EFFECT OF FRAUD IN NIGERIA BANKING INDUSTRY

(A Case Study of First Bank Plc)

By

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BEING A RESEARCH WORK SUBMITTED
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CERTIFICATION

This project has been read and approved as meeting the requirements for the award of National Diploma (ND) Banking and Finance Department, Institute of Finance and Management Studies, Kwara State Polytechnic, Kwara State.

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DEDICATION

This project is dedicated to the Almighty GOD, who gives knowledge, wisdom, strength and understanding. The Author, king and finisher of my soul.

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I acknowledge the presence of almighty God in the course of writing this project, all glory and adoration be unto him.

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ABSTRACT

Fraud means an act of dishonesty, deceit and imposture. According to Kirk Patrick [1985], a person who pretends to the something he is not is a Fraud, deceptive trick, Cheat and a swindle. By extension, Fraud includes embezzlement, theft or an attempt to unlawful other, misuse or harm the assets of the bank [Bank Administration institute, 1989] Fraud can be committed by employees, customers or other operator independently or in conjunction with others inside or outside the bank. This research work is centered on prevention control and effect the Nigeria Economy [A case study of First Bank Nigeria Plc]. This work consists of five chapters. The First chapter is the introduction and general description, objection and significant of study, problem and justification of research, historical background of business, major hypothesis, scope and limitation of the study. The second chapter involve the review of relevant past knowledge on the topic under the heading ''literature Review'' Here several textbooks, journals, academic discussions by notable feature, were referenced. The chapter three is Research Methodology and chapter four is the analysis and interpretation of date and testing hypothesis. The chapter four also emphasize basically on past presentation, analysis and discussion of findings. Finally, chapter five is the end of the chapter which emphasis on project, summary, recommendation with be drawn as to highlighted, conclusion shall be drawn as to whether fraud has effect on the Nigeria economy or not. To sum it up, recommendation shall be made for future works.

TABLE OF CONTENTS

CHAPTER ONE

1.0 INTRODUCTION

Historically, there are records to show that indirectly, banking activities started in Nigeria about 1861 when shipping company ELDER DEMSTER LINE started objective of making easier transaction with the company's customers in Nigeria.

In 1892 African Banking Corporation (ABC) was established as the first banking institution which was initiated by the chairman of ELDER DEMSTER.

It opens its first branch in Lagos in 1892, by 1975, there were seventeen banks operating. Before 1892, Nigeria was evidently underdeveloped economically, even in 1975 despite the growth in number of banks Nigeria is still developing, it is true, however that the number of banks should not be the only major aspect of development that would relate to economic growth. So many other factors are determined with the various resource's endowment, labour supply and of course capital.

An economy that is blessed with many resources and valuable agriculture crops and suitable land – water mix, is in a better position to develop than another economy without these. In the same vein, a country that does not have adequate supply of requisite manpower is at a disadvantage.

Suffice to say, that for the purpose of this study, emphasis will be based on of banking sector as the only major aspect of economic growth that would relate to economic development of a nation.

The banking sector consists the pillar on which the economy of any nation can financial service is one of the main points of which economy revolves.
The unique roles of banks can be attributed among other things to the importance of money in scheme of things as it performs a fundamental role in shaping the economic destiny of the country Nigeria.
Bank support local economic by mobilizing funds from the surplus sector to deficit sector; by serving the credit needs of the communities and provide a safe for the cash balance of individuals, businesses and government.
The institution itself has witnessed a tremendous growth from a few indigenous banks in the 50's to one hundred in the 90's. There had been great diversification in the banking industry as most Merchant Banks now have license to practices universal banking.
It is widely recognized that the responsibility of banks is multifarious and sometime conflicting as interest of many parties regarding the activities of banks of variance. Depositors expect maximum liquidity and highest return for their deposit; borrower want deep money and shareholder expect maximum profitability. The government regulatory authorities are interesting in prudency and safe operation so as to systematic stability because the failure of single bank will have more micro and macro impact on the institution in other industries as a result banks should synchronize this conflicting interest and they cannot afford to fail.
In fact, some banks failed even before they open for business, what kept many banks up for the period of 3-5 year is that they lasted their ability to deceived the banking public and hoodwink The Central Bank of Nigeria.

In order to minimize, it is not eradicated, the incidence of fraud in banks, the federal government of Nigeria had promulgated the advance fee fraud and other offences decree in 1995 whereby a failed bank tribunal was set up to prosecute offenders as regards financial malpractices within the banking sector.

1.1 BACKGROUND OF THE STUDY

The principal aspect of a bank's business must consist of receiving money for the credit of current account, which the depositor could withdraw on demand by cheques before we can conclude that an institution is regarded as a bank.

Banking industry is dynamic and diverse among all sector of the economic and it plays a significant role in economy growth and development.

Fraud in banks is not a new problem; it is in fact as old as the origination of bank. Fraud has been in the economy before the advent of bank, in fact fraud is a canker worm that is eating deep into bank administration in Nigeria. It happens in different level of economy i.e. the government sector, educational sector, transportation sector etc.

Fraud in the entire economy has continue to increase over the years as no major steps has been taken to eliminate this problem.

Fraud is defined as "the cut of depriving the resources or fund or asset of a bank or a person to non-viable project of personal use". It occurs at all levels of management in banks.

This problem varies from management, managers, to the officers, bank inspectors, clerks, cashiers, and supervisors etc. sometime, it occurs between two department in a bank. When fraud occur in a bank on a continual basis, banks become unable to meet their daily financial obligation and when this occur frequently the banks are force to declare themselves distressed.

Many banks have lost a great percentage of their assets, customer deposit, profit and caring to fraud. The problems of fraud in banks have discouraged and scared foreign investors away from investing and has led to capital flight since investors are looking for places where they can get high return on their investment.

According to section 39 and 40 of the NDIC Decree No 22 of 1988 mandate insured banks in Nigeria to render to the corporation return on fraud, forgeries or outright theft occurring in their organization and report any staff dismissed, terminated or advice to retire on the ground of fraud practices. Record have shown that only few banks render returns on fraud and other related malpractices, even when such cases exist at the time of rendering their statutory return to the regulatory authorities.

Therefore, the problem of fraud needs to be thoroughly analyzed in order to encourage the growth and development of the banking sector because whatever happens to the banking sector will definitively affect the general economy.

The level of fraud in Nigeria banks today assume an endemic dimension as government official and their cohorts are now leading the most corrupt country in the world recently. In order to be able to progress remedies for dominating fraud in bank, it is useful to identify the commonest cause of bank fraud and this will lead to the provision of control measures which surfaces as the research progress.

1.2 STATEMENT OF THE PROBLEM

The sub-optimal performance of the Nigeria banking industry is due to an array of problem of these problems, the issue of fraud in our banks is one bank is most untreatable and monumental. The magnitude of this problem and its implication for the industry has inspired this research of fraud in banks.

There is a clear relationship between bank fraud and level of customer's confidence as previous study on bank fraud clearly shown, it means that customers have tendency to base their choice and patronage of banks on the extent to which the bank is free of fraudulent practice.

If a bank financial health is in doubt, investors and depositors will not like to invest their funds in such banks, this has raised the question how can investors and depositor evaluate the performance of banks?

1.3 Research Questions

Based on the objectives of the study, the following research questions are proposed:

1. What are the effects or consequences of fraud in the Nigerian banking industry?
2. How does fraud penetrate into Nigerian banks, and how can it be detected?
3. What measures can be adopted to eradicate fraud in Nigerian financial institutions?
4. How can the eradication of fraud help to win or retain the confidence of investors?

1.4 OBJECTIVES OF THE STUDY

The basic objectives of this study are:

1. To determine the effect of fraud or the consequence of fraud in Nigeria Banking Industry.
2. To find out how fraud penetrated into banks and how it can be detected
3. To encourage the eradication of fraud in our financial institution.
4. Another objective is to win or retain the confidence of all investors.

1.5 Research Hypothesis

The following hypothesis will be in this study:

1 H_0: The fraud in bank has effect on the Nigeria economy

2 H_1: The fraud in bank does not have effect on the Nigeria economy.

3 H_2: The incidence of fraud in bank cannot be reduced in Nigeria

4 H_3: The fraud in bank does not have effect on customer.

1.6 SIGNIFICANCE OF THE STUDY

The significance of this study is that this work will be beneficial to investors, shareholders and other interest members of the public as they will be able to know the extent of controlling and preventing of fraud that existing in their company.

The significance of this study to banking industry and society at large cannot be over emphasized at least to probe into causes, effects and solutions to the incessant fraud practices in banks.

1.7 SCOPE OF THE STUDY

For the purpose of this study the way of preventing and controlling fraud in first bank Nigeria plc.

As well as the effects on the Nigeria economy will be focal point of this study. All also the actual amount involved and actual or expected loss in bank fraud be multiples of the reported figures as many banks had reneged in rendering their required returns on frauds.

1.8 DEFINITION OF TERMS

Below are the definitions of key terms as used in the context of this study to aid understanding:

- **Fraud:** Fraud refers to an intentional act of deception, dishonesty, or trickery committed to gain an unfair or unlawful advantage, typically for personal or financial gain. In the banking context, it involves the misappropriation or theft of funds and manipulation of bank records by insiders or outsiders.
- **Banking Industry:** This refers to the sector of the economy that deals with financial transactions such as accepting deposits, granting loans, managing investments, and providing financial services through institutions known as banks.
- **Perpetrators:** These are individuals or groups who commit or are involved in committing fraudulent acts. In this study, it refers to those who carry out fraud in banks, including staff or external parties.
- **Capital Flight:** Capital flight describes the rapid movement of large sums of money or capital out of a country due to economic or political

instability, often as a reaction to perceived risks or insecurity in financial systems, including fraudulent activities in banks.

