



ILORIN JOURNAL OF MARKETING (IJM)

Volume 1, No. 1, June 2015

A Publication of
Department of Marketing,
Faculty of Management Sciences,
University of Ilorin, Ilorin.
e-mail: ijm@unilorin.edu.ng
www.unilorin.edu.ng



ILORIN JOURNAL OF MARKETING (IJM)

**Volume 1 Number 1
June 2015**

A Publication of
Department of Marketing,
Faculty of Management Sciences,
University of Ilorin, Ilorin, Nigeria

E-mail: ijm@unilorin.edu.ng, aremuilalaa@yahoo.com
www.unilorin.edu.ng

ISSN: 2465-7417

© Department of Marketing,
Faculty of Management Sciences,
University of Ilorin, Ilorin

Copy right 2015.

All right reserved.

Reproduction of any part of this journal beyond that permitted by the Nigeria Copyright Act without the expressed written permission of the Copyright holder is unlawful. Request for such permission or further information should be addressed to The Editor - in - Chief, Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin, Nigeria
E-mail: ijm@unilorin.edu.ng, aremuilalaa@yahoo.com
Tel: 08036718531

Published June 2015
By Department of Marketing,
Faculty of Management Sciences
University of Ilorin,
Ilorin, Nigeria

E-mail: ijm@unilorin.edu.ng, aremuilalaa@yahoo.com
www.unilorin.edu.ng

Printed by:
Doja Press
No. 36 Niger Road, Ilorin
Kwara State
Tel: 08056682821, 07066861616
E-mail: oladojajakeem@gmail.com

ISSN: 2465-7417

Disclaimer

The responsibility of the contents and the opinions expressed in *Ilorin Journal of Marketing* is exclusively of the author(s) concern. The publisher/editor of the journal is not responsible for errors in the contents or any consequences arising from the use of information contained in it. The opinions expressed in the research papers/articles in this journal do not necessarily represent the views of the publisher/editors.

Editorial Advisory Board Members

- Prof. J. O. Olujide:** Dean Faculty of Management Sciences, University of Ilorin, Ilorin.
Prof. Sidikat L. Adeyemi: Director, Ilorin Business School, University of Ilorin, Ilorin.
Prof. J. J. Adefila: Department of Accounting, Faculty of Management Sciences, University of Maiduguri, Borno State.
Dr. E. O. Oyatoye: Associate Professor, Dept. of Business Administration, University of Lagos, Nigeria.
Prof. N. Yusuf: Department of Sociology, University of Ilorin, Ilorin, Nigeria.
Prof. S. O. Otokiti: Head, Department of Business & Entrepreneurship, Kwara State University, Malete, Kwara State, Nigeria.
Dr. W. Ibrahim: Acting Head, Department of Economics, Al-Hikmah University, Ilorin, Kwara State, Nigeria.
Dr. A. Medupin: Acting Dean, College of Management Sciences, Al-Hikmah University, Ilorin.
Prof. S. A. Adebola: Department of Business Administration & Marketing, Babcock University, Ilisan Remo, Ogun State.
Prof. Dauda Abdulsalam: Department of Business Administration, Faculty of Management Sciences Usmanu Danfodiyo University, Sokoto.
Dr. R. I. Akindele: Department of Management and Accounting, Faculty of Administration, Obafemi Awolowo University, Ile-Ife.
Prof. R. A. Olawepo: Department of Geography & Environmental management, University of Ilorin, Ilorin, Nigeria.
Dr. L. T. Ajibade: Associate Professor, Dept. of Geography & Environment Management, University of Ilorin, Nigeria.
Dr. A. A. Adewale: International Islamic University, Malaysia.
Prof. E. O. Oni: Department of Entrepreneurship and Business Studies, Federal University of Technology, Minna, Niger State, Nigeria.
Prof Valentine Udoh James: Department of Biology & Geosciences, Clarion University of Pennsylvania.
Dr. M. O. Awodun: Dean, School of Business and Governance, Kwara State University, Malete, Kwara State, Nigeria.
Dr. J. A. Oladipo: Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. M. Samaila: Department of Marketing, School of Management Sciences, National Open University of Nigeria (NOUN), Lagos
Dr. Sayyid Saalman Rizavi: Hailey College of Commerce, University of the Punjab, Lahore, Pakistan

Editorial Team

- Dr. M. A. Aremu:** Editor-in-Chief, Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. R. A. Gbadeyan: Acting Head, Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. J. A. Bamiduro: Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. Y. I. Mustapha: Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. J. O. Adeoti: Acting Head, Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. S. B. Isiaka: Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. U. Gunu: Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. A. Kazum: Acting Head, Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. M. A. Ijaiya: Acting Head, Department of Finance, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. I. B. Kadiri: Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. I. I. Aun: Department of Business Administration Sciences, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. Olubunmi F. Osemene: Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. Khadijat A. Yahaya: Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin.
Dr. A. A. Atolagbe: Department of Educational Management, Faculty of Education, University of Ilorin, Ilorin.

Editor's Message

Dear Reader(s),

I have the privilege to welcome all of you to this maiden issue of Ilorin Journal of Marketing (IJM). Ilorin Journal of Marketing (IJM) is a publication of Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin, Nigeria. The intention of the IJM is to provide an academic medium and create an atmosphere that stimulates creativeness, research and growth in the area of marketing management and related discipline. IJM deems it fit to provide research papers in the field of marketing in view of increasing interest in, and relevance of marketing in today's global economy.

The development and growth of the mankind is the consequence of brilliant researches done by researchers in every field. IJM provides an outlet for research findings and reviews in the areas of marketing management and related discipline found to be relevant for local, national and international development. The aim and scope of the journal is to provide an academic medium and an important reference for the advancement and dissemination of research results that support high-level learning, teaching and research in the domain of marketing management and related discipline. Also, the journal intends to become a virtual knowledge grid for researchers, scholars, students (both undergraduate and postgraduate), developments and innovators in the field of marketing management and related discipline.

Finally, I express my sincere gratitude to the Editorial Advisory Board Members and Editorial Team for their continuous support to make this issue of IJM possible and bring it to its present form. Undoubtedly we could not produce an outstanding journal without the amazing efforts of our reviewers. Papers are selected with utmost care and circumspection. The present issue of IJM epitomizes journals as its collections are diverse in nature and well researched. The motivation and expertise of the professionals who serve as reviewers are necessary in the maintenance of technical and editorial standards. So, it is with great pleasure that I offer my thanks to each of the peer reviewers. I hope you will enjoy reading this maiden issue while we welcome your feedback on any aspect of the journal.

AREMU, Mukaila Ayanda, *Ph.D.*

Editor-in-Chief,

Ilorin Journal of Marketing,

University of Ilorin,

Ilorin, Nigeria

E-mail: ijm@unilorin.edu.ng

aremuilalaa@yahoo.com

+234 803 671 8531

Acknowledgments

I give gratitude to God who has made it possible for the Department of Marketing to conceive the idea of this Journal (Ilorin Journal of Marketing) and nurture it to the point of producing the maiden Edition. Special appreciation to Prof J. O. Olujide – Pioneer Dean, Faculty of Management Sciences, University of Ilorin who exposed me to the rudiments of marketing management subject. I have an inner feeling that he will be proud of his Ph.D. Product. I must not fail to thank and appreciate the First Acting Head, Department of Marketing – Dr. R. A. Gbadeyan for his moral support, loyalty, cooperation and confidence in me and for putting the Department on the map of productivity and vibrancy. I thank all the entire staff in the Departments of Marketing and Business Administration and all contributors for making the dream of the Department of Marketing to produce Ilorin Journal of Marketing a reality.

