twice to become stationary, it is said to be integrated of order two and is denoted by I (2) stochastic process. Table 2 also made it clear that Return on Asset (ROA) becomes stationary at level, it is said to be integrated at level of the order of integration, these data were stationary at level, which suggests that the porosity of the data ceased at level, as such, the null hypothesis at this order (at level) can be rejected.

4.3 Data Interpretation

Hypothesis One

H0: Fraud cases do not significantly affect the return on assets of banks in Nigeria.

H1: Fraud cases significantly affect the return on assets of banks in Nigeria.

From the regression analysis, Table 3 indicates that there is a negative (t-statistics, -0.174794) and insignificant (p-value, 0.8644) effect of Fraud cases on the return on assets of banks in Nigeria.

This negative effect implies that a 1% increase in fraud cases will tend to decrease return on assets by -0.003264. Since, the p-value, 0.8644 is greater than the α -value (0.005), therefore null hypothesis (H0) is accepted, thus; Fraud cases do not significantly impact on return on assets of banks in Nigeria.

Hypothesis Two

H0: Actual losses associated with fraud do not significantly affect the return on assets of banks in Nigeria.

H1: Actual losses associated with fraud significantly affect the return on assets of banks in Nigeria.

From the regression analysis, Table 3 indicates that there is a positive (t-statistics, 1.959915) but insignificant (p-value, 0.0758) effect of the Actual losses associated with fraud on the return on assets of banks in Nigeria. This positive correlation implies that a 1% increase in Actual losses associated with fraud will tend to increase the return on assets by 3.587355. Since, the p-value, 0.0758 is greater than the α -value (0.005), therefore null hypothesis (H_0) is accepted, thus; Actual losses associated with fraud do not significantly affect the return on assets of banks in Nigeria.

Hypothesis Three

H_0 : ATM frauds do not significantly affect the return on assets of banks in Nigeria.

H_1 : ATM frauds significantly affect the return on assets of banks in Nigeria.

From the regression analysis, Table 3 shows that there is a negative (t-statistics-0.016374) and insignificant (p-value, 0.9872) effect of the number of ATM frauds on the return on assets of banks. This negative effect implies that a 1% increase in control of ATM frauds will tend to increase the return on assets by -0.000456.

Since, the p-value, 0.9872 is greater than the α -value (0.005), therefore null hypothesis (H_0) is accepted, thus; ATM frauds do not significantly affect the return on assets of banks in Nigeria.

In general, R^2 measures the percentage of return on asset that could be explained by changes in independent variables, Banks' fraud cases (FCs), Actual loss associated with fraud (AL), and ATM frauds (ATMf). In this case, the R^2 adjusted as seen in table Table 3 is 0.272349 (27%). This implies that about 27% of the variation in return on assets could be explained by the effect of independent variables, Banks' fraud cases (FCs), Actual loss associated with fraud (AL), and ATM frauds (ATMf) while about 73% could be attributed to other factors capable of affecting changes on return on asset of banks in Nigeria. In this case, the Durbin-Watson statistic is 1.225881. This indicates the absence of autocorrelation in the data series.

CHAPTER FIVE

5.0 Summary, Conclusion and Recommendation

5.1 Summary of Findings

The following findings were made concerning the impact of bank fraud and forgeries on performance of Deposit Money Banks in Nigeria:

- a) Fraud cases significantly affect the return on assets of banks in Nigeria.
- b) Actual losses associated with fraud and forgeries significantly affect the return on assets of banks in Nigeria..
- c) ATM frauds significantly affect the return on assets of banks in Nigeria.

5.2 Conclusion

The impact of frauds on bank performance is currently on the front burner in academic literature across the globe today. In Nigeria, the issue has seriously affected the performance of the banking sector. Hence, we examined this relationship in the Nigerian context using the Ordinary Least Square (OLS) econometric technique. The empirical findings generally revealed that fraud is a significant determinant of bank performance in Nigeria in the period of investigation. This call for all relevant regulatory authorities in the country to formulate appropriate policies that will help to urgently curtail the incidence of bank's frauds in Nigeria.

5.3 Recommendations

Based on the findings of this study, the researchers recommend that:

- i. Staff motivation should be a top priority for FBN so as to reduce to the barest minimum the number of staffs involved in fraud. The motivation can be in the form of incentives, rewards, payment for overtime job, bonuses, annual salary increment, etc. Also, reward should form part of the bank policy to encourage staff and customers who have helped to frustrate intended fraud cases in the past.

- ii. Adequate training and re-training of staff should be regular. The training should emphasis the responsibilities and loyalties of the staff to the bank. The training should include testing them on issues on morality, trustworthiness, sincerity and fear of God.
- iii. FBN should endeavor to put in place a strong internal control system to limit and reduce the amount usually involved in fraud cases.
- iv. FBN Strict disciplinary action should be taken against fraudulent staff to serve as a deterrent for others.
- v. The regulatory and supervisory bodies of banks in Nigeria should improve their supervision using all tools at their disposal to appropriately check and curtail the incidence of fraud and fraudulent practices in the banking industry in Nigeria.
- vi. The service of forensic auditors should be sought in our banks to complement that of the traditional audit as various studies have shown that forensic auditing is capable of reducing the level of fraud in organizations.
- vii. Top-level management and bankers should try to achieve a high ethical standard when carrying out their responsibilities as this will help them reduce fraud.

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