



Consequences of Bank Frauds on the Growth of Nigerian Economy

Iyodo, Baba Yaro, Agbaji, Joseph Simon & Abu, Adegede Suleiman

Dept. of Banking & Finance, Faculty of Management, Sciences, Kogi State University, Anyigba, Nigeria

Abstract

This paper analyzes and examines the consequences of bank frauds on the growth of the Nigerian economy. In recent years, frauds in Nigeria banking sector seemed to have assumed a frightening dimension and to a large extent, the confidence the general public reposes in it, is put in jeopardy. The scope of the study is 1995 to 2014. Secondary data is being used for the study. Regression analysis and SPSS application soft ware is being used for data analysis. The study reveals that bank fraud have negative and significant consequences on the growth of Nigerian economy. The ability of banks to promote growth and development in any economy is a function of the extent to which financial transactions are carried out with trust, confidence and least risk. These no doubt requires a safe and sound banking practice which many of the banks in Nigeria today have despised to their own peril. The study recommends that the regulatory authorities of banks in Nigeria need to improve on their supervision, careful when recruiting employees, wonderful results alone is not enough, but fear of God and integrity of employees should be considered. The paper concludes that the battle for the preclusion, uncovering and retribution of fraud offenders must be fought to reduce the temptation to commit fraud and to increase the chances of detection. While a positive work environment will help to achieve the former, the latter can be achieved by sound internal control system.

Key Words: Fraud, Forgery, Regression Analysis, Nigeria, Consequences, Nigerian economic growth.

1.1 Introduction

Fraud and fraudulent activities affect every business. Fraud losses continue to pose a significant problem to many industries despite significant advances in fraud detection technologies. Wilhem (2004) estimated annual losses due to fraud for various industries in the US to include \$67b (Insurance), \$150b (Telecommunication), \$1.2b (Bank), \$40b (money laundering), \$5.7b (Internet) and \$1b (Credit card). These losses pose a significant threat to banks considering their role in the economy. Owolabi (2010) noted that the problem of fraud in the banking industry is not limited to any economy, nation, continent or environment.

Fraud and fraudulent activities can ultimately result to bank failure. Bank failure in Nigeria can be traced to the 1930's bank failure and crisis. According to Nwankwo (1994) the crisis of confidence in the Nigerian banking industry occurred in the 1930s when all indigenous banks, except the National Bank, collapsed. It occurred again during the banking „boom and crash“ of the late 1940s when all, but four indigenous banks, experienced the liquidators“ hammer. Also between 1952 and 1954, 16 out of 21 indigenous banks failed. In the late 1990s, 26 failed banks were liquidated while others went through various surgical operations ranging from restructuring, renaming, acquiring and outright sales to new investors.

A prominent feature of bank failure which led to the reforms in the banking sector in Nigeria was fraud. This indicates a fundamental problem with fraud investigation and management in Nigerian banks. There is, therefore, need for a comprehensive fraud management scheme to have a holistic view of all the factors involved in fraud occurrence.

The holistic scheme, as Wilhelm (2004) opines, includes fraud deterrence, fraud prevention, fraud detection, fraud mitigation, fraud analysis, fraud policy, fraud investigation and fraud prosecution. These stages must be successfully integrated and balanced to reap the benefits of advancements in fraud detection technologies and to save the economy from continuous lose of money to fraud and fraudulent activities in the banking sector in Nigeria. This paper is organized as follows; section one is the introduction while section two reviews the empirical and theoretical literature on fraud and it effect on commercial banks in Nigeria; section three discusses the models and methodology while section four provides data and empirical evidence and the final section which is section five provides the summary, conclusion and recommendations of the study.

1.2. Statement of the Problem

The banking business has become more complex with the development in the field of Information and Communication Technology (ICT) which has changed the nature of bank fraud and fraudulent practices. Berney

(2008) observes that customers rely heavily on the web for their banking business which leads to an increase in the number of online transactions.