Instruction to Contributors

Ilorin Journal of Marketing (IJM) is double blind peer-reviewed journal published bi-annually by the Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin, Nigeria. Ilorin Journal of Marketing is dedicated to increase the depth of knowledge about marketing and related disciplines with the ultimate aim of adding value to knowledge. The Journal gives focus to all (but not restricted) areas of marketing management

Guide lines for paper submission

All submissions should be original papers that have not been accepted for publication or undergoing review process from other journal outlets.

Organization of Manuscript

Manuscripts should be arranged in the following sequence:

Title Page - This should contain the following information: A concise title of the paper, Name (s) of Author (s), Institutional Address, e-mail and GSM Nos of all the authors. Please indicate the corresponding author in case of multiple authors. All these should be in the first page of the manuscript. The next page should begin with the title of the paper followed by an Abstract (The abstract should be written in English and must not exceed 250 words and a maximum of 7 key words). The latest edition of American Psychological Association (APA) 6th reference format should be followed.

Submission of Manuscripts

All papers should be clear and concise (MicroSoft Word), double space on A4-size paper (210mm x 297mm) on one side of the paper only; allowing 1 inch margin on all sides. The font size should be 12 point and the font style is Times New Roman. No paper should exceed 15 pages including references, tables and illustrations.

Ilorin Journal of Marketing welcomes the submission of manuscripts that meet the general criteria of significance and scientific excellence.

Authors are invited to submit electronic copy of their manuscripts as attachment to: ijm@unilorin.edu.ng, and aremuilalaa@yahoo.com. Our objective is to inform authors of the decision on their manuscript(s) within four weeks of submission.

All accepted articles become the copyright of Ilorin Journal of Marketing.

Authors however, will be held responsible in case, copyright of others are violated.

Notes on Contributors

IHINMOYAN, Timothy Ph.D. is a Senior Lecturer in the Department of Business Administration, Adekunle Ajasin University, Akungba Akoko, Ondo State.

AYENIYO, Olumide is a Lecturer in the Department of Business Administration, Adekunle Ajasin University, Akungba Akoko, Ondo State.

OYENIRAN, Ishola Wasiu is a Lecturer in the Department of Economics, College of Management Sciences, Al-Hikmah University, Ilorin, Kwara State.

ABINA, Babatunde Musiliu is a lecturer in the Department of Business Administration, Al-Hikmah University, Ilorin, Kwara State. His areas of specialization are: Strategic Marketing and Marketing Communication. He is doctoral student in Department of Business Administration, University of Ilorin, Ilorin.

ALO, Ebenezer Adebisi is a lecturer in the Department of Business Administration, College of Management Sciences, Joseph Ayo Babalola University Ikeji Arakeji, Osun State.

FASOLA, Oludare Alabi is a Senior Accountant at Bursary Unit, Joseph Ayo Babalola University Ikeji Arakeji, Osun State.

TIJANI, Oladipupo Muhrtala is a lecturer in the Department of Accounting, College of Management Sciences, Al-Hikmah University Ilorin, Kwara State.

BRIMAH, Bolatito Amudat is a lecturer in the Department of Marketing, College of Management Sciences, Al-Hikmah University Ilorin, Kwara-State.

OKE, Magaret Adebimpe lectures in the Department of Economics, Ajayi Crowther University, Oyo.

ADEYEYE, Tolulope Charles is a lecturer in the Department of Business Administration, Ajayi Crowther University, Oyo.

AREMU, Mukaila Ayanda Ph.D. is a Senior Lecturer in the Department of Marketing, College of Management Sciences, University of Ilorin, Ilorin. Before joining Department of Marketing in 2014, he was Departmental Examination Officer, Coordinator Certificate Programme - Health Information Management (HIM) and Health Planning and Management (HPM), MBA Organiser in the Department of Business Administration, University of Ilorin, Ilorin.

ISIAKA, Sulu Babaita Ph.D. is a Senior Lecturer, former Acting H. O. D. and MBA organiser in the Department of Business Administration, University of Ilorin, Ilorin, Nigeria. His area of specialization is in Human Resource Management and General Management with Entrepreneurship and small Business Management as areas of interest.

ALIYU, Mustapha Olanrewaju is a lecturer in the Department of Industrial Relations & Personnel Management Sciences, University of Ilorin, Ilorin, Nigeria.

AREMU, Nuha Salihu lectures in the Department of Industrial Relations & Personnel Management Sciences, University of Ilorin, Ilorin, Kwara State Nigeria.

OGIDI Nathaniel Odun Ph.D. is a Senior Lecturer in the Department of Business Administration, College of Management Sciences, Joseph Ayo Babalola University, Ikeji-Arakeji, Osun State

ADEDOYIN, Salami Isaac Ph.D. is a Chief Lecturer in Department of Business Administration and Director, Academic Planning Unit, Kwara State Polytechnic, Ilorin Kwara State.

ISHOLA, James Aransiola Ph.D. is a Principal lecturer in the Department of Marketing, Kwara State Polytechnic, Ilorin Kwara State.

AREMU, Moriam, Adeyemi Mrs. is a lecturer in the Department of Business Administration, Al-Hikmah University, Ilorin, Kwara State. She has degrees in B.Sc. Business Administration and M.Sc. Business Administration from University of Ilorin. She specializes in strategic management and operations management. She has defended her Ph.D. Thesis in Business Administration at University of Ilorin, Ilorin.

GUNU, Umar Ph.D. is a Senior Lecturer in the Department of Business Administration and Acting Director, Technical and Entrepreneurial Centre (TEC), University of Ilorin, Ilorin. His research interest is in General Management, Human Resource Management and Entrepreneurship.

YERE John Kizito Ph.D. is a Senior Lecturer at the Department of Business Administration, Ahmadu Bello University, Zaria.

TSADO, Emmanuel lectures in the Department of Business Administration, Ibrahim Badamosi Babangida University, Lapai, Niger State. He is doctoral student in Department of Business Administration, University of Ilorin, Ilorin.

ADEOTI, Johnson Olabode. Ph.D. is a Senior Lecturer and Acting Head in the Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin.

KADIRI, Ismaila Bolarinwa Ph.D. is a Senior Lecturer and Postgraduate Coordinator in the Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin

OLAWALE, Yinusa Alabi is a lecturer in the Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin. He is currently on his Ph.D. programme in Business Administration at University of Ilorin, Ilorin.

ABDULRAHEEM, Mulikat is a lecturer in the Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin. She is currently on her Ph.D. programme in Business Administration at University of Ilorin, Ilorin.

AJAYI, Oluseyi is a lecturer in the Department of Business Administration, Al-Hikmah University, Ilorin, Kwara State. He has degrees in Business Administration. He specializes in General and Operations Management. He is

currently on his Ph.D. programme in Business Administration at University of Ilorin, Ilorin.

