



Challenges and prospects of fraud detection in the banking system in Nigeria

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Abstract

Fraud is an epidemic dimension that has infiltrated the financial sector as well as the entire Nigerian economy. Its devastation reveals itself in the deterioration of bank balance sheets as well as economic backwardness. Measures to detect and eradicate fraud in the financial sector appear to be ineffectual, despite the fact that fraudulent practices have been on the rise in recent years. As a result, this study assesses the numerous obstacles of detecting and preventing fraud in Nigeria's banking system. According to the findings of the descriptive research, lack of proper motivation is not a major source of fraud in banks; rather, looting of funds by bank managers and directors is the most common type of fraud in Nigeria. Furthermore, it is suggested that the government improve existing anti-corruption authorities and increase their financial independence. Managers and directors implicated in fund looting should be prosecuted to act as a deterrence to future fraudsters. Furthermore, before hiring, bank employees should be thoroughly checked to ensure their morality and honesty. A sufficient internal control mechanism should be built to function as a check and balance among bank employees. There is also a need to strengthen anti-graft authorities in order to appropriately complement the Central Bank of Nigeria's (CBN) efforts to reduce the frequency of bank fraud.

Keywords: banking system, fraud, fraud detection, fraud prevention, Nigeria

Introduction

Because of its broad influence on the volume and direction of economic growth and change, the banking industry is one of the most crucial sectors in practically all economies around the world. The banking sector, as middlemen between suppliers and users of monies, plays a critical role in boosting economic activity. According to Diamond (2020), a distinguishing aspect of banking activities is acting as delegated monitors of borrowers on behalf of the ultimate lenders (depositors). In recent times, the inability of banks to adequately fulfill their function as intermediaries has been a major issue, owing to the sector's financial crisis as well as the hazards associated with banks' operations. One such risk that is growing increasingly concerning is the banking risk connected with fraud.

According to Idolor (2019) ^[10], fraud is defined as an intentional and purposeful activity by a person or group of people with the intent of changing the truth or fact for selfish personal advantage, and it has now become the most serious threat to the banking industry's growth. Aside from that, the increase in the number of personnel engaging in the act, as well as the ease with which many avoid discovery, is rather worrying, motivating many more to join in perpetuating fraud (Onibudo, 2017) ^[17]. It is undoubtedly concerning that, while banks are continually attempting to comply with monetary authorities' demands to recapitalize according to the established minimal standards, fraudsters are constantly at work threatening and decimating their financial foundation. The recent outbreak of fraud in the financial industry has become an embarrassment to the nation, owing to law enforcement agents' apparent incapacity to successfully track down and prosecute perpetrators of this horrible conduct.

Bank fraud jeopardizes a bank's organizational growth by causing bank distress. This is due to the fact that fraud diminishes depositors' deposits, which eventually leads to the eroding of banks' capital bases. The cost of fraud is also difficult to determine because not all frauds are discovered or even reported because most banks have a tendency to cover up frauds emerging from their banks and cash tills all in an effort to maintain consumer goodwill and client confidence at all times (Asukwu, 2019). Statistics on the operations of industry fraudsters are astounding, perplexing, and alarming. Ogwuma (2018) ^[14] stated that banks in Nigeria were at risk of losing one million naira every working day due to the prevalence of frauds in various guises or forms. According to official numbers from the Nigerian Deposit Insurance Corporation (NDIC), the amount involved in bank fraud increased from N104, 967m in 1989 to N12, 919.55b in 2002, and then to more than N28.4b in 2011. The amount of predicted loss, on the other hand, changed between 1989 and 2011. From N15.341m in 1989, it fell to N227.44m in 1997, then to N1, 094.55b in 2000, then to N854.46m in 2003, and then to N4.07b in 2011. Similarly, the number of employees involved decreased from 311 in 1998 to 85 in 2002 before increasing to 498 in 2011. As a result, between 1998 and 2011, about 4,276 bank employees were involved in bank fraud.

Equally concerning is the increase in the number of high management personnel who have been indicted or accused of bank fraud. Furthermore, the yearly increase in the quantity of financial resources lost to fraud clearly demonstrates that the fraud detection and management procedures have been fairly poor. Against this backdrop, the purpose of this study is to quantitatively identify the causes of bank frauds as well as the challenges connected with fraud detection in the banking system in order to provide policy choices that could assist minimize the country's spate of bank frauds. The remainder of the paper is organized as follows: section two provides conceptual clarifications of fraud and fraudulent practices, section three examines the various methods by which fraud is perpetrated, and section four concludes with some recommendations and policy options for mitigating fraud in the banking sector.

