

**BANK FRAUD IN THE NIGERIA SECTOR; TYPES CAUSES, EFFECT AND
METHOD OF DETECTION AND PREVENTION**

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BENIN CITY

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING AND
FINANCE, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN,
BENIN CITY, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN BANKING AND
FINANCE**

MARCH, 2024

DECLARATION

I, **AIYANYI SANDRA** do hereby declare that this project is entirely my work and composition. The work embodied in this project has not been submitted by other candidates for any degree and is not currently being submitted for any other degree. All references made to the works of other persons have been duly acknowledged.

AIYANYI SANDRA

Date

CERTIFICATION

We, the undersigned certify that this research work was submitted by AIYANYI SANDRA and it is hereby approved for the partial fulfillment of the requirement for the award of Bachelors of Science (B.Sc.) degree in Banking and Finance, University of Benin, Benin City.

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DEDICATION

This project is dedicated to Almighty God, for His grace and mercies and whose divine assistance made it easy for me to accomplish this work. It is also dedicated to my parents, Mr. and Mrs. Aiyanyi for their moral and financial support, my uncle and auntie Mr. and Mrs. Osayomore who have never left my side and are very special, and my siblings whose support was of equal importance in motivating me.

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ABSTRACT

Fraud is a widespread issue that has severely eaten deep the Nigeria's banking industry and economy as a whole. Its disastrous effects may be seen in both economic regression and the banks' declining balance sheets. It appears that efforts to identify and combat fraud in the financial industry have been largely ineffective, as fraudulent activity has been increasing recently. The purpose of this topic Bank fraud in the Nigeria sector; types causes, effect and method of detection and prevention is aimed at finding practical means of eliminating, reducing the incidence of fraud in the Nigeria sector .A descriptive surveys using questionnaire with a sample size of 100 was used for the analysis. The findings derives from respondents indicate that unauthorized Lending to borrowers is a principal type of fraud. The significant negative relationship between the effects of fraud and its prevention measures suggests that more proactive and preemptive strategies are needed. Banks should invest in comprehensive fraud prevention training programs for their employees, ensuring that they are well-equipped to recognize and respond to fraud indicators promptly.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Fraud is described as "deceit, trickery, sharp practice, or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage" in the Collins English Dictionary.

Fraud incidents are not uncommon in Nigeria, and this presents serious risks to the integrity and stability of the banking sector. The problem of fraud is a complex global phenomena that hinders efforts to advance.

Relating to the allocation of financial resources, the banking sector is a fundamental component of Nigeria's economy and facilitates economic progress (Dennis, 2013). But creating a strong, accountable financial sector is still essential to the success of the country even in the face of threats and difficult obstacles.

The Nigerian banking industry occasionally ventures into project financing in the real sector of the country's economy; as a result, it supports the country's economic growth and development (CBN, 2009). Therefore, any strain in this subsector will seriously disrupt the economic landscape of the country. One of the main reasons for bank hardship, or even worse, bank failure, has been this. Although many steps have been taken to reduce the frequency of fraud, it still occurs on a daily basis as a result of con artists using electrical gadgets to carry out their schemes.

The growing involvement of senior management in bank fraud is also a cause for concern. There has been an alarming increase in the number of high-ranking executives and officials being charged with fraud or linked to fraudulent actions. Furthermore, it is evident from the annual rise

in the amount of money lost to fraud that the systems in place for detecting and preventing fraud have been mostly ineffectual.

Fraud has the consequence of decreasing a bank's asset and raising its liability; as a result, a bank may lose reliable clients or see a decline in the public's confidence in banking. The prevention of diverse fraudulent intentions by employees and consumers presents a variety of issues for banks.

STATEMENT OF RESEARCH PROBLEM

1.2 STATEMENT OF RESEARCH PROBLEM

Fraud is a sensitive topic in the banking industry that has negatively impacted economic growth and development as well as significantly contributed to banks' subpar performance, which has resulted in bank failure. The issue of fraud persists despite efforts made by financial institutions and the government to counteract it. Nonetheless, the goal of this study project is to shed more light on the different kinds, reasons, outcomes, and approaches of fraud detection and prevention in Nigerian banking industry.

1.3 OBJECTIVE OF THE STUDY

1. To examine the different types of fraud prevalent in the banking sector.
2. To examine the causes of bank fraud in the Nigerian sector.
3. To ascertain the effect of fraud on banks
4. To identify the roles of stakeholders in the prevention of fraud occurrence.
5. To determine the effective and efficient way of detecting and controlling fraud occurrence in banks.
6. To provide recommendations for Nigeria financial institutions on effective strategies to combat bank fraud and protect the interest of customers and the economy.

1.4 RESEARCH QUESTION

1. What are the different types of bank fraud prevalent in the Nigeria sector?
2. What are the main causes of bank fraud in the Nigerian banking system?
3. How do cybercriminals exploit vulnerabilities in the Nigerian banking system to commit fraud?
4. What are the effect on individuals and the economy as a whole?
5. How does collusion between bank employees and external fraudsters contribute to bank fraud in Nigeria?
6. What are the main financial implications for banks as a result of bank fraud in Nigeria?
7. What measures are currently in place to detect and prevent bank fraud in the Nigerian banking sector?
8. How effective are the existing anti-fraud mechanisms in preventing bank fraud in Nigeria?
9. How do regulatory frameworks and policies in Nigeria contribute to the detection and prevention of bank fraud?

1.5 STATEMENT OF HYPOTHESIS

The following hypothesis guides the study

(I) Null hypothesis (Ho): "There is no significant Relationship among the types, causes, effects, and methods of detection and prevention of bank fraud in the Nigerian banking sector."

(II) Alternative hypothesis (H1): "There exists a significant relationship among the types, causes, effects, and methods of detection and prevention of bank fraud in the Nigerian banking sector".

1.6 SCOPE OF THE STUDY

The purpose of this study is to investigate the prevalence and types of bank fraud committed by staff members, clients, and outside parties in the Nigerian banking industry.

1.7 SIGNIFICANCE OF THE STUDY

The Nigerian banking sector study is noteworthy because it sheds light on a problem that affects people's lives, the economy, and society as a whole. The study's conclusions can be applied to create better defenses against bank fraud, including ways to identify and prevent it as well as lessen its detrimental effects.

The study's conclusions can be applied in the following specific ways to enhance Nigeria's economy and society:

- The results can be utilized to create new rules and guidelines that will fortify the banking industry and increase its defense against fraud.
- The results can also be used to inform bank clients and staff about spotting and preventing fraud.
- The research findings can be applied to the creation of new instruments and technological solutions that will aid banks and law enforcement in identifying and apprehending fraudulent individuals.

1.8 LIMITATION OF THE STUDY

During the course of this examination, numerous issues arose. Among these restrictions are;

- Time constraint: It can be challenging to juggle the obligations of attending classes with finishing the research for this project. This can make it difficult to find the time to visit banks and libraries and gather trustworthy information.
- Financial constraint: The extensive extent that would have been covered was impeded by the lack of financial resources.

- Inherent manipulation techniques: Con artists may use complex strategies that make it challenging for investigators to pinpoint important elements and precisely identify fraudulent activity.

- Geographical Restrictions: Because this study only looks at Nigeria, it might not be able to include more comprehensive viewpoints or insights about bank fraud from other areas.

- Accessibility to Banks: This study's thoroughness may be limited by restrictions on entering banking facilities and establishments in order to gather data.

- Insufficient Fraud Reporting: The availability and accuracy of data may be hampered by inadequate reporting of bank fraud instances brought on by stigma, fear, or ignorance.

- Changing Fraud Landscape: Constantly evolving strategies used by scammers could make study results outmoded in a short amount of time, requiring ongoing research.

CHAPTER TWO

LITERATURE REVIEW

2.1 ORIGIN OVERVIEW AND MEANING OF BANK

The term "bank" originates from the old French word "banque," signifying bench. A particular kind of table where merchants would sit and do business was described by this name. The word eventually came to mean a location where money could be borrowed and deposited. It started to be used more precisely to refer to a financial institution in the seventh century. Another word that is related to the word bank is banco, which is Italian. Many scholars held the opinion that the use of gold as money marked the beginning of banking. People felt it safe to store their money and valuables in the jeweler's sturdy vaults back then. Did the goldsmith provide a receipt for the deposit made? Few depositors sought refunds of their gold because they could use the receipt to purchase anything. The contemporary practice of lending originated when the goldsmith retained a portion of the deposit and distributed the remaining amount as loans. When the goldsmiths entered the loan industry, they found that it was far more profitable for them than the fee they got from keeping gold in storage and other businesses.