Gates and Jacob (2009) and Malphrus (2009) assert that the internet provides fraudsters with more opportunities to attack customers who are not physically present on the web to authenticate transactions. Within a 6 year period, the FBI received 207,051 Suspicious Activity Reports (SARs) for criminal activities related to cheque fraud, cheque kiting, counterfeit cheques, and counterfeit negotiable instruments. These fraudulent activities accounted for 47 percent of the 436,655 SARs filed by U.S. financial institutions and equaled approximately \$7 billion in expected losses (U.S. Department of Justice [DOJ], 2002).

According to Greene (2009), the true economic costs are about 150 percent of the actual fraud loss. In Nigeria, in spite of the banking regulation and bank examination by the Central Bank of Nigeria (CBN), the supervisory role of the Nigeria Deposit Insurance Corporation (NDIC), and The Chartered Institute of Bankers of Nigeria (CIBN), there is still a growing concern about fraud and other unethical practices in the banking industry. Evidence from the NDIC Report (2008) reveals that the report of the examinations and special investigations showed that some banks were still bedeviled with problems of fraud, weak board and management oversight; inaccurate financial reporting; poor book-keeping practices; nonperforming insider-related credits; declining asset quality and attendant large provisioning requirements; inadequate debt recovery; non-compliance with banking laws, rules and regulations; and significant exposure to the capital market through share and margin loans.

Okpara (2009) found that one of the factors that impacted the most on the performance of the banking system in Nigeria was fraudulent practices. Since the fraudulence in banks has become an ever existing problem, there is need to examine the extent to which fraud and other unethical practices have impacted on the banking industry in particular and the national economy generally. Hence, the need for this study.

1.3. Objectives of the Study

The general objective of this study is to analyze the consequences of bank fraud on the economic growth of Nigeria. Other specific objectives of the study include the following:

- i. To identify the categories of bank frauds and forgeries in Nigerian banking sector.
- ii. To identify effective control strategies for managing banks fraud and forgeries in Nigerian banking sector

1.4. Research Questions

The research questions that this study aim at finding answers are as follows:

- i. What are the various categories of bank frauds being perpetrated in the Nigerian banking sector?
- ii. Are there effective prevention and control measures for bank frauds and forgeries?.

The study is significant in many ways as it will provide bank managers with a more effective ways of preventing or minimizing frauds and forgeries in the banking operations. And it will also raise the level of confidence which the public has on these banks. The research will also draw the government attention to finance and provide a consistent banking policy for sustainable development of our national economy as well as strengthening and to consolidate the Nigerian economy. The study will serve as a reference material to government, individual, students and other researchers.

1.5. Research Hypotheses

The hypotheses of this study are as follows:

H₀: Bank frauds have positive and significance consequences on the growth of the Nigerian economy.

H₁: Bank frauds do not have positive and significance consequences on the growth of the Nigerian economic growth.

2.0. Review of Related Literatures

2.1 Conceptual Frame Work

Black's law dictionary (6th edition, 1990) has defined fraud as „an intentional perversion of truth for the purpose of inducing another, relying upon it to part with some valuable thing belonging to him or to surrender a legal right. A false representation of a matter of fact, whether by words or by conduct, by false or misleading allegation or by concealment of that which deceives and is intended to deceive another so that he shall act upon it to his legal injury. Anything calculated to deceive, whether by a single act or combination or by suppression of truth or suggestion of what is false whether it be by direct falsehood or innuendo, by speech or silence, word of mouth, look or gesture .It is pragmatically essential to exegesis on the various operational definitions of major concepts of this topic. This will give a clear understanding of the concepts that are very synonymous but never the same, especially the word fraud, forgeries and errors.