Fraud and Deceptive Practices

Fraud is defined as deliberate deception or an act of deception intended to get a person or organization to give up property or a legal right. The Association of Certified Fraud Examiners (2019) defines fraud as "the willful misuse, misapplication, or employment of organizational resources or assets for personal benefit." Fraud can also be defined as the dishonest conversion and acquisition of money or property through deception (FBI, 2014). In legal terms, fraud is defined as the dishonest deprivation of something to which a person would or might be entitled but for the perpetration of fraud. Nonetheless, in its linguistic sense, fraud is an intentional act of deception committed in order to acquire an unfair advantage. As a result, for any activity to be considered a fraud, the perpetrator must have a dishonest purpose to benefit at the expense of another person or organization. Fraud normally necessitates the theft and manipulation of records, which is frequently accompanied by the concealing of the theft. It also entails converting stolen assets or resources into personal assets or resources. Among criminologists, there is a universal agreement that three elements known as "WOE" produce fraud (Onibudo, 2017) ^[17]. There must be a will, an opportunity, and an exit for any fraud to occur (escape route). A fraud will only occur if the perpetrators have the desire to commit the fraud, if the opportunity to commit the fraud exists, and if there is an exit or escape route from relevant sections or institutions that are against fraud or related deviant behavior. With the collapse of major multinational corporations such as Enron (in the United States of America), coupled with high level allegations and actual cases of corporate fraud, many organizations have attempted to. The entire purpose of these is to ensure that all organizational members, regardless of position or status, adhere to the minimum norm of ethical responsibility in order to boost such organizations' reputation in their chosen industry, acquire customer goodwill, and therefore strengthen their competitive advantage (Unugbro and Idolor, 2017). It is worth noting that in the current Nigerian epoch, many youths and elder citizens alike engage in nefarious practices in order to become financially wealthy as quickly as possible, and because banks deal with money and money-related businesses, the banking sector has become a favorite target of persistent fraudsters.

Akinyomi (2019) ^[5] defines fraud as "the act of depriving a person underhandedly of anything that such a person would or might be entitled to but for the perpetration of fraud." Fraud is an act of deceit that is purposely done in order to achieve illegitimate advantage. As a result, for any activity to be considered a fraud, there must be a deceptive intent to benefit (on the part of the perpetrator) at the expense of another person or group. Fraud often entails the theft and manipulation of accounts, which is frequently accompanied by a cover-up of the fraud. It also entails converting stolen resources or property into one's own resources or property.

Despite the gravity of fraud in banks, as well as the various mechanisms put in place by banks, such as the establishment of internal control units, fraud alerts, security measures, and so on, fraud detection and prevention has remained a serious challenge in Nigeria, casting doubt on the effectiveness of these measures (Okubena, 1998) ^[15]. Employees and businesses in all industries and banking operations commit fraud all around the world. Furthermore, Adeoti (2018) stated that fraud is a global phenomenon; it is not unique to the banking industry or, for that matter, to Nigeria.

According to Ogidefa (2021), the problem of fraud in our banking system may have the following attachments:

- a. Bank misbehavior
- b. Failure to choose a trustworthy and honest official as the clearing house's representative.
- c. Failure to rotate representatives on a regular basis
- d. Failure to provide lockable boxes or bags for transporting cheques to and from central banks
- e. Inadequate training facilities for clearing workers in both offices and the central bank.
- f. Negligence in reviewing clearing checks from banks to eliminate the possibility of a short vii. alteration of cheque.

According to Eseoghene (2019) ^[8], there are numerous forms of frauds committed at banks, with embezzlement being one of them. This type of fraud involves the illicit collecting of monetary objects such as cash, traveler's cheques, and foreign currencies. It could also include the deceptive gathering of bank assets such as motor vehicles, computers, stationary, equipment, and various forms of electronics. Defalcation, on the other hand, entails the stealing of money held in trust by bankers on behalf of their customers. The most common type of bank fraud is the falsification of customer deposits by conversion or fraudulent alteration of deposit vouchers by either the bank teller or the customer. When a bank teller and a customer conspire to defraud, the fraud is usually well-planned and takes longer to detect. They can only be noticed simply during the reconciliation of a customer's bank account. Given the conceptual clarifications advocated, the following section of this discourse will concentrate on the causes and prominent categories of banking frauds. This is required for the purposes of policy formation and guidance to guide against fraud and to aid in the early discovery of fraud perpetrators.