As a result, they began offering depositors interest on their money, as is customary with savings accounts today.

As a result, a bank is a financial institution. In general, banks take excess funds from those who aren't using them right now and lend them to people who can utilize them for worthwhile endeavors (Dewett, 1987). According to Section 21 of the Nigeria Bill of Exchange Act of 1958, a group of people who conduct banking operations, whether or whether they are incorporated, are referred to as banks or bankers. A bank licensed under the Bank and Other Financial Institution Act is referred to as a "bank" or "banker" under Section 258 of the Evidence Act. Nigerian banks are categorized as follows:

1. Central Bank of Nigeria: The highest financial authority in Nigeria is the Central Bank of Nigeria (CBN). Its main goal since founding in 1958 has been to advance the nation's solid financial system and monetary stability. The CBN is in charge of overseeing and regulating financial institutions, creating and carrying out monetary policies, and managing Nigeria's external reserves. It is also essential to maintaining the security and stability of the Naira, the currency of Nigeria. Additionally, through a number of projects and programs, the CBN advances economic growth and financial inclusion. All things considered, the Central Bank of Nigeria is essential to maintaining the stability and financial health of the Nigerian economy.
2. Deposit money banks are financial institutions that hold licenses from regulatory bodies to engage in financial services, including mobilizing deposits from surplus units and channeling funds through loans to deficit units.
3. A merchant bank is a company or financial organization that directly invests equity money in companies and frequently offers advising services to those companies.
4. Mortgage Bank: A mortgage bank is a type of financial institution that focuses on lending money for real estate purchases. Because they enable mortgages and provide housing finance options to both individuals and corporations, mortgage banks are essential to Nigeria's real estate industry. These banks often offer low-interest long-term loans to consumers, enabling them to buy or build houses or other real estate establishments. Additionally, mortgage banks assist in closing the gap between Nigeria's housing supply and demand, fostering the nation's economic development.
5. Development Bank: To foster economic growth and development, development banks are a particular kind of financial institution that concentrates on lending money and

offering assistance to different economic sectors. Through Participating Financial Institutions (PFIs) like commercial banks, microfinance banks, and development finance institutions, the Development Bank of Nigeria (DBN) acts as a wholesale development finance institution in Nigeria, lending money to Micro, Small, and Medium-Sized Enterprises (MSMEs). The DBN seeks to close the funding gap and improve access to capital for MSMEs, which are essential to the nation's economic growth and employment generation.

6. Microfinance Bank: A microfinance bank is a type of financial institution that offers low-income people and microenterprises financial services such savings accounts, loans, and insurance. Because they give those who are typically shut out of the conventional banking system access to financial services, microfinance banks in Nigeria are essential to the advancement of financial inclusion. These banks provide small loans, savings accounts, and other financial products that are customized to meet the unique needs of individuals and small enterprises. Additionally, microfinance banks instruct their clients in company development and financial literacy, enabling them to better their standard of living and support Nigeria's economic expansion.

2.2 TYPES OF BANK ACCOUNT

The varying demands of both individuals and businesses are met by the variety of bank account types available in Nigeria. Nigerian bank accounts typically come in the following varieties:

1. Savings Account: The purpose of this account is to promote consistent saving. Although the interest rate is typically somewhat low, the account holder has simple access to their money. (Central Bank of Nigeria, Savings Account Guidelines, 2018).

2. **Current Account:** Daily transactions are intended to be made using a current account. Account holders are able to make and take out cash as often as needed. It often doesn't pay interest on the amount kept, unlike a savings account. (First Bank of Nigeria: Overview of Personal Banking).
3. **Fixed Deposit Account:** A fixed deposit account is a good option for people or companies that wish to increase the interest rate on their money but are prepared to keep it locked up for a predetermined amount of time. The funds are held in the account for a certain amount of time, usually several months or years. (Manual for Fixed Deposit Products, Zenith Bank).
4. **Domiciliary Account:** Foreign currencies, such as US dollars, euros, or pounds sterling, are kept in a domiciliary account. It makes it possible for people or companies to store foreign currency and conduct international transactions. (User Guide for Domiciliary Accounts, United Bank for Africa)
5. **Corporate Account:** This category of bank account is reserved for partnerships, corporations, and other business organizations. It gives business owners a platform to take care of transactions, payroll, and financial management. Packages for Corporate Accounts at Stanbic IBTC Bank
6. **Salary Account:** In order to receive their monthly wages, employees usually open a salary account. Benefits like minimal minimum balance requirements, overdraft protection, and occasionally even access to credit cards or loans are typically included. (GTBank - Overview of Salary Accounts).
7. **Joint Account:** A joint account enables two or more people to jointly manage a single account. Spouses, business partners, and family members who wish to access and manage

funds jointly frequently utilize this kind of account. (FAQs about Joint Accounts at Access Bank)

It should be noted that any bank might provide different or additional account types. For a more exhaustive list of available account alternatives, it is best to check with individual banks.

2.3 BASIC FUNCTION OF DEPOSIT MONEY BANKS

Nigeria's financial system, like that of any other nation, depends heavily on commercial banks, often known as deposit money banks, according to GTI study. To maintain responsible operations in line with economic objectives, the CBN creates policies and keeps an eye on banking system compliance, particularly with regard to monetary, FX, and credit laws. The duties consist of;

1. Acceptance of deposit
2. Granting of loans and advances
3. Bills Discounting
4. Transfer of funds
5. Safe keeping of valuable (e.g. documents)
6. Business Advisory service
7. Trustees services
8. Credit information services and trade enquires
9. Brokerage services

2.4 WHAT IS FRAUD

As would be expected, bank fraud takes many different forms and is typically carried out by insiders (employees) working along with outsiders to pull off the scheme. According to Ovuakporie (1994), the most prevalent forms of bank fraud in Nigeria are listed below, albeit

they are by no means all-inclusive.

Theft and embezzlement: this type of fraud entails the unauthorized taking of financial assets like cash, traveler's checks, and foreign currencies. It also entails the dishonest acquisition of bank assets, including automobiles, computers, desks, equipment, and various devices that the bank owns.

1. Defalcation; The theft of funds that bankers hold in trust on behalf of their clients is known as defalcation. One common type of bank fraud is the theft of customer deposits by bank tellers, which often involves them working with customers to change deposit slips or steal money. When consumers' bank accounts are reconciled, it may be easily found. Defalcation can also take the form of tellers stealing notes from money that is billed to unwary clients or customers, or conspiring with the customer's agent when the latter pays money into the client's account.
2. Forgeries: forgeries entail the phony duplication and use of a customer's signature to withdraw substantial sums of money from the customer's account without the customer's prior authorization. These types of frauds could target current accounts, savings accounts, deposit accounts, or drafts, among other transfer instruments. Onibudo (2007) states that experience has demonstrated that the majority of these forgeries are carried out by internal staff members or by outsiders working in concert with bank personnel, who are typically the ones who distribute the forged specimen signatures.
3. Informal borrowing: Bank workers occasionally make informal loans from the teller registers and vaults. Unofficial borrowing can be done in return for an IOU, a postdated check from the staff, or perhaps nothing at all. Weekends at the end of the month, when salaries are not paid, are when these borrowings are most common. For brief business purposes, employees

take thousands of naira out of vaults; they swiftly return the money to avoid being discovered. When such a procedure is carried out regularly and without formal documentation, it quickly becomes vulnerable to manipulation, leading to the use of alternative techniques to maintain the balance of cash in the bank's vault without ever needing to replenish the amounts of money gathered.