MUSTAPHA, Yusuf Ismaila Ph.D. is a Senior Lecturer, Deputy Director, Technical & Entrepreneurship Centre (TEC) and Co-ordinator, Diploma in Marketing and Logistic in the Department of Marketing, College of Management Sciences, University of Ilorin, Ilorin.

AUN, Isaac Iortimbir Ph.D. is a lecturer and PGDSM Co-ordinator in the Business Administration, University of Ilorin, Ilorin, Nigeria

HASSAN, Olanrewaju Makinde is a Ph.D. holder from the Department of Business Administration, Faculty of Management Sciences, Kogi State University, Anyigba, Kogi State, Nigeria.

YAHAYA, Khadijat Adenola Ph.D. lectures in the Department of Accounting and SubDean, Faculty of Management Sciences, University of Ilorin, Ilorin

FAGBEMI, Temitope Olamide Ph.D. lectures in the Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin

AMOO, Ibrahim Olayiwola is a lecturer in the Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin

BALOGUN, Naimat Funmilayo is a lecturer in the Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin,

RAHEEM, Badirat Kehinde is a lecturer in the Department of Accounting, Faculty of Management Sciences, University of Ilorin, Ilorin

IJAIYA, Muftau Adeniyi is a Senior Lecturer and Acting Head in the Department of Finance, Faculty of Management Sciences, University of Ilorin, Ilorin.

MURITALA, Taiwo Adewale is a lecturer in the Department of Accounting and Finance, Fountain University Osogbo, Nigeria

ALABI, Raphael Oladele lectures in the Department of Accounting and Finance, Ajayi Crowther University, Oyo.

SAMAILA, Mande Ph.D. is a Senior Lecturer in the Department of Marketing, School of Management Sciences, National Open University of Nigeria (NOUN), Lagos

Ilorin Journal of Marketing

Volume 1, Number 1 June 2015

Contents	pages
1. Effect of Internet Technology on the Management of Customer Relationship in Nigerian Banks: <i>Ihinmoyan T. Ph.D. & Ayejiyo, O.</i>	1-14
2. Factors Influencing Adoption of Internet Banking in Nigeria: An Application of Extended Technology Acceptance Model: <i>Oyeniran, I. W. & Abina, M. B.</i>	15-27
3. Forensic Accounting in Nigeria Quoted Companies: Issues and Prospects: <i>Alo, E. A. & Fasola, O.A.</i>	28-40
4. Equity Drivers in Professional Accountancy Firms: A Cross Comparison of Client Loyalty between Indigenous and Multinational Corporations: <i>Tijani, O. M., Abina, B. M. & Brimah, B.A. (Mrs.)</i>	41-53
5. Impact of Lease Financing on the Performance of Manufacturing Sector in Nigeria: <i>Oke, M. A. & Adeyeye, T. C.</i>	54-70
6. Analysis of Multi-Level Marketing (MLM) as a Career Option in Nigeria: Empirical Evidence from Kwara State: <i>Aremu, M. A. Ph.D., Isiaka, S. B. Ph.D., Aliyu, M. O. & Aremu N.S.</i>	71-86
7. Effect of Management Information System on Managerial Decision Making in Telecommunication Industry: <i>Alo, E. A. & Ogidi N.O. Ph.D.</i>	87-100
8. Assessing Problems of Training and Development in Government Parastatals: <i>Adedoyin, S.I. Ph.D, Ishola, J. A. Ph.D. & Aremu M. A. (Mrs)</i>	101-112
9. Employees' Training, Work Commitment and Turnover Intention: A Survey of Employees in Selected Hotels in Abuja Metropolis: <i>Gunu U. Ph.D., Yere J. K. Ph.D & Tsado, E.</i>	113-127
10. Impact of Marketing on Bank's Products and services in Nigeria: <i>Adeyeye, T. C & Alabi, R. O.</i>	128-139
11. Impact of fraud on organizational profitability a study of selected banks in Nigeria: <i>Adeoti, J. O. Ph.D., Kadiri, I. B. Ph.D., Olawale, Y. A. & Abdulraheem, M.</i>	140-156
12. Brand logos and bank customer commitment: Evidence from Nigeria: <i>Tijani, O. M., Abina, B. M. & Ajayi, O.</i>	157-167
13. Corporate Social Responsibility and Organisational Productivity: A Study of MTN Nigeria Limited, Ilorin, Kwara State: <i>Mustapha, Y. I. Ph.D. & Aun, I. I. Ph.D.</i>	168-182
14. Impact of Non-Oil Sector on Economic Growth in Nigeria: <i>Hassan, O. M.</i>	183-194
15. Impact of IFRS adoption on the quality of financial statement of quoted banks in Nigeria: <i>Yahaya, Khadijat A. Ph.D., Fagbemi, T. O. Ph.D., Amoo, I. O., Balogun, N. F. & Raheem, B. K.</i>	195-208
16. Impact of Government Monetary and Fiscal Policies on Business Performance: Nigeria Experience: <i>Ijaiya, M. A. Ph.D. & Muritala, T.A.</i>	209-225
17. Assessment of ethical and legal issues for public relations practitioners in Nigeria: <i>Samaila, M. Ph.D.</i>	226-235

IMPACT OF FRAUD ON ORGANIZATIONAL PROFITABILITY A STUDY OF SELECTED BANKS IN NIGERIA

ADEOTI, Johnson Olabode. Ph.D.¹, KADIRI, Ismaila Bolarinwa Ph.D.², OLAWALE, Yinusa A.³ and ABDULRAHEEM, Mulikat⁴

^{1,2&3} Department of Business Administration, Faculty of Management Sciences, University of Ilorin, Ilorin Nigeria,

E-mails: drpastorjoadeoti@yahoo.com, bolakadiri@yahoo.com, olayinus4sure@yahoo.com.

⁴ Department of Marketing, Faculty of Management Sciences, University of Ilorin, Ilorin Nigeria. E-mail: mulik@gmail.com.

Abstract

The development in the banking industry over the years have resulted into complex and diverse situations. The traditional banking era have been replaced with modern methods due to the emergence of Information and Communication Technology (ICT). These developments have also influenced the practices as well as the nature of work in the industry. However, as new technologies were developed new methods of defrauding and fraudulent acts were often perpetrated by customers as well as bank staffs. This paper therefore seeks to examine the impact of fraud on organizational profitability. Fraud and fraudulent activities pose a significant problem to the banking industry in Nigeria. Multiple regression analysis was used to examine the impact of the fraud on organizational profitability in Nigeria selected banks. Detailed questionnaire were used to obtain the required information from the respondents. However, due to the stringent measures adopted by the regulatory body to tackle the menace of fraud and fraudulent activities, there was a significant decrease between 2006 and 2011. The paper concluded that fraud and fraudulent activities inflict severe financial difficulties on banks and their customers. They reduce the amount of money available for the development of the organization. The study recommended that banks in Nigeria need to strengthen their internal control systems and the regulatory bodies should improve their supervisory role in order to check and curtail the incidence of fraud and fraudulent activities in Nigeria banking industry.