Fraud is described as an act of deliberate deception with the intention of gaining some benefit, in other words it is the act of dishonestly pretending to be something that one is not. (Chamber English Dictionary, 2002). Wikipedia (2008) defines bank fraud as whenever a person knowingly executes, or attempts to execute, a scheme or artifice (1) to defraud a financial institution; or (2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by or under the custody or control of, a financial institution, by means of false or fraudulent

pretences, representations, or promises. Also from the legal point of view, Fagbemi (1989) perceived fraud as “the act of depriving a person dishonestly of something which is his or something to which he is or would or might but for the perpetration of fraud, be entitled”.

The view of Adewumi (1986) is that fraud is a conscious premeditated action of a person or group of persons with the intention of altering the truth and or fact for selfish personal monetary gain. It involves the use of deceit and trick and sometimes highly intelligent cunning and know-how. The action usually takes the form of forgery, falsification of documents and authorizing signatures and an outright theft. Almost in the same direction Nwankwo (1991) also opined that fraud occurs when a person in a position of trust and responsibility, in defiance of norms, breaks rule to advance his personal interests at the expense of the public interest, which he has been entrusted to guide and promote. It occurs when a person through deceit, trickery or highly intelligent cunning ways, gains an advantage he could not otherwise have gained through lawful, just or normal process.

It is evidence from the multiple-definitions given by various scholars that the word fraud is generic in nature. However fraud is generally considered to be anything calculated to deceive. This include all arts, omissions, and concealments involving a breach of legal or equitable duty, trust or evidence justly reposed which result in damage to another or by which undue and conscienceless advantage is taken of another. Fraud is distinctive from any other term that looks like it such as forgery and errors in that, it shows a more affirmative action, evil in nature such as intentionally and deliberately proceeding or acting dishonestly with a wicked motive to cheat or to deceive another. Forgery is a type of fraud which is mainly a falsification or manipulation of documents. Generally forgery is characterized by alteration of writing to the prejudice of other rights. Basically, three elements are identified with forgery.

According to Adebisi (2009), there are three forms of fraud. They are the internal, external and a combination of internal and external frauds. **Internal fraud:** This is a fraud made against an organization by an insider- say a staff. If the staff is not capable of starting and concluding the whole process, he may carefully select a „TEAM“ within the organization **External Fraud:** This is a fraud perpetrated by outsiders. This is the exact opposite of internal fraud. **Combination of Internal and External Fraud:** This is often referred to as „collusion“. Fraud in a bank can be committed by a bank customer, bank staff or a combination of staff and customer or third parties. This is very common and the success rate is higher than the first two. Fraudulent transactions in organizations such as banks could equally be classified according to fraud type. This in turn is divided into three broad categories, namely by flow, victims or by Act.

2.2. Methods through Which Frauds are Perpetrated in the Nigerian Banking Industry

There are various methods through which frauds are perpetrated in the Nigerian banking industry. The list is not exhaustive as new methods are devised with time. The most important and common methods according to Benson and Edwards (2006), Nwaze (2009) and Adebisi (2009) are: **Mail Fraud:** This is a process whereby the content of a duly authorized mail originated in a bank is converted to the benefit of illegitimate recipient. **Teller Fraud:** This 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 to fraudulently obtain cash. In Nigeria, the major types of frauds committed with cheques, are: Presentation of forged cheques, Cheque substitution, Suppression of clearing cheques, cheque cloning, cheque kiting, Issuance of „rubber“ cheques. Forgery of signatories and re-representation of already paid cheques through insider assistance. Fund transfer frauds can be local or international, e.g. Money gram, Western union etc. Fraudulent activities through this channel could include identity fraud and fake confirmation:

Fraudulent activities could come via manipulation of Fixed Deposit transactions. This includes fixing of fixed deposits above approved rates, Back value dating of fixed deposit transactions and seeking for undeserved rate for customers, to the detriment of the of the bank etc.. **Manipulation/ Conversion of Assets:** Some bank assets i.e. consumables, e.g., photocopying papers, staplers, biros, pencils, fuel, etc, as small as they are, can easily be converted by staff to personal property to the detriment of the bank .Others include income leakages, over invoicing/expense padding **Risk Asset Manipulation:** Loans are the commonest type of credits granted by banks and experience shows that their vulnerability into fraudulent manipulation begins as soon as the first requests are made. However, it has also been confirmed that at any stage, most- loan frauds are perpetuated with the active collaboration of bank employees. The Common categories of loan fraud includes:(i) Manipulation of facilities, ii) Unauthorized Facilities,(iii) Excess above approved limits: iv) Expired Facilities: (v) Swapping of credit facilities.(vi) Selling of Bank Draft/Certified Cheque on insufficient funds.(vii) Giving of false financial accounts by some deceptive customers, as well as giving of false guarantees and presentation of false collateral etc . **Computer fraud:** Computer fraud is more sophisticated than the manually processed fraudulent activities. It is any fraud accomplished by tampering with computer programs; data files, operations, equipment or media, resulting in losses to the bank whose computer system is manipulated. The following are examples of computer frauds that are perpetrated in the banking systems on a regular basis (i) Program Manipulation,(ii) Data manipulation, (iii)Transaction Entry Fraud:(iv)Stealing of passwords etc. **Electronic Banking Fraud (E-fraud):** While the development of e-banking has brought with it new products and ways of doing business, it has also spurned a wide

variety of frauds and ways of perpetrating them. The nature of perpetration is often the internet or electronic card products-hence the term e-banking frauds or cyber-fraud. Electronic banking frauds are perpetrated via (a) ATM/Card-related Frauds, (b) Spam Mails / denial of services (c) Hacking / Unauthorized Access (d) SWIFT frauds (e) Money Transfer Frauds (Western Union Money Transfer & Money Gram) Advance Fee Fraud (419): The dynamics of Advance Fee Fraud is to trick prospective victims into parting with funds by persuading them that they will receive a substantial benefit, in return for providing some modest payment in advance Counterfeit securities: Daily huge sums of money are lost by banks through fraudulent use of counterfeit financial documents. Apart from money itself, other financial instruments and documents are susceptible to forgery, a trend made easy with the advent of modern photographic and printing equipment. Account Opening Fraud: In the last few years many banks have lost money through corporate and personal - account - opening frauds. Some of these frauds would have been prevented had the banks applied their standard account-opening controls. Money Laundry 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. Insider Dealing Fraud The impact of Insider dealing fraud is better appreciated from the standpoint of supplying insider related information that are used in defrauding a bank.. Executive or management fraud is characterized by lack of transparency on the part of Board, management, and officers of some banking institutions in financial reporting and transactions with clients and unsuspecting members of public. The more common types of executive fraud include, but are not limited to the following (i) Foreign Exchange Scam, (ii) Unethical Balance Sheet Management iii) Illegal bank charges, transactions, and unfair dealings by banks against their customers iv) Cross dealings to conceal violation of single obligor limits (v) Loan Application through fronts,(vi) Foreign Exchange Transfer Profiteering vii) Business Development/ Public Relations Payment viii) Loan Recovery Fraud (ix) Cost of fund: Interest Padding (x) Property Rental Fraud xi) Over-invoicing on Purchases and other Contracts: xii) Utilization of Bank's Time and other Resources, xiii) competition with Employer and Financial Statement fraud. Lastly, in spite of the seeming tamper proof measures, fraudsters still perpetrate fraud on banks via letters of credit.

2.3. Causes of Fraud

According to Benson and Edwards (2006), Nwaze (2009) and Adebisi (2009), there are many causes of fraud, depending on the enabling environment. We will focus our attention on the common ones under the following classifications: Social, technological and legal. Others are personal and management. 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.