Fraud's Causes, Dimensions, and Categories

The numerous elements that contribute to the prevalence of bank fraud can be divided into two categories: institutional and environmental, which are discussed further below.

Institutional considerations.

Institutional elements are those that may be traced back to the organization's internal working environment. They are, to a large degree, elements under the control of the bank's administration. The following are some noteworthy institutional factors that, if not given or made visible, might lead to an increase in the prevalence of fraud perpetration

- a. Inadequate information technology and database management
- b. Accounting and internal control systems are deficient.
- c. Inadequate supervision of subordinates and apathy

General unhappiness as a result of management's broken promise – the organization's poor welfare policy Regarding the "know your customer (KNC)" requirement, disregard.

Failure to participate in regular call over.

Staff banking experience: Frauds in banks occur at a higher rate of recurrence among employees who have limited experience and expertise in financial practice. The more experienced and competent a staff member is, the less likely it is that fraud will go undetected unless there is active help from staff / personnel / professional competence.

Inadequate bookkeeping and data handling (both in storage and retrieval forms).

Inadequate infrastructure: a bad communication system and power outages result in an accumulation of unbalanced posts, cramped office space, and other factors that facilitate bank fraud.

Environmental considerations.

Environmental variables can be traced back to the bank's immediate location as well as the bank's remote (social, economic, and political) environment. Several socioeconomic factors, including but not limited to the following, motivate people to succumb to temptation and thus join fraudulent individuals in society. Honesty in offices or public places is no longer encouraged; on the contrary, such people are often ridiculed and considered as slow, ignorant, or unintelligent, and unable to capitalize on the chances available to them for quick money.

In society, a high value is put on the acquisition of riches, with little concern given to the source of income.

At social gatherings, launchings, and other such social events, the focus of all eyes is frequently on those who have the ability to give out cash or make mouth-watering pledges or promises of what to accomplish. These are the people who are immediately recognized and admired. Nobody, however, is interested in learning how the money is made. The distribution of chieftaincy titles and equivalent honors has become heavily skewed in favor of the wealthy, and even among this group, the highest bidders are also the front runners.

Strenuous competition in the banking business, which resulted in many banks engaging in fraudulent and unethical practices in order to compete in terms of liquidity and profitability. Other environmental causes include job uncertainty, an increase in individual financial burdens, poverty, and a widening divide between the rich and the poor.

Aside from the traditional, institutional, and environmental aspects factors in the commission of frauds in Bank, Asukwo (2019) ^[6], and Idowu (2019), identified some other sources of fraud, which they classified as immediate and remote. Poor internal control is one of them; inadequate internal control and checks procedures frequently create a loophole for dishonest workers, consumers, and non-customers to commit fraud. To limit or eliminate fraud, comprehensive audits, security systems, and constant observation of staff are required at all times during and after bank official operating hours. Internal control and checks procedures that are reliable are likely to be the hallmark of containing and reducing the occurrence of fraud in banks.

Poor bookkeeping

The inability to keep accurate books of accounts, combined with the failure to balance the bank's numerous accounts on a daily, weekly, or monthly basis, frequently attracts fraud. This gap is very easily exploited by dishonest bank staff. When information and data management, as well as regular applications of monitoring and control mechanisms, are not correctly synchronized with banking processes, it frequently leads to record manipulation and eventual fraud perpetration.

Greed refers to an inner urge of persons (bank employees and workers) to earn financial gains significantly in excess of their income and immediate or long-term demands. It is frequently motivated by a sick desire to become wealthy quickly so that one can live a life of grandeur and extravagance. Greed is widely considered as the single most important source of fraud in the banking industry.

Inadequate/poor staffing: a bank that is understaffed will typically struggle with work planning and the assignment of roles and responsibilities. A bank that is saturated with unskilled and inexperienced employees

will have to deal with the issue of training and supervision of its officials. This situation can very easily be capitalized upon by the teeming fraudsters that the bank has to contend with in its day to day transactions. Inadequate staffing can be in the form of quality, quantity and the psychological state of staff / personnel.