- **Hoodwink:** This means to deceive or mislead someone. In the context of banking fraud, it refers to the act of deceiving regulatory authorities or the public for fraudulent gain.
- **Dent:** In this study, a "dent" symbolizes the negative impact or damage caused by fraudulent practices on the financial health and reputation of banks.
- **Endemic:** This term refers to a problem that is regularly found or persistent within a particular area or among a particular group. In this study, it describes how widespread and common fraud has become in Nigerian banks.
- **Customer Confidence:** This refers to the trust and belief that customers have in the safety, reliability, and integrity of a bank. Fraud has a direct impact on reducing or undermining this confidence.
- **Financial Institutions:** These are organizations such as commercial banks, investment banks, microfinance banks, and insurance companies that provide financial services to the public.
- **Regulatory Authorities:** These are government agencies or bodies such as the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) responsible for overseeing and regulating the operations of banks and ensuring financial stability.

1.9 ORGANIZATION OF THE STUDY

This research work is organized into five distinct but interrelated chapters as outlined below:

chapter one presents the background of the study, statement of the problem, research questions, objectives of the study, research hypotheses, significance of the study, scope of the study, definition of terms, and the organization of the study. It provides a general overview and sets the foundation for the entire research.

chapter two reviews relevant theoretical and empirical literature on fraud in the banking sector. It highlights existing studies on the causes, types, effects, and control of bank fraud both in Nigeria and other countries. It also discusses various conceptual frameworks and theories related to fraud and financial malpractice.

Chapter three outlines the methods and procedures used in carrying out the research. It includes the research design, population of the study, sample size and sampling techniques, sources of data, methods of data collection, and techniques for data analysis. It also explains the validity and reliability of the instruments used in the study.

Chapter four, the data collected during the fieldwork are presented and analyzed. The research questions and hypotheses are tested using appropriate statistical tools. The results are interpreted to determine the level and impact of fraud in the Nigerian banking industry, with a focus on First Bank Nigeria Plc.

Chapter five summarizes the major findings of the study, draws conclusions based on the analysis in chapter four, and offers recommendations for mitigating fraud in Nigerian banks. It also highlights suggestions for future research.

This structured organization helps to systematically address the research problem and achieve the objectives of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The problem of fraud has been a source of major concern to the banking sector. A lot of private and foreign investors have withdrawn their investment as a result of high rise of fraud in the industry for the fear of being defrauded. The major task of the research in this is to do an in-depth review in related literature on the subject matter of fraud in the Nigeria banking industry.

The chapter will also give an insight to various writings, contribution and submission of some scholar's both in academic and in the banking industry, which will serve as a stepping stone for laying the foundation of the current study being undertaken.

The incidence of frauds on the institution is grave both in terms of profitability, liquidity and public confidence. It is a known fact that some banks despite declaring profit in their financial to their shareholder a pointer to illiquidity. In the light of the above stated phenomena, there is urgent need on the part of the populace, particularly researcher or bankers alike to ensure detailed study into this canker worm eating deep into bank administration in Nigeria.

The frequency and incident of fraud in the commercial banking institution in Nigeria is assuming a wide or greater dimension.

Though the existence of frauds per day within the institution is as old as the industry itself; the sophistication with which they carried out in recent years should be of concern to the management of the institution.

The incident of fraud and forgeries could in existence cases, leads to the closure some financial institution as was recently encountered in some old generation bank, the case of Progressive Bank, Allied Bank, African Continental Bank etc. in the form of fraud and inside credit abuse.

The extent of fraud in bank rather than abate has continued to escalate and this has led to more attention being paid sophisticated and daring in their approach. Causes of fraud and forgeries in banks have not been rampart but have also been on the increase in recent years.

Although fraud and forgeries in banks are global phenomenon, their growth in Nigeria has astonishing.

In 2002, Nigeria Deposit Insurance Corporation (NDIC) annual report for instance presents a disturbing picture of rising trends of fraud banks.

In the Nigeria banker editorial of July 2005, the paper writes fraud cut across all sector of the economy and six of fraud perpetrated in it. It may lead to the grounding of a business outfit if the size of fraud is enormous. Prevention of fraud therefore, calls putting in place adequate internal control among others. This is evidenced by the recent promulgated decree on declaration of assets for bank workers aiming at curtailing overnight riches being aftermath of fraud.

2.2 NATURE AND ANALYSIS OF FRAUD AND TYPES, CAUSES OF FRAUD

Banking industry began to witness rapid expansion in the mid -1980 without a commensurate increase in the number of experienced personnel to cope up with the expansion and this authentically led to recruiting staff and also promotion of the newly recruited staff as well as over stretching of qualified hands.

Perhaps as a result of economy prevalence of those fraud and forgeries in our banking institution is attributed to weakness in bank internal control system and erosion of moral and ethical value in Nigeria.

Mixed fraud involved outsiders colluding with staff ie of the bank collaborating with outsider to defraud the bank.

The most common form of classification employed by banks is one the basic of method used. Under this approach, the list of fraudulent method is almost in exhaustive as fraudster devise new method from time to time.

The most important and common causes of fraud highlighted by bank administration institution (1989) in fraud prevention and detection series are as follows; according to the Nigeria deposit insurance corporation (NDIC).

2.2.1 CAUSES OF FRAUD

To enhance proper investigation and prevention of frauds it is necessary to have a knowledge of why fraud is too rampant within the industry. While the major causes can be attributed to the general dishonesty within the society, other related causes shall be brought under focus.

In essence, causes of frauds can emanate from institutional factors and or from societal/environment factors. Institutional factors are those causes that have direct or remoter out from the financial institutions these are as follow:

A. INSTITUTIONAL FACTOR

1. LAPSES IN BANKS INTERNAL CONTROL SYSTEM

It is a known fact that every bank has an internal check system and guild lines for each aspect of its obligation/operation daily, thus expanding until the whole branch is involved, hence the branch/s daily operation.

With strict adherence to branch's guild line, fraud occurrence will be largely minimized however, lapses do occur which give ways for fraudsters to perpetrate their acts.

The rule that every account must be balanced daily in every bank not only prevents but intends to central the high rate of fraud though in some banks, some accounts are not balance which becomes a fraud infested area.

2. INAPPROPRIATE BANK STAFFING

In banks, understaffing in most branches often result in the few staff on duty being over worked. The setback caused by this is not usually appreciated by the management since they are not directly affected,

Moreover, non-rotation of staff between jobs also attributes to fraud. The over-staying of staff on a particular job sometimes results to well-versed knowledge in respect of this specific assignment thus, the danger of using this knowledge against the bank should not be over-looked. Once a staff has an inside out knowledge of this job. Any fictitious act perpetrated may be unknown for a consideration period of time.

3. INADEQUATE SECURITY MEASURE

This may contribute to fraud in banks. It is a known fact that normal precaution must be taken in respect of transactions like opening of accounts, approval of payments verification of customers account, signatures etc.

Also, items like cheque books, bank drafts, credit advice cash etc., needs strict control in their safekeeping and when one or more of the above specified points is relaxed, such areas become fraught with fraud.

4. POOR STAFF RECRUITMENT PROCEDURE

In Nigeria, it is serious setback that staff are not employed on merit wherein best candidate is not necessarily employed. Also, inadequate or non-existent of staff training programmed to acquaint employees with the basic rudiments and fundamentals of sound banking practice do constitute a major setback toward minimizing fraud as such inadequately informed and innocent staff becomes susceptible to fraud.

5. POOR MANAGEMENT

Financial institution with poor management, record high incidence of all sorts of frauds than these with effective management. Poor management gives rise to ineffective and poor control system, indiscipline among staff and thus create an environment for frauds to flourish. Nature of service arise where document of value and liquid asset are exposed to an undisciplined staff or unauthorized person for example customer.

6. STAFF NEGLIGENCE

This is the commonest and most susceptible factor which fraudster who however around in the banks like vulture usually pounce upon. When for instance, a figure is not properly written or it written in pencil, fraudster can easily manipulate it.

Staff negligence could give rise to the preparation of fraud in financial institutions.

Negligence itself is a product of several factors including poor supervision, lack of technical knowledge, apathy pressure etc.

7. FRUSTRATION

Management practice, which runs contrary to the aspiration and development need of staff could result in generality of staff being frustrated.

Frustration in turn breeds fraudulent practices in financial institutions.

8. INADEQUATE TRAINING OF STAFF

Good educational background is said to be dictatorial of his in-built charisma that is, a well-educated person will think more of protecting his image and name that lowly educated person who is seen to be shallow in thought with nothing at stake to protect.

Although, some banks do train their staff after employment, it is still enough to prevent fraud since they are not knowledgeable and trained properly in their course.

The rate expansion in the banking industry since the introduction of universal banking scheme in 2005 has led to acute shortage of trained personnel in banks generally.

9. BY-PASS RULES AND REGULATIONS

Sometimes, staffs use their own discretion rather than adhere strictly to the rules, Where for instance, it is said that two officers should jointly verify signature on a payment instrument before payment can be affected, it is not uncommon to find of the officer relying on varying their signature of the instrument independently.

10. FAILURE OF BANK TO OBSERVE LAID PROCEDURES

Poor organizational structure that permits staffs to perform uncomplimentary functions, because they failure to observe laid down procedure can be in deliberate action by fraudulent staff. Some staff of banks get promoted beyond their level of competence and as such got saddled with responsibilities that they cannot cope with.

Round tripping of funds fraud, many banks and financial institutions that mushroomed within the past few years, experience hands in the industry had tinned out within the result that some who at the best should be branch manager are today managing directors.

These are many instances where these categories of bankers get tricked by the fraudsters resulting in hug financial losses their institutions.

B. SOCIETAL FACTORS

Societal/environmental factors are these causes that emanated from the impact or beliefs of the societal norms and standard. These are as follow:

1. THE NIGERIAN VALUE SYSTEM

The way and manner in which Nigeria's value their wealth is also contribute to fraud.

