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INSTITUTE OF SOCIAL SCIENCES

FACTORS AFFECTING BANK FRAUDS: THE CASE OF NIGERIA

MSc THESIS

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Department of Business Administration

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Thesis Advisor: Assoc. Prof. Erginbay UGURLU

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SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ

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1)Tez Danışmanı: Doç. Dr. Erginbay UĞURLU	....
2) Jüri Üyesi : Yrd. Doç. Dr. Meral FIRAT	....
3) Jüri Üyesi : Yrd. Doç. Dr. Hikmet Gülçin BEKEN	....

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DECLARATION

This thesis is dedicated firstly to God the source of my greatest inspiration because it is still like a dream that I would arrive at this juncture of my life. I also dedicate it to my parent for their unending love and kindness, patience and financial support, understanding and help all through the period of this work, Finally, to everyone around me who has always been my strength, and source of inspiration.

Taye George IBIDAPO

FOREWORD

The completion of this study would not have been possible without the expertise of Assoc**.** Prof Erginbay Ugurlu my thesis Advisor for his immense support towards the success of this thesis. My sincere gratitude also goes to my parent (Chief and Deaconess Ibidapo) siblings, my fiancé, friends and staff of institute of social sciences for their support directly and indirectly to the success of this thesis.

November. 2017 **Taye George IBIDAPO**

TABLE OF CONTENTS

Page

LIST OF TABLES

Page

LIST OF FIGURES

Page

FACTORS AFFECTING BANK FRAUDS: THE CASE OF NIGERIA

ABSTRACT

The banks according to the laws that establish them are primary set to play fundamental roles in aiding economic activities in the countries. As the being part of economic activities banking sector found itself more susceptible to fraud. Fraud has become a problem in banking system too. Fraud in the banking industry is a global problem and it is increasing in in Nigeria banking system. In Nigeria, The Central Bank of Nigeria (CBN) was established in 1958 and commenced operations in 1959. The supervisory institutions about fraud are The Nigeria Deposit Insurance Corporation (NDIC), and The Chartered Institute of Bankers of Nigeria (CIBN). This paper investigates the macroeconomic factors affecting in Nigerian banking sector by using 1995-2013 annual data. To investigate this relationship two groups of data are used which can be defined fraud variables and macroeconomic variables of Nigeria. The used variables about the fraud are total amount involved in fraud, total expected loss in fraud, percentage of loss on total amount involved in fraud and total number of frauds; the used macroeconomic variables are population, exchange rate, interest rate, gross national income, gross domestic product. In the empirical application, descriptive statistics, graph and correlation analysis are used. The results show that the banking reform has no effect on fraud and crisis has significant effect on fraud in Nigeria.

Keywords: *Fraud*, *Banking Industry*, *Nigeria*, *Nigerian economic growth*

BANKA DOLANDIRICILIKLARINI ETKİLEYEN FAKTÖRLER: NİJERYA ÖRNEĞİ

ÖZET

Bankalar, bunları oluşturan kanunlara göre, ülkelerdeki ekonomik faaliyetlere yardımcı olmak için temel roller oynamaya hazırdırlar. Ekonomik faaliyetlerin bir parçası olarak bankacılık sektörü kendisini dolandırıcılıklara duyarlı bir konumda bulmuştur. Sahtecilik, bankacılık sisteminde de bir sorun haline gelmiştir. Dolandırıcılık bankacılık sektöründe küresel bir sorundur ve Nijerya bankacılık sisteminde artmaktadır. Nijerya'da, Nijerya Merkez Bankası (CBN) 1958'de kurulmuş ve 1959'da faaliyetine başlamıştır. Dolandırıcılıkla ilgili denetleyici kurumlar, Nijerya Mevduat Sigorta Kurumu (NDIC) ve Nijerya Bankacılar Kamu Kurumu Enstitüsü (CBN)'dür. Bu çalışma, 1995-2013 yıllık verilerini kullanılarak Nijeryalı bankacılık sektöründe etki eden makroekonomik faktörleri araştırmaktadır. Bu ilişkiyi araştırmak için, dolandırıcılıkla ilgili değişkenleri ve Nijerya'nın makroekonomik değişkenlerinden oluşan iki değişken grubu kullanılmıştır. Kullanılan, dolandırıcılıkla ilgili değişkenler: toplam dolandırıcılık miktarı, dolandırıcılık nedeniyle beklenen toplam kayıp, dolandırıcılığa bağlı toplam kayıp yüzdesi ve toplam dolandırıcılık sayısıdır; kullanılan makroekonomik değişkenler nüfus, döviz kuru, faiz oranı ve GAYRİ Safi Ulusal Gelir ve Gayri Safi Üretim'dir. Uygulama aşamasında tanımlayıcı istatistikler, grafikler ve korelasyon analizi kullanılmıştır. Sonuçlar, bankacılık reformunun dolandırıcılık üzerinde herhangi bir etkisinin bulunmadığını ve krizin Nijerya'daki dolandırıcılık üzerinde önemli bir etkisi olduğunu gösteriyor.

Anahtar Kelimeler: *Dolandırıcılık, Bankacılık Sektörü, Nijerya, Nijerya ekonomik büyümesi*

1. INTRODUCTION

The banks according to the laws that establish them are primary set to play fundamental roles in aiding economic activities in the countries. They are the middle men between suppliers and fund users. A bank is the heartbeat of an economy; they effectively determine where the economy sways to. The effective running or otherwise of the banks as it affects performing their functions has been central to the crisis that has been witnessed in the sector so far. The place of the banking sector is very integral and important to any nation. The importance ranges from monetary mobilization from having surplus to becoming a deficit unit, it provides a complete and accurate avenue for payment and implementing policies that hovers around money. Banking sector get their income from the units which are in excess from the economy and push these funds to privately owned businesses entity, government establishment for more increase and to expand their productivity.

The banking sector in this present day is most essential sector in the financial growth of a nation. Its effect transcends from the level and towards the direction of economic growth and continuous upward change. unemployment rate and inflationary rate are some of the variables which affects the lives of individuals, customers and almost everybody directly. The power of banking sector to carry out their functions have been decreased basically because of continuous fraudulent activities and scandals based on financial misappropriation which is very rampant and on the increase in our banking sector.

Diamond (1984) argue that the main banking activities is to supervise the people that came to borrow money on behalf of the depositors. In acting this role, the banking sector must continually maintain the trust and confidence of their enormous clients. The customers become scared because of the risk of fraud. The effect of this has led to various panics in the banking sector. The effect has led the authorities to increase the standards as fraudsters are always looking for ways to get victims. Also, the bank workers indulge in the fraudulent acts and get away with it because they can easily cover their tracks so others also decide to take part. (Onibudo, 2007).

This recent trend in the banks has become a major source of worry to the country and the citizens. In the study. Ogwuma (1981) in his said that banks in Nigeria on the average record a loss of ($3000) which is equivalent to one million naira in the local currency on a daily basis because of the incessant occurrence of fraud which can be done in many ways. In recent times, when we compare this to the recent time, that amount is low because NDIC 2001 reported the total cases of frauds and forgeries to be N11.244 billion (Kazeem and Ogbu, 2002)

The fraudulent schemes initiated by external factors are beyond control but can be managed by banks Adam (2011). Unfortunately, despite the finance and effort invested into the banking sectors, individuals with mega minds commonly referred to as fraudsters always manage to find ways of evading the systems and deceive honest people in a bid to invade organizational assets. This is very prevalent in so many countries including Nigeria.

Fraud is one of the major problem in Nigeria Banking system. In this research, we investigate fraud in Nigeria Banking sector. Nigeria, The Apex Bank report shows that cases of fraudulent activities, forgery as at January-June 2012 attempted fraudulent activities has surpassed the record of fraud for the entire 2011. For example, a total amount of N5.4 billion was involved in multiple cases of fraud and forgery according to the CBN half year report of 2007. In 2006, N4.8 billion was involved in 1,193 schemes. The perpetrators made away with $9.4 million from banks regarding fraud in the first half of the year. Fraudulent cases were most were recorded in online banking system and most time, insiders and internal factors/ staffs of the banks are largely involved. In the first quarter of 2014 alone there were 525 cases of fraud and it led to the loss of 48.5 million by various financial institution.

Fraud being a very dangerous thing which can destroy the banking industry if not properly looked into, in this thesis we aim to investigate the factors that is affecting fraud in Nigeria.

2. HISTORY OF BANKING SECTOR IN NIGERIA

2.1 Structure of the banking industry

The idea that comes to the head of average individuals is most times fixed to a particular definition of just saving money and giving out loans but the idea of banking is far bigger than that. There are many other services banks render which are very much necessary to the normal functioning of our complex economic system. The banking system have evolved over time, it's now a very important channel where so many complex day to day activities can be achieved easily. For example, normal domestic bills can be paid via banks.

A bank can be defined as an institution that makes provision for financial services, which may include issuing loans and accepting deposits. A bank is also a place where money and other valuables are kept. The bank is also a portal whereby currency exchange can be achieved, money transfers, safe keeping of jewelries, provision of loans for different scale of farming, provision of soft loans for members of cooperative societies. The bank is also a place for payment, bookkeeping operations of depositing and withdrawing. It acts as means of efficiently keeping records of income and expenditure.

2.1.1 Types of banks

The different type of banking system is a basic determinant of the structure of the financial system. There are many types of banks that make up the structure of banking in Nigeria, they include

2.1.2 Central banks

The central bank is a bank that is not dependent on any national authority, it conducts and creates monetary policies, regulatory framework and conduct researches on financial matters and their application in financial services. The apex bank's main goal is to fight inflation, reduce the rate of unemployment and stabilizes the nation's currency. Controlling the liquidity in the financial system is one of the keys used by central banks to initiate growth. They use three policy tools to achieve their aim and objectives. Amadeo (2017).

1. They set templates which are used as standard requirements for other banks and financial institution. They are the sole bank involved in creating and writing policies which will other banks will follow as templates for operations.
2. They buy and sell securities from member banks using open market policies.
3. The apex bank is in charge of creating standards, implement targets for all banks and financial institutions and interest rates. The standards are used to rate the following;

   i. Loans
   ii. Mortgages
   iii. Bonds
   iv. Rising interest rate
   v. Slow growth
   vi. Inflation.

2.1.3 Merchant bank

It is the bank that provides loans for companies that deals in international trades. A merchant bank specializes in foreign trade and deal with multi-national corporation. It also provides some services that are usually meant for investment banks but it is not involved in providing normal banking services. They also provide finance for large corporation who do business overseas. For example, a conglomerate that wants to buy another company situated in another country

2.1.4 Commercial banks

It is an institution which provides services like giving out loans and accepting deposits. Offers such as deposits, savings and loans can be given to customers of commercial banks. It provides range of products to teaming customers. They give out business loans, auto loans and mortgages. They offer interest on deposited money. They use customer's deposits to issue out loans to individuals who pays interest when the loans are repaid. The bank's net interest is the different between the interest it pays to customers and the interest the banks receives for loan given. Commercial banks are profit oriented.

2.1.5 Community banks

Community banks are financial institutions that are owned and operated in a localized area. It focuses on the needs of the localized individuals and it gives small loans to business and farmers localized in the community.

Community banks operate like commercial banks but they are quite different from commercial banks in these three ways;

1. Community banks do not engage in sophisticated banking activities and export transactions
2. Community banks are not members of Central banks or clearing houses.
3. Community banks operations are restricted to a particular geographical area and they are not licensed to operate in any other part of the country.

2.1.6 Co-operative banks

Cooperative banks are banks established by members of a cooperative society. Such banks collect deposits and offer other banking services to the society but gives special preference to the members of the cooperative society that established them. It operates more or less like a cooperative shop. It also operates on cooperative principles (Abifarin and Bello, 2015).

Profits made by the banks are shared among members of the cooperative society at the end of the year according to their agreed profit and loss sharing ratio.

2.1.7 Consortium banks

A consortium is a bank created to sponsor or bankroll a project or to execute a specific deal. A consortium takes advantage of assets of the banks involved in the consortium. All member banks in the consortium have equal stake and ownership of the bank. After the consortium achieves its goals, it is usually dissolved.

In 2010, the CBN (apex bank) reconstructed the Banking Model (Universal banking models). This model give license to commercial banks to operate in other financial activities which is not the usual deposit and clearing of cash/ giving out loans. They do this through other banking subsidiaries. The new model introduced just three types of banks and they include Commercial banks, Merchant banks and Development/Specialized banks. We will talk about the re-modified existing universal banking model in other part of the study.

2.2 The Banking Sector in Nigeria

2.2.1 Establishment of commercial banks in Nigeria

The banking industry in Nigeria dated back to pre-colonial times. Nigeria was a beehive of so many trade activities in the early 17th century. There were so many currencies flowing in and out and the need for a banking system to control the importing of the British shilling and distribution was necessary. The British shilling was the official currency used by every country in West Africa under British colonial rule.

The need for a bank to be created in Nigeria was necessary because of the introduction of shilling before the end of the 19th century. The shilling was introduced by the British government to harmonize the currencies and because of variety of currencies that were in circulation. A settled and uniformed government made it important to reach a decision for just one currency exchange and transaction.