2.4 Identified Fraud Types Prevalent in the Nigerian Banking Industry

The regulatory authorities (Central Bank of Nigeria (CBN) and the Nigerian deposit insurance corporation (NDIC), have identified the under listed 18 fraud types as the prevalent modes through which deposits are frittered away in Nigerian banks. This includes:(1) Telling fraud, 2) Falsification of accounts,3) Forged cheques with forged signatures 4) Printing of bank documents illegally, 5) Clearing fraud,6) Computer Fraud,7) Telex or SWIFT Fraud,8) Foreign exchange fraud,9) Cross firing of cheques and Kite flying, 10) Theft of cash,11) Suppression of Cash / Cheque entries, 12) Opening and Operating of fraudulent loan accounts,13) Over Invoicing of service to the banks, 14) Armed Robbery attacks, 15) Fictitious Bank branches,16) Miscellaneous and other types of fraud, 17) Fraudulent Withdrawals and 18) ATM Withdrawals.

2.5. Strategies for Preventing Frauds and Forgeries in the Banking Sector Management Control System

The first basic strategy open to bank management for preventing fraud is the installation of effective management control systems. Management control system consists of mechanism evolved by a bank to foster organizational efficiency and growth. They evolve the process set up to plan and control the activities and operations of the bank, These entail a good control process and also a feedback mechanism such that a bank is able to monitor all aspects of its operations and thus ensure the achievement of the goals of the bank. It calls for measuring and evaluating the departmental performances both in terms of resource use, the output and productivity. Management control systems essentially lead to cost control, effectiveness in the programming of activities and in the utilization of human and material resources. It assists in the establishment of standards and the measurement of performance and calls for the concerted efforts to ensure that the bank is moving towards its targets. It assists in early detection of frauds that may occur especially in the process of operationalizing the various tasks of the bank. The control process in any bank encompasses financial controls, process controls, personnel controls administrative controls, accounting controls, credit controls, cost controls and other controls.

a. Financial Control Strategy

These controls ensure that the institution's financial resources are secured very efficiently and utilized effectively in the achievement of the bank's goals of profitability and liquidity. They entail the maintenance of cash

limits, specification of signing powers, special security devices (e.g. franking machines) for sensitive instruments, use of special instruments (certified cheques, payment vouchers, etc) dual controls for cash and instruments, regular balancing of safe and cash till, maintenance of vault registers, cash movement registers etc, it specifies the procedures for cash movements between branches and with the central bank.

b. **Personnel Control Strategy**

These controls seek to assist the bank recruit and maintain high quality staff. They ensure that there is in place proper recruitment procedures, proper postings and placements, good job description, defined authority and responsibility levels, job rotation, annual vocations, training programmes and proper remuneration and compensation packages and proper disengagement procedures.

c. **Accounting Control Strategy**

This involves strategies on account classifications, data validation, posting of accounting transactions, balancing of accounts at regular intervals, call-over of posted entries, signatories to the vouchers, authentication and approvals, maintenance of budgets, standards and forecasts, regular variance analysis, periodic statistics and regular inter-branch reconciliations, Other aspects includes asset controls which entail ensuring the maintenance of assets registers, proper provision for depreciation, monitoring of asset transfers and disposals, asset acquisition, asset identification., stock registers, methods for valuation of stocks (stationary etc) stores controls and security.

d. **Credit Control Strategy**

This affects the pre and post approval conditions of a credit, including issues relating to the monitoring of the credit to ensure that it remains qualitative satisfactory during the tenure of the facility. The controls specify conditions for hooking of credits, the authorization, the security package, perfection of securities disbursements, monitoring of the facilities, credit limits, pricing, repayments etc. the control also specify the method of discouraging any negative trends in the facility, issues relating to credit returns including the methods for the classification of the facilities, It also ensures that fraudulent credit are prevented, that there is a proper risk selection.

e. **Cost Control Strategy**

This consists of cost control through the establishment of cost standards. This ensures that variances are determined, investigated and explained. Cost control assists a bank to check frauds and various irregularities and thus enhance their profit performance. Cost controls are thus important since they assist bank management in the realization of their goals

f. **Administrative Control strategy**

This strategy assists in preventing fraud which emanate from administrative lapses. They involve such critical issues like security device/test keys, fire/burglary alarms, franking machines etc, security personnel, segregation of duties, logs and registers for various activities, access` rights to documents and data, restriction devices to information, archival systems and controls. In addition, the controls require the installation and maintenance of security doors, secured and reinforced vaults.

g. **Process Control Strategy**

This involves electronic data processing control devices that seek to protect and preserve data in the systems. These devices include various input/output validation devices, and programme controls etc. They specify the methods of effecting input validation and also the methods of having output. The process control will also ensure data security and is important for the prevention of fraud.