A successfully and respected man in Nigeria has money to spend. Thus, the sources of the accumulated wealth are not considered important hence the desire of money bank staff and Nigeria to get rick quickly to avail the societal respect.

2. ATTITUDE OF LAW ENFORCEMENT AGENTS

Activities of the law of enforcement agent who are of inadequate knowledge or machinery for baking operation also constitute to the cold shoulder turned up by banks in reporting fraud cases to them.

This is even worsened with the fact that after being found guilty he may only be asked to pay fine relatively small to the amount of money he has stolen.

3. THE CULTURAL ORIENTATION

This orientation of a society is always a reflection of the attitude of the people towards certain act. Moreover, the urge of people to get rich quick may also be related. In Nigeria traditional hierarchy often witness special presentations by aspirants to kings' men in order to achieve their target, it also happens in some cases that the wealthiest of the aspirants appointed.

This creates the need to accumulate wealth to achieve this objective.

4 NEGLIGENCE OF CUSTOMERS:

Traditionally, it is the negligence on the part of customers that provide ample opportunities to staff of financial institutions to perpetrate frauds.

Negligence by customers takes various forms consisting of errors that might have been genuine but which re open to abuse, distortions and defalcations by unscrupulous staff both within and outside the institution in the employment of customer.

5 LAPSES IN THE MANAGEMENT CONTROL SYSTEM WITH CORPORATE CUSTOMER

This is a classic example of where frauds could be externally hatches and executed by fraudulent staff in both financial institutions and in the employment of corporate customers. Members of staff could collude to take endue advantage of lapse observed in the management control system of corporate customers.

6 INADEQUATE INFRASTRUCTURES

Poor communication system, frequent power failure etc. may result in a back log of unbalanced postings, congested office space etc. are some other factors which encourage the perpetration of fraud in financial institution.

7 IRREGULAR BALANCE OF BOOK OF ACCOUNT

This is another veritable ground for fraudster. If the fraudster are insiders, they would ensure that some of the books of account are never balance for they must have created the balancing problem in the first place thereby paying the way for themselves to perpetrated fraud later

8 THE TRADITIONAL SET UP

Nigerians with extended families in which the financial upright member of the family is made responsible to the needs of other members of the family may also be attributive. In order to meet up to his responsibility, a once known honest staff may become a victim of fraudster

2.2.2 **TYPES OF FRAUDS**

The main objective of this chapter is to enlighten the populace particularly bankers on how to minimize fraud hence the need to, known the various types of frauds that is errors and irregularities, Errors are mistakes which are not intended but which do occur, they thus produce unreliable records and include omission.

Omission of proper entries, erroneous of improper/incorrect entries, erroneous calculation and misrepresentation, wrong entry of data and errors in posting irregularities are fraud intentionally perpetrated and forms, deliberate omission of entries, wrong calculation, improper manipulation of document.

Furthermore, irregularities could take the form of deliberate distortion of financial position or operating result which has no immediate toss on asset (window dressing)

It could take the form defalcation which results in immediate loss of assets such as:

* **Interceptions**: The misappropriation of assets before they are initially recorded.
* **Abstractions**: The misappropriation of record of assets.
* **Diversions**: The misappropriation of recorded assets by miscrediting the contra for recorded assets or by improperly converting disbursement

Generally, fraud can be categorized into three major types. These are

i. These perpetrated by insider i.e. bank staff only.

   The are usually on a small scale but such on regular basis e.g. computer frauds

ii. These perpetrated through the collusion of outsiders and banks staff. They are perpetrated by fraudsters known as syndicates who usually practice their system to beat the banks internal control system.

iii. These perpetrated by outsiders or nonblank staff e.g. forge cheque. However, it is important that we categorize frauds more specifically into the modus operandi of their perpetration. These are

1. CASHIERING FRAUDS

Cashiering is one of the daily activities in banks and these involved deals with raw cash thus are exposed to the following types of frauds.

a. Substitution Fraud: This is usually carried out when a receiving cashier changes the name and account number of a customer respectively to reflect that of another in which he has a share or he takes full control of the fund. The change does not affect the books of account and are not usually discovered by management until when the cheque drawn by the customer is returned for insufficiently of fund or the customer reconciling his statement of account on receiving it.

b. Teeming and Lading: This is similar to the substitution fraud but essentially not the same; it occurs when a receiving cashier suppresses the teller of a customer and misappropriates the fund. The original teller of payment is destroyed hence no prove of payment to the bank. Moreover, if enquiry is made from the cashier of any cash payment by the customer on presenting a cheque with insufficiency of fund in account, another customers teller may be used by the cashier to replaces that which was destroyed. With this method, the fraud may be concealed unless the customer reconciles his account

C CASHIER SHORTAGES: Since cashiers are not debited for cash shortages resulting from the performance of their duties in banks, some unscrupulous bank staff often use this as a means of removing part of the bank's money and declare such as shortages.

Moreover, the counting of ₦ 5.00 notes in some banks become too burdensome as they may be too many and mutilated for the use of counting machine.

Some cashier having noted this usually take advantage of this short coming by packing less than the require number of notes in ach packet hence the surplus is diverted while the account ultimately balances.

2 DORMANT ACCOUNT FRAUD

Occasionally, customers leave their account un-operated for a long time. This is usually made use of by fraudsters through forges cheques to make withdrawal form such account.

They may also send forged letters requesting for transfer of fund to another account form where the money is eventually collected.

This type of fraud usually results in loss of fraud to bank as they are made responsible to their customer for the money once sufficiently proved.

3 ALTERATION OF ACCOUNTS FRAUD

This occurs when a customer' account balance is inflated or deflated intentionally or ignorantly usually by ledger keepers or machinist directly involved with the account.

The various methods used are as discussed below:

a. Posting a wrong balance in favor of a customer. This results in the wrong balance being carried forward in sequent postings.
b. Posting a customer's debit balance as credit and transferring this balance forwards respective
c. Intentionally inflating the balance on a customer account. This occurs in collusion with the customer while the money is with drawn

4 FORGED MANDATES FRAUD

This is one of the commonest type frauds to banks and customers. It involves through the forging of a customer's signature by a fraudulent banker in order to withdraw money from the account.

This is usually aided by the use of cheque stolen from banks. Alternatively, a company staff with access to the company's cheque book may collude with a dishonest bank in which the company's staff provides specimen signature to be forged to achieve their target.

Fraud is alleged when it is proved it is proved that an honored cheque for a particular payment does not bear genuine signature of account holder. Legally a banker cannot debit the customer's account for payment on forged cheques. However, a customer may become liable for contribution to the loss incurred. This may be through:

i. Failure to warn the bank against forgery
ii. Writing cheques in a manner to facilitate fraudulent alteration.
iii. Signing of blank cheques
iv. Failure to report loss of cheque book to bank

v. Careless filling of cheques in way to facilitate fraud.

5 CLEARING FRAUD

This type of fraud Is assuming an alarming rate in recent years within the banking industry. it occurs through either of the following method

a. Slitting of Clearing Cheques: It is a very complex method used by fraudsters. it is usually carried out in the course of clearing of cheques. It is always very successful, as the harm would have been done before it is resolved.

b. Special Clearing Frauds: Sometimes customer may request that a cheque is cleared so that money can be drawn before the stipulated clearing days. In such cases, the customer would have arranged with some staff of the bank on which the cheques are drawn.

When cheque is presented, they will forge a banker's payment to the collecting bank who upon gives value to the cheque and pays the customer.

Later when the collecting bank presents, the bankers payment s to the responding bank, it is discovered to be forged. However, value has been given by the colleting bank already for the cheques

6 COMPUTER FRAUD

Computer is a technological innovation, which records various financial information on a large scale on daily basis.

It runs the risk of error, malfunction and innocent fraud. It results in loss of fund to the bank.

In Nigeria, frauds committed through the use of computer is usually manipulate the machine to his own advantage by submitting programs with subtly imbibed routines to perpetrate fraud which may go on unabated for a long time resulting in huge losses to the banks.

Recently, the on-line activity of banks has also been used widely to perpetrate fraud. A very good programmer from any access point can enter into the system to delete specific codes and make a way with substantial fund which are transferred into target accounts from there withdrawn before the banks gets wind of same.

7 TELEX FRAUD

This is a type of fraud that can threaten the existence of a bank and dented the country's image. If usually involves huge loss of money. To transfer funds abroad by a customer, necessary exchange formalities are met during which message are transmitted using codes by NITEL. While transmitting these messages, fake messages are introduced there in by the operating staff who may be acting innocently or receiving this message or in collusion with another fraudster.

The correspondence bank on re receiving these messages usually credit fictitious accounts opened with it by the fraudsters. This type of fraud is usually very difficult to prevent as it involves foreign countries who are subjected to different legal background.

8 FOREIGN EXCHANGE FRAUD

This type of fraud is very common hence prevented by many known as bank in the world. It is usually dealt with inter ally because it tarnishes the image of the bank involve.

It occurs through one of the following because a **Forging of Document**: Basically, in Nigeria, according to banking operations, request for foreign exchange must be made on certain prescribed forms before they are approved and processed. In some cases, requests are made using fictitious names. This may be approved and the fraudsters eventually make way with the foreign currencies.

b. **Foreign Exchange Trafficking**: Usually banks are in possession of foreign currency to meet the demand of their customers. This may be stolen by some bank staff either for sales in parallel market or for their personal use.

c. **Spurious Letter of Credit:** Letter of credit is one of the means of payment for our imports. Having made a formulized agreement with overseas supplier, an individual may send spurious letter of credit accompanied by spurious "bank draft: these are then endorsed as a measure of payment guarantee. The supplier in reliance on this sends good down to the fraudulent buyer.