Keywords: banks, communication technology, fraud, information and organization, profitability

Introduction

Fraud is a universal phenomenon that has been in existence since time immemorial. Its magnitude and dimension cannot be predicted and estimated. This is attributable to the large quantum of fraud undetected and most times unnoticed. Frauds occur in almost all facets of human endeavor such as in social, business, commerce, government, education and family including religious organizations. Over the years, frauds have assumed different dimensions. Incidentally, banks are their major targets in recent times notwithstanding the increased use of technology in the sector. No bank appears safe from these destructive acts. The working system in banks are not immune to fraudsters not even the security system designed to prevent it. (Adewumi, 1986; Nwankwo, 1991). With the crash of multi-national corporations like Enron in 2001 (Bratton, 2002); coupled with high level allegations and actual cases of reported fraud, many organizations in their attempt to improve their image have resorted to developing ethical guidelines and codes of ethics. The banking industry is one of the most profitable within the Nigerian economy. The sector plays important role in the economic development as economic activities cannot take place efficiently without proper functioning of the banking system. Any deviation in the banking sector will go a long way in affecting other sectors of the economy specifically. The sub optimal performance of the Nigerian banking industry is

due to an array of problems, such as unstable economic environment, lack of technically skill personnel, poor management, over trading and inadequate capitalization of which fraud is a factor to contend with. Fraud has become one of the most intractable and monumental problems in recent times. As a matter of fact, banks have become the main target of common for survival. It is not an understatement that only well managed banks especially with respect to fraud prevention will survive in the coming years.

It is on record that the spate of distress that ravaged the banking industry prior to the banking consolidation of 2006 was not entirely hinged on management's ineptitude alone. The activities of fraudsters and the inability of banks to foil the frauds were their "Achilles heel". The high turnover of frauds, theft, defalcations and forgeries in the banking system is capable of undermining the growth, development and stability of banks which at the moment seems to be doggedly affecting the financial sector of the economy (FITC:1982). Ovuakporie (2004) observed that depositors have had to contend with the insecurity, this monster in the banking system poses to their funds and the ugly consequence of course is having majority of the banking public losing confidence in the banking industry and therefore keeping a large amount of bankable funds away from the banking system.

Another ugly aspect of this phenomenon is the frequencies, complexities and magnitude of fraud cases. They seem to be progressively moving up a trend line. With a whopping sum of N17.54 billion lost of fraudsters in 2008, that amount is by no means, a small amount of money. This figures, balanced against the argument that perhaps only a fraction of such incidents are reported, has indicated the heavy toll frauds have on deposit liabilities in particular and on the vibrancy of the banking system in general (NDIC:2010).

As the Nigerian economy struggles to find its foothold, a new twist has emerged that is helping to exacerbate the menace of fraud in the banking institution. From the foregoing, it is pertinent to ask whether fraud has impact on bank's profitability.

The Concept of Fraud

Fraud is a conscious intentional notion of a person or a group of persons in the form of forgery, falsification of document, un-authorizing signature and outright theft. It involves the use of deceit, tricks cunning and sometimes, highly intelligent know how. The said action by a person or a group of person as earlier stated is intended to alter the truth or fact for selfish personal monetary gain (Abdulrasheed, 2012). According to Adebisi (2009) fraud includes negligence due to improper entry of transactions, inadequate control management, lack of training or orientation, absence of operational rules and regulations, irregular balances of accounts, absence of audit exercise. Akindele (2011) was of the opinion that; "Bank fraud exists as a result of mode of employment which is principally based on favoritism and familiarity and poor security of essential document". Nwankwo (1991) reported that the Nigerian government was defrauded of over N6billion by the London based Johnson Matthew Bank (JMB)

in collaboration with well-placed Nigerian and foreign businessmen. According to the Nigerian Deposit Insurance Corporations (NDIC) Report; N7. 2b was defrauded of commercial banks.

In a nut shell, most of the fraudulent acts were caused by banks staff through the applications of house policy by being unwilling to supply information in the account of an identified fraudster to another bank on request, claiming that it counter the ethics of banking system in protecting the interest of the customers under this method, many frauds are carried out by bank staff in collaboration with customers. Oyelola (2005) observes that people are driven to commit fraud as a means of easy acquisition of money and property which, in our today's world, translate into recognition and power.

Kinds of Fraud in Nigerian Banking Industry

The regulatory authorities (Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC), have identified the under listed 18 types of fraud as the prevalent modes through which deposits are frittered away in Nigerian banks. This includes:

Teller fraud , Falsification of accounts, Forged cheques with forged signatories Printing of bank documents illegally, Clearing fraud, Computer fraud, Telex or SWIFT fraud, Foreign exchange fraud, Cross firing of cheques and Kite flying, Money Laundering Fraud, Suppression of cash/cheque entries, Opening and Operating of fraudulent loan accounts, Over invoicing of service to the banks, Fictitious Bank branches, miscellaneous and other types of fraud, Fraudulent withdrawal and ATM

1. Teller Fraud: According to (Bensonand Edwards, 2006) is the act of stealing from counted cash by a bank staff. This could come in the form of pilfering, teaming and lading and deposit suppression. Others include unauthorized withdrawals, vault/till cash manipulations and the manipulation of foreign currency in tellers till or vault. Clearing fraud manifests mainly in the use of cheques of fraudulently obtain cash.
2. Falsification of Account: This type of fraud is in respect of opening and operation of fictitious accounts by branch staff. Usually such account are opened with fraudulent motives. They could be used to perpetrate frauds such as diversion of foreign exchange, kite flying, manipulation of voucher, un-authorized lending by the directors and management staff etc.
3. Forged cheques with forged signatures: This could be forgeries of customers' signature to draw fraudulently from customers' account or forgeries of other funds from one account to another or withdrawal of funds from one account to another through the use of ATM (Automated Teller Machine).
4. Printing of bank documents illegally: Fraudulent printing of valid bank documents such as statement sheet belonging to different customers, bank letter headed paper, bank rubber stamps, bank seal, etc., are act of frauds.

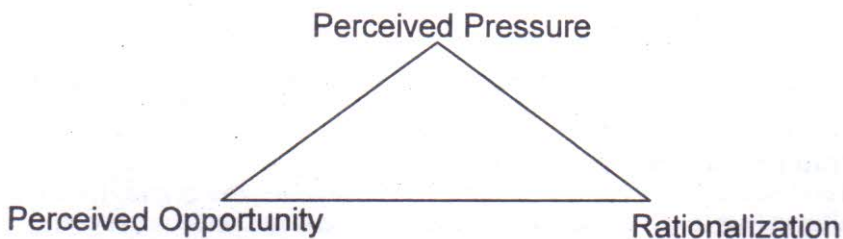
5. Money Laundering Fraud: Money laundering is a means to conceal the existence source, or use of illegally – obtained money – by converting the cash into untraceable transactions in banks. The cash is disguised to make the income appear legal.

Theoretical Framework

Many theories have been developed in an attempt to explain the concept of fraud. Among the most popular in fraud studies include Cressey's Fraud Triangle Theory which describe a triangular relationship between opportunity, pressure, and rationalization; The Fraud Diamond Theory; and The Fraud Scale Theory (Deloitte, 2012). Attempts have been made to examine the factors that affect fraud into comprehensive theories of fraud and animal behaviour theories of fraud. Nwakwo (1994) posits that motivation to fraudulent behaviour derives from number of causes, It could be pathological or greed. Pathological theory states that culture demands on the cultivation of taste too expensive for the legitimate income of the individual criminal motivation with particular reference to fraud and when the state of mind of the criminal disposes and impels him to commit fraud, even though he/she is not in due need of the resources.