Mr Alfred Jones of the Elder Dempster and company saw the opportunity and provided funds to establish a bank in Lagos. A branch of Africa Banking Corporation was opened in Lagos in August 1891. The ABC became the first commercial bank to do business in Nigeria.

The Bank of British West Africa (BBWA) was registered in December 1893 at the request of the Lagos government. The bank was as a result of the mutual union between the Lagos state government and the ABC (Africa Banking Corporation).

The monopoly of banking and trade held by the Bank of British West Africa drove some group of British merchants to establish another bank that will serve as a competition. The bank was incorporated in 1899 and was called “The Anglo-African bank”. Unlike the Bank of British West Africa which was headquartered at Lagos, The Anglo-African Bank had its own headquarter in Old Calabar to avoid unfavorable competition with BBWA.

By 1905, because of its continuous growth and development, The Anglo-African Bank changes its name to Bank of Nigeria, which signified growth and consistency. It became a major rival to BBWA until they merged with Bank of British West Africa on June 20^{th}. The merger ended the competition in the banking sector.

In 1916, a new face of competition came, the Colonial bank was established and they were as resilient as BBWA. The colonial bank was very competitive and her financial power was as strong as BBWA. However, in 1925, it was absorbed and taken over by Barclays bank.

Many other foreign banks came into the Nigerian growing economy steadily. First, the United Bank of Africa came in as British-French Bank in 1948. In 1959, the International Bank of West Africa was created in Nigeria and headquartered in Kano, because its aim was to ensure and finance movement of groundnut to Lagos. Other foreign banks crashed gate the Nigerian economy before and after Nigerian gained Independence from Britain, her colonial master.

2.2.2 The Creation of the Central bank of Nigeria

The central bank of Nigeria (CBN) is the number one body when it comes to regulation in the Nigeria banking system. The founding of the apex came as a result of a detailed report carried out by the then colonial government to investigate practices and management of Banks in Nigeria. A report by G.D Paton in 1952 created the first banking regulations. This report was established to ensure proper and smooth running of banks in Nigeria and to check against the establishment of banks that were weak. In March 1958, a policy was presented to the legislative arm of government. Through the implementation of the act on July 1, 1959 the apex bank (CBN) was given birth to.

The Central bank is also in charge of nurturing and controlling the money and capital markets. To ensure smooth running of the financial terrain, treasury bills and treasure certificate were introduced in 1960 and 1968 respective. In 1961, the Apex bank instigated the establishment of the Nigeria stock exchange. The Nigeria capital marked is nurtured and controlled by the SEC (Security and Exchange Commission).

There were several amendments carried out by the legislature which constituted the legal framework of the operation of the CBN and how they regulate other banks. The adoption of the SAP (Structural Adjustment Program) in 1986 brought about a wide range of liberalization and deregulation measures. The SAP that came into existence in 1986 gave birth to more banks in Nigeria and other financial institution. Many policies and decree where enacted including the BOFI (Bank and other financial institution) decree 25 and 27 of 1991. The BOFI decree gave more power to the APEX bank to cover new financial institution and non-banking financial institution to enhance effectiveness of monetary policies, supervision and regulation. In 1997, the complete control enjoyed by the APEX bank was removed based on the amendment of the BOFI (amended) decree no 4 and CBN decree no 3.

2.2.3 Nigeria Deposit Insurance Corporation(NDIC)

The Corporation (NDIC) originated based on a systematic report released in 1983. The report was examined by committee members set up by the board of the CBN to check operations in the Nigeria banking system. The establishment of a Depositors Protection Fund was adequately recommended by the committee. The recommendation was the driving force which brought about the creation of the NDIC (Nigeria Deposit Insurance Corporation) in 1989.

The NDIC was established to strengthen the banking sector following the Structural Adjustment Program (SAP) of 1986.

Listed below are the many functions of the Nigeria Deposit Insurance scheme,

- Persuasion, based on agreed moral standards with banks. It also holds continuous interaction with bank managers/owners over enacted policies and swift implementation
- Restricting operations of distressed banks to operate and bring about self-restructuring.
- It renders monetary assistance to bank.
- Management and taking control of distressed banks.
- Acquiring and galvanizing troubled banks which are in the hands of new investors.

- The NDIC was involved in the accomplishment of the 1994 failed bank decree no 18. The decree helped or assisted distressed banks to get back major assets and punish fraudulent members who contributed to the distress. N3.3 billion was recovered by the corporation as at June 1996.

There were various rationales that instigated the creation of the commission. They include;

- There was an enabling legislation which instigated the creation of the scheme in 1989.
- The deposit insurance scheme in Nigeria was established based on so many factors. History of prior bank failures in time past was the most important factor.
- Other countries like Czechoslovakia used the same approach to ensure banking stability in time of crisis. The FDIC (Federal deposit insurance corporation) was created by the USA in 1933 when they were faced with a similar financial crisis.
- The 1989 SAP (Structural adjustment program) brought deregulation of the economy. It also brought a liberalization of the licensing process of banks. The NDIC was instituted to complement the supervisory efforts of the CBN. In conjunction with the CBN, the NDIC have been able to engage in frequent and frequent and accurate examinations of banks despite the numbers of banks. The frequency by which banks are being supervised has increased prior to the establishment of the corporation.
- The corporation was also established by government to preserve schemes and help in resolving issues within insolvent bank.

2.3 Nigeria Banking Crises and Reforms

2.3.1 Nigeria banking crises

Banks and other financial institutions are very susceptible and prone to several forms of risks which include liquidity risk, credit risk, and also interest rate risk. Credit risk can be defined as a non-performing loan and assets turn bad, while Liquidity risk means the withdrawal that exceeds the available funds.

According to the World Bank (2010) the type of banking crisis whereby many banks in a country are challenged with liquidation at the same time which can be based on outside shock from a particular source or spreading failure originating from a particular bank is called systemic banking crisis. It is a bank situation where banks face great pain and depression in repaying contracts on time. The aggregate banking capital is exhausted as a result of sharp increase in non-performing loans, depression of equity and real estate prices, increase in interest rates and a slowdown in capital flow. The crises can be triggered by either depositor's run on banks or the general realization that important financial institution is in distress.

The distress of these banks or the financial crisis of a particular country can be contagious, leading to the financial depression of other countries or states. For example, the collapse experienced by the United States of America economy together with the collapse of the dollar has brought about recession on countries where the use of dollar for forex exchange is at its peak. The dollar is the most widely used currency for foreign exchange and the collapse of its values can lead to uncertain financial crises.

The financial implication of systemic banking crises can be very damaging. They bring about deep financial recessions and sharp current account reversals in economies suffering from the banking crises. There are several causes of crisis in the banking sector. They include; excessive credits boom, macroeconomic policies like large current accounts deficits and public debt, large inflow of capital and a combination of balance sheet weakness and policy paralysis because of political and economic constraints. Off balance sheet operations, currency and maturity mismatch are also factors in many banking crisis.

Soludo (2010) wrote that the continuous implication of the global financial meltdown on the economy of Nigeria was the mainstay trigger for the financial collapse. He highlighted the followings as the possible causes of the financial crunch;

1.There was collapse in the prices of commodities, especially crude oil which is the mainstay of Nigeria's economy; and this resulted to a contraction of revenue to the federal government.

2. There was total decline in the flow of cash into the economy, the de accumulation of foreign reserves which put enormous pressure on exchange rate.

3. The global financial crunch impacted negatively on availability of foreign trade finances for Nigerian banks; and credit lines became unavailable.

4.There was a downturn in capital market operations, which witnessed divestment by foreign investors.

5. There was manifestation of counter party risks in relation to external reserves; however, the author added that, CBN initiated mechanisms to safeguard the reserves and it made Nigeria banks strong and robust to withstand the shocks.

To add to the reasons listed above, Sanusi (2009) wrote that bad lending decisions necessitated huge provisions that eroded the capital of some Banks. Thus, a financial bailout was made available by the apex bank to stabilize the banking system. The then Central Bank of Nigeria governor gave different reasons why the financial system failed and the factors that contributed to the failure. These were the triggers that brought about merging, liquidity and removal of five managing directors of different commercial banks who were involved in bad debt, money laundering and other form of financial malpractice. The factors include;

1. The influx of large capital which can cause instability.
2. Corporate governance failures in banks.
3. Limited number of investors and too much consumers.
4. Opaque nature of the financial positions of banks.
5. Loopholes on regulations.
6. Lack of adequate potency in enforcing and supervising.
7. Weakness within the apex bank and lack of structure.
8. Many types of in house weakness.

The point whereby these factors listed came together to work in synergy, they brought the financial sector of the country's economy to its knees.

According to critics, the CBN should also be faulted for the collapse of the financial sector. After the 2004 transition the CBN lacked so many infrastructures to handle and manage the tendencies of the now 25 banks where most of the banks were born out of merger. The apex bank was insufficient to adequately bring out analysis on risk inherent in the sector and economic issues. There was no framework or structure to take charge of the risks in the system and link guidelines from the CBN to that of the individual banks. There was no way to adequately deal with the inherent risks coming from oil price inflation, assets capital fluctuation, capital flow from borders and weak corporate governance. The Apex bank didn't have the structure to deal with the issues. Information management, quality of data within the CBN's system, reporting and research date issues was inefficient because the bank was not well equipped.

2.3.2 Nigeria banking reforms

Immediately after the financial crisis of 2009, the Apex bank which is the Central bank of Nigeria headed by the then governor, Sanusi (2009) instigated many forms of reformations to put Nigerian banks in the good eyes of the Nigeria populace and also to stabilize the financial system of the country. It is in this wise that the latest plan by the CBN to categorize the banks in the country into three separate models. Details of the new models that were unveiled by the apex bank indicated that Nigeria will now have commercial banks, merchant banks and specialized banks.

According to (Moughalu, 2011) the deputy governor of CBN in charge of financial system stability, minimum share capital of each category will be specified. Under Commercial Bank category, there are three sub-groups which are commercial bank international, commercial bank national, and commercial bank regional which has a minimum capital of the shares of N50 billion, N25 billion and N10 billion respectively.

The introduction of the new model of banking gives right to banks to operate in another non-banking activity through registered subsidiaries directly or indirectly.

Ojong et al (2014), defined the new banking model as a type of banking where restriction is not placed on a bank to perform either commercial basis or merchant activities. It is a multipurpose type of banking system.

Before the re-modified version of the universal banking system, Nigeria was practicing a universal banking model which was based on these reforms that is cited below. (Ofong et al, 2014)

1. It was adopted in 2001

2. Every commercial bank must have at least N2 Billion as its minimum paid capital in 1997.

3. In 1996, there was a total deregulation of interest rates.

4. Dutch auction system (DAS) was brought back to bring transparency, fight movement of illicit money from the country and to readjust the Naira exchange rate.

5. Through the introduction of ATM (Automated Teller machine) for withdrawing cash, the CBN initiated electronic banking.

6. There was also initiation of electronic banking products like credit cards and debit cards and the CBN was involved in making and implementing policies to coordinate the use of these electronic systems of payment which was according to what is practiced internationally. The automated mode of payment was introduced by the apex bank Holt delays in clearing of payment instruments; reduce the use of physical cash for trade and business transactions which helped in making payments easier and more efficient.

7. To increase the efficiency in payment and eliminate risk in large value payment. Under the RTGS, (Real time gross settlement) the CBN instituted some numbers of banks (seven banks) to act as a clearing and a settlement bank to other banks. They also give national savings certificate. To enhance liquidity management, the CRR which is Cash reserve requirement and MRR which is Minimum Re-discount rate were introduced. (Ofong et al, 2014).

Meanwhile before the 2009 reform, the initial reforms seen in the banking sector was initiated in 2004. It was implemented to uphold the banks, take the bank to the next level and give them the engine to great role in bringing huge development in the banking sector. The policy brought merging of banks and buying, increasing the initial capital base from N2 billion to N25 billion as the minimum. The number of banks fell from 89 to 25 and 24 later on in 2005. (Sanusi, 2011).

The regulatory reform of 2004 focused on other things beyond recapitalization of banks. They include several features which are Regulatory framework based on risk assessment, sharing of data, rendering information and infringement report which are based on strict adherence to the stipulated regulatory framework, implementation of government banking policies, quick and articulate reporting of bank returns and annual income, strict implementation of banking laws and regulations which was due to making and new policies and enhancing/ restructuring outdated policies, and also the introduction of a versatile and changeable interest rate which is based on framework that made the monetary policy rate the operating target.

Banks counter inflation, fraud and other fraudulent activities. The new model was active in checking fluctuations in interbank rates and also brought about the then CBN governor.

The reform of 2004 also saw the Apex bank investing heavily in automation of banks which increased returns. Information sharing was possible based on a reporting portal established by the reforms. Government owned institutes and public sector deposits can be paid into commercial banks for fluent exchange.