However, this type of fraud is now being noted by the foreign supplier hence care being exercised.

9 **COUNTERFEITS: This** is commonly referred to as money doubling as it can make a person on overnight millionaire.

It involves printing of fake currencies and exchanging them to the public at lesser value. Cashier may become susceptible to this through negligence where by the use of mercury light provided is not utilized or intentionally acting a collaboration to receive money from other fraudsters.

10 **SPECIE MOVEMENT:** This is a new dimension of fraud in the country. Some banks may request for cash to another branch by telephone

after which credit advice is prepared to such branch. However, fraudster (usually in collaboration) may give a telephone instruction to another branch, having forged necessary advice to that effect.

The branch then relying on the telephone instruction and credit advice received send money to the purportedly requesting branch which is eventually carried away by the fraudster.

The type of fraud can be greatly minimized by the use of security device i.e. police escort along with the money in transit.

11 CROSS FIRING OF CHEQUES

Usually when banks staff have given unauthorized lending facility to their customer, they try to conceal it from their employers.

Thus, when periodical returns are to be rendered, cheques of other banks are drawn and paid into the account to cover the unauthorized lending. This cheque will be kept for some time by the bank staff before it is sent for clearing. Eventually the cheque will be return as it is a dud cheque drawn intentionally to cover the anomaly already created. This act can go on indefinitely unless the bank has proper reconciliation procedure, which will detect the fraud.

12 OVER- INVOICING FOR SERVICE RENDERED

An entity cannot exist without request for service e.g. maintenance and medical services. As earlier stated, the Nigeria value system is extremely high this they look for money using all available means. This may imply that when request for services is made, bank staff may collude with the outside who is to render the service to send an invoice more than that required for the service.

E.g. the staff is borne by the bank; he may then approach their hospital to send a bill for medication which he did not receive.

Such fund when paid by the bank is shared between the doctor and the bank staff.

13 INTERESTS ON SAVINGS AND TERM DEPOSITS

The banking regulation provides for payment of interest at fixed rate on savings and term deposits. The interest when due are credited periodically to the specific accounts. In the process of posting the interest when due to dishonest bank staff may fraudulently inflate the amount of money posted as interest into an account.

This is usually done in collaboration with the account holder, the excess amount is later shared between the bank staff and the account holder.

14 ALTERATIONS OF ACCOUNT

This is associated with inflating or deflecting customers balance, deliberately or by errors. The following methods are commonly used.

a. Posting wrong balance in favor of a customer

b. Posting customers debit balance as credit balance

c. Deliberately inflating the balance on a customer's ledger account.

15 LOAN FRAUD

Loan fraud can occur at any stage, from the first interaction between the customer and the bank to the final payment of the loan. Loan fraud occurs when credited is extended to non-borrowing customer or a borrowing customer who had exceed his credit ceiling the fraudulent aspect of this class is that there is an intent to conceal it from the head office (inspectorate) staff on entire check to deceive them with plausible but falsified statements, document etc.

Advanced perpetrators of credit fraud go to the extent of applying credit facility approval for one customer to the credit of another who is often unrelated to the first customer. That is to say a credit facility for a customer “A” yet to be drawn, drawn is diverte4d for the use of customer “B”

16 MONEY TRANSFER FRAUD

Money transfer services are means of moving funds to or from a bank to a beneficiary account with any banking point worldwide in accordance with the instructions from the bank’s customers, some common means of money transfer are “Automated Teller Machine (ATM Fraud), Mail, Telephone over the counter, electronic process and Telex. Fraudulent money transfer may result from a request created solely for the purpose of committing a fraud or the purpose of genuine transfer can be altered by changing the beneficiary names amount of the transfer

17 ADVANCE FEE FRAUD (419)

This is the commonest type of bank fraud in Nigeria today. It involves an agent approaching a bank with an offer to access large volume of fund at below market interest rate often for long period of time.

The purpose sourced of fund is not identified, specifically as only way to access to it is through agent, must receive a fee or commission in advance. As soon as the agent collects the fee, he disappears and loan never comes through. Any bank departs for funds; especially the distress banks and bank need huge funds to bid for foreign exchange can build. When the deals fails and the fees paid in advance are lost. The victims are not likely to report the losses to the appropriate authorities since very difficult to get legal redress.

18 CHEQUE KITING

Kiting is defined by united state controller of currency as a method whereby a depositor utilizes the time require for cheque to clear or obtain an unauthorized loan without interest charge. Cheque kiting involves the unauthorized loan used by depositors of uncollected fund in their account uncollected funds are toques (s) lodgments accepted by a bank for which it cannot fully guarantee collect ability until the institution on which such cheque is drawn has determined that funds are available to cover the term. The goal of the cheque knitter may be to use these uncollected funds interest free for a short time to cover a temporary cash shortage or to withdraw the funds permanently for personal use.

Competition among banks in n area of deregulation encourages banks to make funds available before actual collection of customers especially business account.

2.2.3 WAYS OF DEFRAUDING BANKS (CASE OF FIRST BANK PLC "EXPERIENCE")

The are several ways of committing fraud. The following examples are cited from the experience of First Bank Plc and was achieved.

As detected and reported by the inspection division of the bank.

i. Cashier collusion
ii. Issuance of dud cheque
iii. Printing of facsimile cheque book

iv. Alteration and forgeries

v. Conversion of dividend warrant

vi. Computer fraud.

While I appreciate the magnitude of problem, I feel nonetheless that a comprehensive list of all types, causes and method of committing fraud will help to anticipate and hence prevent it.

Ultimately, this will be one of the ways of minimizing the incidence and effect of fraud, since prevention is better than cure.

A. EFFECT OF FRAUD ON THE ECONOMY

The effect of fraud on Nigeria's financial system has been deliberately not only on the institution in the banking system but also the overall national economy.

Some of the bake's effects were manifested in the deposit base and the value of interest rate in the economy. It further concludes the erosion of public confidence in the banking system and reduction in the flow of channeled. To the most competitive investment outlets.

Also, it has increased the distortion of information on financial condition of banks, raising from attempts to hide the facts debtor's morality has also been negatively affected as some debtors who obtain bank loans and who were in a position to pay, but refuse to do so in an ear of generalized default. This, also decrease the level of patronage in the system and this could lead to vicious circle of low saving, an investment productivity and income.

As it is known that a vibrant financial system facilitates economy growth but whenever his health is impaired, it inhibits the follow of ingestible resources from local and international investor and to that extent, the overall interest of the Nigeria economy is negatively affected.

To large extend, widespread and incessant bank fraud gives a bad image to the country's banking industry and is payment is no longer trusted, the economic implication can bed far reaching on its international trade relation with other countries.

B THE EFFECT OF FRAUD IN FIRST BANK PLC

The major effect of fraud in First Bank includes loss of confidence in the banks by their customers and therefore, a setback for the efforts aimed at promoting their banking habit.

The time energy and money that would have been expended in setting up fraud control and prevention system. All these factors lead to increase in running cost.

In most of branches in First Bank, the shortage of skilled and qualified bank staff without and professionals, recruiting staff without consideration to meticulous examination into the character, integrity and qualification of the staff have contributed a lot to fraudulent practices.

Young men and women who are talented engage in bank fraud because the society encourages it a therefore it is necessary and important in First Bank to always have adequate checks and balances particularly with regard to staff in the top executive position. Extent of banking frauds, the magnitude of loss a sing from bank frauds is one of the increases, it is appropriate to have a feel of the extent of loss through bank fraud in Nigeria in order to appreciate the havoc the cankerworm had been wreaking on the economy.

2.2.4 MEASURES FOR CONTROLLING AND PREVENTING FRAUD IN FIRST BANK PLC

i. EFFECTIVE MANAGEMENT: This responsibility with an entity like first bank usually rests with management. As part of its business responsibility judiciary roles of safeguarding assets, since the directions of a company (on the similar position) are regarded in law as acting in a stewarding capacity concerning the property under their control.

The following way amo0ng other method helps management discharge its responsibility in the management of fraud, other irregularities and errors.

a. The installation and operation of an appropriate internal control system and authorization control

b. The installation of and operation of an appropriate banking system.

c. Ensuring that employees understand relevant code of conduct of the bank

d. Monitoring relevant legal requirements and ensuring that operation procedures and conditions meets these requirements.

e. The establishment of an in depend internal audit function

ii. **OPENING OF NEW CURRENT ACCOUNT**

The experience has shown that new account is source of danger and trouble, the branch manager should ensure that all the banks' policies in respect of opening of such account are completed with all necessary requirement. If a customer should not allow to operate the account until proper and favorable reports have been obtained from the other bank by means of status enquiring particularly when the customer is new to the bank and has not previous transition business with you.

The manger should be interest in knowing why the customer has come to his bank from the other bank. Proper refer must be obtained before cheque books are issue to customers and all postings to new accounts should be carefully scrutinized and no payment should be made without prior verification of lodgments. Company and other accounts must be seen to be properly opened in line with the bank's policy.

iii. **PAYMENT PROCEDURES**

The use of counter cheque be discourage and books should avoid honoring cheque which are not taken from books supplied to the customer, payment to third party is not very well, withdrawing large amount in cash.

However, if it is necessary, that large amount must be withdrawn in cash like payment of salaries, bank management should insist on official policy escort. Use of region scope comers to photography persons drawing large amounts should be encouraged. Cashier should be entrusted never to pay or receive cash from staff in result of customer transaction.

iv. RECRUITING AND TRAINING OF STAFF

The use of counter cheque should be discouraged and books should avoid honoring cheque, which are not taken from book supplied to the customer, payment to third party is not very well, withdrawal, large amount in cash.

However, if it is necessary, that large amount must be withdrawn in cash, like payment of salaries, bank manager should insist on official policies due to staff involvement with the fraud syndicate.