Inadequate training and re-training: a lack of adequate training and re-training of personnel on both technical and theoretical parts of banking activities and operations frequently results in poor performance. Such inefficient performance creates a gap that fraudsters can easily exploit. Aside from that, it's worth noting that the banking industry is technologically dynamic and easily influenced by worldwide economic equations and innovation. As a result, staff / personnel must be routinely trained and exposed to these dynamics in order to maintain banking ethics and practices on track.

Genetic Traits (Background Checks): this is related to heredity: the process through which qualities are handed down from parents to offspring. A kleptomaniac, for example, who has a compulsive desire to steal solely for the purpose of stealing, would not do well as a banker. It is consequently critical for banks to detect such signs among their employees as soon as possible in order to decrease the likelihood of employee fraud. Furthermore, the following elements, as proposed by Aderibigbe (2019) and Onibudo (2017) ^[17], contribute significantly to fraud

- a. Inadequate remuneration, salary, and fringe benefits accruable to bank employees;
- b. The ease with which stolen assets are converted following deceptionful appropriation;
- c. Refusal to follow established processes without consequence or sanction;
- d. Collusion between interaction agents charged with preserving the assets and other interests of the bank and its customers / clients
- e. Working conditions that are deplorable;

Employee poverty and infidelity

Fraud, as expected, takes numerous shapes and guises, with insiders (employees) and outsiders frequently working together to successfully organize the act. The following are the most typical types of bank frauds in Nigeria, according to Ovuakporie, and are by no means exhaustive (1994).

Theft and embezzlement: are types of fraud that include the illegal accumulation of monetary commodities such as cash, travelers' checks, and foreign currency. It also includes the fraudulent collecting of bank assets such as motor vehicles, computers, stationery, equipment, and various forms of electronics owned by the bank.

Defalcation: refers to the misappropriation of funds held in trust by bankers on behalf of their customers. A typical type of bank fraud is the falsification of customer deposits by conversion or fraudulent alteration of deposit vouchers by either the bank teller or the customer. When a bank teller and a customer conspire to defraud, the fraud is usually well-planned and takes longer to detect. They are only easily found throughout the bank account reconciliation process for customers. Other types of deception include conspiring with a customer's agent when he or she pays into the customer's account and tellers stealing some notes from the money that are invoiced to be paid to unwary customers/clients.

Forgeries: are the fraudulent copying and use of a customer's signature to withdraw large sums of money from the customer's account without the customer's prior authorization. Forgeries of savings accounts, bank accounts, current accounts, or transfer instruments such as drafts may be targeted. Experience has shown that the majority of such forgeries are committed by internal staff or by outsiders working in cooperation with bank workers, who are usually the ones who distribute the faked specimen signatures (Onibudo, 2017) ^[17].

Unofficial borrowing: in some cases, bank staff borrow informally from vaults and teller tills. Such unauthorized borrowings are made in exchange for a post-dated cheque, an I.O.U., or even nothing at all. These loans are especially common on weekends and at the end of the month when wages have not been paid. Some of the unofficial borrowings from the vault, which can amount to thousands of naira, are utilized for short-term transactions that last a few hours or days before being replenished. When done frequently and without official records, such a technique quickly becomes vulnerable to manipulation, as they turn to alternative methods of balancing the cash in the bank's vault without ever having to replace the sums of money collected.

Foreign exchange malpractices: include the manipulation of foreign exchange paperwork and the diversion of foreign exchange that has been legitimately allocated to the bank to meet customers' needs and demand to the black market through the use of "ghost clients." Other foreign exchange malpractices include selling to uninformed and naive consumers at higher-than-official exchange rates and then demanding the balance after the hapless customer has left.

Impersonation is the act of impersonating another person with the goal of deceitfully committing fraud. Another common dimension of bank fraud is impersonation by third parties in order to fraudulently obtain new cheque books, which are then used to commit fraud. Cases of impersonation have been reported to be

particularly successful when done with deceitful bank staff who may easily make available the unwary consumers' specimen signatures and passport photographs.