The former managing director of the First Bank, Mr Lamido Sanusi took over as the Governor of the Apex bank on June 4, 2009. On ascension of the office as the governor, he created a committee which had members of the CBN and NDIC to make detailed inquiry of the commercial banks in Nigeria. Five banks were seen to be prone to liquidation and were insolvent after the announcement of the results in August 14th, 2009. The five banks that were found wanting were Intercontinental bank, Oceanic bank, Union bank and Afribank. (Amaechi and Nnanyerugo, 2013). 40.81% was the total aggregate of the non-performing loans. They were found to be chronic borrowers and were almost cashless. The CBN injected N420 billion into the insolvent banks as loans. Approximately, 30% of the deposit in the Nigeria financial system was held by the banks and they represented significant risk. Criminal prosecution powers were given to the EFCC (Economic and Financial Crimes Commission) to check the culprits that partook in the fraudulent scheme that necessitated collapse.

Many top executives were sacked and charged for money laundering and other fraud related offences during the special inquiry time. Managing directors heading the banks that was declared insolvent were removed and replaced by the CBN and to improve productivity, special interventions were released into these banks by the federal government through the CBN. Some of the managing directors were handed over to the EFCC for criminal prosecution and other form of fraudulent practice.

The special inquiry also revealed some banks operating in Nigeria were financially strong. Access bank, guarantee trust bank, first bank, Zenith bank and the foreign owned banks like

Standard Chartered Nigeria, Ecobank, Stanbic-IBTC, Citibank were found to be relatively sound and were well capitalized (Duncan Alford, 2010).

The second phase in the reformation of the Nigeria banking sector was the removal of assets that were toxic from banks receiving governmental support. AMCON (Assets Management Company) was created by the CBN and the National Assembly passed the bill. Its work was to purchase toxic assets from defaulting banks. The initial starting capital of AMCON was 10 billion Naira but it required 700 billion to run effortlessly and it started operation on September 2010. AMCON was focused on purchasing nonperforming loans that the eight insolvent banks that received support from government. 1.06 trillion was the estimated amount of nonperforming loans in the nation's banking sector then. A clean balance sheet was the idea behind AMCON bill. It came with a good bank-bad bank approach. Another idea was to instill confidence in the banks when investor and depositor comes and to bring stability with power given to AMCON to buy, use the value of and resale the nonperforming loans. Funding of AMCON was also an important task. The CBN states that AMCON increase the strength of the balance sheet of the banks by purchasing the non -performing loans that are based on terms of their aim, having done this aim AMCON shift focus on asset quality

Table 2.1: List of Banks and Their Sacked Chief Executive Officers

S/N	INDICTED BANKS	INDICTED CEO/MD
1	AFRIBANK	MR SEBASTAIN ADIGWE
2	FINBANK PLC	MR OKEY NWOSU
3	INTERCONTINENTAL BANK	DR ERASTUS AKINGBOLA
4	OCEANIC BANK	DR (MRS) CECILIA IBRU
5	UNION BANK	DR BARTH EBONG

The sacked CEO's were replaced by Mr John Aboh, who was put in charge of Oceanic International Bank Plc. Mr Mahmud Alabi (Intercontinental bank Plc), Mrs Suzanne Iroche (Finbank plc), Mrs Funke Osibadu (Union Bank plc).

The top officials were removed based on the findings of an extensive examination that was carried out by the panel raised by the CBN governor which include members from both CBN and NDIC. Their findings are listed below;

1. Poor attitude towards corporate governance and credit operations, also the non-compliance with the bank's credit management practices have been identified to be responsible for the rise in the level of indiscriminate loans in the five banks. For the aforementioned reasons, the five affected banks will therefore need to make extra arrangement of N539.09 billion to make up because the percentage of non-performing loans to total loan is approximately between 19% to 48%.

2. The portfolio of the loan of these five banks was N2,801.92 billion in total, and the margin loans was in excess of N456.28 billion, the exposure to Oil and Gas was N487.02 billion, non-performing loans stood at Nl,143 trillion which represent 40.81%.

3. Putting the information above into consideration, the five banks that was declared insolvent put huge concentration on high areas related to other banks in the industry. These five banks accounted for disproportionate element of the total exposure to Capital Market and the Oil and Gas industry.

4. The banks are obviously not well capitalized to carry out their current activities and thus needed to extend their provision for loan losses. The aforementioned has a negative effect on their capital. The explanation for the capital impairment is considerably linked to the massive provision. One is actually insolvent with a Capital Adequacy Ratio of (1.01%). so, at least an injection of N204.94 billion which is the initial capital funds are needed within the five banks to fulfil the minimum capital adequacy ratio of 10%.

From the facts above, it shows clearly that the five banks which were affected has an outstanding balance which was pegged at N127.85 billion at the end of the end of the 7th month of 2009 on the EDW, this amount represent the 89.81% of exposure to the CBN's exposure on its discount window where the net guaranteed of inter-banking takings is pegged at N253.30 billion towards the last quarters of the year 2009. The ratio of the

Liquidity ranges between 17.65% to 24% from May 31, 2009 while the Regulatory minimum is 25%. Not less than three of the banks were very big, these three banks have more than 5% of Assets and Deposits within their Banking System and in total altogether they account for 39.93% of loans and 29.99% of deposits, also 31.47% of total assets as at May 31, 2009 (Omoh and Komolafe, 2009)

The 2009/2010 banking crises gave birth to the re-modified universal banking model enacted by the CBN.

2.4 Development in the legal supervisory framework

For the sustainability of continuous and efficient service delivery in the Nigeria banking system, the need for continuous development in the supervisory framework is needed. The CBN, the NDIC and other financial houses are directly in-charge of supervision, creating and enacting sustainable policies for the different financial houses to follow. The CBN is the overall regulatory head when supervision is concerned and it is structured into four departments (CBN, 2008). They include banking supervisory department, consumer protection department, financial policy supervision financial policy supervision, other financial institution department, quality of risk management. The departments are defined below:

2.4.1 Banking supervisory department;

The department has some mandate which include, being in charge of examination and surveillance done off-site on money banks, specialized institution credit registry bureau and other related institution. Developing framework for supervision and examination is below.

2.4.2 Consumer protection department

The department has the mandate in development and implementation of an effective consumer protection plan which promotes confidence in the financial sector.

2.4.3 Financial policy supervision

The department has the following mandates, development and implementation of policies and regulations with the sure aim of ensuring financial stability. They are also in charge of giving approvals to banks and other financial houses.

2.4.4 Other financial institution department (OFID)

The Department is in charge of conducting surveillance and examination of microfinance banks, mortgage banks, development finance institution, bureau-de-change and financial companies.

Under the close watch of the Central Bank Nigeria, the financial institutions are the cash depositing banks, primary mortgage institutions, community banks, the discount houses and development finance institutions. Banking Supervision and other Financial Institution are the two structured departments of the CBN as regards to its supervisory functions, while the Banking Supervision Department supervises the banks. The Other Financial Institutions Department on the other hand supervises the local bank and other institution that are not in a non-banking capacity. These supervisory processes can either be on-site or off-site arrangements or both.

2.4.5 Quality of Risk Management

The quality of risk management is assessed based on each remarkable action, according to the structure of the framework, the risk management function that exist are categorize into six, the board of directors, the senior management, compliance, risk management, internal audit and financial analyst. For efficient quality risk management, the strength, capacity and largeness of the institution should be known. The efficacy of the function of the function of the risk management will mold starting point for moderating the inherent risk associated with an important activity. The effectiveness of the risk management control functions is character plus performance.

They are other parameters that are important in the supervisory framework CBN (2008). The other parameters are:

1. **Net risk**: The effectiveness of the functions of the risk management control which is directly proportionate to the inherent risk of each significant activity.

2. **Direction of risk**: the risk direction is evaluated has been on the decreasing over a certain period of time for an organization.

3. **Composite risk:** This is the structure final rating and it shows the outcome of the safety check by a superior officer.

5. **Risk matrix**: This matrix is used to record the outcome, quality and the resulting net risk evaluation for notable action.

2.4.6 Risk Assessment Summary

It is a summarized report which shows the condition of finance of a firm, risk profile and past findings based on investigations.

The assessment summaries include; a well-developed risk matrix, a layout of the managerial and staff structure, business ventures, plans and relationships between departments in the organization, checking the managerial functions of the organization and their effectiveness, checking the assets based on capital and the institution's profitability, an assessment is carried out on the foreign parent company based on operations and the supervisory system, that's if the institution is a subsidiary or a branch of a foreign company, If the company is a child of a bigger organization, checking based on domestic and international regulations is carried out, a concise list of important events for the past 1 year, Status report based on intervention

The real assessment summary creates a concise focus on factors that brings risk to an organization and carefully make important priorities to be focused on for a year.

2.4.7 Relationship Manager

For continuous assessment of financial institutions based on a framework, the need for a continuous supervision is necessary. There is a need for established relationship between the financial body and CBN, that is the point where a relationship manager is important in fulfilling the need for continuous supervision. A relationship manager is assigned to each organization from the CBN. The manager will be the focal person for the CBN and he is important when regulatory approval is at stake. Below are the responsibilities of the relationship manager under the supervisory process (CBN, 2008).

2.4.8 Supervisory Process

In supervisory process, there are six different steps and they include;

1. Analysis
2. Planning
3. Action

4. Documentation
5. Reporting
6. Follow up.

For efficient supervision, a reassessment of different stages of the supervisory process is needed and important.

3 FRAUD

Olufidipe (1994) defined fraud as deceit or trick deliberately practiced in order to gain some advantages in a dishonest manner. Boniface (1991), described fraud as any pre-thought act of criminal deceit or an action don to falsify information by a person or multiple people to gain an advantage monetarily over another person. Also, Idowu (2009) defines fraud as a known act to change or manipulate the truth for carry out a scheme that will help to gain money dubiously. Kirkpatrick (1985) defines fraudster as any person who pretends to be something that he is not is they can also be called, a swindler or a con artist.

However, having explained what fraud is, it is important to define bank fraud which is the main matter of this study; Bank fraud is the application of deceitful actions to get assets owned by a financial organization or to receive money from customers by acting as a bank worker or in other means act like a bank or financial institution itself. For an action to be consider a fraudulent act, there must be a dishonest intention and the action must be for the advantage of the perpetrators and to the loss of another person or institution

Fraud does not respect any business; it is still a big threat to many organizations despite the continuous innovation in fraud detection and technology. In the USA, Wilhem (2004) gave an annual loss incurred due to fraudulent activities in insurance, telecommunication, bank, money laundering, internet, credit card is \$67b, \$150b, \$1.2b, \$40b, \$5.7b and \$1b respectively. The failure of the banking system of a nation is a great threat to the financial standing of the nation's economy. No nation or economy is immune to fraud or fraudulent activities. Escalation of fraudulent activities in banks can imminently lead to the banks failure, (Owolabi, 2010).

There is a need to map out a strategy for intense management of fraud and to have a complete standpoint and checking all the mitigating factors involved in the consistent occurrence of fraud. The constant occurrence shows a foundational problem in the financial system. Wilhelm (2004) suggested eight stages; these stages must be adhered to holistically to get the benefits of technological advances in fraud detection and enable the Nigeria financial sector from losing money from fraud and fraudulent schemes. The steps include fraud deterrence, fraud prevention etc.

Fraud has a negative effect on banking sector, Oseni (2006) reiterated that the consistent increase in fraud and fraudulent schemes makes stakeholders in the sector to lose confidence and trust in the system. Idolor (2010), wrote that the nature of fraud in the economy is becoming an abashment to the country despite the consistent attempts of law enforcement institutions to combat the issue and tackle offenders. Fraudulent activities are not just restricted or peculiar to Nigeria economy, it is a global issue. The peculiarity of the Nigeria case called for policy to be enacted to fight the growing trend and bring back confidence to the banking sector.

Banks nowadays cannot survive the increasing weight which is on them as a result of competition within various banks due to the beast called bank frauds which continues to eat deep into the system. If this act of fraud is not quickly eliminated, it might lead to lack of trust from the foreign investors which may leads to them stopping transacting business with the banks anymore. Despite the known cases of fraudulent practices in the banking industry, the main question which has gone unanswered is the exact media fraud is been accomplished in banks. Adeyemo (2012) wrote that fraudulent act in the banks can only be possible when there is a collusion between and outsider and also an insider. Banks are meant to ensure that they carry out their business diligently, safe keeping of customers' funds and valuables which should be done with utmost transparency and be free from the act of fraud. This is very much important in other for the public to trust the bank again.

3.1 Theories of Fraud

There are a lot of theories out there which can duly point out to why fraud is prevalent and being committed in our banking sectors, but generally speaking, competition and survival can be a major motive for both good and bad manners, a very high danger to survival may lead one to choose between being honest and not to be honest. When completion is the order of the day, dishonesty can be rationalized quickly; lies and deceit can therefore become a tool in any competition for survival. Meanwhile over the years, many theories have been used to explain the nature in our society, of all the traditional fraud research, Cressey (1973) provides an erudite and accurate knowledge into the main theories of fraud, the result of this research is mostly represented as the Fraud Triangle. Meanwhile there are other theories which can also be used to check the various part of fraud and its origin. Cressey (1973) decided to use about 200 convicted fraudsters who were put in jail for siphoning the money that does not belong to them and realized that for every fraud committed by each and every one of them, there are three major components that is common to every one of all, they are

(a) Motivation

(b) Rationalizations

(c) Knowledge and opportunity to commit the crime.