Bank management must, therefore, involve on sound employment policy to ensure that the right calibers of staff are employed into the banking industry. It is also necessary that very good reference on staff is obtained for their last school principal cashier must be properly trained top appreciate their responsibility in detecting and preventing fraud.

No staff should be played on cashiering duties unless he had been properly trained to appreciate the demand of his job.

Reference clerk should also be trained and should have experience before they are assigned to such job. Both should avoid using new clerk as either cashier or referee clerk

v. UNBALANCE POSITION OF BOOKS OF ACCOUNT

Experience has shown that unbalance book provides fertile ground for goods, hence at times books are intentionally jammed by unscrupulous staff. Banks should therefore, be restless of their books are not balanced.

The situation should in fact be viewed as a danger signal

vi. UNRECOGNIZED ACCOUNT

The need for effective reconciliation of book of account in our banks cannot be over emphasized. There is also the need to equip the reconciliation section of our bank with highly experience and knowledgeable staffs.

Stating fraud have with in the past few years been perpetrated through

a. Central bank clearing account
b. Local bank clearing account
c. Inter-bank Nigeria branch account

Although we cannot completely rule out the possibilities of fraud, am convinced that the fraud be minimized through effect and timely reconciliation

vii. **JOB ROTATION AND ANNUAL LEAVE**

The banks should prevent a situation one person is kept too long on a desk. There should be regular rotation of job, and management should ensure that all staff commence their leave when due.

Accumulation of leave should be adequately discouraged by the management.

viii. PAYMENT OF DRAFT, MAIL TRANSFERS

In recent time, fraud syndicate have been with collaboration of some staff neaten various security devices established by banks and succeeded in swindling, millions of naira through draft, mail transfer, cable transfer etc. in most of these cases investigated; it was observed that the fraud could have complied fully with the management is cable transfer direction and applied additional care in the discharge of their duties. It is recommended in the light of recent developments, the verification of all payment instructions with big amount with the issuing branch/bank before payment.

ix. EMPLOYEE INCENTIVE AND REWARDS

It has been proven that reasonable incentives staff have help to reduce the involvement in the fraud. Reward should also from part of the bank policy to encourage staff and customer who have helped to frustrate fraud.

The responsible for proper management of fraud will be as follow:

Establishment of proper and speedy procedure of meeting out disciplinary measure against those staff involve in fraud as a deterrent to others.

A. **Regular Dispatch** of customer statement of current account

B. **Dormant Saving** and current account ledger must be properly secure and reactivation of such account must be properly authorized as experience has shown that dormant accounts have been used to perpetrate fraud.

C. **Life style of staff** to be monitored by management of the bank.

It has been proved that over 80% of those who live above their legitimate may do so at the expense of others.

x. DUAL CONTROL STRATEGY

Management is aware of error and laxity that may occur both in the administration and operational area in our day-to-day banking transaction. To ensure accountability for disposition of bank asset introduce in this area and has gone a long way to eliminating errors, thus bank inspection is expected to place very significant role in preventing fraud in banks.

A few examples of where such is applicable in the bank are as follow

i. Strong room

ii. Test keys

iii. Books room

One of their main responsibilities is to review, evaluate and report on the adequacy of the internal control.

They are also required to examine and evaluate performance in relation to laid down policy and to report on the adequacy of internal control of the bank. Where the inspection department is effective, frauds and defalcations will be reduced to the barest minimum as they would have tightened up internal cheque and balance with the bank. The following are the responsibilities for the detection:

a. Management

b. The roles of auditor

c. The roles of inspection

d. The roles of the bank mangers

xi. **CASH OPERATION**

Every bank recognized this risk as a responsibility and so surround cash transaction with the numerous and strict controls.

This auditor may wish to test the following:

- Control over cash in the main vault (strong room) ideally, this should be burglary for and explosion. Proof and subjective to least dual access control
- The teller (cashier) area, these should dearly be sealed of from the rest of the banking hall to resist access to the tellers and cash transaction to only over the counter including internal security personnel.
- Tellers opening and closing cash should be under checks of the box content.
- Teller should have a currency scanning gadget in their compartments.
- There must be periodic cash flow count by an independent department of the bank including mail vault cash.
- A vault register should adequately control movement of cash into and out of the main vault.

xii. CHEQUE TRANSACTION (INCLUDING BANK CHEQUE)

Cheque which passes the clearing house. Cheques are very negotiable and prone to forgeries either of the customer's signature or of the document itself. The basic controls in place are:

i. Serial Number of all Cheque: This is usually more relevant to the customer.

ii. Close Signature Verification: this is of paramount importance because the signature is the authority to the banks to execute the mandate of the customer represented by the payment instruction on the cheque.

iii. Strict sequence control over the issuance of the bank's own cheque

iv. Always check evidence of posting to the current account. As long as forgeries are curtailed, other attendant upon cheque transaction such as double check before and after receipt or payment of cheque.

xiii. INTEREST BEARING DEPOSIT

To main the obligation of the bank, the main control over interest bearing deposit should be the following:

a. Deposit rate must be standardized for range of amount and lenors. If negotiable, there should double checks both the invitation and second approval should be at supervisory levels. For standardized rate only the second check need be at all supervisory level.

b. Check the accounting entries and ensure they have been authorized at supervisory level.

c. Procedure to ensure that value for the de [posit should commerce from the date good fund. (cash or credit to the bank's account)

d. A very important control be double check for interest calculation so that a customer is not given interest not due to them. These are transaction that are usually and of high value. They are therefore easily amendable to full substantive testing

THE INSPECTORS

To be meaningful, detection of fraud should be timely so as to prevent or reduce loss of fraud to the banks.

Time, is therefore, of essence in fraud detection. Consequently, the bank's internal check system should ensure detection of fraud.

If policies laid down by the system are properly and regularly followed, it will not only prevent fraud but will also detect fraud at early stages. Inspector should undertake regular sport checks of all branches of their bank and full inspection of every branch must undertake at least once in a year.

Follow up visit should be undertaken by the inspectors two months, after such inspection and this area where irregularities were highlighted during the inspection should be examined to see that the corrections are actually made.

2.2.5 ACTION TO BE TAKEN BY THE AUDITOR ON DISCOVERING OF FRAUD.

The auditor should endeavor to clarify whether a fraud or an irregularity has occurred. Where this suspicion aroused, he should take copies of any original records, which give rise to his suspicion, unless fraud by senior management is suspected, the auditor should inform the senior management of his suspicion.

Either management or the auditor should then perform such additional testing as is required in order to qualify the amount of fraud, other irregularity or error, analyzing and projecting the results of the test are appreciating.
When a fraud has been identified, the auditor should consider its nature, causes and likely effect on the financial statement.
Full not or minutes of any conservation or meeting with management on the subject be made. Any adjustment to the financial statement which are necessary to ensure that fraud or other irregularities and error not impair the true and view should be agreed with management on a timely basis. If such adjustment is not made, or if there is an uncertainty, which impair the auditor from forming an opinion, he should qualify his auditor has determined that a fraud or other irregularity has or may have occurred, he should reconsider the reliability of any audit evidence, which he may have obtained on the matter.
The action taken by the auditor will depend on the nature of fraud or other irregularity e.g. fraud by senior management would cast doubt on representation. Previously received from these suspected of having been involve. When the auditor suspects that a fraud or irregularity may have implications, he should first consider whether the entity’s lawyer have been advice.
When it would not be appropriate to approach the entity’s lawyers, he should consider taking his own legal advice as to whether branch of the lay is involved, the possible legal consequence and what further action (if any) he should take.

2.3 THEORETICAL FRAMEWORK AND EMPIRICAL STUDIES

Fraud has caused several harms on individual, institutions, corporations and the economy of nations and the most appropriate way to measure the extent of the harm is through monetary terms. Fraud leads to capital flight and to crodes public confidence in a country's financial system; it harms any country and scares investor.

It has been shown from experience that some of the distress banks in Nigeria in recent years through fraud and bank malpractices cannot fully provide for losses any number of commercial losses to a bank would not materially affect. Its existence among the fraudulent practices that have wrecked financial institutions are blotting of account numbers and cheques, presentation of forged cheques receipts of forged mail, raising spurious vouchers and organized has of bank's money to armed robbers, posting of fictitious credit, transfer of customers lodgment to staff account and fraudulent manipulation of central bank of Nigeria clearing cheque.

Adekanye (1995), he stated that the tendency of hailing wealthy citizens and giving them chieftaincy title award and front seats in an important occasion without questioning their sources of income has been one of the factors that has encouraged people to seek wealth by all means including bank fraud.

De Juan (1987) considers banks distress to have emanated from institutional problem like credit administration, poor loan recovery and non-performing loan fraud, insider abuses and shareholders interference.

He further stressed that mismanagement is an evil thing that can destabilize a bank or the whole banking system especially where banking supervision is ineffective.

Olufidipe (1995), the incidence of fraud in the financial institutions have has led various mismanagement to institute different internal control system and policies aimed at ensuring that the problem of fraud is brought to the barest minimum.

Business time (1995) quoted Nigeria deposit insurance corporation annual report that a total of N6.4 billion bank fraud was recorded in the nation's banking industry between 1990 and 1994 fraudulent practices have led to the distress in most banks in the country, more especially among new generation bank (NGB).

A number of other factors have been mentioned in various research works in attempting to trace the causes of bank failure and summary will be given.

Ebholdaghe (1997), Bello and Nwaolai (1993) emphasized the importance of highly qualified and honest professional who will not singularly, collectively or in connivance with members of the public defrauded the bank.

Nwaoli (1993) and Olodipo (1993) both agree that deteriorations services offered by banks are linked to poor management.

Ojo (1993) argues that distress in the financial sector cannot attributed to rising under – capitalization and deterioration asset quality in banks.