The Fraud Triangle Theory

The Fraud Triangle Theory identifies the elements that lead perpetrators to commit fraud. According to Malphrus (2009), the origin of this theory dates to the works of Sutherland, who coined the term “white collar crime”, and Cressey, one of Sutherland's former students. Cressey focused his research on the circumstances that lead individuals to engage in fraudulent and unethical activity; his research later became known as the fraud triangle theory. The fraud triangle theory consists of three elements that are necessary for theft or fraud to occur: (a) perceived pressure, (b) opportunity, and (c) rationalization. Berney (2008) compared this theory to a fire, using the simple explanation that three elements are necessary for a fire to occur: (a) oxygen, (b) fuel, and (c) heat. Like fire, fraud is unlikely to exist in the absence of the three elements mentioned in the fraud triangle theory, and the severity of fraud depends on the strength of each element. In other words, for an individual to make any unethical decisions, perceived pressure, an opportunity, and a way to rationalize the behaviors must exist



Source: Wells, J.T. (2005). Principles of Fraud Examination. Hoboken, New York: John Wiley and Sons.

A) Perceived Pressure

Perceived pressure relates to the motivation that leads to unethical behaviors. Every fraud perpetrator faces some type of pressure to commit unethical behavior. Green (2009) pointed out that the word perceived is important due to the fact that pressure does not have to be real; if the perpetrators believe they are being pressurized, this belief can lead to fraud.

B) Perceived Opportunity

The second element necessary for fraud to occur is perceived opportunity. Opportunity is created by weaknesses in the systems that allow an individual to commit fraud; in the accounting field, this is called weak internal control. The concept of perceived opportunity suggests that people will take advantage of circumstances available to them. (Gold, 2009).

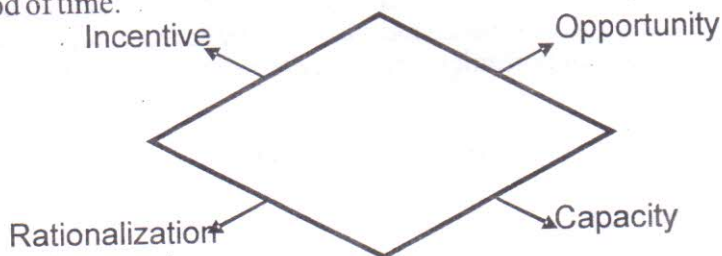
C) Rationalization

The third element of the fraud triangle is rationalization. This concept suggests that the perpetrator must formulate some type of morally acceptable rationalization before engaging in unethical behavior. Rationalization refers to the justification that the unethical behavior is something other than criminal activity. If an individual cannot justify unethical actions, it is unlikely that he or she will engage in fraud.

The Fraud Diamond Theory

The Fraud Diamond Theory, an expanded version of the fraud triangle theory, was first presented by (Wolfe, 2004). The fraud diamond theory includes an additional element: capacity. Wolfe, argued that, although perceived pressure or incentive might coexist with an opportunity to commit fraud and a rationalization for doing so, fraud is unlikely to take place unless the fourth element, is also present. In other words, the potential perpetrator must have the skills and ability to actually commit fraud. Wolfe identified four observable traits related to individuals' capacity to commit fraud:

- Authoritative position or function within the organization
- Capacity to understand and exploit the accounting and internal control systems' weakness to the greatest advantage
- Confidence that fraudulent behaviors will not be detected (or that one can easily escape punishment if the behavior is detected)
- Capability to effectively deal with stress in order to manage the fraud over a long period of time.



The Fraud Scale Theory

The Fraud Scale Theory was developed by Albrecht, Howe, and Romney (1984) as an alternative to the fraud triangle model. The fraud scale is very similar to the fraud triangle; however, the fraud scale uses an element called "personal integrity" instead of rationalization. This personal integrity element is associated with each individual's personal code of ethical behavior. (Albrecht,

1984) also argued that, unlike rationalization in the fraud triangle theory, personal integrity can be observed in both an individual's decisions and the decision-making process, which can help in assessing integrity and determining the likelihood that an individual will commit fraud. This argument is consistent with other research. Experts agree that fraud and other unethical behaviors often occur due to an individual's lack of personal integrity or other moral reasoning (Malphrus, 2009), as moral and ethical norms play essential roles in an individual's decisions and judgement. Ethics relates to determining the rightness or wrongness of a behavior in terms of organizational, legal, or social guidelines.

Causes of Fraud

According to Adewunmi (1986), the causes of fraud can be categorized into two that is, institutional factors and environmental/societal factors. He further categorized societal/environmental factors into socio economic lapses/inadequacies.

(a) Institutional Factors

According to (Nwaze, 2009), the institutional factor or causes are those that can be traced to internal environment of the organization. They are to a great extent factors within the control of the management of the bank. A major institutional cause of fraud is poor management. This comes in form of inadequate supervision. A junior staff with fraudulent tendencies that is not adequately supervised would get the impression that the environment is safe for the perpetration of fraud. Poor management would also manifest in ineffective policies and procedures, which a fraudulent minded operator in the system will capitalize on. Even where there are effective policies and procedures in place, fraud could still occur with sometimes deliberate skipping of these tested policies and procedures.

(b) External Factors/Environmental Factors

Environmental factors are those that can be traced to the banks immediate and remote environment. If the whole society of which the bank is a part is morally bankrupt it will be difficult if not impossible to expect the banks to be insulated from the effects of such moral bankruptcy.

- (a) Social: The following social issues are capable of causing or encouraging fraud:
 - Placing of high value on accumulation of wealth by the society without regard for the source.
 - No reward for honesty within a system; in which case, honest staff are regarded as slow and stupid.
- (b) Technological
 - Continuous advancement in technology constitutes a major factor in enhancing fraud. The easier things become the more it is for fraudsters too.
 - Most of the technological fraudsters are youths with highly developed minds and are often influenced by successful peers.
- (c) Legal: The legal system causes or encourages fraud in the following ways:
 - Most fraudulent cases are "bail able offences", hence perpetrators in most cases get off the hook even when caught.

- Fraud prosecution requires “due process of the law”. This involves a careful but very long investigation process before the culprits are brought to book.
- The rot in the law enforcement arm of the legal system i.e. police, judiciary etc, also assist fraudsters. Most cases, fraudsters settle their way out.
- (d) Personal: The following are personal issues that have been found to cause, influence or encourage fraud:
 - There are professional criminals whose specialty is to defraud corporate bodies and banks. They go around recruiting interested people with impaired character.
 - Moral upbringing among people varies. While some parents pay attention to this important issue at home, others leave it to teachers, pastors or Islamic scholars.
- (e) Management: actions or inactions could cause or create a fertile ground for fraud in banks such as:
 - Recruitment of staff without rigorous character checks from reliable source like schools attended, previous employers etc.
 - Low remuneration package when the organization is perceived through its publications and utterance of key officials that they can afford to pay their better than they are doing.
 - Weak internal controls, checks and un-reconciled accounts/books on a timely basis.
 - Total neglect of staff training.