These three results result to what is now widely known as the Fraud Triangle

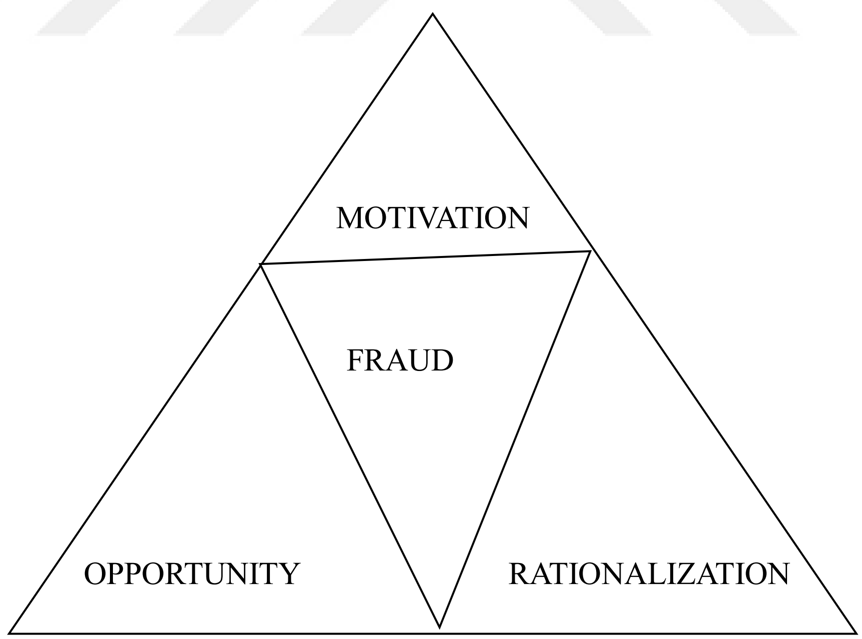

Figure 3.1: Fraud Triangle (Source: Adopted from Cressey,1973)

Cressey (1973) pointed out in his work that fraud triangle theory is restricted only to be used to protect and detect when someone violate trust and detection of fraudsters. This was also corroborated by Wells (2005) who said that fraud theory cannot be used to prevent fraud. It can only be used for detection.

3.1.1 The Fraud Triangle;

The component that are used in this theory can never be present, an example of this fraud triangle is corporate fraud where the non-sharable problems that need to be solved are not (Albrecht, & Albrecht, 2004). This simply means that if the fraud triangle is used in a predictive way, it cannot be fully exercise in a scenario because it is not all cases that can fall within the theory. The factors of the fraud triangle are motivation, opportunity, rationalization.

(a) Motivation: In other words, motivation can be term as pressure can be refer to an occurrence in the life of an individual or a prospective fraudster which can create an urgent need for funds, those problems or occurrences can be the kind that he or she finds non-sharable and it may lead to the potent for fraud in an individual. Cressey (1973) stressed further that there are six types of problems that can lead one to committing fraud and they are:

1 Violation of obligation: This can be in form of Drinking and Gambling in many cases

2 Personal Failure: This can be in form of a poor judgments

3 Business Reversal – e.g. Recession or High interest in business

4 Isolation by family or associates

5 Status gaining which can be when one lives beyond means

6 Employer relations –it happens when one is betrayed or there is a lack of trust

(b) Opportunity; Before a fraud is carried out, the actor which is the employee must have reasons to think that he can carry out the fraudulent activity without being caught. The level of trust may lead to an opportunity to create an end to a problem that is regarded as a non-sharable. According to (Cressey,1973), he opined that many people working in a position as a result of trust did not use the funds in their possession to solve their personal problems, workers have unlimited access to information that gives them the opportunity to carry out fraudulent act, opportunity are provided by lack of internal control of processes, inadequate punishment and lack of infrastructure, there must therefore be a limit to information workers have access to, employee only needs information to those systems, asset and information that are necessary to complete his or his/her job.

With respect to getting general information, and the regards to a person's capability to commit fraud. Wells (2004) found out that any position can be violated provided it is based on trust because opportunity can come to an individual in form of a poor controls internally and inadequate discipline according to organizational ethics.

(c) Rationalization- The way people relate and think about work performance and level of contribution at work place is referred to as rationalization. Employee tends to attach a special value that they must get something back from the company for being a good or a dedicated worker. Rationalization is hereby a major motivating factor to committing fraud and it is often abandon after the act has been committed (Wells, 2005).

Cressey (1973) observed that a person who is trusted does not necessarily need to invent a new reason to violate the trust but he will rather use his own problems as link which has been made available to him by him having come in contact with an environment where such act is rampant and. The fraudster gather such expression from members of a firm with adequate knowledge of situations that pertains to trust and violation of confidence. These ideologies negate the watchword that truthfulness is needed and must be done at all times and in all situation. People always use such theory to manipulate personal values in regards to the act of criminality and honesty on both hands.

3.1.2 Differential dissatisfaction

Sutherland (2009) suggested that crime is learned, the knowledge can be acquiring just like any other subject. He concluded that the likelihood of criminal tendencies cannot occur without the help of other people; most times it happens through getting direct or indirect information through communication. Gaylord and Galliher (2012) noted that Sutherland in his economic explanation that biological and pathological perspective are in relation to the behavior of the culprits. Sutherland (2009) wrote that criminal behavior depends on exposure. There's a big possibility of criminal tendencies in an individual if he or she is exposed to more actions partaking to law violations than actions which are noble; therefore, criminal behavior is as a result of conflict in the criminal's values. While making his conclusion, he also concluded about the process of getting the knowledge boils down to laid down plans to commit the crime and the motive behind it. Hence, he found that there will be influence, both negatively and positively. Corrupt employees will end up influencing some honest employees while honest employees will do same with some corrupt employees (Sutherland, 2009; Wells, 2014), and said that everybody can be a victim of both criminal and non-criminal behavioral action. Despite the uproar against this act, Differential association theory's contribution is very powerful and this made other theorist in criminology and sociology to make further research in the Sutherland theory to explain more on criminal behavior. (Akers, 2012; Burgess and Akers, 2013; Bandura, 2011; Glaser, 2012).

3.1.3 Job dissatisfaction

Hollinger and Clarke (1983) after carrying out an investigation on 12,000 employees revealed that dissatisfaction with job tends to motivate workers to be involve in fraudulent act. Whenever workers realize that their working environment is bad and think that they are entitled to more pay that what they are getting, they are more likely to get involved in fraudulent act. (Wells, 2014). Meanwhile, the theory is hard to prove due to the lack of supportive information about worker's theft in general, it is hard to point out generally because of inadequate information (Mustaine & Tewksbury, 2012).

3.1.4 Capacity of the offender

The perpetrator must have the power to commit the crime before committing themselves into it, this ability can be in form of technical knowledge on how to execute the crime and also how to get away with it. (Wolfe & Hermanson, 2013). Fraud triangle has witnessed some potential limitation in the addition of capabilities and biased which has helped to rectify it, for example some certain group of researchers used a cognitive heuristic to figure why some managers may create a reason to commit fraud and while other managers did not have a rationalization to do so. It is based on individual (Anadarajan & Kleinman, 2011). People can also be involved in fraud when their emotions are being manipulated, social factors also engineers fraud. This can also lead to other people being manipulated in order to use their skills to carry out fraud in favor of the perpetrators (Omar &Mohamad Din, 2010).

3.1.5 Misfit between values and norms

This is when there is a large difference between norms and value, for example the variation between a person’s goal and how to achieve it. A person in a bid to make sure his/her goal is achieved can result to fraudulent act to achieve it, this solution may include innovation of fraudulent act to achieve success, for some people it may be ritualism. (Durkheim, 2014; Merton, 2012; Merton, 2011). This happens as a result of social pressure which makes it hard to combine expectation and reality with the ambition to achieve the goals by using a fraudulent means (Durkheim, 2014; Merton,2012; Merton,2011).

3.2 Causes of Bank Fraud

There are different factors that can lead to fraud, these factor includes institutional factors, environmental factor, inadequate training and re-training of staff, inadequate staffing

3.2.1 Institutional Factor

These factors can be located internally, especially within the management system of the organization. Below are examples of major institutional factors; (Onwujiuba, 2013)

1. Poor information technology and data base management
2. Debilitated mode of accounting and control system
3. Deficiency in supervision
4. General frustration occasioned by management unfulfilled promise
5. Disregard for ‘know your customer KNC rule
6. Failure to engage in regular call over
7. Banking experience of staff
8. Poor book keeping
9. Deficient and outdated structure
10. Lack of effective communication system
11. Inconsistent power, which brings about incoherent posting and shabby official space.

3.2.2 Environmental Factors

These factors are external factors which can be found around the banks, there are many social issues that push people to join or participate in fraudulent schemes. (Onwuijuba, 2013). These are

1 We live in a society where honesty and transparency is downgraded at work places among co-workers. We celebrate dishonest people and most times, shame individuals and call them dumb fools because of their honest approach.

2 The insatiable need to get wealth without caring or asking about the source of wealth.

3 Society always gives good radiance and hold in high esteem people who give cash without control. These groups of people are recognized and respected much more, no one cares about the source of wealth.

4 Giving out of traditional titles and honors are left or given to individuals who are rich and it is gradually becoming the place for the highest bidders among the rich.

Asukwo (1999) and also Idowu (2009), identified several causes of fraud which include; Poor internal control to fight the menace of fraud in financial institutions, there must be a standard when it comes to internal control. A poor internal control system would always open gaps for fraudulent activities by staffs and external bodies. To check this menace, there should be a proper surveillance system during working hours and after working hours.

3.2.3 Inadequate training and re-training

When the resources (human resources) lack the basic training on practical and theoretical part of the bank's activities and operations, it can lead to poor performance and many loopholes that can be taken advantage of.

3.2.4 Inadequate staffing

There will be various opportunities for fraud and fraudulent schemes in a bank that is poorly staffed. A financial institution that is filled with incompetent staffs and supervisors who lack experience on various fields will be easily affected or capitalized on by fraudsters.

Other causes of fraud according to the work of (Aderibigbe and Idolor, 1999) suggest are

1. Poor salaries, wages and compensation plan which are given to back employees.
2. Poor working conditions
3. Poor enforcement of penalty and sanctions when a staff defaults.

4. Poor management of policies and procedures.
5. Poverty and infidelity of employees.
6. Internal plan by workers or agents charged with protecting assets with external bodies.

3.3 Typology of Banking Fraud

Banking fraud can be divided into two prevalent types which are internal and external fraud. They are the two significant groups of bank fraud.

3.3.1 Internal fraud

This is the type of fraud that is committed by employees and management staff of the bank. They either work alone, in collaboration with others or conniving with outsiders. It is very difficult to detect because employees and management staff have access to critical information and system. Management staff cannot be queried or accused and they push junior staffs to commit fraudulent activities. World Business Environment Survey results shows that fraudulent act by top bank officials is a major problem everywhere.

Research by Cloninger and Waller (2000) also shows that the damaged caused by fraud committed within an organization or banks have huge negative return on shareholders than it is in terms of fines, fees and other losses assigned to the firm itself. In banks, it can be in form of falsification of banks documents, revealing of customer's vital information that can be used to carry out fraud, t, misuse of bank assets which can be inform of identity theft, and electronic theft among others. It is well known that greed can be a major reason why employee get involved in fraudulent act. Zahra et al (2007) shows the fraud carried out inside an organization is normally different from the normal or the common believe of pressures from the society for consumption.

Higher management oftentimes even encourage the act of fraud, this act is very rampant among the top most managers Razaee, (2005), and Summers & Sweeney (1998). The Issues of insider also include the composition of the board and the responsibility of the chief executive officer, the attitude of the managers and that of the high-ranking members of staff, the trait of honesty in the corporate culture put more emphasis on the issue of honesty and dishonesty among the workers Beasley, (1996), Dunn (2004), Rezaee (2005). One major significant difficulty may arise when the top managers are very close to each other, this can create a big room for the organization to sink deep into corruption (Zahra et a, 2007). Fraud within the banks can be con when an indiscriminate load system is being carried out, this can be when the loan is being issued out to unqualified people who are either related or are friends of the workers or to the managers, this often lead to conflict of interest and result into some level of fraudulent behavior (Breuer, 2006)

However, this may be very important for the Zambian microfinance which shows officers that are in charge of loans system are struggling to be accountable for their actions because accountability is what is been preached by their corporate structure and the needs of those borrowing that were not always able to make payments in time.