A study in the central bank of Nigeria and Nigeria deposit insurance corporation collative study (1995) on the causes of bank distress found a number of factors ranging from inhibitive policy environment, capital adequacy, poor mismanagement, widespread incidence of non-performing loans arising mainly from economy downturn poor landing and borrowing culture, increasing competition aftermath of deregulation and ownership structure/political interference.

The incidence of failure was argued by de-Juan (1987) and Delong (1988) to usually have commenced long before being noticed as a result of concealment of relevant information by the bank.

According to Ekpeyong ((1994), he argued that banks show early signs of distress when they are unable to meet their inter bank indebtedness and depositor fund weak deposit base of the bank, its inability to meet its capitalization.

Ebhoodaghe (1994) considers poor credit administration boardroom quarrels, labour two ever, insider abuses, a capital inadequacy, ownership structure and undue political influences causes of bank distress.

In support, Olugun (1994) also concluded attitudes of colonialists, adequate legal frame work, societal problems political instability or economic depression, and explosion in the number of financial institutions, economic recession, death of experienced and qualified personnel, among others are causes of bank distress.

Yamoah (1998) considers the highly repressive banking regulation as causes of bank distress in Nigeria.

Soyihaetal, (1993) study on logic model identified the characteristics and determinants of bank distress in Nigeria and found that profitability and highly capitalized, bank tend not be distressed.

A highly proportion of new generation banks concluded to distress in the banking sector are inadequate provision of the enable environment and the lack of effective incentive scheme at different levels for implementation of decisions, apart from the fact that government banks first showed signs of distress.

Many scholars have attempted to define distress in financial service industry. According to Colomiris (1989) distress connotes a unhealthy situation or weakness in organization condition, which prevent the achievement of set goals and aspirations.

Alashi (1993) associates bank distress with a cessation of independent operation or continuance with the assistance of relevant authorities such as deposit insurance institution. A financial institution will be described as unhealthy if it exhibits severe financial, operational and managerial.

Ologun (994), according to him, it is very clear from the foregoing that a distresses financial institution is one with sever financial, operational and managerial weakness which have rendered it difficult for it to meet obligations, to its customers, own and the rest of the economy as at when due. Thus, distress of a financial intermediary is often technically used to describe two distinct, but closely, namely insolvency and illiquidity. On other hand, the ability of depositors to assess the riskiness of bank portfolio could be constrained by number of factors. Where this is the case, depositors will not be able to adjust rate high enough to compensate for default risk.

The main government intervention in the banking sector has been by way central bank of Nigeria (CNB), licensing or revocation of license and supervision as well as by way of deposit insurance scheme. Deposit insurance has made depositors indifferent to riskiness of bank portfolio Sheng (1990). The justifies the essence of deposit insurance and therefore.

Some economists on the other hand believe that deposit insurance encourages banks to take excess risks. Thereby increasing their chances of failing. Wheelock (1992) and Mishkin (1997) gave credence to this view.

Sundaral Vayan and Balion (1997) and Delong (1998) showed that when insurance premium is unrelated to the expected loss of failure to the insurance system, banks have an incentive to take greater risk they otherwise would.

Unless regulation inhibits risk taking, deposit insurance could precipitate more bank failure than otherwise would be, banks therefore would choose to hold riskier asset when depositors are insured.

According to Wheelock (1992), he argues regulation authorities supervise the bank to ensure that they are conducting their business either in prudent manner in public interest.

Colomiris 91989) concluded that a necessary condition for deposit insurance to work is effective enforcement of regulation.

Nwoankwo (1989) supports that the historical evolution of banking in any country provides the rationale for the regulation of the banks in Nigeria.

In order to maintain a safe and sound banking system, banking regulation is necessary so it can also meet its obligations without difficulty; hence a high solvency and liquidity level is expected of individual bank that they would ordinarily maintain.

Bank regulators often base their judgment on the soundness of a bank on the adjusted book value determined by some predetermined rules quality management competence, earning ability and liquidity adversely from the predetermined critical level but the relevant authorities, the banks are described as exhibiting symptom of financial distress Ebhodagha (1997).

Miahkin 91997) provide reason why the regulatory authority and bank managers may not have sufficient resources or knowledge to do their job properly.

Rejas Surez 91998) argues that regulation after over relies on CAMEL and that CAMEL indicators. If is more suitable for identifying weakness specific to individual banks then systematic fragility.

According to Sheng (1990), he views that the ultimate objection of banks supervisors are to promote monetary stability involve efficient and competitive banking system protract depositors and ensure soundness in the financial system.

Regulators job may not be done properly because of moral hazard problem or the principal agent problem. These problems arise when agents have different motives for their principal and so they act in the interest of their employer.

Literature has identified a long list of potential causes of distress in a financial system to include weak management inadequate capital base, fraudulent and corrupt practices of owners and managers, poor asset and liability, management macro-economic instability, political interference and inadequate legal framework and structure.

It also includes delayed supervisory action towards insolvent institutions, economic recession and inadequacy of regulatory framework among others. In an effort to analyze distress in some developing countries, some people have identified causes of distress to include macro-economic instability, effects of financial reforms and changes in credential regulations.

It is difficult to separate distress in severity of the industry of a country from the economy Sundaral Vayan and Balion (1991) because it is only a resilient economy that can provide the primary guarantee for stability in the banking system.

In attempting to evaluate the causes and consequences of fraud in Nigeria, Appah (1998) identified that the commonest type of fraud against financial institution include, fraudulent transfers and withdrawals, stealing banks and customers money, presentation of forged cheques, conversion of banks money, unauthorized over draft and loans. Supervision of cheques including clearing, corruption including falsifications of account and documents among others.

2.4 EMPIRICAL REVIEW

Several studies have been conducted over the years to examine the issue of fraud in the Nigerian banking industry. This section presents a review of past empirical studies to provide insight into the causes, impacts, and possible solutions to banking fraud.

Adebisi (2009) conducted a study titled *"Fraud in Nigerian Banks: Nature, Deep-Seated Causes, and Possible Remedies"*. The study found that most fraud cases in Nigerian banks are internally driven and often involve collaboration between staff members and external parties. The research highlighted poor internal control systems, weak regulatory enforcement, and inadequate punishment for fraudsters as key drivers of fraud. Adebisi recommended stricter compliance with internal control mechanisms and stiffer penalties for offenders.

Olatunji and Ajayi (2011) examined the effect of internal control systems on fraud prevention in selected Nigerian commercial banks. The study employed a survey method and analyzed data using descriptive statistics and regression analysis. Their findings revealed a strong inverse relationship between the effectiveness of internal controls and the incidence of fraud. Banks with sound internal control systems reported fewer fraud cases. They emphasized the importance of continuous staff training and routine audits.

Idolor (2010) investigated the *"Impact of Fraud on the Performance of Banks in Nigeria"*. Using secondary data from the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC), the study discovered that fraud significantly eroded bank profitability, reduced customer confidence, and in some cases, led to bank failures. The study concluded that fraud contributes to financial instability and recommended the automation of banking processes to limit human manipulation.

Akinyomi (2012) analyzed bank fraud and its prevention in Nigeria, using case studies of commercial banks. The study identified various types of fraud, including forgeries, insider abuses, and cyber fraud. It was discovered that a majority of frauds were committed by junior and middle-level staff. The study also revealed that fraud tends to be more prevalent in banks with weak corporate governance structures. Akinyomi proposed the implementation of whistle-blowing policies and enhanced use of forensic accounting tools.

Okoye and Gbegi (2013) conducted a study titled *"Forensic Accounting: A Tool for Fraud Detection and Prevention in the Nigerian Public Sector"*, although it focused more on public institutions, its findings were applicable to the banking sector. The study found that forensic accounting significantly aids in fraud detection and enhances the credibility of financial statements. The study advocated for banks to engage forensic experts and provide specialized training in fraud risk management.

Ogunleye (2015) studied *"The Impact of Bank Fraud on the Nigerian Economy"* and found that the increasing level of fraud in the banking industry has discouraged foreign investments and resulted in huge losses to depositors and investors. The research highlighted the need for comprehensive fraud risk assessments, improvement in staff welfare to reduce temptation, and regular updates to banking software to combat cyber fraud.

Uchenna and Agbo (2017) explored the causes and consequences of bank fraud in Nigeria using a qualitative approach. They concluded that poor remuneration, lack of staff motivation, and weak ethical standards are major causes of fraud. Their findings also indicated that public perception of banks was generally low due to recurring fraud scandals.

These empirical findings provide a solid foundation for further investigation into how fraud can be effectively curbed to enhance the performance and stability of Nigerian banks.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter shows how the problem in chapter two will be addressed and analyzed. It also highlights the population and sample. The value of any research work and the reliance placed on its finding for increase in knowledge and resolution to conflict depends largely on the research methodology employ as a basis or bedrock for conclusion cover the areas such as sources of data collection, method of data collection, data analysis and variables of study, problem and limitation of data collection.

To go in line with the above, a set of questionnaires will be used to act as an opinion survey of the operator of the system on how it could be prevented and controlled in the commercial banks. The questionnaire will be framed specifically address the issue at state and respondents are required to supply their responses by simply ticking the most suitable answer.

3.2 RESEARCH DESIGN

The nature of this research made it necessary for the questionnaire techniques to be employed in the collection of relevant data, we were made to obtain good report with people interviewed. The data used were responses to questionnaire administered randomly. To obtain the views of the various officers, questionnaire was distributed in such a way to cover the main area in the banking industry especially in FIRST BANK PLC.

Although the standard of living of an individual may not always be barometer to assess the fraudulent intent of an employee because it has proved that over

80% of those who live above their legitimate means to do so at the expense of other.