Manipulation/falsification of vouchers: this sort of fraud entails the substitution or conversion of entries from one account to another account that is utilized to commit the fraud. This account, of course, would be a bogus account into which the funds of unwary bank clients would be moved. The amounts taken are frequently minimal enough that top management or other naive bank employees will not notice. Manipulation of vouchers can thrive in a financial system that has insufficient checks and balances, such as poor job segregation and a lack of rigorous daily scrutiny of vouchers and other bank data.

Fabrication of status report: falsification of status report and/or doctoring of status report is a prevalent sort of fraud.

This is frequently done with the intention of providing undeserved recommendations and opinions to unwary bank customers. Some clients, for example, may only give contracts to a bank customer provided he/she provides evidence that he/she can execute the task and is financially secure. Such a fraudulent customer colludes with bank employees to bolster the account, all with the goal of portraying himself not only as capable, but also as a person who will not flee once the contract funds have been paid. For whatever purpose, the inflation of statistics data about a customer's account performance to present deceptive impressions to unwary third parties (which is particularly widespread in Nigeria) is fraudulent behavior.

Money laundering is the deceptive act of legitimizing money earned through illicit activity by depositing it in a bank for the criminals, assisting them in transferring it to foreign banks, or investing it in legitimate businesses. Money laundering by con men, politicians, and dishonest bank employees has taken on worrying proportions in Nigeria's recent political dispensation.

Fake payments: are a prevalent sort of fraud in the financial industry, and it involves the teller placing a forged cheque into his/her cage. It is carried out with or without the assistance of other members of staff or bank customers. However, if the bank has a policy of rigorously checking all vouchers, checks, withdrawal slips, and payments on a daily basis, this form of fraud is easy to identify.

Computer/cyberspace frauds: entail the fraudulent manipulation of the bank's computer at the data gathering, input processing, or data dissemination stages. Computer fraud can also occur as a result of an inefficient input system, viruses, program manipulations, transaction manipulations, and cyber thefts. In this era of widespread use of automated teller machines (ATMs) and online real-time e-banking and commerce, computer frauds resulting from cyber thefts and crimes have taken on a highly dangerous dimension. No bank appears to be immune, and a large percentage of the billions of naira spent annually in the banking sector to combat fraud is frequently channeled into countering compute frauds and cybercrimes/theft.

Management fraud: is frequently performed by a reporting entity's management team, which includes directors, general managers, and managing directors, to name a few. Management fraud victims include investors and creditors, and the medium used to commit the fraud is financial statements. In most cases, management fraud is motivated by a desire to increase investment from both existing and potential shareholders in the organization. Another reason for management fraud is to present the bank in a favorable light to regulatory authorities.

Management fraud: according to Fakunle (2006:173), is the manipulation of records and accounting, often by the enterprise's top personnel, in order to gain in some indirect way. According to Ajisebutu (2006:6), the following are the major characteristics of management fraud:

- a. A significant false statement
- b. Understanding of its (statement's) falsity
- c. Victim's reliance on a false statement
- d. Victim's monetary loss

Insider or employee fraud; this is also known as non-management fraud and is typically committed by bank personnel. Insider fraud at the bank, according to Olatunji (2009: 183), entails falsification of some type, lying, exceeding authority, violating employer policies, and embezzling of company funds, usually in the form of cash and other assets. Some common manifestations of employee fraud in banks include:

- a. Bank employees stealing cash from the tills
- b. Overtime claims for hours not worked
- c. Suppression of cash and cheques
- d. Using counterfeit cheques to extract funds from customers' accounts

Opening and running a bogus account into which an unlawful transfer could be made and a phony balance credited.

Outsider scams

are those committed by consumers and others. non-banking customers A commercial bank's primary job in the financial market is to connect customers with capital deficits to customers with capital surpluses. Banks and personnel come into contact with both consumers and non-customers when carrying out this duty, and this contract raises the danger of fraud.

Outsiders/insiders fraud

occurs when bank employees and outsiders work together to defraud the bank. More often than not, for a bank's outsider fraud to work, an insider must be supplying information and other logistical support to the outsider. Bank fraud is further subdivided into two basic categories: internal and external frauds, all of which are related with the

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

External fraud refers to deception perpetrated by third-party entities such as suppliers, competitors, partners, and customers. Potential customers, governments, and criminal groups are among the other offenders. The offenders can work alone or in collaboration with bank employees to defraud the bank. Money laundering, identity theft, and the use of lost or stolen documents, as well as the use of counterfeit cards, theft, and sensitive information, are all examples of external fraud noticed by the bank. If not found promptly, this form of fraud can be quite costly. It is quite difficult to rule out the possibility that the bank is unintentionally trading with criminal gangs. If, for example, such a transaction became public, the bank's reputation and client confidence may suffer greatly.