4. Foreign exchange malpractices; include forging paperwork related to foreign exchange and diverting officially sanctioned funds intended for the bank to satisfy client demands to the black market under the guise of "ghost customers." Employees engage in improper foreign exchange practices by charging unsuspecting clients higher unofficial exchange rates and keeping the difference for themselves. This practice typically finds a home in banks with shoddy accounting, documentation, and control systems as well as dishonest upper management personnel.
5. Impersonation: impersonation is the act of pretending to be someone else in order to deceitfully conduct fraud. Another common aspect of bank fraud is impersonation by third parties in order to get new check books fraudulently, which are then used to commit fraud. Impersonation cases have been known to be especially effective when carried out with cunning bank staff, who can easily provide the sample signatures and passport photos of the unwary clients.
6. Manipulation or falsification of vouchers: In this kind of fraud, entries from one account are switched out for another in order to carry out the fraud. It makes sense that this account would be a fake one into which the money of gullible bank customers is moved. Smaller quantities are typically taken in order to avoid being discovered by upper management or

other gullible bank employees. Voucher manipulation may be possible in a banking system due to lax rules and processes. Fraudsters have opportunities to use the bank if there is insufficient job segregation and daily review of vouchers and all documents.

7. Falsification of status reports: Doctoring or falsifying status reports is a frequent kind of fraud. Usually, this is done with the intention of delivering unjustified advice and recommendations to gullible clients who interact with bank customers. Certain clients, for instance, will only give contracts to bank customers who can demonstrate both their ability to complete the work and their financial stability. In order to present himself as someone who is capable and will not flee after the contracts' revenues are paid, this dishonest customer conspires with bank employees to increase the account's value. Fraud is committed when there is deliberate manipulation of a customer's account data, as is frequently done in Nigeria to give the impression that something is not what it is.
8. Money laundering; is the dishonest practice of giving money earned through illegal activity legitimacy by investing it in legitimate companies, transferring it to foreign banks, or keeping it in the bank for the criminals. The extent of money laundering by con artists, politicians, and dishonest bank employees has increased alarmingly under the current political administration in Nigeria.
9. Fake payments: In the banking industry, a prevalent fraud scheme entails the teller inserting a forged check into their own cage. It is carried out with or without assistance from bank clients or other employees. Nonetheless, if the bank has a strategy of carefully reviewing all vouchers, cheques, withdrawal slips, and payments on a daily basis, it will be simple to identify this kind of fraud.

10. Computer/ cyberspace frauds; Fraud involving the fraudulent manipulation of a bank computer at any point along the data gathering, processing, or distribution process. Inadequate input systems, malevolent software, modified programs, manipulated transactions, and online theft can also lead to computer fraud. In this era of widespread use of automated teller machines (ATMs), real-time online banking, and commerce, computer scams resulting from cybercrimes and thefts have taken on a particularly dangerous aspect. There doesn't seem to be a bank that is immune from it, and the billions of naira that the banking industry spends every year on efforts to prevent fraud are mostly directed at fighting computer fraud and cybercrimes/thefts.
11. Advance fee fraud; sometimes referred to as "419 fraud," is a kind of con where the con artist demands an advance payment in exchange for a promise of some kind of commodity or service. After that, the con artist asks the victim for payment but never delivers the item or service that was promised. The Nigerian Criminal Code's section 419, which deals with fraud, is the source of the scam's moniker. In Nigeria, advance fee fraud is a major issue that has cost many victims a great deal of money.
12. Lending to "ghost borrowers" or "ghost borrowing" has been recognized as a significant problem in the Nigerian banking industry. A "ghost borrower" is an individual or organization that is not real yet manages to get a bank loan by providing them with false or fraudulent information. This can occur when banks do not have enough safeguards in place to confirm the legitimacy of prospective borrowers and their creditworthiness. Consequently, this allows ghost borrowers to obtain loans that they do not intend to pay back, resulting in large losses for the banks.

13. Forged Cheques; One of the most popular ways to scam a bank and its customers. They mostly affect the company's accounts, and employees who have access to the company's checkbook always commit them.

2.6 CAUSES OF FRAUD.

1. Institutional Factors

The elements or reasons that can be linked back to the internal workings of the banks are known as institutional factors. While there is an endless array of institutional elements, the following stand out:

- a. Weak accounting and internal control system;
- b. Inadequate supervision of subordinates;
- c. Disregards for “know your customers (KNC)” rule;
- d. Poor information technology and data base management;
- e. Hapless personnel policies;
- f. Poor salaries and conditions of services;
- g. General frustrations occasioned by management unfulfilled promises;
- h. Failure to engage in regular call-over;
- i. Employees’ refusal to abide by laid-down procedures without any penalty or sanction;
- j. Banks' hesitancy to disclose fraudulent activity because of the bad press or reputation they fear. This could lead to additional fraud;
- k. Staff Banking Experience: Employees with limited experience and understanding in financial praxis have a greater recurrence incidence for bank frauds. The likelihood that a fraud

would go unnoticed by staff members who possess greater expertise and knowledge decreases if those staff members actively assist in the deception.

l. Inadequate Infrastructure:

m. Inadequate power supplies and

communication systems lead to an accumulation of uneven postings and cramped offices, which in turn facilitate bank fraud.

n. inadequate initial and follow-up training;

o. Unbalanced postings, overcrowded office space etc, these encourage the committal of fraud in banks.

p. Bad Book-Keeping

q. Genetic traits: These are inherited or transgenerational characteristics that lead someone to commit frauds. A kleptomaniac, for example, who steals compulsively for enjoyment is not likely to succeed as a professional banker.

2. The Environmental or Social Factors

Idowu (2009:632) defines environmental factors as those that have a direct or indirect connection to the bank's surroundings. Ogbunka (2002:188) states that these causes or factors take the following forms:

- a. The penchant to get rich quick;
- b. Slow and tortuous legal process;
- c. Poverty and the widening gap between the rich and the poor;

- d. Job insecurity;
- e. Peer group pressure;
- f. Societal expectations;
- g. Increased financial burden on individuals;
- h. Stiff competition in the banking industry which saw many banks engaging in fraud

so as to meet up in terms of liquidity and profitability.

2.7 EFFECT OF BANK FRAUD ON THE BANKING SECTOR.

1. Bank fraud results in a decline in customers' trust in banks, which is detrimental to efforts to encourage banking behavior.
2. Banks can experience financial losses, which might compel them to scale back or even cease operations. Customers may experience financial difficulties as a result, and the banking industry's reputation may suffer.
3. Fraud-related bank closures can result in job losses, a rise in crime, and a decline in public confidence in the banking industry.
4. Bad press resulting from fraud can do considerable harm to a bank's reputation. Customers' trust in the bank may be diminished and the bank's reputation damaged if media reports reveal fraud committed by the company. This can therefore result in a drop in goodwill and make it more challenging for the bank to draw in new business and keep hold of its current clientele. To put it briefly, fraud can seriously harm a bank's reputation.
5. Although fraudsters typically have their appointments terminated, some innocent employees of these banks may choose to leave on their own volition because of the embarrassment or experiences they endured during fraud investigations.

6. Losses incurred financially from paying fines and penalties as well as the direct costs of fraud.
7. Government and regulatory bodies are enforcing stricter restrictions, which raises the cost of compliance.
8. higher insurance costs and more challenges in getting insurance.

2.8 How cybercriminals exploit vulnerabilities in the Nigerian banking system to commit fraud.

The following are the reasons why cybercrime occurs in commercial banks, according to Niran Janamurthy and Chahar (2013).

1. Data that isn't encrypted: All of the data that your bank and online storage services store ought to be encrypted. When data is encrypted, hackers will find it more difficult to utilize it once it is stolen; if it is not encrypted, hackers will be able to use it immediately and cause significant damage to your financial institution.
2. Viruses: Malware-infected end user devices, such as PCs and smartphones, put your bank's cyber security at risk each time they connect to your network. Sensitive data must be sent in this case. Malware may target your bank's networks if it is installed on the end user device and the connection is not adequately safeguarded.
3. Unsecure third-party services: In order to give their clients better services, a lot of banks and other financial institutions rely on third-party services from other vendors. But your bank could be the one most harmed if those third-party providers don't have enough cyber security safeguards in place. Third-party services are frequently used by banks and other financial organizations to improve their consumer offers. Nonetheless, banks run a serious risk when vendor partners have weak cyber security. Even with strong internal protections, inadequate

security measures at vendor locations can lead to security breaches that eventually affect the bank. It is crucial to determine how you will defend yourself against third-party security threats before putting their solutions into practice.