The Budgetary Control System

A budget is a numbered plan and expresses the target goals of a bank. While actual result express the corporate achievements. Thus, a comparison of the budget and actual performance provides a framework for evaluating the performance of a bank and hence assist in controlling future operations. A bank could establish budgets for various issues such as profits, deposits, general expenses, capital expenditure etc. This forms the basis for budgetary control. According to the association of costs and works accountants, budgetary control is the establishment of budgets, relating the responsibilities of the executive to the requirements of a policy and the continuous comparison of actual with the budgeted result either to secure by the individual`s action, the objective of that policy or to provide a basis for its revision. From the definition above, the fundamental principles of budgetary control are to establish plans or performance targets for all the departments of a bank so as to coordinate all the activities of the bank as a whole, record the actual performance, compare the actual performance with the established targets, determine the variance and analyze the reason for any observed variance and institute necessary remedial action.

2.6. Consequences of Fraud on Nigerian Banks

According to Adebisi (2009), whenever there is a successful fraud incident, certain things happen in quick succession that will leave considerable social and psychological effects as well as painful memory or lasting scars on the banking industry, other organization, staff, government and the society at large.

2.8. Empirical Review

There have been an extensive studies conducted in many countries on fraud and it's consequences on bank performance and the growth of the Nigerian economy.

In a study conducted by Wole and Couisa (2009) tested the attributes of the theory of diffusion of innovation empirically, using automated teller machines (ATMs) as the target innovation. The study found that attitudinal dispositions significantly influence the use of ATM in any bank and thereby affecting the performance of the bank. Adewunmi (2007) in his explanation of bank fraud identify socio-economic lapse in society such as misplacement of societal values, the unquestioning attitude of society towards the sources of wealth, the rising societal expectations from bank staff and the subsequent desire of the staff to live up to such explanations as contributory factors of fraud. Akinfala (2005) conduct a research on job involvement/ experience factors and fraudulent behaviors among serving and convicted bank staffs. The study found that the level of job involvement has function of three factors: motivation, identification and a feeling of pride that people achieve in their jobs. Nwude (2006) carried out a bank frauds using methodology of an interaction with bank staff of various cadres with structured questionnaire to identify the fraud forms and characteristics in the banking industry. The study reveals that some staff involve in fraud due to greediness and arrogance. In a different study, Otusanya (2008) carried out a study on the role of Bank CEO in the perpetration of corporate executive frauds in the Nigerian Banking sector. The study reveals that recent banking crises in Nigeria have exposed the activities of bank executives in corruption and fraudulent practices using institutional anomie theory called American dream theory, whereby the pursuit of monetary success has come to dominate society.

Idowu (2009) did a research on the means of minimizing the incidence of fraud in Nigerian banking industry. Findings of the study revealed that, so many factors contributed to the incidence of frauds in banks amongst which are poor management of policies and procedures, inadequate working conditions, bank staff staying longer on a particular job and staff feeling frustrated as a result of poor remunerations. Adepoju and Alhassan (2010) opined that bank customers have come to depend on and trust the Automatic teller machine (ATM) to conveniently meet their banking needs, but that in recent times; there have been a proliferation of ATM frauds in the country. Managing the risks associated with ATM fraud as well as diminishing its impact is an important issue that face banks as fraud techniques have become more advanced with increased occurrences.