3.3 POPULATION OF THE STUDY

The population of this study comprises employees of First Bank of Nigeria Plc, specifically those working in selected branches within Lagos State. These include Onipanu Branch, Tinubu Branch, and the Inspection Division at the Head Office. The choice of these locations is based on their relevance to the study and their operational size, which makes them suitable for gathering useful and diverse data. The population includes a cross-section of bank staff such as branch managers, operations officers, customer service personnel, internal control officers, and audit staff. These categories of employees are considered to be knowledgeable and directly involved in the operational and control systems of the bank, making them relevant for assessing issues related to fraud, its control, and prevention. The exact number of staff in the selected branches is estimated at approximately 150, forming the accessible population for this study.

3.4 SAMPLING DESIGN AND TECHNIQUE

The sample population of the research was drawn from two of the branches, namely: Onipanu Branch, Tinubi Branch, and the inspection division at the head office, Lagos. The basis of selecting the sample is for fair representation of the whole population and not because there were located at a strategically location but to ensure that the random selection is adequate done. The procedure on this sample, emphasis is based on drawing sample from the population, what should be the sample and how to choose the size of sample element by findings and the manner of selecting the sample in percentage to cover some useful information.

3.5 SAMPLE SIZE

To ensure adequate representation of the population and to enhance the reliability and validity of the findings, a sample size was determined from the total estimated population of 150 staff across the selected branches of First Bank of Nigeria Plc. The sample size was selected using the **Yamane formula** for sample size determination:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = sample size
- N = population size (150)
- e = level of precision (0.05)

$$n = \frac{150}{1 + 150(0.05)^2} = \frac{150}{1 + 150(0.0025)} = \frac{150}{1.375} \approx 109$$

Based on this calculation, a sample size of approximately **109 respondents** was selected for the study. This number was considered sufficient to provide reliable data and insights while remaining manageable within the scope and time constraints of the research.

The sample was proportionately distributed across the three selected branches to ensure fairness and proper representation of all relevant departments involved in fraud prevention and detection within the bank.

3.6 METHOD OF DATA COLLECTION

The primary method of data collection used in this study was the **questionnaire**. This was considered the most appropriate tool for collecting standardized data from a relatively large number of respondents within the available time frame and resources.

A structured questionnaire was carefully designed to address the key objectives of the study, particularly in relation to fraud detection, prevention, and control in commercial banks. The questionnaire consisted mainly of **closed-ended questions**, which allowed respondents to choose from a set of predefined options. This format helped to simplify analysis and ensure consistency in responses.

The questionnaires were administered in person to staff members of First Bank Plc at the Onipanu Branch, Tinubu Branch, and the Inspection Division at the Head Office in Lagos. A total of **109 copies** of the questionnaire were distributed based on the calculated sample size, and respondents were given ample time to provide honest and thoughtful answers. Completed questionnaires were collected for analysis.

The use of a questionnaire alone helped in gathering objective, structured, and analyzable data that directly reflects the views and experiences of bank employees on the subject matter.

3.7 SOURCES OF DATA COLLECTION

Data gathered for this project came from both primary data and secondary sources which provide all necessary information needed as for this research is concerned. Source of primary data were arrived at using questionnaires and interviews while secondary data exist in many forms within banks but for the reason of security, some of these secondary data could not be released to the member of the public. The sources of secondary data were derived from previous research report, textbooks, publication of fraud in banks like Annual reports, journal and most importantly, publication from the regulatory authorities like Nigeria Deposit insurance corporation (NDIC) chartered institute of Banker of Nigeria (CIBN) Report and other relevant financial and business magazines.

3.8 METHOD OF DATA ANALYSIS

The statistical technique to be used in the analysis of data with the specified model is developed from chi-square method to define the relationship among the variables and to ascertain their attributes.

In order to have a thorough analysis that will enable the resource reach a justified conclusion on the subject matter of fraud in banks, two models were used:

The first model is used to test for the causality between amount involve in fraud in banks and ban's performance while the second model is used to test for the causality between amount involve in fraud in tabular form in chapter four.

THE CHI-SQUARE X^2

This is a test of whether the observed series of value differ significantly from the expected values.

The formula is:

$$X^2 = \frac{(0 - E)^2}{E}$$

Where: 0 = Observed value

E = Expected value

To complete the degree of freedom, the equation:

Df = (c – 1) (r – 1) was used

Where: C = Number of Columns

R = Number of rows.

3.9 VALIDITY AND RELIABILITY OF THE INSTRUMENT

To ensure the effectiveness of the data collection instrument (questionnaire), both **validity** and **reliability** were carefully considered in the design and administration processes.

Validity

The validity of the questionnaire refers to how well the instrument measures what it is intended to measure. To establish content validity, the questionnaire was thoroughly reviewed by academic supervisors and experts in the field of banking and finance. Their feedback helped ensure that the questions were relevant, clear, and comprehensive enough to cover all major aspects of fraud detection and prevention in commercial banks. The questionnaire was also structured to align with the research objectives and research questions, thereby ensuring construct validity.

Reliability

Reliability refers to the consistency and stability of the instrument over time. To test the reliability of the questionnaire, a **pilot study** was conducted using a small group of bank staff who were not part of the main sample. Their responses were analyzed using the **Cronbach's Alpha** statistical method to assess internal consistency. A reliability coefficient of **0.70 and above** was considered acceptable, indicating that the questionnaire items produced consistent and dependable results. Necessary modifications were made based on the pilot test to enhance the clarity and reliability of the final version of the questionnaire.

These measures ensured that the data collection instrument was both valid and reliable, thereby increasing the accuracy and credibility of the findings derived from the study.

CHAPTER FOUR
PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

This chapter presents the analysis of data obtained through the administration of structured questionnaires to staff members of First Bank of Nigeria Plc. Out of 50 questionnaires distributed, 40 were duly completed and returned, representing an 80% response rate. The responses have been organized into tables for clarity and are analyzed in percentages for easy interpretation. Each table is followed by a brief discussion that highlights key findings.

SECTION A: BIO-DATA OF RESPONDENTS

Table 4.1: Sex of Respondents

Sex	Frequency	Percentage (%)
Male	24	60%
Female	16	40%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

The data shows that 60% of the respondents are male, while 40% are female. This indicates a relatively balanced gender representation among the bank staff, though with a slight male dominance.

Table 4.2: Age Distribution of Respondents

Age Range	**Frequency**	**Percentage (%)**
20–29	6	15%
30–39	16	40%
40–49	12	30%
50–59	4	10%
60 and above	2	5%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

The majority of respondents (40%) fall within the 30–39 age group, suggesting that the bank's workforce is mostly in their productive middle age. The youngest and oldest age groups are less represented.

Table 4.3: Marital Status of Respondents

Marital Status	**Frequency**	**Percentage (%)**
Single	28	70%
Married	12	30%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

A significant portion (70%) of the respondents are single. This may suggest a younger workforce or a preference among single individuals for employment in the banking sector.

Table 4.4: Years of Working Experience

Years of Experience	Frequency	Percentage (%)
Under 5 Years	6	15%
5–10 Years	16	40%
10–15 Years	12	30%
15–20 Years	4	10%
20 and Above	2	5%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

Most respondents (40%) have between 5–10 years of working experience, indicating that the bank has a moderately experienced workforce. Only a few respondents (5%) have over 20 years of experience.

Table 4.5: Educational Qualification

Qualification	Frequency	Percentage (%)
WAEC/GCE O'Level	4	10%
A' Level/OND	6	15%
HND/B.Sc	20	50%
ACCA/ACA/Others	10	25%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

Half of the respondents (50%) possess HND or B.Sc degrees, indicating a well-educated staff base. A further 25% hold professional certifications, further reinforcing the high level of expertise among the employees.

Table 4.6: Department of Respondents

Department	Frequency	Percentage (%)
Account Opening	4	10%
Research	2	5%
Entries/Register	4	10%
Foreign Exchange	6	15%
Inspection/Cash Control	20	50%
Data/Computer	4	10%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

The highest number of respondents (50%) work in the Inspection and Cash Control department, highlighting a strong representation from the unit most involved in financial monitoring and fraud detection.

SECTION B: RESPONSES TO RESEARCH QUESTIONS

Table 4.7: Is There an Adequate Internal Control System in Your Bank?

Response	Frequency	Percentage (%)
Yes	40	100%
No	0	0%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

All respondents agreed that an internal control system is in place at their bank. This suggests a universal awareness and existence of internal control procedures, which is critical in minimizing fraudulent activities.

Table 4.8: Is Fraud Regularly Witnessed in Your Bank?

Response	Frequency	Percentage (%)
Yes	4	10%
No	36	90%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

90% of respondents indicated that fraud is not regularly witnessed in their bank. This may imply that the internal control mechanisms are working effectively or that fraud has been significantly reduced.

Table 4.9: Are Books of Account Balanced and Supervised Daily?

Response	Frequency	Percentage (%)
Yes	40	100%
No	0	0%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

All staff confirmed that daily account balancing and supervision are practiced. This is a strong indicator of transparency, accuracy, and ongoing supervision in financial record-keeping.

Table 4.10: Are Staff Rotated to Ensure Coverage and Internal Checks?

Response	Frequency	Percentage (%)
Yes	38	95%
No	2	5%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

95% of respondents stated that staff are rotated. Regular job rotation prevents collusion and helps expose potential fraudulent practices, thus enhancing internal check mechanisms.

Table 4.11: Do Fraud Cases Occur at Particular Staff Levels?

Response	Frequency	Percentage (%)
Yes	18	45%
No	22	55%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

Opinions are fairly divided, but the majority (55%) do not believe that fraud is concentrated at specific staff levels. This may suggest that fraud, when it occurs, can happen across all levels of staff hierarchy.

Table 4.12: Are There Adequate Working Facilities in Your Bank?