4. Data that has been altered: Rather than just stealing data, cyberattacks on financial organizations frequently try to modify information covertly. These covert methods of manipulating data can cost banks millions, even billions of naira, without being discovered right away. When dealing with complicated systems, it can be difficult to determine which records have been tampered with because altered records may seem unaltered at first. Spoofing, in which hackers fabricate counterfeit bank websites that seem just like the real ones, is another new danger. By submitting their login credentials to these spoof websites, users unwittingly allow future fraud. These days, sophisticated spoofing can trick even people who know the right URL.

In order to reduce risks and continue offering consumers the digital conveniences they require, banks must put strong cyber security procedures in place. Key fraud prevention strategies include data encryption, anomaly detection, multi-factor authentication, and cyber security awareness training.

2.9 EFFECT OF BANK FRAUD ON THE INDIVIDUAL.

Bank fraud may have serious consequences for specific people. Among the possible outcomes are the following:

1. Financial loss: A person may lose money from their checking or savings account if their bank account is compromised.
2. Identity theft: Theft of a person's personal data might be used to open new accounts or carry out other illegal activities.

3. Money access issues: If someone's bank account is frozen as a result of fraud, they might not be able to access their money until the issue is fixed.
4. Time lost: Handling the fallout from fraud may be a laborious and difficult process.
5. The emotional toll of stress and anxiety.

2.10 EFFECT OF BANK FRAUD ON THE ECONOMY.

The economy may be significantly impacted by bank fraud. Among the potential outcomes are the following:

1. Reduced investment: Investors may be less willing to fund companies that depend on banks if they start to lose faith in the banking industry.
2. Economic instability: Financial market panic brought on by bank fraud can result in volatility and instability.
3. Inflation: When prices rise, consumers may have less purchasing power as a result of fraud.
4. Tax increases: In order to pay for the expenses of fraud and other financial crimes, governments may need to increase taxes.
5. Loss of faith in government: If the government is unable to safeguard citizens' funds and private information, then they may begin to lose faith in it.
6. More regulation: Governments may put banks under more stringent rules in reaction to fraud, which would make it more difficult for them to function.
7. Reduced social welfare: Government funding for social welfare programs may decline if fraud leads to economic instability.

2.11 PREVENTION OF FRAUD IN A BANK.

The following preventative and precautionary actions need to be taken in order to either completely eliminate or significantly reduce fraud in a bank:

1. **Training:** The bank's management and employees should receive sufficient instruction in both technical and theoretical areas on the range of duties that they will encounter on the job. Additional training options include staff training schools, external courses, workshops, and seminars.
2. **Effective Internal Control:** Employees are responsible for making sure that all internal control procedures are followed. These precautions include having two separate, authorized personnel verify a customer's signature, having dual control over cash and other bank assets, issuing frequent snap checks, and closely monitoring subordinates.
3. **Management:** The management of the bank should exhibit strong leadership traits, have a firm grasp of their responsibilities, and exert effective control over all of the employees. In addition, the management should have excellent judgment, a high degree of technical and theoretical proficiency, and sufficient supervision over all branch operations.
4. **Effective and Regular Audit:** The audit function, which should act as a good way to keep the branch in check and balance things out, needs to be performed on a weekly or monthly basis.
5. **Good Personnel Policies:** The recruitment and selection procedures should both place an emphasis on merit and be sufficiently precise to identify and remove undesirable actors as soon as possible. Appropriate career growth is necessary, and employee welfare, pay, and benefits should be sufficient to cover their basic physiological and social demands.

2.12 PREVENTION OF FRAUD BETWEEN BANKS.

There are also further actions that can be taken to help avoid fraud between banks:

1. **Creating secure connections between banks:** In order to stop fraudsters from intercepting information while it is being transmitted between banks, banks should employ secure connections, such as virtual private networks (VPNs).

2. Exchange of fraud intelligence: Banks ought to cooperate in order to exchange details regarding seasoned scammers and their strategies. This can lessen the likelihood that the same fraudsters will target other banks.
3. Cooperating with law enforcement: To assist in the investigation and prosecution of fraudsters, banks should cooperate with law enforcement organizations.
4. Risk assessments should be carried out on a regular basis by banks in order to detect possible fraud risks and create strategies to reduce them.
5. Promoting a culture of security: Banks ought to urge staff members to report any suspicious activity and to take security seriously. This may contribute to fostering a security-conscious culture within the bank, hence reducing the risk of fraud.
6. Making use of data analytics: Data analytics can be utilized to spot abnormal activity patterns and aid in the prevention of fraud. To assist, banks should employ the newest methods and technologies for data analytics.

2.13 PREVENTION OF FRAUD BY BANK CUSTOMER.

The following are particular actions that bank customers can take to stop fraud, according to bank info security:

- Make sure each account has a strong, distinct password.
- To improve security, set up two-factor authentication on all of your accounts.
- To safely keep and handle your passwords, use a password manager.
- Watch out for phishing scams online.
- Regularly check your bank statements.
- Keep an eye on your credit report.
- Create fraud alerts with the three main credit reporting agencies.

- Keep your Social Security number private.
- Enroll in services that protect against identity theft.
- Before throwing away any personal documents, shred them.

2.14 THE ROLE OF CENTRAL BANK OF NIGERIA (CBN) AND NIGERIA DEPOSIT INSURANCE CORPORATION IN PREVENTING FRAUD.

In order to stop bank fraud in Nigeria, the Nigeria Deposit Insurance Corporation (NDIC) and the Central Bank of Nigeria (CBN) are essential. Below is a thorough summary of everything they have contributed:

- a. **Developing and Putting into Practice Prudential standards:** The CBN creates and enforces extensive standards for banks that include strict internal controls, reporting requirements, and risk management procedures. These rules are the cornerstone for guarding against fraud and maintaining the stability of the financial system.
- b. **Regular On-Site and Off-Site Inspections and Examinations:** The CBN regularly inspects and examines banks to see if they are adhering to prudential requirements, to spot possible fraud risks, and to put corrective measures in place as needed. These examinations encourage ethical banking procedures and serve as a disincentive to fraudulent activity.
- c. **Encouraging Financial Literacy and Awareness:** Through a number of initiatives, the CBN actively encourages financial literacy and awareness among the general public by teaching consumers about their rights, safety precautions, and how to spot and report fraudulent activity. Customers are now better equipped to guard against becoming victims of fraud schemes.

- d. Working Together with Law Enforcement Organizations: To investigate and prosecute bank fraud cases, the CBN works closely with law enforcement organizations including the Economic and Financial Crimes Commission (EFCC). This partnership guarantees the prosecution of those responsible and acts as a warning to others considering committing fraud in the future.

2. The NDIC, as the insurer of deposits in licensed banks in Nigeria, plays a significant role in protecting depositors' funds and promoting financial stability. Its key functions in preventing bank fraud include:

- a. Deposit Insurance and Compensation: In the case of a bank failure brought on by fraud or other causes, depositors are guaranteed the safety of their funds up to a predetermined maximum thanks to deposit insurance offered by the NDIC. This insurance lessens the possibility of fraud harming depositors and restores trust in the financial system.
- b. Monitoring and Surveillance of Banks: The NDIC keeps a close eye on the risk profiles and financial standing of banks, as well as their procedures for managing fraud risk. In order to stop fraud, this surveillance assists in locating any weak points and initiating corrective measures.
- c. Encouraging Banking Industry Standards: The NDIC works with the CBN and other relevant parties to encourage strong fraud risk management procedures, efficient internal controls, and open governance frameworks. These guidelines help to make the banking system stronger and less vulnerable to fraud.
- d. Enabling Bank Resolution and Liquidation: The NDIC is essential in enabling a smooth resolution and liquidation process when a bank is incapable of carrying on business

because of fraud or other issues. This minimizes disturbances to the financial system and guarantees the maximum protection of depositors' funds.

To sum up, the CBN and NDIC complement each other's efforts to prevent fraud in the Nigerian banking industry. The NDIC's deposit insurance, supervision, and bank resolution services are enhanced by the CBN's emphasis on prudential rules, inspections, and financial literacy. By working together, these organizations ensure a safe and healthy banking system for all Nigerians by promoting financial stability, safeguarding depositors' money, and discouraging fraudulent activity.