3.3.2 External fraud

This type of fraud is committed by third parties of organizations such as suppliers, partners and competitors; customers are not left out as well. Other partaker of external fraud includes potential customers, governments and criminal organizations. The fraudsters can either work alone or employ the service of some staffs to defraud the bank. Some of the various types of external fraud encountered by the bank are money laundering, identity theft and use of lost or stolen documents, use of fake cards, theft and personal information etc. This type of fraud can be relatively expensive and damaging if not detected quickly and tackled. The chance that the bank could unknowingly be transacting with criminal gangs is very challenging. Cahhoto and Backhouse (2007) states that the detection of any fraud when done informally will reduce the chance for a cost-benefit analyses. If for instance such a fraudulent transaction was to come in the limelight, the bank could suffer a great loss of damage to its reputation and that will in a way affect the customer confidence.

According to Bank Administration Institute (1989) the following were highlighted as some of the types of bank fraud. These are advanced fee fraud, Account opening fee fraud, Cheque fraud. Letter of credit fraud, Computer fraud, Counterfeit securities fraud and Loan fraud

1.Advanced fees fraud

This is type of fraud that is commonly called "419". In advance fee fraud, agents or individuals comes with a business proposition to invest in but a certain amount is usually needed for the business. The fee is called commission and after the commission has been paid, the agent disappears.

2.Account opening fraud

This involves the using of fake cheques to make withdrawal and fraudulent transactions. It always happens when an account is opened on behalf of a person or a group of individuals with false documents unknown to the unsuspected bank. It is detected by the bank through a referral forms or when the authenticity of the address is being crosschecked.

3. Cheque fraud

This is the process where fraudulent transactions are carried out using stolen cheques and falsified signatures. Cheque fraud is a common example of fraud and it is not synergic in nature, no need for an insider. It can be done without the knowledge of anyone.

4. Computer fraud

This type of fraud could be carried out by the tampering with of a programmed system of a bank through hacking, to access areas in the bank server without authorization. Transfer of funds can be done easily with this method of frau, like making payment to unauthorized accounts. Or most times it could be hijacking a transaction which is meant for a person of a company and diverting it to somewhere else.

5. Letters of credit

This is common in international trade. The falsification, manipulation and altercation of the instrument needed for access can help in fraud. Perpetrators of the act always walk out as free men.

6. Counterfeit securities

This is the forgery of documents, bonds, certificates and others which are presented for loan collection. Other printed documents like cheques, certificate of deposits and treasury notes can also be forged. It is an archaic type of fraud.

7. Loan fraud

This is mostly carried out when loans are given out to customers who have exceeded their credit limits. Workers in the bank are the perpetrators like the cashiers and they keep it as a secret without the management suspecting

3.4 Nature of forensic accounting

Forensic accounting can be defined as the use of different accounting skill set to detect a fraudulent behavior or act of corruption. This finding can be used to pursue legal act or proceedings.

After the cases of Enron and WorldCom, the science of forensic accounting was born. It evolved and came into realism after multiple cases of fraud became rampant. It is the best mode for proper investigation of fraudulent cases. The sophisticated nature of fraud and other fraudulent practice brought about the need for forensic accounting to successfully investigate and prosecute fraudulent individuals. According to Apostolou, Hassel and Webber (2000) Forensic Accounting is an important aspect of accounting with the highest percentage of accuracy for legal review and purpose. The Centre for Forensic Studies (2010) wrote that a large volume of data and sophisticated nature of modern day banking is the major precursor of increasing use of forensic and investigative accounting. The emerging use of complex data and higher volume is making the tracking of banking transactions on a manual auditing basis to be difficult and it makes auditing ineffective. Centre also report that if forensic accounting is well applied, it could be used to reverse the loopholes in the banking sectors which brings consistent failures. Fraudulent transactions and financial errors can be detected with the immediate use of forensic accounting.

Degboro and Olofinsola (2007) noted that the “forensic accounting is to establish fact which will then be used to pursue a legal case and reveal the culprits by using the highly technical forensic technique”. According to Howard and Sheetz (2006), in business litigation, the careful use of forensics accounting deals with interpreting and summarizing financial issues which are always written using complex data. In the court of law, the precise use of forensic tools by expert will help in business matters

In forensic accounting, there is a well written peculiar model for investigation that is used to deal with financial malpractice. It uses confirmation, attestation and advisory perspective to get backing legally.

3.4.1 Problems Facing Forensic Accounting Application in Nigeria

It is no more news that banking fraud has witnessed a very well followed case in Nigeria. Enyi (2009) deduced in a study to proffer opinions using real life fraud cases on the uses of forensic accounting to solve issues in fraudulent schemes in the process of manufacturing. He also suggested that the "forensic application alone should not be limited to a certain industry, it must be carried out in every area where fraud is a possibility".

Crumby (2001), Grippo and Ibex (2003) listed some challenges faced by forensic accounting and they include;

1. The task of gathering information and data that can be used in a law court.

2. Accepting gathered evidence which can be used for prosecution in compliance with the law of evidence.

3. The situation whereby a fraudster can be based anywhere and carrying out his or her crimes somewhere else.

According to Degboro and Olofinsola (2007), another problem why total application of forensic accounting has not been effective in Nigeria is the customary law of the land which is far away from being up dated with latest technological advances, another problem is that forensic accounting is always seen as an expensive service to carry out, some companies believe that only big and well established companies can afford it. It makes most firms to follow the easier way of settling cases outside court premises than going to court which are very expensive and brings negative publicity. Forensic accounting is a new form of checking financial malpractice in Nigeria and most technically sound forensic experts are hard to come by.

3.5 Banking Fraud In Nigeria

Banking fraud is not a peculiar mayhem that is particular to the Nigeria economy, it is a worldwide problem that is facing a lot of countries. Most of the world economies that has witness a downward trend has been as a result of fraudulent actors in their systems.

Bank frauds and forgeries have been defined in several ways by scholars. It is a deliberate act of deception to gain more benefits. It is a dishonest means to get something or to get rich. Bank fraud is when there is a knowing action or execution or attempt to defraud a bank. It is also the act to get money, securities, credits, assets that is under the control of a financial institution. It can be achieved by misrepresentation and pretense.

Fraud is any scheme that is done to extort from bank or use the act of deception to take assets own by a financial institution. The term financial institution includes; commercial banks, mortgage banks, insurance firms and other banks.

Deloitte (2012), gave several factors that causes fraud based on a survey carried out in India and they include, lack of oversight by senior managers and supervisors, pressure to meet targets, collision between the employees and external parties, difficult business environment. When the quest to do far better than other competition is great, an ethical individual can dive into fraudulent means to be on top.

The quest to perform more than the competitors by some corporate leaders can make a person who has moral values to lose the moral and become immoral. When a manager is surrounded with unethical individual, the probability to engage in unethical schemes just to make excessive profits and dividends in expense of ethical conduct will be high. Unethical leadership leads to corrupt followers too. (Uchenna and Agbo, 2013).

Another dimension of bank fraud is impersonation by a third-party representation who obtains cheque books which will be used to comment fraud. It is pretending to be someone else just to commit fraud. Impersonation can be achieved easily when there is an insider (bank staff) who can get information of unsuspected customers easily. According to NDIC (2011) annual report, N900 million was lost due to connivance between an outsider and bank staff. It amounts to 78.26% of fraudulent cases.

A special report from the CBN (1995) on insolvent banks show that fraudulent activities were also carried out by top management staff of the distressed banks. The report showed that the amount of insider collaboration is immense. Sometimes, the owners of these banks lend money to themselves to manipulate stock prices and for other purposes. There was a report that showed the purchase of jets by a CEO in the name of his son, some even created 100 fake establishments for fraudulent schemes. Some even used customers' deposits to by 30% of share capital. There are many cases where CEO's of bank commit fraudulent acts through customers' deposits. Those deposits were wiped out when the capital market collapsed. According to Adeyemo (2016), frauds can be classified in different ways based on different factors and consideration.

1. Management fraud: The perpetrators are usually directors, managing directors, general managers. The manipulation and changing of records and accounts with the aim of directly or indirectly benefitting is called management fraud. The two main elements used in management fraud is deception and deprivation.

2. Insider fraud: This is the type of fraud that is being committed by employees on the inside, the very people who are supposed to be supporting and protecting the organization. According to well documented information from First Data, 2017, insider fraud account for 50% of all bank frauds while 25% of all convictions related to financial fraud are bank insiders. 75% of the bank fraud is perpetrated by employees working in accounting, operations, sale, upper management, customer service, purchasing and finance. The data collected also find out that, 79% of perpetrators display behavioral warning signs and the most common of these signs are living beyond means, financial difficulty, unusual close association with a vendor or customer, excessive control issues and divorce.

Banking Exchange, 2011 gave a list of four major type of insider fraud. They include, general ledger fraud, identity fraud, account takeover and collusion with others. Collusion theft with outsider is one of the major kind of insider fraud.

3. Outsider fraud: This is a type of fraud committed by customers or non-customers of a bank. Outsider fraud most times comes in form of pervasive electronic banking system.

The fraud carried out via the electronic form is costing the economy dearly. It is also withholding the idea of a cashless system or policy which the CBN is trying to initiate.

Electronic fraud accounts for 16% of all bank fraud in the Nigeria financial sector (Oludayo and Oluwatosin, 2016)

Electronic fraud implications are great. It is becoming really difficult for folks to adopt e-banking. There's only 53% of the population in Nigeria which are involved in banking and electronic fraud is hindering the rest and also countering economic growth and taking banking to the poor who don't access to banking halls.

4. Collaborative fraud (Insider and Outsider): This involves an insider, a bank employee and an outsider, either a customer or non-customer. For outsiders to perpetuate their actions, they recruit workers in the bank who have access to sensitive information in the bank and customers. Few times, not all recruits are aware of the end game.

The banking system is one of the major institutions that drive the financial stability of a country. The inability of the banks to successfully fulfil its primary objectives is as a result of the many risks it is susceptible to, many of this risk are not properly and well managed, one of such risk which is becoming alarming day is bank fraud, this simply is a deliberate act that pose the greatest risk to the banking industry. (Eseoghene, 2010).

Fraud as was discussed in chapter 1 and 2 is one of the major causes of financial crises in Nigeria. The major causes of fraud in Nigeria include;

1. Poor management

2. Poor compensation and poorly paid staff

3. Ineffective and inconsistent internal control system

4. Poor attitude in dealing with fraudulent cases

5. Inadequate staff structure and work definition among staff members.

6. Method of implementation of laws against fraudulent practices

7. Absence of a structured succession plan

8. Staff poaching, stealing staffs under the noses of the competition.

Fraud and failure in the banks predated the onset of the banking industry itself. These two major issues have undermined the significant roles and economic development of the bank.

According to Owolabi (2010), fraudulent activities in the banking sector is not specific nature. It is not limited to a particular to a nation or an economy, it is an issue in probably all major societies. Bank failure in the country go way back to 1930s. Nwankwo (1994) wrote that the crises of loss of confidence in Nigerian banking industry has been a long-standing issue, he opined that it has been with the country for a long time. According to him, it is an occurrence of the 1930s when most of the indigenous banks collapsed except the National Bank collapsed. He claimed the issue occurred again in 1940s when all the banks except four of it did not go down. According to him, between 1952-1954, sixteen out of the twenty-one banks in Nigeria failed. More banks failed, 26 in number in the late 1990s. Some went through restructuring, complete sales and acquiring to new buyers. Fraudulent schemes are always the major issue in all the financial reforms. The consistency of these bank failures was so prominent during the 2009 financial crises that eclipsed the financial system in Nigeria.

Several laudable projects have been instituted by the apex bank to make the financial sector of the economy to thrive continuously, consolidation (recapitalization) program was created by the apex bank (CBN) which came to an end on 31st December, 2005. There were major structural changes in size, ownership, branch network, shareholders' funds and deposits base in the 25 banks which survived out of the 89. A total of N360 Billion was provided by the banks plus 652 million dollars from direct foreign investment as the recapitalization requirement. Nigeria banks are flying high, 20 Nigeria banks are among the top 100 banks in Africa while 4 is among the first 1000 best world banks (CBN, 2006). The parameters and statistics listed are signs to show the adequate preparation of the banking industry to develop the economy. Fraud is the major factor that might stand against these laudable achievements.

3.5.1 Some the common Bank Fraud and in Nigeria

The dominating forms of forgery and fraudulent practices in Nigeria are highlighted below. These fraudulent practices are one of the major causes of gross financial crises being experienced in the financial sector of the country.

- Forged cheque presentation.
- Operation of indiscriminate form of loan system

- Fraudulent transfers and withdrawals
- Attack on banks by armed robbers
- Total and outright theft of money
- Impersonation
- Manipulation of vouchers
- Falsification of status report
- Inadequate training and re-training

Based on reported fraudulent cases, which is the fraudulent transfer and withdrawal according to the NDIC report shows that the different variations is more common in the banking sector than in other sector

Table 3.1: Fraud and Forgery cases and amount of money lost by Nigerian Banks (2001/2011)

Year	**No of fraud and forgery cases reported**	**Amount involved (N Billions)**	**Loss of banks (N Billions)**	**No of fraud cases that lead to losses**
2001	908	2.53	.931	402
2002	981	5.0	1.4	428
2003	1036	3.6	1.5	369
2004	1175	9.6	2.6	518
2005	1229	1.5	1.4	56
2006	1193	4.6	2.6	612
2007	1553	10	2.9	825
2008	1974	24.49	3.7	746

2009	3852	33.3	7.0	656
2010	5960	19.7	11.4	357
2011	2527	29.5	5.8	498
Total	22,388	506.68	41.15	547.6

Source: CBN annual report from 2001-2011

Table 2 depicts the different cases of fraud and forgery cases and the total amount of money lost during the period of study. The losses increased steadily from 2001-2004. There was a decrease in loss. The amount of loss due to fraud and forgery increased while year 2010 recorded the highest loss. although the highest amount involved reach the highest in 2009.