Bank Fraud in Nigeria: A Growing Problem

Table 1 shows a trend study of fraudulent actions conducted in Nigeria's banking industry between 1994 and 2012.

1 The total number of reported fraud cases, as well as the amount of money lost to fraudsters, were examined.

Table 1: Analysis of Banks' Fraud in Nigeria (1994-2012)

Year	Total No of Fraud Cases	Total Amount Involved (N'000)	Actual Expected Loss (N'000)	Proportion of Total Expected Loss to Amount Involved (%)	No of Insured Banks with Adequate Cover. (C/M)
2003	169	3329.42	952.52	28.88	42
2004	151	1,124.42	321.21	23.77	45
2005	616	1,712.72	463.135	27.55	67
2006	543	3888.78	237.55	7.27	47
2007	578	3284.72	783.36	28.99	55
2008	189	73,944.28	2842.16	38.667	36
2009	510	2962.41	1085.42	38.56	17
2010	899	10,532.63	817.40	8.53	68
2011	789	11,818.62	1,308.78	13.61	83
2012	869	8,442.72	946.58	9.36	117
2013	1,285	10,862.00	2,721.12	33.32	394
2014	1,235	11,520.27	4,703.16	55.74	387
2015	1,871	5,942.26	2,868.78	62.38	352
2016	1,633	11,106.71	2,962.93	29.62	295
2017	2,107	52,403.72	18,654.27	36.89	336
2018	1,851	39,382.62	7,658.34	19.39	681
2019	1,619	20,382.42	12,788	57.67	367
2020	2,463	29,513.72	4,583	15.44	489
2021	1,754	31,427.37	8,875.44	8.63	526