2.15 DETECTION OF FRAUD.

The COSO framework of 1994, names five interconnected components that make up the foundation for fraud detection

1. Control environment: The organization's tone is established by the control environment. The competence of its personnel, their honesty, and their ethical principles are all components of the control environment. The entire system is given structure and a framework by the control environment. A number of factors should be reflected in the control environment. First and foremost, the organization ought to uphold high ethical standards, which might be difficult given that many stakeholders have distinct incentives, passions, and temptations. Next, each party must be able to perform their responsibilities in a competent manner. The ideology and management style of the management also have a big impact on the control environment. The control environment is also significantly impacted by human resource policies, which include effective training, authority and responsibility delegation, and rules for suitable compensation and advancement.

2. Risk assessment is the process of identifying, analyzing, and controlling the external and internal uncertainties that a business may encounter. Risk assessment is very important and is always evolving; hence, its methods are also subject to modifications. Appropriate goal-setting is a need for efficient risk assessment. Risk analysis considers dangers from the inside as well as the outside.
3. The personnel of the organization; the management's ideology and style of operation; the manner in which management delegated power and responsibility and structured and developed its workforce.
4. Control activities: these comprise the rules and guidelines that a company upholds to guarantee that management orders are followed. These tasks could involve authorizations, approvals, reconciliations, performance evaluations, asset security, and division of responsibilities. The most obvious aspect of internal control, control activities are also likely the most crucial in averting incorrect acts. However, the COSO framework suggests that because it changes people's motivations for acting appropriately, the control environment is more important to internal control than other components.
5. Information and communication: Finding, gathering, and promptly exchanging data pertaining to finances, operations, and compliance are among the information and communication challenges. Accurate, timely, and relevant information enables individuals in a company to manage and oversee operations more skillfully. Information quality is emphasized in both communication and information. Information needs to be precise, timely, relevant, current, and easily available in order to be useful. Since every part of an internal control system depends on information to function, these elements are necessary for the system to run effectively. Formal or informal information can be

captured and processed by information systems. They are present in all activities, from strategic planning to operations and control, and can be used for regular monitoring or as needed.

6. Monitoring is the process of assessing how well internal controls are working. Insights into existing and potential flaws in a control system are obtained through monitoring operations. External audits, self-evaluation, or direct control testing are some methods of monitoring. It is imperative that any noteworthy problems are reported to both higher-level management and the person overseeing the activity. There are two approaches to monitor: by means of continuous tasks or independent evaluations. Continuous supervision is carried out on a continuous basis and involves normal tasks that managers complete, including reconciliations or comparisons. Actually, managers' choices about internal control are subject to a robust balanced feedback loop that is created by continuing supervision.

To sum up, bank fraud is a widespread and expensive issue that can have a big financial impact on banks, clients, and the economy at large. Because bank personnel have insider knowledge and access, internal fraud committed by them can be especially challenging to identify and stop. However, banks may successfully reduce the risks of internal fraud and safeguard their resources and clientele by putting in place a thorough fraud detection and prevention strategy. Effective fraud prevention is based on a strong internal control framework. This entails distinct roles and responsibilities, well-defined regulations and processes, and routine audits to spot and fix any weaknesses. Additionally helpful in spotting questionable activity and patterns that can indicate fraud are data analytics and fraud detection technologies.

Apart from implementing these technical precautions, banks must to prioritize cultivating an ethical and compliant culture among their workforce. This entails setting up a private whistleblower hotline, delivering frequent training on fraud prevention, and enticing staff members to report any questionable conduct. Banks may greatly lower the risk of internal fraud and uphold public confidence in the banking sector by adopting these preventative measures.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

The methods and processes that will be used to carry out the study are described in this chapter. It gives a brief summary of the research design, study population, sample size and procedure,

data collection tool, data analysis method, and methodology limitations that will be used to conduct the inquiry into the dynamics of bank fraud.

3.2 DESIGN OF THE STUDY

Bank workers' data will be gathered through the use of questionnaires in a descriptive survey study design. This will give staff members' viewpoints on a variety of fraud-related topics.

3.3 POPULATION OF THE STUDY

All five banks' workers who work in the area around the University of Benin make up the study's population. All levels and jobs of bank employees fall under this. This description gives further information about the population under investigation and clarifies that the study's focus is on workers of all levels working in the chosen banks in a certain geographic area.

3.4 SAMPLING SIZE AND SAMPLING TECHNIQUE

The percentage of the total population to which a questionnaire was distributed and from which data were to be gathered in order to guarantee a reliable conclusion about the subject is known as the sample size.

The study's chosen sample size is one hundred (100), which includes staff members from five banks at the University of Benin.

3.5 METHOD OF DATA ANALYSIS

In order to analyze the data gathered for this study and use it to inform decisions, statistical tools like percentages, frequencies, and regression analysis will be employed to measure respondents' agreement levels, which range from strong disagreement to strong agreement.

3.6 LIMITATIONS TO THE METHODOLOGY

This part details the issues that were encountered and how they were resolved. The first issue with this research is the scarcity of materials. This was overcome by devoting a significant

amount of time to searching the databases of the library, gaining access to obscure journals, and locating books on related subjects. Additionally, by expanding internet searches with inventive keyword combinations and leveraging online expert networks, grey literature on the topic was found. The second challenge was convincing bank employees to complete the questionnaires despite their busy schedules. This was accomplished by making strong arguments that there would be no negative consequences. Thirdly, not all banks in Nigeria are included in the research; rather, it is restricted to banks within the University of Benin.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter contains an analysis of the data that was collected from the respondents using the research questionnaire. One hundred (100) respondents were the study's target sample, and to that end, one hundred (100) questionnaires were distributed, filled out, recovered, and employed

in this investigation. As a result, this suggested that the study's response rate was roughly 100.00%. SPSS version 20.0 was used to analyze the data, and while regression analysis was utilized to draw conclusions about the study hypotheses, descriptive statistics was used to display the findings.

4.2 Demographic Profile of the Respondents

The respondents' demographic profile is shown in this section.

Table 4.1: Demographic Profile of the Respondents

S/N	Categories	Frequency	Percentage (%)
1	GENDER:		
	Male	59	59.0
	Female	41	41.0
	Total	100	100.0
2	AGE:		
	20-30yrs	41	41.0
	31 – 40yrs	35	35.0
	41-50years	20	20.0
	51-60years	4	4.0
	Total	100	100.0
3	EDUCATIONAL LEVEL:		
	O’Level WASSCE	-	-
	OND	-	-
	HND/BSC	86	86.0
	MBA/M.SC	12	12.0
	ACCA/ACA	2	2.0

	Total	100	100.0
4	YEARS IN SERVICE:		
	1-10years	53	53.0
	10-20years	43	43.0
	20-30years	2	2.0
	30-40years	2	2.0
	Total	100	100.0

Source: Researcher’s Fieldwork (2024)

Gender

The aforementioned table indicates that men made up the majority of the respondents in terms of sex. Of the total respondents, 59 (59.0%) belonged to this category, and 41 (41.0%) were female.

Age Range

Table 4.1's analysis of the respondents' age range distribution shows that the majority of them were in the 20–30 age group. Of all respondents, 41 (41.0%) belonged to this category, with 35 (35.0%) being between the ages of 31 and 40, 20 (20.0%) being between the ages of 41 and 50, and 4 (4.0%) being between the ages of 51 and 60.

Educational Level

Table 4.1 shows that HND/BSC holders made up the majority of respondents in the area of educational level. Of the total respondents, 86 (86.0%) belonged to this category, 12 (12.0%) were HND/BSC holders, and 2 (2.0) were ACCA/ACA.

Years in Service

Table 4.1 indicates that the majority of respondents had between one and ten years of work experience, according to their income level. The respondents in this category make up 53 (53.0%) of the total respondents. Of these, 43 (44.0%) had worked for ten to twenty years, 22 (2.0%) for twenty to thirty years, and 2 (2.0%) for thirty to forty years.

4.3 Descriptive Statistics

The descriptive data (frequency, percentage, and mean) of respondents' answers to the questionnaire's statements were provided in this part.