It is on record that frauds that could be attributed to personal causes are the most difficult to correct because habits “die hard”. The social system can be modified, technological solutions may be devised, the law can be adjusted and corporate management can include ethical standards in their operating manual, but human personal traits are difficult to control.

Table 1: Ranking of fraud attributes in the Banking Industry for the period 2001-2010

S/N	Fraud Type	No. of bank frauds (2001-2010)	Percentage Contributions	Rank	Percentage contributions of fraud types to the amount bank frauds involved in fraud (2001-2010)	Rank	Percentage contributions of fraud types to Actual losses sustained by banks (2001-2010)	Rank
1.	Cashiering Fraud	401	2.27	8 th	1.85	11 th	1.52	12 th
2.	Falsification of Accounts	300	1.69	11 th	1.73	12 th	2.65	10 th
3.	Forged Cheques with forged signature	22.54	12.73	3 rd	13.06	2 nd	5.15	7 th
4.	Printing of bank documents illegally	54	0.30	15 th	0.28	16 th	0.09	17 th
5.	Clearing Frauds	338	1.91	10 th	23	1 st	1964	2 nd
6.	Computer Fraud	356	2.01	9 th	5.30	7 th	2.48	11 th
7.	Telex fraud	56	0.32	14 th	0.82	14 th	0.10	16 th
8.	Foreign Exchange Fraud	31	0.18	17 th	6.44	6 th	0.17	14 th
9.	Cross Firing of cheques and kite flying	36	0.20	16 th	1.209	13 th	3.35	8 th
10.	Theft of cash/suppression of lodgment	786	4.44	6 th	1.91	10 th	6.24	5 th
10.	Suppression of entries cash/cheques	1301	7.35	5 th	12.18	4 th	6.14	6 th
12.	Opening and operating of fraudulent loan A/C	235	1.33	12 th	2.69	9 th	3.30	9 th
13.	Over-invoicing for service to the bank	79	0.45	13 th	0.16	17 th	0.21	13 th
14.	Robberies (Armed)	472	2.67	7 th	4.24	8 th	11.15	3 rd
15.	Fictious bank branch	2	0.01	18 th	0.001	18 th	0.01	18 th
16.	Miscellaneous fraud	1361	7.69	4 th	12.67	3 rd	28.67	1 st
17.	Fraudulent withdrawals	4994	28.20	1 st	11.71	5 th	9.03	4 th
18.	ATM Withdrawals	4647	26.25	2 nd	0.45	15 th	0.10	15 th

Source: FITC quarterly report for the period (2001-2010).

In line with the above ranking of fraud attributes:

- The most frequent type of fraud beleaguering the Nigerian banking industry is “fraudulent withdrawals” this is closely followed by ATM withdrawals and “forged cheques using forged signatures”.
- The fraud type that impacted so much on bank deposits is “Clearing frauds”. That is followed by” forged cheques using forged signatures” and miscellaneous frauds.
- The fraud type that inflicted the highest amount of financial losses on bank deposits is “Miscellaneous frauds” This is followed by “clearing frauds”

Fraud is controversial general issue, which is a serious and diverse attachment to effort towards the development and progress of any establishment. It is a major predator of the business world and unyielding factor to all investment of human endeavors. Perhaps because fraud has received an extensive attention in the academic circles and due to fact it has been over flogged in Nigeria, it has a definitional problem.

Fraud includes deception, bribery, forgery, extortion, corruptions, theft, conspiracy, embezzlement, misappropriation, false representation, concealment by bad faith, dishonesty, unfairness, unfaithfulness, perfidy, and the likes. In all cases, it involves a person or persons in public office and it is always aimed at receiving financial benefit either immediately or in future. It spoils, taints, deprives, destroys or degenerates a hitherto legally thriving system.

Therefore, for any fraud to occur there must be dishonest intention of the perpetrator to benefit at the detriment of another person or group of persons, this issue of bank frauds, forgeries, fiddles, theft defalcation and other deceitful practices, have in recent time assumed unprecedented proportion. The higher turnover of the problem is capable of seriously undermining the growth and development of banks. Nigerian Deposit Insurance Corporation (NDIC) reported that the total causes of bank frauds and in Nigeria in commercial and merchant banks as at December 1995 amounted to N1 billion out of which 22.5% was potential loss. Based on this report in 1995, the number of distressed banks rose from 89 to 125, the recent banking capitalization representing 52% of the banking industry. This alarming degree of distresses created a great fear on banking and confidence was lost by the potential customer, especially the shareholders. This ugly situation results to loss of customer's and capital based of bank which led to collapse or closure of many banks in the country Nigeria. It is based on the forgoing that this project is essential.

Fraud is perhaps the most fatal of all the risks confronting banks. The enormity of bank frauds in Nigeria can be inferred from its value, volume and actual loss. A good number of banks' frauds never get reported to the appropriate authorities, rather they are suppressed partly because of the personalities involved or because of concern over the negative image effect that disclosure may cause if information is leaked to the banking public. The banks' customers may lose confidence in the bank and this could cause a setback in the growth of the bank in particular. Fraud leads to loss of money, which belong to either the bank or customers. Such losses may be absorbed by the profits for the affected trading period and this consequently reduces the amount of profit, which would have been available for distribution to shareholders. Losses from fraud which are absorbed to equity capital of the bank impairs the bank's financial health and

constraints its ability to extend loans and advances for profitable operations. In extreme cases rampant and large incidents of fraud could lead to a bank's failure.

Fraud can increase the operating cost of a bank because of the added cost of installing the necessary machinery for its prevention, detection and protection of assets. Moreover, devoting valuable time to safeguarding its asset from fraudulent men distracts management. Overall, this unproductive diversion of resources always reduces outputs and low profits which in turn could retard the growth of the bank.

It also leads to a diminishing effect on the asset quality of banks. The problem is more dangerous when compounded by insider loan abuses. Indeed, the first generation of liquidated banks by NDIC was largely a consequence of frauds perpetrated through insider loan abuses. If this problem is not adequately handled, it could lead to distress and bank failures.

Measures Aimed At Efficient Internal Control of Fraud

According to Otusanya (2009) the following internal control measures are vital to the corporate existence of a bank:

A) Internal Checks

These are the operational controls which are built into the banking system to simplify the processing of entries in order to secure prompt services, to help in minimizing errors and to act as insurance against possible collusion.

B) Internal inspection

The branch operations are monitored on a continuous basis to ensure the adequacy of administrative and accounting controls of related written policies and procedures. Also the inspection department regularly audits units to ensure that record keeping controls are being practiced.

Provision must also be made for independent external auditing function to express professional opinion as to the integrity and reliability of financial statement.

C) Segregation of Duties

There must be separation of duties throughout the organization to ensure that no single individual has sole control over a transaction.

D) Internal Audit

Millichamp (1990) defined internal audit as an independent appraisal function within an organization for the review of systems or control and the quality of performance, as a service to the organization. It objectively examines, evaluates and reports on the adequacy or otherwise of internal control as a contribution to the proper, economic, efficient and effective use of resources.

It is the duty of the inspection department of a bank to provide a highly valuable service to management. This is why every bank must have an independent internal audit or inspection department, which carries out a systematic review and appraisal of all department and branch operations for the purposes of advising management policies, practices and controls.