Source: Nigerian Deposit Insurance Corporation (NDIC) Various Issues

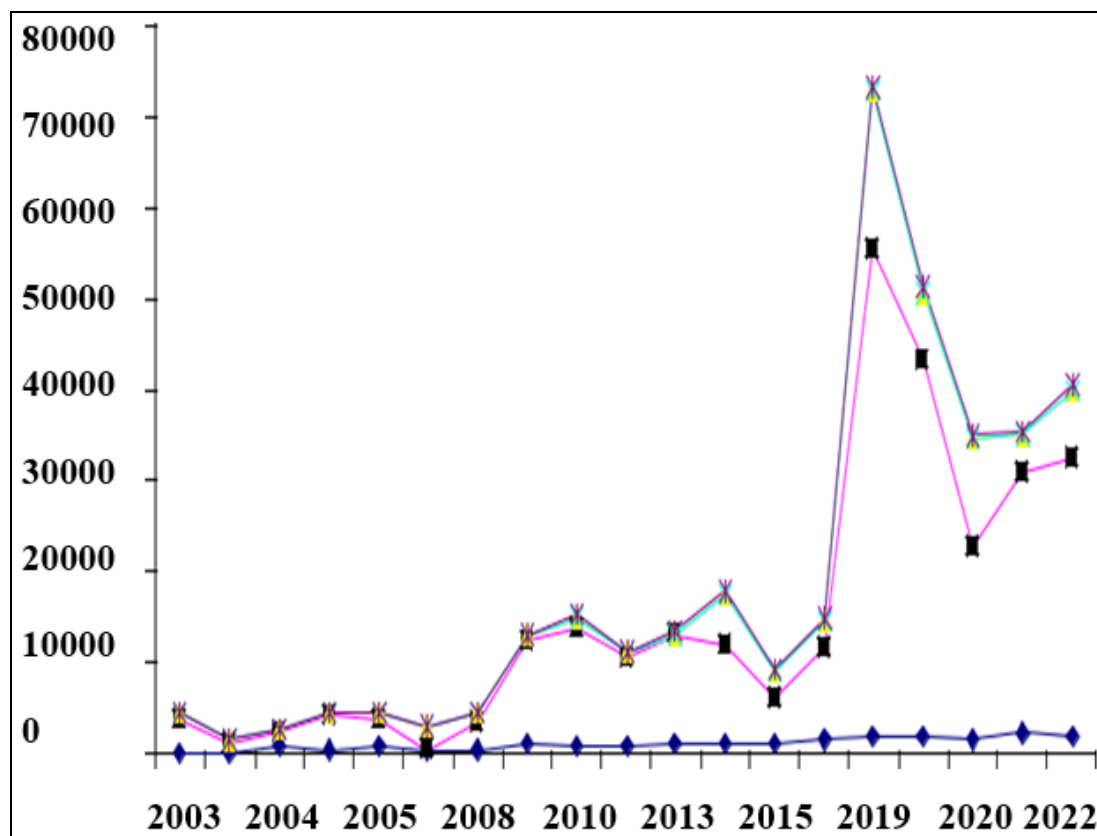


Fig 2: Analysis of Banks' Fraud in Nigeria (2003 – 2021)

Table 1 and Figure 2 illustrate that there is a linear link between the amount involved in fraud and deposit mobilization for insured banks during (2003-2015). While the amount of fraud increased from N3,399 million in 2006 to N73, 944.28 million in 2018 and then decreased to N30, 319.26 million in 2020, the amount of predicted loss fluctuated from 2003 to 2016. It increased from N950.65m in 2003 to N17, 543.09m in 2019, then fell to N4,071m in 2020 before resting at N7,766.33m in 2022. It should be noted that the downward trend observed between 2019 and 2022 can be attributed to the activities of the Central Bank of Nigeria (CBN) as well as anti-graft agencies in the country, such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC).

Table 2: Analysis of the Involvement of Bank Staff in Fraud and Forgeries

Years	Supervisor & Managers		Officers, Accountants & Executive Assistants		Clerks & Cashiers		Typists, Technician & Stenographer		Messenger, Drivers, Cleaners, Security Guards & Stewards		Temporary Staff		Total Number of Staff
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
2003	25	24	41	39	25	24	-	-	7	7	8	8	106
2004	157	41	129	34	61	16	18	5	15	4	3	1	383
2005	169	45	124	33	54	14	16	4	12	3	3	1	378
2006	118	36	90	27	50	15	16	5	7	2	50	15	331
2007	87	31	89	33	34	13	21	8	-	-	45	17	273
2008	48	15	127	41	48	15	20	6	-	-	70	23	313
2009	94	14	137	21	200	31	64	10	11	2	150	24	656
2010	92	26	79	22	115	32	23	6	15	4	33	10	357
2011	89	18	126	25	163	33	7	2	35	7	78	16	498

Source: NDIC Annual Reports of Various Issues

Table 2 depict the status and number of bank employees implicated in fraud and forgery from 2003 to 2011. Over the course of nine years, a total of 3,295 people were reported to have been involved in fraud and forgery. In 2009, the number of bank employees implicated in fraud and forgery peaked at 656, with 431 of them being core operating personnel such as supervisors, officers, accountants, managers, executive assistants, clerks, and cashiers, accounting for 60% of the total workforce involved in fraud. Between 2003 and 2011, a total of 16,334 incidences of fraud and forgery were reported, involving a total of \$234,301.27 million and perpetrated by a total of 3,227 workers of various designations. It is worth noting that the year 2009 saw the largest number of frauds

and forgeries (i.e. 2,007 incidents) and the highest overall amount of frauds and forgeries (i.e. 53,522.86 million).

Fraud Detection Difficulties

Nigeria's banking industry has implemented a number of steps to detect and restrict the occurrence of fraud. According to Mahdi and Zhila (2018), fraud detection measures include cashier checks, call-over, reconciliation and balancing of accounts at all branches, inter-bank reconciliation at head office levels, periodic filing of statement of accounts, stock-taking of security goods and cash. Furthermore, dual control mechanisms, reporting systems, the installation of closed circuit television/cameras, signature verification, the control of inactive accounts, teleguiding staff lifestyle, and the coding and decoding of telex messages are all effective fraud detection methods. However, it is sad that, despite all of these precautions, fraud in the financial business has continued to rise.