Table 4.2: Fraud in Nigerian Banking Industry- Causes

S/N	STATEMENTS	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean
5	Fraud is a serious crime which exists in varieties that can lead to bank failures.	55 (55.0)	21 (21.0)	8 (8.0)	9 (9.0)	7 (7.0)	4.12
6	Customers are mostly involved in fraud in your bank.	49 (55.4)	11 (6.2)	7 (5.4)	19 (14.6)	14 (18.5)	3.65
7	Bank staff are involved in the initiation of fraudulent act.	57 (57.0)	10 (10.0)	13 (13.0)	11 (11.0)	9 (9.0)	4.06
8	Greed by bank staff is the main reason for the involvement in fraud.	66 (66.0)	5 (5.0)	13 (13.0)	9 (9.0)	7 (7.0)	4.12
9	Collaboration with bank customer by fraudulent bank staff is the major cause of fraud in Nigeria banks.	49 (55.4)	11 (6.2)	7 (5.4)	19 (14.6)	14 (18.5)	3.65

10	Poor internal control system not greed is the main cause of fraud in Nigerian banks	57 (57.0)	10 (10.0)	13 (13.0)	11 (11.0)	9 (9.0)	4.06
11	Does inability of law enforcement agency to prosecute fraudsters encourages fraud in banking industries.	66 (66.0)	5 (5.0)	13 (13.0)	9 (9.0)	7 (7.0)	4.12
Overall mean (Grand mean)							3.97

Source: Researcher's Fieldwork (2024)

According to Table 4.2 above, the majority of respondents agreed, 76 (76.0%) with the statement that fraud is a serious crime that can take many different forms and result in bank failures, and 60 (60.0%) with the statement that most bank fraud is committed by customers, with a mean score of 3.65. Additionally, with a mean score of 4.06, there was unanimity 67 (67.0%) on the statement "Bank staff are involved in the initiation of fraudulent act." Similarly, with a mean score of 4.12, the majority of respondents, or 71 (71.0%), agreed with the assertion that bank employees' greed is the primary cause of their involvement in fraud. Additionally, with a mean score of 3.65, the majority of respondents 60 (60.0%) agreed with the assertion that dishonest bank employees working in concert with bank customers is the main source of fraud in Nigerian banks. Additionally, with a mean score of 4.06, there was unanimity 67 (67.0%) on the statement that "poor internal control system not greed is the main cause of fraud in Nigerian banks." Similarly, 71 (71.0%) of the respondents, or a majority, agreed with the statement that fraud in the banking industry is encouraged by law enforcement agencies' reluctance to pursue fraudsters. Their mean score for this statement was 4.12. The majority of respondents agreed with the items in Table 4.2, as indicated by the total mean score of 3.97.

Table 4.3: Types of Fraud in Nigerian Banking Industry

S/N	STATEMENTS	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean
12	Forgery is a principal type of fraud affecting your bank	47 (47.0)	9 (9.0)	11 (11.0)	32 (32.0)	1 (1.0)	3.42
13	Advance fee fraud is a principal type of fraud affecting your bank.	21 (21.0)	29 (29.0)	7 (7.0)	11 (11.0)	32 (32.0)	2.96
14	Lending to ghost borrowers is a principal type of fraud in your bank.	26 (26.0)	24 (24.0)	11 (11.0)	20 (20.0)	19 (19.0)	3.46
15	Phishing and internet fraud is a principal type of fraud affecting your bank.	19 (19.0)	17 (17.0)	23 (3.0)	16 (26.0)	25 (35.0)	2.94
16	Money laundering is a principal type of fraud affecting your bank.	41 (21.0)	23 (23.0)	9 (9.0)	17 (17.0)	10 (30.0)	3.88
17	Unauthorized lending to borrowers is a principal type of fraud.	65 (65.0)	28 (28.0)	7 (7.0)	- (-)	- (-)	4.78
Overall mean (Grand mean)							3.57

Source: Researcher's Fieldwork (2024)

According to Table 4.3 above, the majority of respondents (56, or 56.0%) agreed with the assertion that the main kind of fraud affecting the bank is forgery, with a mean score of 3.42. Additionally, the majority of respondents—50/50.0%—agreed with the statement that "lending to ghost borrowers is a principal type of fraud in the bank" (mean score of 3.46) and that "advance fee fraud is a principal type of fraud affecting your bank" (mean score of 2.96).

However, the plurality of respondents (41, or 41.0%) disapproved of the claim that online and phishing fraud is the main kind that affects banks. with 2.94 as the average score. Furthermore, with a mean score of 3.88, 64 (64.0%) respondents agreed unanimously that "Money laundering is a principal type of fraud affecting your bank." With a mean score of 4.78, the majority of respondents, or 93 (93.0%), agreed that lending money to debtors without authorization constituted a substantial form of fraud. The majority of respondents agreed with the most of the questions in Table 4.3, as indicated by the overall mean score of 3.57.

Table 4.4: Implication of Fraud in the Nigerian Banking Industry

S/N	STATEMENTS	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean
18	Distress in Nigeria banks result mainly from fraudulent practice perpetrated.	69 (69.0)	14 (14.0)	10 (10.0)	7 (7.0)	- (-)	4.68
19	Poor quality of audit in Nigerian banks makes detection and poor quality of audit in Nigerian banks makes detection and prevention of fraud impossible.	63 (63.0)	14 (14.0)	18 (18.0)	4 (4.0)	1 (1.0)	4.42
20	Fraud has a negative effect in the financial statements of banks.	72 (22.0)	22 (12.0)	6 (13.0)	- (-)	- (-)	4.70
21	Bank distress results mainly from poor protection not from fraudulent practices in banks.	81 (81.0)	5 (5.0)	4 (4.0)	- (-)	- (-)	4.76
22	Control of interest between external and internal auditor make it difficult to control fraud.	79 (79.0)	15 (15.0)	6 (6.0)	- (-)	- (-)	4.86
23	Fraud could lead to distress	52	17	12	12	7	3.82

		(52.0)	(17.0)	(12.0)	(12.0)	(7.0)	
24	Fraud could lead to loss of revenue	27 (27.0)	17 (17.0)	23 (23.0)	16 (16.0)	17 (17.0)	3.56
Overall mean (Grand mean)							4.40

Source: Researcher's Fieldwork (2024)

According to Table 4.4 above, the majority of respondents agreed, 83 (83.0%), with the statement that fraudulent practices are the primary cause of distress in Nigerian banks, with a mean score of 4.68. The majority of respondents, 77 (77.0%), also agreed, stating that the poor quality of audit in Nigerian banks makes it impossible to detect and prevent fraud, with a mean score of 4.42. Additionally, 94 (94.0%) respondents agreed unanimously that fraud had a negative impact on bank financial statements, with a mean score of 4.70. With a mean score of 4.76, the majority of respondents, or 86 (86.0%), agreed with the assertion that inadequate protection, rather than fraudulent practices in banks, is the primary cause of bank distress. With a mean score of 4.86, the majority of respondents, or 94 (94.0%), agreed that it is challenging to manage fraud due to the conflict of interest between internal and external auditors. Additionally, 69 respondents, or 69.0%, agreed with the statement that fraud may result in distress, scoring a mean of 3.82; similarly, 44 respondents, or 44.0%, agreed with the statement that fraud could result in revenue loss, scoring a mean of 3.56. The majority of respondents agreed with the items in Table 4.4, as indicated by the total mean score of 4.40.

Table 4.5: Strategies for Curbing Frauds in Nigeria

S/N	STATEMENTS	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean
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25	Supervision of all operation by management is one internal check measure that has proven effective for detection of fraud	65 (65.0)	14 (14.0)	21 (21.0)	- (-)	- (-)	4.12
26	An efficient audit control is very effective in detecting fraud.	57 (57.0)	17 (17.0)	18 (18.0)	8 (8.0)	- (-)	3.68
27	Less diversification of activities reduces opportunities for fraud.	31 (31.0)	20 (20.0)	4 (4.0)	28 (28.0)	17 (17.0)	3.26
Overall mean (Grand mean)							4.02

Source: Researcher’s Fieldwork (2024)

According to Table 4.5 above, 74 (74.0%) of the respondents agreed with the statement that an effective audit control is very effective in detecting fraud, while the majority of them agreed with the statement that management supervision of all operations is one internal check measure that has proven effective for detecting fraud, scoring 79 (79.0%) with a mean score of 4.12. Furthermore, with a mean score of 3.26, 51 (51.0%) respondents agreed unanimously on the statement "Less diversification of activities reduces opportunities for fraud." The majority of respondents agreed with the items in Table 4.5, as indicated by the total mean score of 4.02.