Table 3.2: Money mobilized by banks and amount lost to fraud (2001-2011)

Year	**Amount of mobilized funds (N' billions)**	**Amount of lost funds (N' billions)**	**% of mobilized funds lost**
2001	1.01	0.931	92.17
2002	1.3	1.4	107.69
2003	1.4	1.5	107.14
2004	1.8	2.6	144.44
2005	2.5	1.38	55.2
2006	3400	2.6	0.076
2007	5400	2.87	0.053
2008	8700	3.67	0.042

2009	9990	7	0.070
2010	10840	11.4	0.105
2011	12330	5.8	0.047
Total	50668.01	41.151	507.456
			Average= 46.13%

Source: CBN and NDIC Annual Reports for 2001-2011

According to the table between 2001-2004, commercial banks lost more than generated in Nigeria. Again, the loss in 2005 by were more than half of the funds they generated to fraud. In the years that followed, the percentage of deposits mobilized loss to fraud was less than one percent. This was because as deposit increased significantly, the regulatory body introduced more tighter measures to tackle fraud. Commercial Banks generated a total amount of N50, 668.01billion Naira, and the average percentage amount lost to fraud was 46.13%. The tables above have given detailed effects in cash caused by fraud, forgery and other financial misappropriation. The CBN and other regulatory bodies came out with strict and tighter measures to combat financial irregularities after the 2009 financial crises. So many CEO of top banks in Nigeria were sacked and investigated by the EFCC (Economic and Financial Crimes Commission). The measures instituted decreased the amount of fraudulent cases and misappropriation seen in banks and other money houses.

4. LITERATURE REVIEW

Fraud has become a critical factor in the banking sector of Nigeria since the inception of banking in Nigeria. It brings a certain level of incredibility in the financial system of the country. Like other countries, Nigeria has gotten her fair share of fraud and fraudulent practices and she is still fighting to totally eradicate the fraud which comes in different forms and types. The continuous multiplication of fraudulent activities in Nigeria can be trace down to the nature of the Nigerian system. Umaru (2005) cited that the Nigerian system encourages the illicit show of wealth. He also cited the manner by which society recognizes wealthy individuals in various communities without detailed checking of the wealth source. The result of this nonchalant attitude by which society and law enforcement agency deal with these individuals has instigated more young Nigerians to enter into the fraudulent practice.

The negative effect of bank fraud is large. It is the biggest case and it brings an untold hardship on bank owners, customers of the affected banks, staff and family members. Inaya (2016) and Ochuko (2016) wrote that, one of the major causes of distress in banks is fraud. Fraud influences the level of performance an institution can give out either in small or large scale.

As it has been defined in previous chapters, fraud is an act that is premeditated or is an intentional act which can cause a financial institution or organization to suffer from damages. It happens through the loss of money most times. Eseoghene (2010) gave several factors that instigate bank fraud and types of fraud. They include falsification of status report, theft and embezzlement, unofficial borrowing, forgeries, foreign exchange malpractices, impersonation and many more. Inadequate or poor cooperation plan among staffs, infidelity among employees, poverty, poor working conditions are other reasons why fraudulent schemes are prevalent.

Also, according to Columbia University (2016) there are certain contributing factors to fraud. These factors are mostly in house factors in the financial institution and they are among staffers. Poor internal controls, collusion between employees, management override of internal controls and collusion between third parties and employees.

The impact of fraud is like a chain reaction of events. If not adequately managed, it can move from a certain financial institution to another. Increased layoffs, decrease in employees' benefits, fewer pay increase, greater pressure to increase revenue, negative publicity for the organization and low employee morale. Meanwhile Nwankwo (2013), outlined two comprehensive factors which can lead to fraud. He wrote about institutional factors which includes inadequate infrastructure, poor management, poor salaries, poor security arrangement etc. The other factor he outlined was environmental factors. The factors that can easily be traced back to the bank's immediate remote environment are called environmental factors. High level of poverty in Nigeria, unemployment, and fear of negative publicity; it has been noted due to studies that many financial institution fail to report fraudulent cases to appropriate authorities. They have come to the conclusion that it gives negative publicity and remarks and it also push away substantial customers. Societal values are the last of the environmental factors.

In recent times, there have been extensive studies by various scholars to talk about the impact and effect of frauds in different countries. Oludayo and Oluwatosin (2014) investigated on fraud through Automated Teller Machine using a sequential exploratory strand of mixed methods. The research was from the victim's perspective. The findings of the research showed that fraudsters were the victim's friends, children, relatives and lovers. They recommended that a policy which would consider the peculiar socio-demographics of customers to endanger financial inclusion.

Inaya and Ochuko (2016) investigated on social impact of fraud on the Nigerian banking industry. OLS (Ordinary least square) was used in analyses of date obtained. Findings which were earthed shows that banks in Nigeria were thriving and can also be part of the high level of fraud in the country. The authors recommended that bank should be enjoined to be more observant and meticulous in their operations and also provide a least tolerable environment for fraud.

Akinyomi (2012) in his thesis examined the prevention of fraud in the Nigeria banking sector. He found out that greed is the number one cause of fraud. In his observation, he also found out that staffs are involve in all stages of fraud, from initiation, execution and concealment. He recommended the establishment of adequate internal control.

Buoni (2012) with the use of fraud interactive decision expert system (FIDES) which is used by auditors to check fraudulent activities. It uses a system which retrieves old cases of fraud in order to match them with new cases. The FIDES will help to simplify risk management phase.

Akelola (2012) used the fraud triangle to analyze incidences of fraud and motivation of fraudsters. The research found out that the fraud triangle worked effectively to predict the pattern of fraud described by respondent.

Jacob (2016) used a four-research question matrix in his study, the effect of corporate governance on occurrence of fraud I commercial banks in Kenya. The research questions are; what extent does top leadership affect occurrence of fraud in commercial banks in Kenya? To what extent does the prudential control system set by commercial bank's regulator impact on occurrence of fraud? To what extent do the fraud response strategies by commercial banks in Kenya affect occurrence of fraud? To what extent does the alignment of top leadership's compensation structure to fraud risk affect occurrence of fraud? The study postulated various conclusions.

Ugwunta (2012) in his study, the structure of the Nigerian banking sector and its impact in banks performance used a time series regression analysis on a ten-year date period (2001-2010) to evaluate what the relationship between the structure of banks and the impact of the structure of banks. He found out based on his results that the Nigerian banking sector is not run by big company but oligopolistic in nature and structure.

Ojong, Ekpuk, Ogan and Emori (2014) in their study used an exposit facto design type to check the banking sector reforms in Nigeria. A regulatory imperative for a sustainable banking industry. The results of the study show the very large debt profile and the low quality of asset which has an adverse effect on the bank performance and also was statistically significant, it also reveals the how undercapitalized Nigerian banks were before the 2004 bank reforms.

Eseoghene (2010) in his study bank frauds in Nigeria, while underlying the causes, the effects and the possible remedies, he used the t-test to analyze the samples collected. The study reveals that respondent don’t think that the borrowing and the foreign exchange can be any form of bank fraud because it is widely practiced.

Uchenna and Agbo (2013) in their study which is the impact of fraud and fraudulent practices on the performance of banks in Nigeria. The Pearson product moment correlation and multiple regression analysis were employed to determine the impact used to ascertain impacts. The thesis concluded that fraudulent activities causes more damage to both banks and customers at large.

Adeyemo (2012) in his study, frauds in Nigeria banks. The nature, deep seated causes, aftermath and probable remedies examined NDIC (Nigeria deposit Insurance corporation) annual reports for date relating to total amount involved in frauds and forgery. It concluded that previous fraudulent cases must be thoroughly dealt with to prevent others from been found wanting and increase the chances of detection.

Owolabi (2010) in his study, fraud and fraudulent practices in Nigeria banking industry takes a look at the different types of fraud and its impact on various reforms in the Nigerian banking sector.

Ehioghiren (2016) in his study, forensic accounting and fraud management. Evidence from Nigeria discussed forensic accounting and how it significantly influences fraud detection and control.

5. EMPRICAL APPLICATION

In this paper, we will employ three basic methods. They are the graph approach, descriptive statistics and correlation analysis. Purpose of correlation coefficient is to determine by inspection, if there exist an appropriate linear relationship between the variables. The sample period is 1995-2013 because the term is the longest published data period. The data used are compiled from different sources a number of sources. Therefore, annual data is used. Total amount involved in fraud are sourced from NDIC annual report (1995-2013). Real effective exchange rate is sourced from the International Monetary Fund (IMF) from 1995-2013

Table 5.1: Total Amount Involved and Real Effective Exchange Rate

Years	Total Amount Involved in Fraud N'M	Real Effective Exchange Rate
1995	1,011	160.23
1996	1,601	207.77
1997	3,778	236.08
1998	3,197	272.52
1999	7.404	70.19
2000	2,851	69.91
2001	11,754	77.88
2002	12,920	78.13
2003	9,384	73.25
2004	11,754	74.96
2005	10,606	85.55

2006	4,832	91.50
2007	10,006	89.65
2008	53,523	99.12
2009	41,266	92.14
2010	21,291	100.00
2011	28,400	100.31
2012	18,050	111.39
2013	21,790	118.81

FRAM: Total Amount Involved (N'M)

FRLOS: Total Expected Loss (N'M)

FRLOP: Percentage of Loss on Total Amount Involved (%)

FRNM: Total Number of Frauds

Figure 2 shows the FRAM, FRLOS, FRLOP AND FRNM**;** total amount involved in fraud, total expected loss in fraud, percentage of loss on total amount involved in fraud and total number of frauds respectively.

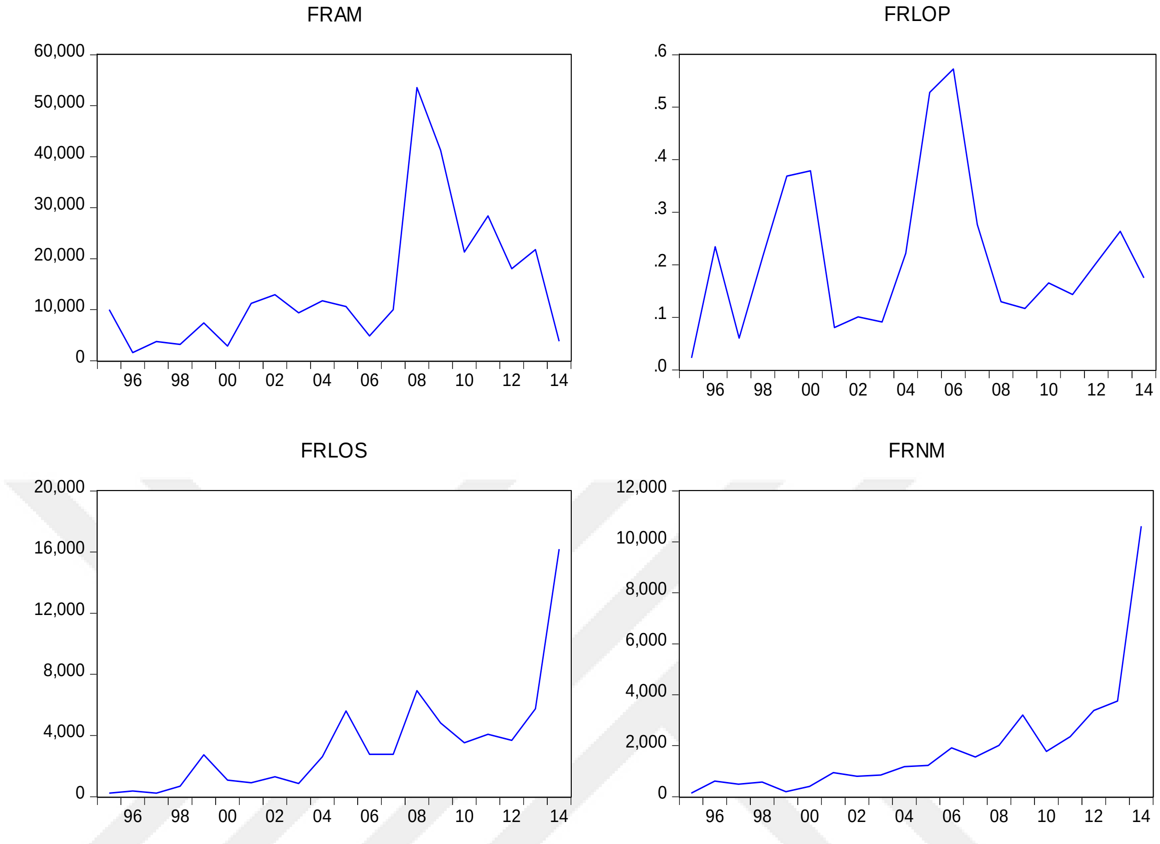

Figure 5.1: Graph of the FRAM, FLOS, FRLOP, and FRNM

Although graph of FRAM shows fluctuating patterns in both periods, it has been increased and reached a peak in 2009 then started to have decreasing pattern. Also, FRLOP has decreasing pattern after 2009. It is clear to see there is a decreasing trend after the 2009 crisis. During the 2009 banking crisis, the Nigerian banking system was in total mess and many banks were nearing the point of bankruptcy. These banks were very prone to liquidation. The main cause of the fraud was administrative fraud. Sanusi (2009) highlighted various causes of the collapse which include bad debt. Money laundering, failures in corporate governance at banks, lack of transparency and disclosure of financial status by the banks, weakness within the CBN and other factors. 10 banks were examined, 5 banks were found to be close to bankruptcy and very prone to liquidation. 40.81% was the percentage of the nonperforming loans of the five banks and they were terrible borrowers at the Expanded Discount Window (EDW). Five CEOs of the bank were sacked and charged for money laundering and other fraud related offences during the special inquiry period. The low standard deviation indicates that range of the variable is more tightly comparing another period. The question appears if there is a relation between 2009 crisis and fraud in banking.