NDIC (2001) in its publication posited that the Internal Audit Department of banks should not be seen as a dumping ground for non-performing staff. Staff of this department should be sufficiently qualified, properly trained in various banking operations and adequately experienced in all facets of bank's business.

Linkages in Defrauding Banks

According to Adebisi (2009), there are three forms of fraud. They are the internal, external and a combination of internal and external frauds. A classification that resembles however this first delineation is the distinction (Bologna and Lindquist 1995) made between internal versus external fraud. This classification, applied in the field of corporate fraud (fraud in an organizational setting), is based on whether the perpetrator is internal or external to the victim company. Frauds committed by vendors, suppliers or contractors are examples of external fraud, while an employee stealing from the company or a manager are examples of internal fraud. What is seen as internal fraud, following this definition, is in fact occupational fraud and abuse, since one has to be internal to a company and abuse its occupation to commit internal fraud. We put internal fraud and occupational fraud and abuse as equivalents. A combination of internal and external fraud can also occur, for example when an employee collaborates with a supplier to deprive the company.

Methodology

This section presents the general procedure used in carrying out this study. It discusses among other things, research design as well as the appropriate methodology employed in carrying out the study. It also presents a description of the population covered by the study. In addition this chapter highlights the instruments used to gather the data for the study and discusses in full the method of data collection.

Research Design

Research design provides the plan or framework for data collection and analysis. It is a plan for a research work which aims at providing guidelines, where the research work is being conducted. Cross-sectional research design was adopted to analyze, interpret, and report the impact of fraud on organizational profitability. Data was collected from staff of First Bank Plc, Union Bank Plc, Guarantee Trust Bank Plc as well as Skye Bank Plc all in Ilorin metropolis.

Population and Sample Size

The population of this study consists of staff of selected banks in the Nigeria banking industries within Ilorin metropolis. These are First bank Plc, Guarantee Trust bank Plc, Union Bank Plc. and Sky Bank Plc. The choice of these banks is based on the fact that they are among the Top 10 biggest banks in Nigeria (AnswersAfrica, 2013). The staff strength of the four banks is One Hundred and Eighty Five (185). Various sampling techniques were used to select one hundred and three respondents as our sample size representing about 55% of the staff strength. A total of ninety five of the respondents correctly filled and returned the questionnaire representing a respond rate of 51%.

Data presentation and Analysis

Table 2: Demo Information of Characteristics of selected Respondents

Sex Distribution			
Variables	category	frequency	Percentage
Gender	Male	51	54%
	Female	44	46%
Total		95	100%
Age Distribution			
Age	20 – 30 years	27	28%
	31-40	59	62%
	41-above	9	10%
Total		95	100%
Educational Qualification			
	Non-formal Education	Nil	0.00%
	Primary School Certificate	Nil	0.00%
	Secondary School Certificate	Nil	0.00%
	OND	31	33%
	HND/B.Sc	57	60%
	MBA/M.Sc	7	7%
	Ph.D.	Nil	0.00%
Total		95	100%
Category of Staff			
	Senior Management Staff	6	6%
	Middle Management Staff	25	26%
	Junior Management Staff	64	68%
Total		95	100%
Length of Service			
	Below 1 year	19	20%
	1 – 5 years	41	43%
	6 – 10 years	29	31%
	11 years and above	6	6%
Total		95	100%

Source: field survey, 2014

The results in Table 4.1.2 reveals that more male are recruited in the banking industry with the percentage of 54% while the female constitute 46%, and majority of this respondents are within the age of 31 – 40 with a percentage of 62%, above 20 years indicate a percentage of 28% and then age bracket of 41 years and above with 10%. The implication is that the bulk of the work force is still young and energetic. Therefore most members of the work force are within the productive age. This encourages effective performance. Results from 92% of questionnaire issued to the banks' staffs also showed that they had a minimum qualification of B.Sc./HND in various fields ranging from Engineering, Accounting and Information Technology with 60%. Others had lesser qualifications such as OND (33%), While 7% of the respondents are MBA/M.Sc holder. This implies that the sampled banks have a critical mass of highly skilled individuals who have the requisite knowledge that is needed to manage modern technology especially in the banking industry. Further revealed in table 4.1.2 is the category of staff embedded in the study. 68% of the staff are junior management staff, followed by middle management staff with 26%, and then senior management staff occupied the remaining 6%. The enormous percentage of the junior staff may be due to the fact that they are in charge of day-to-day activities of the banking functions. Most of the sampled staff have been with the bank for a long period of time. Result reveals that 43% of the respondents have spent 1 – 5 years with the bank, 31% have spent 6 – 10 years, 20% spent below 1 year and only 6% spent above 11 years. This implies that majority of the respondents are well acquainted with the day-to-day activities of the selected bank, and they could be involved in one fraud or another.

Research Hypothesis

Ho – There is no significant impact of fraud on banks' profitability

Analysis and Discussion

Secondary data are gathered on fraudulent activities, they are further analyzed to show it's significant on bank profitability;

Table 3: Fraud cases and amount of money lost by Nigerian Banks (2001-2011)

Year	No. of Fraud cases reported	Amount involved (₦ billion)	Loss to banks (₦ billion)	No. of fraud cases that led 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	5,476

Source: CBN Annual Reports for 2001 – 2011

Table 4: Printout from E-View Statistical Percentage

Dependent Variable: Loss to Bank

Method: Least Squares

Sample: 195

Included observations: 95

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NUMBER OF FRAUD CASES REPORTED	0.259692	0.102313	2.538211	0.0128
AMOUNT INVOLVED	0.541135	0.085185	6.352473	0.0000
NUMBER OF FRAUD CASES THAT LED TO LOSS	0.150224	0.054020	0.929725	0.0550
C	0.661804	0.157507	4.201748	0.0001
R-squared	0.867543	Mean dependent var		3.926316
Adjusted R-squared	0.863177	S.D. dependent var		1.064336
S.E. of regression	0.393694	Akaike info criterion		1.014707
Sum squared resid	14.10454	Schwarz criterion		1.122239
Log likelihood	-44.19859	Hannan-Quinn criter.		1.058158
F-statistic	198.6725	Durbin-Watson stat		2.048228
Prob(F-statistic)	0.000000			

(Source: Field survey, 2014)

Discussion of findings

This study has attempted to highlight the impact of fraud on organizational profitability in Nigeria selected banks. Based on the data analysis carried out some important discoveries were made with the help of administered questionnaire to the banks. The findings of the study revealed that fraud has negative implications on organizational profitability which often leads to bank's failure. This study also reveals the linkages in defrauding banks in which the various linkages were closely examined. In line with the ranking of fraud attributes in this study, it was observed that the most frequent type of fraud beleaguering the Nigeria banking industry is fraudulent withdrawals, which are closely followed by ATM and forged cheques using forged signature. The fraud type that impacted so much on bank deposits is clearing fraud that is followed by forged cheques using forged signatures and miscellaneous frauds. Miscellaneous fraud followed by clearing frauds inflicted the highest amount of financial losses on bank deposits. The results of the hypothesis revealed that there is significant relationship between the variables tested for the study.