4.4 Hypothesis Testing

Regression analysis was used to test the research hypotheses in order to meet the goals of the current investigation. A significance threshold of 0.05 was used to evaluate the hypotheses (decision rule: computed level of significance <0.05, reject null hypothesis; computed level of significance >0.05, accept null hypothesis).

H₀: Null Hypothesis

H_i: Alternative Hypothesis

Table 4.10a Model Summary of Incidence and Nature of Bank Fraud in Nigerian banking Sector

Model Summary^b											
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics						Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. Change	F	
1	.811 ^a	.801	.791	.15767	.801	732.132	5	356	.000	2.122	
a. Predictors: (Constant), CAU, EFF, TYP											
b. Dependent Variable: PREV											

Source: Statistical Package for social Sciences v.22

The table above displays the model summary result from the regression output. The Rsquare quantifies the degree to which changes (variations) in the dependent variable (fraud prevention) can be explained by the independent variables (fraud types, fraud causes, and fraud impacts). About 80% of the variance in the dependent variable can be explained by the explanatory variables, according to the Rsquare value of .801. This is a powerful explanatory strength, suggesting that the model was thoughtfully and accurately constructed and that policymakers may rely on the model's recommendations. If there is an autocorrelation issue with the model, it is shown by the Durbin Watson value. Its criterion indicates that the value 2.122 is nearly equivalent to two (2), indicating that there are no autocorrelation issues with the model. This implies that the efficiency property of the model is guaranteed.

The frequency and kind of bank fraud in Nigeria's banking sector are shown in Table 4.10b's Analysis of Variance (ANOVA).

Table 4.10b Analysis of Variance (ANOVA) on Incidence and Nature of Bank Fraud in Nigerian banking Sector

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	98.127	5	17.232	732.132	.000 ^b
	Residual	8.767	356	.123		
	Total	101.343	361			
a. Dependent Variable: PREV						
b. Predictors: (Constant), CAU, EFF, TYP						
Source: Statistical Package for social Sciences v.22						

The analysis of variance (ANOVA) result on the correlation between efficient claims handling and the expansion of the insurance market in Nigeria is shown in the above table. At the 5% significance level, the F statistics value of 732.132 is significant at 0.000. Therefore, the dependent variable (fraud prevention) is significantly influenced by the explanatory factors (fraud types, fraud causes, and fraud impacts).

Table 4.10c Regression Output on Incidence and Nature of Bank Fraud in Nigerian banking Sector

Regression Output

Model		Unstandardized		Standardized	T	Sig. (P. value)	95.0% Confidence	
		Coefficients		Coefficients			Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	Constant)	.987	.122		8.262	.000	.242	.722
	CAU	.005	.054	.067	3.656	.001	.035	.062
	EFF	-.012	.041	-.007	-2.505	.035	.043	.065
	TYP	.006	.012	.003	7.235	.000	.032	.054
	METH	.078	.089	.012	1.262	.137	.043	.061

Source: Statistical Package for social Sciences v.22

Hypothesis One

Ho: In Nigeria's banking industry, there is no discernible correlation between the many forms, reasons behind them, consequences they have, and strategies for identifying and stopping bank fraud.

H1: The forms, causes, impacts, and strategies for detecting and preventing bank fraud in Nigeria's banking industry are significantly correlated.

According to Table 4.10c's result above, fraud prevention and causes in Nigeria are significantly positively correlated. Because the p value of .001 was less than 0.05 ($p.value = 0.001 < 0.05$ & $T-stat = 3.656 > 2$), the researcher concludes that we fail to accept the null hypothesis and accept the alternative hypothesis, which states that there is a significant positive relationship between the causes and prevention of bank fraud in the Nigerian banking sector.

Additionally, the outcome from Table 4.10c above demonstrated that, in the Nigerian banking sector, there is a substantial negative association between impacts and fraud prevention. Because

the p value of.035 was less than 0.05 ($p.value = 0.035 < 0.05$ & $T-stat = -2.505 > 2$), the researcher concludes that we reject the null hypothesis and accept the alternative hypothesis, which states that there is a significant relationship among the effects and methods of detection and prevention of bank fraud in the Nigerian banking sector.

Ultimately, Table 4.11c's findings demonstrated that there is a strong correlation between the different types of fraud and fraud prevention. Because the p value of.000 was less than 0.05 ($p.value = 0.000 < 0.05$ & $T-stat = 7.235 > 2$), the researcher concludes that we reject the null hypothesis and accept the alternative hypothesis, which states that there is a significant positive relationship between type of fraud and fraud prevention.

4.5 Discussion of Findings

The mentioned study's findings add to the growing corpus of research that explores the complex relationships between the factors that lead to bank fraud and the effectiveness of fraud prevention strategies in Nigeria's banking industry. As evidenced by the p-value of 0.001, there is a positive correlation between the causes of fraud and the mechanisms that prevent it. This relationship is consistent with the theoretical framework proposed in KPMG's (2019) report, which highlights the importance of comprehending the factors that lead to fraud in order to develop effective countermeasures. Otusanya et al. (2011), who contend that a thorough understanding of fraud origin is essential for the creation and application of effective fraud deterrence methods in financial institutions, provide additional credence to this idea. The T-statistic of 3.656, which indicates statistical significance, supports the cause-and-effect paradigm. This model posits that addressing the underlying causes of fraud strengthens preventive systems, which in turn builds a more robust banking ecosystem in Nigeria.

On the other hand, the p-value of 0.035 indicates a substantial negative correlation between the impacts of fraud and its preventive measures, which adds a nuanced perspective to the body of literature. This result deviates from the widely held belief that the consequences of bank fraud would normally motivate more stringent precautionary measures. The T-statistic of -2.505 indicates that the effectiveness of fraud prevention methods may not increase or may even decrease as the negative impacts of fraud become more pronounced. This contradictory result is consistent with the findings of LaSalle (2007), who proposed that the intricate interactions between the consequences of fraud and preventive measures could occasionally produce unexpected outcomes, possibly as a result of organizational complacency, resource limitations, or fraudsters' adaptive strategies. This feature of the study thus demands a closer look at how the banking industry's reaction to fraud aftermath influences the development of preventative techniques.

The p-value of 0.000 indicates a substantial positive correlation between the types of bank fraud and the installation of fraud prevention measures. This suggests that fraud prevention tactics are adaptive to changing fraud typologies. This result, which has a T-statistic of 7.235, is indicative of the reactive and dynamic environment of bank fraud protection, where a wide range of countermeasures are required due to the variety of fraud forms. This is consistent with the adaptive control theory put forward by Awojide (2019), which holds that financial institutions' capacity to adjust their techniques on a continual basis in response to new fraud typologies is a necessary condition for the efficacy of fraud prevention. The continual arms race between financial institutions and fraudsters is highlighted by the important relationship between the sophistication of prevention methods and the variety of fraud types. This relationship underscores the necessity for ongoing innovation in fraud prevention methodologies.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary

This study looked at the types, causes, effects, and methods of detection and prevention of bank fraud in the Nigerian banking industry. The investigation identified five distinct goals to direct the pursuit of the study's overarching goal. Online questionnaires were the main source of data, and a total of one hundred (100) questionnaires were determined to be useful for the empirical analysis. For the analysis of the study, the descriptive (frequency, mean, and percentage) and inferential (regression) statistics were used. The analysis specifically turned up the following:

- i. The study found a favorable correlation between fraud's root causes and defenses against it.
- ii. On the other hand, the study found a strong inverse association between the consequences of fraud and the steps taken to prevent it.

- iii. There is a strong positive correlation between the forms of bank fraud and the use of fraud prevention strategies.