According to the graph, the fraud total expected loss (FRLOS) and total number of frauds decreased immediately after the 2009 financial crisis and systematic rescue carried out by the CBN and the Nigerian government. There was an increased in FRLOS and FRNM in 2013.

On the contrary with the decreasing trend after 2009 total amount of fraud and the total number of frauds; percentage loss and number fraud values have decreasing trend after 2009 crisis. Only in FRLOS and FRNM variables are increased in 2013, if we don't take into account this year we can say that all values decreasing after 2009. These results have a clue to investigate whether the crisis has a negative effect on fraud in other words. Interpreting graphs are not enough to have strong results. To have more detailed and meaningful results, descriptive statistics of variables can be interpreted Descriptive statistics are calculated to the central tendency of the variables and to see if there is a difference between the years of the reform and the full term. Descriptive statistics show the mean, median, maximum and minimum values for the variables.

Mean: The statistical mean is defined as the average of a data, it can be done by the addition of all the variables involved and divide it by the total number of points.

Mode: Mode refer to the most frequently occurring number in a set of numbers.

Median: It is the simple measure of central tendency. To find the median, observation are arrange in either increasing order or decreasing order. If the observation comes in an odd number form, the middle number becomes the median and if it is an even observation, the median is the average of the two middle values.

Standard deviation: It is calculated by checking the square root of the mean

Each variable is divided into four periods which are the full sample (1995-2013), before the banking reform period (1995-2003), after the banking reform period (2005-2013) and after crisis period (2010-2013).

Table 5.2: Descriptive statistics of Fraud data

Full Sample 1995-2013				
	FRAM	FRLOP	FRLOS	FRNM
Mean	14942.53	0.219808	2679.105	1438.684
Median	10606.00	0.203767	2730.000	1175.000
Maximum	53523.00	0.572848	6929.000	3756.000
Minimum	1601.000	0.022875	228.0000	141.0000
Std. Dev.	4170.385	0.133288	770.9080	280.0221
Observations	19	19	19	19
Sample I: Before banking reform period 1995-2003				
	FRAM	FRLOP	FRLOS	FRNM
Mean	6932.222	0.172701	933.1111	554.8889
Median	7404.000	0.100619	857.0000	573.0000
Maximum	12920.00	0.379165	2730.000	943.0000
Minimum	1601.000	0.022875	228.0000	141.0000
Std. Dev.	4170.385	0.133288	770.9080	280.0221
Observations	9	9	9	9
Sub Sample II: After Banking Reform Period 2005-2013				
	FRAM	FRLOP	FRLOS	FRNM
Mean	23307.11	0.266664	4432.778	2351.778
Median	21291.00	0.203767	4071.000	2007.000
Maximum	53523.00	0.572848	6929.000	3756.000

Minimum	4832.000	0.116609	2768.000	1229.000
Std. Dev.	15712.38	0.170671	1437.878	886.5177
Observations	9	9	9	9
Sub Sample III: After crises 2010-2013				
	FRAM	FRLOP	FRLOS	FRNM
Mean	22382.75	0.194035	4253.750	2816.250
Median	21540.50	0.184548	3874.500	2866.000
Maximum	28400.00	0.263699	5746.000	3756.000
Minimum	18050.00	0.143345	3520.000	1777.000
Std. Dev.	4340.633	0.052730	1021.451	912.2340
Observations	4	4	4	4

If we compare before banking reforms and after banking reform values we can see that there is an increase in values. The mean value of FRAM is 14942 for full sample while it is 6932 and 23307 for Sample and Sub-sample I respectively. Similarly mean, median and maximum and minimum values are increased from before reform to until 2014. The median of FRAM for full sample was 10606 while it is 7404 and 21291 for sample and sub sample 1 respectively. The maximum value of FRAM followed the same pattern like the mean and median. 53523 for the full sample, 12920 for sample while 53523 for sub sample 1. There was an increase in the maximum value of FRAM from sample to sub sample 1. Sub sample 1 had the same value as the full sample with 53523. The minimum value of FRAM for full sample 1601 while the sample and subsample 1 is 1601 and 4832 respectively. There was an increase in minimum from the period before reforms and after reforms to 2014. The sample and full sample has the same value at 1601. The standard deviation of FRAM at full sample and sample are the same at 4170 while subsample 1 showed an increase after reform at 15712. The mean value for FRLOP for full sample is 0.219808 while 0.172701 and

0.266664 are for sample and subsample 1 respectively. The same observation was seen in median, maximum, minimum and standard deviation, there was an increase percentage of loss due to fraud after the period of reforms. From the table above; there was a steady increase in the values of all the statistical tools for FRLOS and a more increase after the period of reforms. The same increase was seen in FRNM. Examining the effect of banking reform indicate that banking reform has no effect on decreasing of fraud in Nigeria. According to examining graphs there was a clue of effect of 2009 crisis. In Table 1, the descriptive statistics support these results. Except FRLOS all variables show that the fraud in Nigerian banking system is decreasing. Only FRNM is seem to decrease in after crisis period but it has higher values because of its dispersion. Dispersion refers to the spread of the values around the central tendency. Because of the peak in 2013 the standard deviation of the variable is increasing then it has greater central tendency values. After the 2009 banking reform, there was a decrease in the mean value of FRAM, FRLOP and FRLOS but an increase in FRNM. The same observation was seen in median and maximum for FRAM, FRLOP, FRLOS and FRNM. The minimum of FRLOS increased unlike the other variables that decreased after reforms. Consequently, the banking crisis is an important factor on fraud in Nigeria. Fraud keep decreasing in the crisis years.

According to previous results, it can be thought that the macroeconomic variables have an effect on fraud. Some of the variables are related with the wealth of people of Nigeria some of are related to the social life of the people. The variables are

POP Population density (people per sq. km of land area)

RER Real effective exchange rate index (2010 = 100)

RIR Real interest rate (%)

GDPc Gross Domestic Product (constant 2010 US$)

GNI Gross National Income (constant LCU)

We use population because Fridolin et al. (2009) state that the growth experienced in the 20th century was unprecedented growth which makes resource scarcity and corresponding conflicts. Increasing in population makes the material and energy use multiplied. We assume that the increasing population stimulates the demand of consumption by means of material and energy use then to satisfy these demands fraud will be increased. Therefore, we expected to have positive relationship between fraud and population.

Another macroeconomic variable is real effective exchange rate to show power of domestic currency. The real exchange rate is the total cost of domestic goods against foreign product. It shows the competitiveness of a country the country (Nwachukwo et al, 2016)

Hardy and Pazarbasioglu (1999) divide the reason of banking crisis into three groups. The variables in the third group are the inflation rate, the real deposit interest rate, changes in the real exchange rate, the growth of imports in real terms, and terms of trade developments. The previous results of the paper about the effect of the crisis on the fraud in Nigeria show some findings for a negative relationship. Findings of Hardy and Pazarbasioglu shows that it is meaningful to determine the effect of real exchange rate and the real interest rate on fraud. Hardy and Pazarbasioglu (1999) find that an appreciation in the RER often precedes a crisis. The results of graphs and descriptive statistics showed the negative relationship between crisis and fraud. If all of this considered together an appreciation of RER precedes a crisis then crisis decrease the fraud, therefore, it is expected to have a negative relationship between RER and crisis

Real interest rate (RIR) is the interest rate an investor gets after he has allowed inflation. Boyd and Jalal (2012) explained Real interest rate using Fsher's equation which states that a 1 percent increase in the rate of inflation in turn causes the same 1 percent increase in interest rate. Therefore, an increase in RIR increases the rate of fraud and it gives a positive effect.

The gross domestic product (GDP) is one of the many indicators used in checking the vibrant state of a nation's economy. Fraud is one of the biggest factor that can inhibit or slowdown economic growth of a country. According to Murphy (1991) an increase in fraud or corruption increases the price of the transaction costs and also the uncertainty. Increase in fraud or corruption brings down the GDP of a nation, therefore, GDP is expected to have a negative relationship with fraud.

GNI (Gross national income) is the total of a country's gross domestic product plus the net income that is received from oversee. It measures the income received by a country both domestically and from oversee. It relationship with fraud will be negative because an increase in fraud decreases GNI.

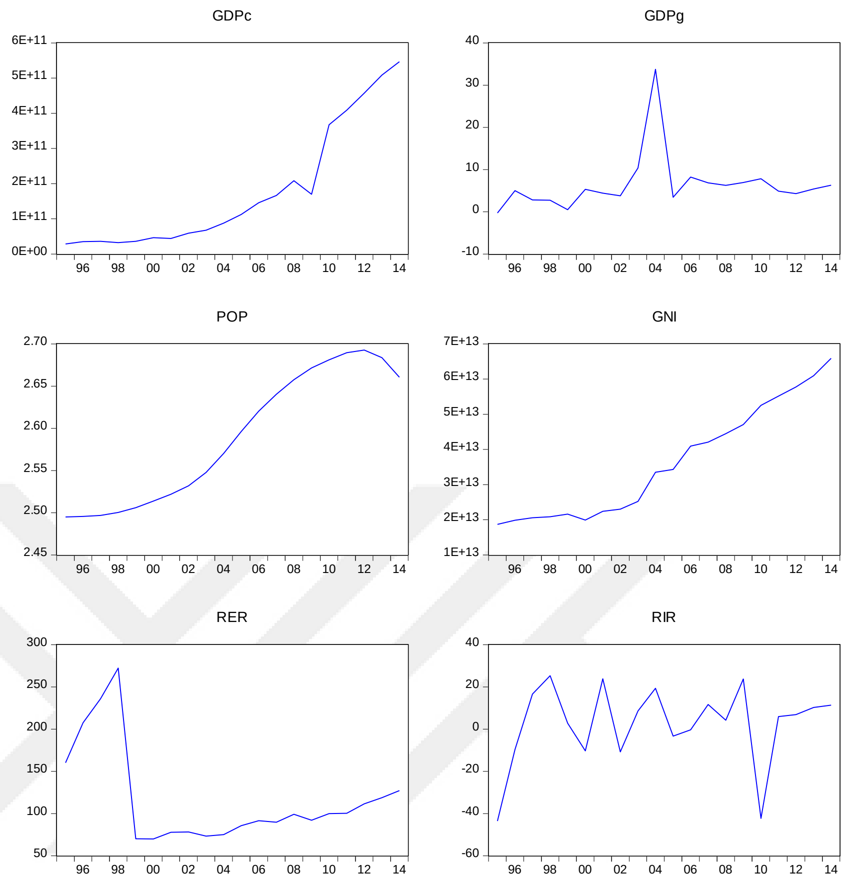

Figure 5.2: Graph of GDPc, GDPg, POP, GNI, RER and RIR

Figure 5.2 shows the graphs of the macroeconomic variables, POP is Population density, RER is Real effective exchange rate, RIR is real interest rate, GDPc GDP and GNI is the Gross National Income. Increasing economic growth and development by means of GDP growth is one of the goals of any economic system. To have this development a local currency of the countries and interest rate must be low. Low interest rates stimulate the investment in the country.

Table 5.3: Descriptive statistics of Macroeconomics Variables.