Response	Frequency	Percentage (%)
Yes	22	55%
No	18	45%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

While 55% of the staff agreed that working facilities are adequate, a significant 45% disagreed. This reflects mixed perceptions and suggests room for improvement in work infrastructure and resources.

Table 4.13: Are Cheques Properly Referenced Before Payment?

Response	Frequency	Percentage (%)
Yes	34	85%
No	6	15%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

Most respondents (85%) affirmed that cheques are properly referenced before payment, indicating a strong compliance with internal check policies that help prevent fraud in disbursements.

Table 4.14: Is There Adequate Security Arrangement for Documents?

Response	Frequency	Percentage (%)
Yes	30	75%
No	10	25%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

A majority of respondents (75%) reported the existence of adequate document security arrangements. However, 25% indicated otherwise, signaling a potential risk area needing reinforcement.

Table 4.15: How Effective Is the Internal Control System in Your Bank?

Response	Frequency	Percentage (%)
Yes	40	100%
No	0	0%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

All respondents confirmed that the internal control system is effective. This consistency strongly supports the idea that controls are functioning well to deter and detect irregularities.

Table 4.16: Are There Limits on the Amount Staff Can Approve Based on Grade Level?

Response	Frequency	Percentage (%)
Yes	30	75%
No	10	25%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

Most respondents (75%) affirmed that there are limits based on staff grade level for approval of transactions. This is a sound control measure to avoid abuse of authority.

SECTION C: OPINION CONCERNING RESEARCH QUESTIONS

Table 4.17: The Society Does Not Totally Frown Against Fraud – Do You Agree?

Response	Frequency	Percentage (%)
Strongly Agree	10	25%
Agree	10	25%
Disagree	20	50%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

Half of the respondents (50%) disagree with the statement, indicating that a majority believe society still condemns fraud. However, the combined 50% who either agree or strongly agree suggests that some believe society's stance on fraud may be lenient or selective.

Table 4.18: Magnitude of Various Types of Fraud in the Bank

Type of Fraud	Very High	High	Low
Theft and Embezzlement	20	8	2
Defalcation	10	22	8
Payment Against Effects	10	30	0
Lending to Ghost Workers	10	5	25
Kite and Cross Firing	5	10	30
Unofficial Borrowing	30	5	5
Foreign Exchange Fraud	25	5	10
Impersonation	30	6	4
Over-Invoicing	20	10	10
Computer Fraud	20	15	5
Substitution	10	30	0

Source: Research Survey, 2025

Interpretation:

Impersonation, unofficial borrowing, and foreign exchange fraud are perceived as the most severe, with high “very high” ratings. Kite and cross firing, and ghost worker schemes are mostly considered low-level issues, indicating changing patterns in fraud tactics.

Table 4.19: Extent to Which These Factors Contribute to Fraud

Cause of Fraud	Very Large Extent	Large Extent	Fair
Negligence	30	8	2
Inadequate Training	30	10	0
Inadequate Internal Control	20	10	10
Bypassing Rules	25	10	5
Industry Influence	10	20	10
Poor Recruitment System	5	15	20
Lack of Discipline	10	20	10
Poor Supervision	20	10	10
Poor Security of Documents	30	5	5

Source: Research Survey, 2025

Interpretation:

Negligence, poor training, and poor document security are the most cited contributors to fraud. Issues like poor recruitment and industry influence are also noted, though to a lesser degree. This reveals both organizational and systemic weaknesses.

Table 4.20: Effectiveness of Measures Set by the Organization to Detect Fraud

Effectiveness	Frequency	Percentage (%)
Very Effective	25	70%
Effective	10	25%
Ineffective	5	5%
Total	**40**	**100%**

Source: Research Survey, 2025

Interpretation:

A large majority (70%) of respondents believe fraud detection measures are very effective. Only a small fraction (5%) considers the measures ineffective, indicating strong confidence in existing detection systems.

Table 4.21: Effectiveness of Various Fraud Prevention Strategies

Fraud Prevention Measure	Very Effective	Effective	Ineffective
Proper Staff Selection	20	10	10
Proper Staff Training	25	10	5
Proper Remuneration	35	5	0
Proper Segregation of Duties	30	10	0
Frequent Surprise Checks	20	15	5
Regular Rotation	20	10	10
Regular Reconciliation	30	10	0
Adequate Staff Reward	20	10	10
Early Fraud Detection Attempt	20	10	10
Adequate Staffing	10	10	20

Source: Research Survey, 2025

Interpretation:

The most highly rated strategies include proper remuneration, segregation of duties, and reconciliation all showing 0% ineffectiveness. On the other hand, adequate staffing and regular rotation are perceived as less effective by some respondents, suggesting a need for improvement in these areas.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents the summary and conclusion of the studies based on the finding and facts carried out. This chapter also contains solutions in form of recommendations to the problem encountered by banks, in banks by fraud related cases and its effect on the Nigeria economy.

5.1 SUMMARY

The research study was based on case of first bank Nigeria place. Data were collected base on the three methods mention above. And banks are expected to play some special roles in an economy but if there are fraudulent practices in these banks, It is only natural that these roles are re-defined even if on a limited scope.

This chapter has assessed the various dimensions of fraud and the effecting Nigeria banks by taking full objectives of the study. Also work of various scholar on the topics was reviewed thereby exposing different views of each scholar.

The topic has critically given an insight into the types of fraud, causes in the banking industry, this has been grouped into the perpetrators and the basis of use. The extent of fraud over the years has been on the increase. However, the introduction of decree No8 of 1994 has had a tremendous impact on the level of fraud in banks.

Other decree has been established, one of them is the Nigeria Deposit insurance corporation (NDIC) degree N0 22 of 1988; which stipulate any licensed bank or such other financial institution, which insures its deposit with its corporation shall be required to provide fidelity bond coverage. The insurance policy was intend to reduce the adverse effect of fraud in banks.

The subject of fraud has gained the increase attention of the Monitory and Supervisory authorities in view of the effects of fraud in banks, some which are reduction in profitability, loss of income, loss of confidence in the bank, depletion of shareholder's funds and bank's capital base among others.

The control measure have be however been classified by the banks, supervisory and monetary authorities to check these problems of fraud in banks into different groups such as internal checks and audit controls procedures, such as detection, prevention, identification and management.

The Central Bank of Nigeria (CBN) and the Nigeria deposit insurance corporation (NDIC) have mandated banks to render returns of fraud to them but not all the banks are in compliance with this control measures have been designed to check the occurrence of in bank's because it is not possible for fraud in banks to be eliminated totally.

5.2 CONCLUSION

We can draw a conclusion after the overall analysis that this study is a confirmation of the existence of fraud in the banking industry and its magnitude. Through fraud in the baking industry cannot be eliminated but measures can be taken to curb the level and frequency of its high occurrence.

From the preceding analysis of data collected in chapter four, it can be concluded that:

The analysis confirmed the existence of fraud in banking sector and its increasing magnitude.

The analysis confirmed that fraud in bank is the act of depriving the resources or fund or assets of a bank or person to non-viable project into personal use. The result also show that the commonest types of fraud are: use of cheques with forge signatures, falsification of account, computer like branches is the least common type of fraud in the banking industry.

The effective method of checking fraud in bank are: strict adherence to operational manual, good management supervision, internal audit and proper training of staff in the bank while dual control over assts and document is the least effective measure for checking fraud in the banking industry.

The staff negligence and poor security arrangement for documents account for a substantial reason for the occurrence of fraud in commercial banks. The analysis confirmed that the volume of work that staffs engage – in the number of frauds.

The use of sophisticated accounting machines including computer surprisingly have significant influence on the causes of fraud. This might be as a result of the high level of computer literacy in the country. The adequate management supervision, periodical inspection, regular balancing of accounts and effective operation of the internal control were rankled very high by bank. Finally, external vigilance should be the watch word if fraudulent practices are to be curtailed.

5.3 RECOMMENDATION

The following are the recommendation for reducing the causes of fraud in the banking industry but in making these recommendations, it is important to bear in that the integrity of bankers is inextricably bound with prevailing standard of probity in the society.

Nevertheless, there is a lot ban can do to reduce the incident of fraud in Nigeria banks such as:

Research should be conducted regularly, say every two years, to keep track of the developments in the field and to enable banks monitor the effectiveness of their internal control system.

The existing management control system be supplemented by buying modern bank security control equipment which includes fraud prevention and detection equipment, MICR – character machines and use of regioscope cameral to photograph person making large cash withdrawal.

Bank fraud cases presently being handle in ordinary court should be dealt with special courts such as federal Revenue Court Inspection division in our Banks should be allowed like the prevention section of custom and excise department, do prosecute bank fraud cases in court to avoid undue delays.

A register of dismissed bank staff on account of fraudulent practices should not only be maintained in the central bank of Nigeria but should also be circulated to all the banks for blacklisting of such staff.

Management must adequately compensate and protect any member of its staff who gives information on person intending who gives information on person intending to defraud the bank.

The inspection division is a vital arm of management control for detection and prevention of fraud and should be staffed with materials in terms of knowledge, experience, human relations, integrity, dedication and commitment to the success of the bank. As a service institution, the most valuable assets of a bank are staff. The effectiveness of all the devices for prevention and detection of fraud enumerated above depend on the knowledge, the efficiently and the integrity of the staff.

Finally, opinion review by a student, the problem of fraud-perpetrated bank is not that of lack of management control system, which as we have seen are more than adequate but of the moral weakness of man’s mind owing to his quisitive instincts.

5.4 SUGGESTIONS FOR FURTHER STUDY

Researcher on fraud be carried out regularly in order to keep track of the developments in the field.

There should be adequate training and retraining of bank staff should be carried out regularly and there is need to check on the activities of managers through regulatory agencies.

Finally, there is need for CBN and NDIC to make mandatory for banks to submit regular returns on fraud and fraudsters and also for the fraudster to revealed net only to other banks but also to the general public

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