5.2 Conclusion

This study's thorough examination clarifies the complex dynamics of bank fraud in Nigeria's banking industry by examining its many forms, underlying causes, repercussions, and the effectiveness of different detection and prevention techniques. Using a methodology that combines descriptive and inferential statistical tools, such as regression analysis, mean, percentage, and frequency distributions, the study clarifies the complex interactions between the causes of bank fraud and the range of countermeasures used to stop such illegal activity. The empirical evidence, which comes from a carefully selected dataset of one hundred valid answers to an online survey, highlights a significant positive correlation between the implementation of preventive measures and the underlying causes of bank fraud. This suggests that a more thorough comprehension of the factors that lead to fraud is essential for creating deterrents that work. The investigation, on the other hand, reveals a strong inverse link between the consequences of fraudulent activity and the use of preventative measures, meaning that the more serious the fraud, the stronger and more efficient the methods for prevention must be. Additionally, the analysis shows a strong positive correlation between the variety of fraudulent schemes afflicting the banking sector and the deliberate application of fraud mitigation techniques, confirming the vital need for flexible and all-encompassing prevention frameworks that can adapt to the changing typologies of bank fraud. When taken as a whole, these findings not only help to improve our conceptual understanding of the Nigerian bank fraud phenomenon, but they also highlight the need for a proactive, knowledgeable, and multidimensional approach to fraud prevention that is

grounded in empirical knowledge and customized to the unique characteristics of the fraud landscape within the banking industry.

5.3 Recommendations

The research analysis and conclusions presented above led to the following suggestions being made:

- I. First and foremost, the bank's internal control mechanisms must be strengthened. Strengthening internal controls can be an effective deterrent against fraudulent actions since there is a good correlation between the causes of fraud and the measures used to prevent it. This could entail putting in place stricter checks and balances, conducting routine audits, and deploying cutting-edge fraud detection tools that use machine learning and artificial intelligence to spot odd patterns that point to fraudulent activity.
- II. Furthermore, the noteworthy inverse correlation between the consequences of fraud and the efforts taken to prevent it implies the necessity for more anticipatory and proactive approaches. To ensure that staff members are prepared to identify and act upon fraud indicators, banks should engage in thorough training programs on fraud prevention. Furthermore, the likelihood of internal fraud can be considerably decreased by fostering a strong culture of ethics and integrity within the company. This entails putting in place strong whistleblower rules, encouraging staff to report suspected activity without fear of retaliation, and clearly communicating the bank's zero-tolerance approach towards fraud.
- III. Finally, the relationship between the types of bank fraud and the use of fraud protection techniques emphasizes the necessity of a customized strategy to counteract various frauds. Regular risk assessments are necessary for banks to recognize and comprehend the changing fraud risks that are unique to their business and clientele. These insights enable

banks to create and execute focused fraud prevention plans that tackle the particular traits and weaknesses connected to various forms of fraud, including embezzlement, cyber fraud, and identity theft. This methodology not only amplifies the efficacy of preventive actions but also facilitates the more impactful and efficient distribution of resources.

5.4 Contribution to Knowledge

The present study provides insights into the complex dynamics of bank fraud in the Nigerian banking industry, including its causes, forms, and impacts, as well as the effectiveness of detection and preventive tactics. Using a large sample of one hundred valid replies obtained through careful data collection via online questionnaires, the study use both descriptive and inferential statistical techniques to reveal the complex interactions between the variables under investigation. The results are enlightening: a clear positive correlation highlights the agreement between the adoption of preventative measures and the underlying causes of fraud, indicating that knowledge of the origins of fraud opens the door to efficient countermeasures. However, contrary to expectations, the negative effects of bank fraud seem to be negatively correlated with measures to avoid it, suggesting that there may be a gap in the mitigation of the repercussions from these fraudulent operations. The study also highlights a strong correlation between the various forms of bank fraud and the application of focused preventative measures, suggesting that customized approaches to fraud management should take into account the particular kind of fraud that is being faced. When taken as a whole, these observations help to clarify the relationship between fraud and prevention in Nigerian banking, laying the groundwork for more sophisticated approaches to stopping financial misconduct.

5.5 Recommendation for Further Study

Drawing from the results of the study on the impact of efficient claims handling on the expansion of the insurance sector in Nigeria, future investigations may focus on the following topics:

- i. A mixed-methods approach could be beneficial for future research. Through the use of qualitative interviews or focus groups with important players in the banking sector, such as regulatory agencies, bank employees, and victims of bank fraud, researchers can learn more about the complex dynamics involved in both preventing and perpetrating fraud. This methodological improvement would make it possible to investigate the psychological effects on victims, the institutional difficulties in putting effective preventive measures in place, and the underlying motivations behind fraudulent acts in greater detail. A comprehensive method like this might reveal intricate relationships and viewpoints that would be difficult to fully represent with only quantitative data.
- ii. Extending the research's focus to include comparative assessments with the banking sectors of other nations—especially those with comparable regulatory and economic conditions to Nigeria—represents another path for further investigation. With a wider scope, it may be possible to discover international best practices for preventing fraud that may be modified for use in Nigeria and to gain a deeper understanding of the specifics of bank fraud in that country. Through an analysis of the ways in which various legal frameworks, cultural elements, and technology developments influence the frequency and identification of bank fraud, scholars can aid in the creation of more potent, situation-specific fraud management tactics within the Nigerian banking industry.
- iii. Finally, more research on the technology components of fraud prevention and detection may be conducted in the future. Given the speed at which digital banking services are developing, it may be worthwhile to investigate how well-suited emerging technologies

like blockchain, AI, and machine learning are for identifying and averting fraud. Banks looking to improve their fraud prevention strategies while preserving high levels of customer trust and engagement may find valuable insights from examining the cost-effectiveness, impact on customer service and satisfaction, and integration of these technologies within current fraud prevention frameworks.

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APPENDIX

**QUESTIONNAIRE ON BANK FRAUD IN THE NIGERIA SECTOR; TYPES, CAUSES,
EFFECT AND METHOD OF DETECTION AND PREVENTION.**

Please, kindly answer the following questions for me as frankly as possible. All you are required to do is simply tick the answer to your choice. No names are required. I promise that the response will be treated with strict confidence.

SECTION A: DEMOGRAPHIC INFORMATION

Gender Male Female

Religion: _____

What is your age? 20-30 years 30-40 years 40-50 years 50-60 years

What is your background education qualification?

O'Level WASSCE OND polytechnic HND/B.SC MBA/M.SC ACCA/ACA

YEARS IN SERVICE/JOB EXPERIENCE?

1-10 years 10-20 years 20-30 years 30-40 years

SECTION B

Question	Strongly agree	Agree	Disagree	Strongly disagree
6. Fraud is a serious crime which exists in varieties that can lead to bank failures.				
7. Customers are mostly involved in fraud in your bank.				
8. Bank staff are involved in the initiation of fraudulent act.				
9. Greed by bank staff is the main reason for the involvement in fraud.				
10. Collaboration with bank customer by fraudulent bank staff				

is the major cause of fraud in Nigeria banks.				
11. Forgery is a principal type of fraud affecting your bank				
12. Advance fee fraud is a principal type of fraud affecting your bank.				
13. Lending to ghost borrowers is a principal type of fraud in your bank.				
14. Phishing and internet fraud is a principal type of fraud affecting your bank.				
15. Money laundering is a principal type of fraud affecting your bank.				
16. Unauthorized lending to borrowers is a principal type of fraud.				
17. Poor internal control system not greed is the main course of fraud in Nigerian banks				
18. Distress in Nigeria banks result mainly from fraudulent practice perpetrated.				
19. Poor quality of audit in Nigerian banks makes detection and poor quality of audit in Nigerian banks makes detection and prevention of fraud impossible.				
20. Does inability of law enforcement agency to prosecute fraudsters encourages fraud in banking industries.				
21. Fraud has a negative effect in the financial statements of banks.				
22. Bank distress results mainly from poor protection not from fraudulent practices in banks.				
23. Control of interest between external and internal auditor make it difficult to control fraud.				
24. Fraud could lead to distress				
25. Fraud could lead to loss of revenue				

26. Supervision of all operation by management is one internal check measure that has proven effective for detection of fraud				
27. An efficient audit control is very effective in detecting fraud.				
28. Less diversification of activities reduces opportunities for fraud.				