1995-2013						
	GDPC	**GDPG**	**GNI**	**POP**	**RER**	**RIR**
Mean	1.59×10^{11}	6.440614	3.4810^{13}	2.584860	116.2388	2.033023
Median	8.78×10^{10}	4.993706	3.3510^{13}	2.570243	92.13576	5.941526

Maximum	5.09x10^{11}	33.73578	6.0910^{13}	2.692684	272.3435	25.28227
Minimum	2.85x10^{10}	-0.307469	1.8710^{13}	2.495003	69.86898	-43.57266
Std. Dev.	1.58x10^{11}	7.093757	1.4810^{13}	0.077981	59.35860	19.41051

The descriptive statistics of macroeconomic variables. Mean of GDP is 159 billion USD. Median is 80billion dollars. Maximum value is 509 billion dollars and the lowest GDP IS 28 billion USD. Standard deviation of the GDPc is nearly 16 billion dollars. The values show us Nigeria is in the low-income countries with the mean value of approximately 150 billion USD. The mean of GDPg is 64 billion dollars, median is 49 billion dollars, maximum value is 330 billion dollars, the minimum value is in a deficit of 1 billion dollars and the standard deviation is 71 billion dollars. In the descriptive statistics table, the mean value for fraud is 95 million dollars then the average share of fraud in GDPg is 64 billion dollars. The mean value of gross national income (GNI) is 348,000 dollars, the median is 335,000 dollars, the maximum is 609,000 dollars, the minimum is 187,000 dollars and the standard deviation is 148,000 dollars. The mean value of fraud is 95 million dollars then the average share of fraud in GNI is 95 million dollars divided by 348,000 dollars.

The mean value for a population density (POP) is 2.6 people per square kilometers, median is 2.6 people per square kilometers, while maximum is 2.7 people per square kilometers, minimum 2.5 people per square kilometers and standard deviation is 0.08 people per square kilometers. The mean of fraud compared to population density is 65/2.9 billion dollars/people per square kilometers.

The mean of RER is 116 Naira per dollar, the median is 92 Naira per dollar, the maximum value is 272 Naira per dollar, minimum value is 69 Naira per dollar while standard deviation is 59 Naira per dollar. The mean RIR is 2.0%, the median for RIR is 5.9%, the maximum for RIR is 25%, the minimum value is in a deficit of -43% while the standard deviation is 19%.

The correlation is the degree of relationship between two variables. Correlation coefficient takes values between -1 to 1. A perfect positive correlation is represented by 1, while 0 indicates no correlation and negative 1indicates a perfect negative correlation which clarified below:

r = –1 Perfect negative correlation

r = -0.1<r<-0.5 Strong negative correlation

r = -0.5<r< -0.3 Moderate negative correlation

r = -0.3<r< -0.1 Very weak negative correlation

r =0 There is no correlation

r = 0.3<r< 0.1 Very weak positive correlation

r = 0.5<r< 0.3 Moderate positive correlation

r = 1 Perfect positive correlation

Positive correlation is a relationship between two variables in which both variables move in together. A positive correlation exists when one variable decreases as the other variable decreases, or one variable increases while the other increases.

The table below shows correlation between macroeconomic variables and fraud variables. In the table first row show correlation coefficient, second column shows the values of the significance test of the correlation and the third shows p values of significance test of the correlation**.**

Table 5.4: Correlation Coefficients of Variables

		FRAM	**FRLOP**	**FRLOS**	**FRNM**
GDPC	**r**	0.498294**	0.006942	0.653685***	0.868192***
	t	2.369664	0.028624	3.561487	7.213701
	p	0.0299	0.9775	0.0024	0.000
GDPG	**r**	0.042198	0.036617	0.081089	0.094284
	t	0.17414	0.151077	0.335444	0.390483

	p	0.8638	0.8817	0.7414	0.701
GNI	**r**	0.620018***	0.095477	0.781968***	0.931844***
	t	3.258275	0.395467	5.172539	10.58836
	p	0.0046	0.6974	0.0001	0.000
POP	**r**	0.68567***	0.096467	0.810963***	0.906775***
	t	3.883829	0.399608	5.714758	8.867641
	p	0.0012	0.6944	0.000	0.000
RER	**r**	-0.2891	-0.2419	-0.40843*	-0.24048
	t	-1.24516	-1.02789	-1.84488	-1.02149
	p	0.230	0.3184	0.0826	0.3213
RIR	**r**	0.092471	0.004625	0.112565	0.244284
	t	0.382906	0.019069	0.467086	1.038677
	p	0.7065	0.985	0.6464	0.3135

*, **, *** indicates significance at p< 0.1, 0.05, 0.01, respectively.

The correlation coefficient between Gross Domestic Product in constant values and amount of fraud is statistically significant at the 5% level. There is a positive but moderate relationship between GDPc and FRAM are decreasing or increasing together. It is parallel with previous results that showed fraud decrease in crisis period.

The correlation coefficient between GDPc and FRLOS (Fraud total expected loss) is statistically significant in 1% level. There is low positive relationship between GDPc and FRLOS and they increase and decrease together.

GDPc and FRNM has a correlation coefficient which is statistically coefficient in 1% level. There is a low positive relationship between the two variables as they are decreasing and increasing together.

The correlation coefficient between gross national income and FRAM is in the 1% level. There is a weak positive relationship between the variables and they decrease and increase together.

GNI and FRLOS; - The correlation between gross national income and total expected loss is statistically significant in 1% level. There is a positive but low relationship between GNI and FRLOS and they are decreasing and increasing together.

The correlation coefficient between gross national income and total amount involved is statistically significant in 1% level. There is a positive but low relationship between GNI and FRNM and the variables increase and decrease together.

Population density and total amount involved is statistically significant in 1% level. There is a linear positive relationship between POP and FRAM. The higher the population density the higher the amount of fraud involved vice versa.

POP and FRLOS have a correlation coefficient between them which is statistically significant in 1% level. The relation between the variables is moderately positive. They increase and decrease together.

Population density and total amount involved have a correlation coefficient in 1% level which is statistically significant. There is a positive relationship between POP and FRNM. An increase and decrease in POP is directly proportional to the number of fraud.

The correlation coefficient between Real interest rate (RER) and Total expected loss is statistically significant in 10% level. There is a negative relationship between RER and FRLOS. Interest rates and FRLOS move in opposite directions. That's, when RER is increasing FRLOS will be decreasing vice versa.

Lučić et al. (2016) result when he which investigate relationship between corruption and GDP for the sample of 40 countries is related to this. The authors find that for medium term (six to 10 years) correlation coefficient is the largest and positive between GDP and corruption and way of the causality is GDP to corruption. Whereas they found positive relationship in medium term some results are contradicts; their relationship is negative for short term (1-5 years) and long terms (11-15). For all this results correlation do not say us the direction of the relationship is it GDP to fraud or fraud to GDP. We leave this successor researches.

The result of the table above show several relationships based on correlation coefficient between various variables. An increase Gross domestic product will definitely bring an increase to amount of fraud which shows a positive correlation coefficient, same with GNI (Gross national income) when compared to total amount of fraud (FRAM), total number of fraud cases (FRNM) and total expected loss (FRLOS). In case of population density (POP), there is negative correlation between population density and the variables associated to fraud (FRAM< FRL fraud which shows a positive correlation coefficient, same with GNI (Gross national income) when compared to total amount of fraud (FRAM), total number of fraud cases (FRNM) and total expected loss (FRLOS). In case of population density (POP), there is negative correlation between population density and the variables associated to fraud (FRAM< FRLOS< FRNM) unlike real exchange rate (RER) which is positively correlated. OS< FRNM) unlike real exchange rate (RER) which is positively correlated.

6. CONCLUSION

Through the different parts and chapters in the study, I discussed about the importance of banking to a nation's economy and the need to foster it by attracting savings, granting credits and issuing loans. Banks are the oil wheel that keeps the economy running. One of its major importance is the managing and monitoring risks of customer's cash. The apex bank in any country is the major controller of the influx of monetary bills. Stabilizing the economy and creating an avenue whereby payments and credit loans can be made.

Bank is a driving force in the development of an economy. It has become a vital tool in dealing with variables such as unemployment rates and inflationary rates which affects the lives of individuals and bank customers. The Nigeria banking system has evolved over a period of time. From the 18th century when the establishment of a bank was paramount to deal with the distribution of British shillings (the then currency) to the creation of the CBN after failures of several banks in the 1950s. The banking system in the country has thrived and it is stronger than ever. According to the CBN annual review, Nigeria banks are major players in the financial scheme of things in Africa and 5 indigenous banks are currently among the first 1000 banks of the world. The growth of the financial sector has been impeccable.

In the third section the impact of fraud and the total amount lost due to fraud in Nigeria are discussed. Next chapter fraud and banking fraud were defined according to previous researches. Bank fraud was discussed as one of the major factors for banking and financial failures which dates back to 1930. Various theories of fraud were discussed and the theories bordered around motivation, opportunity and rationalization. Other factors like dissatisfaction, job dissatisfaction, misfit between values and norms are other factors. Causes of bank fraud which includes institutional factor, environmental factors, poor internal control, poor book keeping and other were discussed.

Like other countries, fraud has been a persistent cankerworm that has been trying to sabotage the financial system of the country. The first collapse of the banking industry in the 1940s and1950s was predominantly due to fraudulent practices. There has been various dynamism whereby fraud and fraudulent schemes are being carried out. Money laundering, management fraud, insider and outsider fraud, collaborative fraud, internet fraud and many other fraudulent schemes is seen in the Nigeria system. They were also period of reforms; the year of 2004 and year of 2009 banking reforms has been the latest of reforms. The 2004 and 2009 banking reforms and the effect to fraudulent schemes, especially management fraud and insider fraud, the Nigeria banking crises and the factors that brought about the crises. After the banking reforms and crises, the amount of money lost due to fraud didn't diminish or become smaller even though the incidence of fraud decreased especially in 2011 after the reforms of 2009.

The reform has been the catalyst to implement certain policies, bring down the number banks, increasing the monetary benchmark of commercial banks, establishing e-banking, merging several banks together and other policies.

In chapter four, various literature, theses, papers and research by other scholars were reviewed holistically to check the effect of fraud, how to manage fraud, e-banking, insider and outsider fraud, management fraud and theories associated to fraud. The researchers studied also discussed about the environmental and psychological factors that affect fraud in a place or financial institution.

In the empirical application chapter, basic descriptive statistics and correlation analysis are used to investigate relationship between fraud and banking sector. The variables used can be defined as a banking variables and macroeconomic variables. Banking variables are total amount involved in fraud(FRAM), total expected loss (FRLOS), percentage of loss on total amount involved (FRLOP) and total number of frauds (FRNM). Macroeconomic variables are gross domestic product (GDP), gross national income (GNI), population density (POP), real exchange rate (RER), real interest rate (RIR). Descriptive statistics of the macroeconomic variables showed that the variables have certain effect to fraud when they increase or decrease.

The empirical application shows that GDPc, POP, GNI, all has a positive relationship with fraud. This indicate that an increase in all this variable cannot decrease fraud, it would rather increase it. This paper shows that positive developments on macroeconomic variables have no decreasing effect on fraud and it is therefore recommended that future researchers who will want work on this issue can exploit some other variables such as the Sociological variables to investigate the effects it may have an on fraud also the government in all countries always stand to play a vital role in the monetary and financial crime prevention, therefore further power should be given to the organization which were created to tackle the menace. Organization such as the Economic and Financial crimes commission(EFCC), Independent corrupt practices and other related offences(ICPC), and National deposit insurance company (NDIC) should be given more free hand to operate in other to checkmate the menace.

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RESUME

TAYE GEORGE IBIDAPO

Mahkez Mah. 50/11 Samli Sok, Avcillar Istanbul, Turkey.
Tel; +905386120869
E-mail: tayeibidapo@gmail.com

OBJECTIVE:

To initiate outstanding strategies for the realization of goals by the organisation.

BIO-DATA:

Sex: Male
Marital status: single
Nationality: Nigerian
Date of Birth: 6th March, 1988

EDUCATIONAL QUALIFICATIONS:

Istanbul Aydin University 2017 (MBA).

Ladoke Akintola University of Technology	2014 (B.Tech).
Otun Comprehensive High School	2007 (SSCE).

OTHER CERTIFICATES:

º Graduate certificate in logistics and supply chain Management 2016

WORK EXPERIENCES:

Ministry of Agriculture and Natural Resources, Ilorin Kwara State
Jan 2015-Oct 2015
Designation: Administrative Assistant
Responsibilities

ºMaintain files and records.
ºReceiving and sending documents.
ºOrganising and storing paper work, documents and computer-based information.
ºPhotocopying and printing various documents, sometimes on behalf of other colleagues.
ºDevising and maintaining office systems.
ºUsing a variety of software packages, such as MS word, Outlook, excel etc to produce correspondence and documents and to maintain presentations, records, spreadsheets and databases.

Royal Babs Enterprises, Ado, Ekiti State
July 2011- May 2012
Designation: Sales Representative (Internship)
Responsibilities

ºIssuance of payment vouchers.
ºEntering data into the system.
ºMaintain financial file records.
ºOther Administrative duties as directed and required.
º Built a strong relationship between the customers and the company.
º Worked with customers to find what they want, created solutions and ensure smooth sales process

SKILLS

ºCommunication and interpersonal skills
ºTeam work
ºComputer and Research skills
ºAnalytical skills
ºStrong oral and written communication skills
º Ability to think fast
º Ability to work well under pressure
ºDetails Oriented and problem solving

LANGUAGES

Excellent in spoken and written English and Yoruba

HOBBIES

Travelling, surfing the internet, Watching movies, Sports

REFERENCEES

Available on request