Since the beginning of time, banks have been plagued by fraud. Without a question, this has had an impact on their performance and profitability, and in some circumstances, may have resulted in financial difficulty. The inability of Nigerian banks to develop an unified approach to fighting fraud has posed a significant hurdle to fraud detection and prevention. Fraud is a huge issue for the whole banking business; no bank is immune to fraud, and it occurs in many aspects of life (Olorunsegun, 2019). The banking public demands accountability, fairness, and transparency in their day-to-day operations for effective intermediation, and in order to achieve these aims, the issue of fraud must be addressed comprehensively.

Despite the fact that there were known examples of fraud in the industry, the nature and various ways in which fraud can be perpetuated in banks have not been effectively demystified. Adeyemo (2018) asserts that fraud in the bank is achievable with the corroboration of an insider, and that this appears to be the greatest risk to fraud detection and control. Banks are expected to carry out their tasks with sincerity of intent and without engaging in fraudulent acts, as this will increase public trust and confidence. Another issue is that the government and its authorities have not done enough to prevent and control bank fraud in Nigeria, which would have lowered the degree of bank fraud to a manageable level. The various legislative Acts such as the Money Laundering Prohibition Act (which helps to place surveillance on any account through which such excess cash deposits or withdrawals are made), the Bill of Exchange Act (which helps to collect the proceeds of trade bills of exchange and cheques), are not putting enough effort into the prevention and control of bank fraud, which is why bank fraud in Nigeria is increasing day by day.

However, environmental or social elements constitute a difficulty in the banking industry's activities because they lead to bank fraud in Nigeria. Environmental factors are those that can be traced back to the bank's immediate and remote environment. These factors manifest themselves in the following ways: the desire to get rich quickly, the slow and complex legal process, poverty and the widening gap between the rich and the poor, competition among bank employees, the desire to belong to any social class, job insecurity, peer group pressure, and societal expectations. The studies found that organizational characteristics that inspire engagement in bank fraud include inadequate personnel, weak internal control mechanisms, a lack of proper training, and poor working conditions. Indeed, the high level of delinquent/toxic assets and nonperforming loans of banks, which greatly distort the banks' financial statements, is attributable to the activities of top management, who in most cases engage in unethical practices ranging from falsification of accounting statements, embezzlement of depositors' funds, distortion of financial statements, and the granting of loans and other credit facilities to business partners/clients above and beyond the regulatory requirements. These top executives made little or no effort to retrieve such loans.

Conclusion

Bank fraud appears to be a fairly common occurrence in recent years, and no one can deny the enormous impact and implications it has on the overall stability of the economy. As a result, it is suggested that banks pay more active attention to early fraud detection and elimination. One approach to accomplish this is to include additional security measures not only within the bank's facilities but also in the cheque books distributed to their numerous clients. This not only reduces their vulnerability to forgeries and other fraudulent activities, but also facilitates early discovery of such heinous acts. Also, when hiring important individuals to manage sensitive operations, banks must make active attempts to conduct a proper background check on the employee's status and nature in his or her community, as this will assist them determine the likelihood of the employee engaging in fraudulent activities. Banks must also improve their employees' abilities to spot fraud, particularly that involving cheques and money transfers. This can be accomplished by combining internal and external modules of on-the-job and off-the-job training exercises.

Banks are also recommended to assess their remuneration packages on a regular basis in order to limit the likelihood of fraudulent behavior by their workers. Employees are thought to be less likely to commit fraud if they are properly compensated. Employees who demonstrate competence in detecting and avoiding fraud should be rewarded financially and recognized. Furthermore, because of the fiduciary nature of their functions, senior management must endeavor to maintain a high level of ethical standards in the performance of their obligations. This is critical since they are mandated by law to protect their banks' assets. Staff assigned to banks' internal audit departments should be fully qualified, properly trained, and experienced in all aspects of banking operations. Furthermore, the CBN cannot be expected to enforce regulatory and supervisory rules, which are critical to the successful operation of banking activities in Nigeria. Other agencies or organizations, such as the law courts, the Economic and Financial Crimes Commission (EFCC), the police, and so on, must be sought as a complement to

the CBN in this matter. According to Carmody (1998) and Imhanlahimi (2001), a high level of enforcement of laws, rules, and regulations leads to higher goal achievement in the social system or organization in question. Essentially, the CBN should firmly define regulatory guidelines for banks to follow, and then strictly enforce them objectively, without fear or favor, with the active and unwavering collaboration of law enforcement agencies or institutions.

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