The regression results obtained in the evaluation of the relationship between fraudulent activities and bank's profitability are shown above. The semi log form of equation at a p-value of 0.05 significant level was found to be more adequate

because results obtained indicate that the adjusted $R^2 = 0.863177$, the F-value is 198.67 more than the tabulated value (3.94), with a Durbin Watson test statistics of 2.04 which showed that the independent variables had no auto-correlation with the disturbance error term. This indicates that 86.3% of the bank's loss is explained by the various fraudulent activities in the bank. The remaining 13.7% is explained by variables outside this model. From this result the standard errors for each parameter is statistically significant at 5% level for the variables.

The equation is given thus:

$$\text{Actual Loss to Bank} = 0.661804 + 0.259692X_1 + 0.541135X_2 + 0.150224X_3$$

The estimated coefficients of all the parameters of fraudulent activities are positive. The total value of actual loss to bank increases by the value of each of the positive coefficients by unit. This is discussed below:

Number of cases reported (β_1): The coefficient of reported cases was found to be positive and significant at 5% level. This implies that if reported cases are increased by 10%, the actual loss to bank will increase by 2.59%.

Amount involved (β_2): The coefficient of amount involve in fraud was significant and had a positive sign. This implies that if amount involve in fraud is increased by 10%, actual loss to bank will increase by 5.41%.

Number of cases that led to loss: Actual loss to bank with respect to Number of cases that led to loss is 0.15. Increasing number of cases that led to loss by 10% will increase loss to bank by 1.5%. The estimated coefficient of collaboration fraud is positive and has significant impact above zero.

Conclusion and Recommendations

Fraud inflicts severe financial difficulty on banks and their customers. It also leads to the depletion of shareholders' funds and banks' capital base as well as loss of customers' money and confidence in banks. Such losses may be absorbed by the profits for the affected trading period and this consequently reduces the dividend available to shareholders. Losses from fraud which are absorbed by the equity capital of the bank impair the banks financial health and constrain its ability to extend loans and advances for profitable operations. In extreme cases, rampant and large incidents of fraud could lead to a bank's failure. The loss in funds affected the economy. It reduced the amount of money available to small or medium scale firms for developing the economy. The costs of fraud are always passed on to the society in the form of increased customer inconvenience, opportunity costs, unnecessary high prices of goods and services and lack of infrastructure. Fraud can increase the operating cost of a bank because of the added cost of installing the necessary machinery for its provision, detection and protection of assets. Moreover, devoting valuable time to safeguarding its assets from fraudulent men distracts management. This unproductive diversion of resources always reduces output and low profits which in turn could retard the growth of the bank. It also leads to a diminishing effect on the asset quality of banks. In view of the devastating effect of fraud and fraudulent practices on the performance, the research findings are very significant and have far reaching consequences on the Nigerian banking

industry. It has become expedient to act on them in order to guard against future occurrences. To further buttress this point, Ogunleye (2010) has cautioned that, the best forms of defense against the risk of fraud in any organization are proactive measures. For an organization to create a corporate environment that prevents, and timely detects frauds, it needs to understand why fraud occur, types and methods of perpetration as well as to identify its business areas that are at risk and implementing appropriate procedures to address them.

Fraud in the banking sector has become a phenomenon which needs a drastic resolution so as not to cripple that sector of the economy. The battle to prevent and detect and punish offenders must be fought on two broad fronts. One is to reduce the temptation to commit fraud and the second is to increase the chances of detection. The following recommendations were made;

1. Based on the findings of this study, good salary structure and excellent working conditions which can help to a great extent to reduce the temptation to commit fraud need to be put in place. In addition, management should not hesitate to assist employees, any time there is a genuine financial request particularly in emergency situations. Such assistance not only eliminates the tendency to defraud the organizations, it helps to cultivate a group of dedicated and highly productive workforce.
2. Another issue to be considered in reducing the incidence of fraud in Nigerian banking sector is the issue of fraudsters. The way they are treated affects the incidence of frauds. Banks are reluctant to report frauds because it would seem like washing its dirty linen in public. It has been known that victims are too embarrassed to come forward and admit they have been ripped off, they will rather prefer a secret sacking to public prosecution. In this vein banks should have a good hiring and training policy as a first step in the battle to prevent fraud. This is because it has been established that the character and integrity of an individual are the essential deterrent to crime. A prospective employee's background should therefore be thoroughly checked to ascertain if that prospective employee has previous criminal record or has dubious background or connections.
3. In support of Ekeiqwe (2000) assertion, another angle to fraud prevention is the adoption of computer aids as tool for fraud prevention and control. That is, the involvement of Management Information System (MIS). Good computer software will allow the auditor to cover more grounds in less time and will also enhance the production of a more accurate report.
4. There should be regular job rotation for the employees in the banks. The idea of keeping a staff in a unit/section of the bank for too long will expose/encourage that staff to fraud. The staff may think because of his/her experience it may be difficult for any fraud perpetuated by them to be discovered.

References

- Abdulrasheed, E. A. (2012). Fraud and its implications for bank performance in Nigeria. *International Journal of Asian Social Science*, 2(4), 23-29.
- Adebisi, A. F. (2009). The bankers fortress. Mega synergy Nigeria Limited Lagos.
- Adewumi, W. (1986). Fraud in banks. Nigeria institute of bankers, Land mark publication, Lagos.
- Akindele, R. I. (2011). Fraud as a negative catalyst in the Nigerian banking industry. *Journal of Emerging Trends in Economics and Management Sciences*.
- Answers Africa (2013). Top 10 Biggest Banks in Nigeria. Accessed at on 8th of April, 2015.
- Berney, L. (2008). For online merchants, fraud prevention can be a balancing act. *Cards & Payments*, 21(2), 22-7.
- Bratton, W.W. (2002). Does corporation law protect the interests of shareholders and other stakeholders?: Enron and the dark side of shareholder value. *Tulane Law Review*, Tulane University Law School, 1275:61
- CBN Statistical bulletin (1990–2008)
- Deloitte (2012). Indian banking fraud survey: Navigating the Challenging Environment. Retrieved December 10, 2012 from <http://www.deloitte.com>.
- FITC (1989). Fraud in banks. A research report by the financial institutions training centre (FITC), Lagos.
- Malphrus, S. (2009). Perspectives on retail payments fraud. *Economic Perspectives*, 33(1), 31-6.
- NDIC *Quarterly Journal* (Several volumes). NDIC, Abuja.
- NDIC, Annual Reports (1989–2010)
- Nigeria Deposit Insurance in Nigeria (2009). 20 Years of Deposit Insurance in Nigeria, NDIC, Abuja.
- Nigerian Deposit Insurance Corporation (1999). A Decade of Deposit Insurance in Nigeria: Issues and challenges. Umoh, P.N. (ed), NDIC, Abuja.
- Nwankwo, G.O. (1991). Bank management principles and practices. Malthouse press Ltd,
- Nwaze, C. (2009). Bank fraud exposed with cases and preventive measures. Control & Surveillance Associates Limited, Lagos.
- Ogunleye, G.A. (2004). The Causes of Bank Failures and Persistent Distress in the Banking Industry. NDIC Quarterly, Vol. 13(4).
- Ovuakporie, V. (1994). Bank Frauds, Causes and Prevention. An empirical Analysis Publishers.
- Oyelola, O. (2005): Internal Control and Management of Frauds in the Banking Industry. A paper presented in ICAN mandatory continuing professional education programme (MPCE) Seminar.