Akindele (2010) conducted a research on the "challenges of automated teller machine (ATM) usage and fraud occurrence in Nigeria banking industry". The study posits that lack of adequate training, communication gap, and poor leadership skills were the greatest causes of fraud in banks. He advised that adequate internal control mechanism be put in place and that workers satisfaction and comfort be taking care of Onuorah and Ebimobowei (2011) investigate fraudulent activities and forensic accounting in Nigeria. The study found that there is need for the banks in Nigeria to adopt more proactive measures such as the use of forensic accounting techniques in banks.

Abdulrasheed, Babaitu and Yinusa (2012) examined the impact of fraud on bank performance in Nigeria. Result of the study shows that, there is a significant relationship between banks profit and total amount of funds involved in fraud. Finally, Kanu and Okorafor (2013) did a work on the nature, extent and economic impact of fraud on bank deposit in Nigeria using descriptive and inference statistics. The study revealed that there is a positive significant relationship between bank deposit and fraud in Nigerian banking industry.

2.8. Theoretical Frame Work

The relevant theories on fraud are briefly reviewed below: Differential Association theory as postulated by Edwin Sutherland (1883-1950), states that Crime is learned as we learn any other subject or trade and that learning of criminal behavior occur with other persons in a process of communication. The fundamental observation of Donald Cressey (1919-1987), in the theory of fraud triangle was that fraud is likely to occur given a combination of three factors i.e. Pressure, (Motivation), Opportunity and rationalization Albretch et al emphasized in the theory of fraud scale that, when situational pressure and perceived opportunity are high and personal integrity is low, then fraud is much more likely to occur. According to Wolfe and Hermerson(2004), in the theory of fraud diamond, an individual's capability, personality traits and abilities can play a major role in determining whether fraud affect bank or the economy generally. According to Adebisi (2009), whenever there is a successful fraud incident, certain things happen in quick succession that will leave considerable social and psychological effects as well as painful memory or lasting scars on the organization, staff, government and the society at large. fraud may occur. While opportunities can open the doorways to fraud, incentive and rationalization will attract people to it, but such an individual must have the capability to recognize the open doorway as an opportunity and should be able to take an undue advantage of the identified loopholes. **Social learning theory** on fraud postulates that if deviant behaviors are reinforced and alternative behaviors are not reinforced as strongly, then an individual is likely to engage in fraudulent / deviant behaviors. **The theory of work place deviance** reiterates that employees steal primarily as a result of workplace conditions, and that a lowered rate of employee theft is a by-product of a management team that is responsive to employee's plights. **The theory of hyper motivation** opines that " Given a sufficiently powerful motivation to commit an act of fraud, people are generally more than capable of rationalizing why it does not in fact conflict with their own ethical precepts. And once they have taken the first step towards unethical behavior, subsequent steps into abyss of immorality gets progressively easier. The basic condition was that of a visceral state, that can lead an individual into an action that one would normally have deemed unacceptable. According to **the**

Anomie theory on fraud, in every competitive capitalist society, the other members of the society who are excluded from access to legitimate means to success and stardom will experience a sense of relative deprivation which they try to relieve by way of social vices like(1) aggressive criminal behaviors, like bank frauds, and armed robbery attacks,(2) Aggressive revolutionary behaviors like Coup de tat in the military and (3) A retreat into psychosomatic illnesses like drug addiction, alcoholism ,etc

3.0 Methodology

3.1. Research Design

This study adopts the ex post factor and analytical design. Data was analyzed using two separate approaches namely the descriptive and inference statistics. multiple regression analysis was used to analyze the hypothesis. SPSS statistical package was used to test the stated hypotheses.

3.2. Model Specification

This study is largely quantitative and builds on existing studies and methodologies. Using regression analysis, Total number of fraud cases was used as the dependent variable while, total amount involved In fraud, total expected loss and percentage of loss total amount serves as independent variables

Specifically,we have:

$$Y = \beta_0 + \beta_1 X + \mu$$

Y=EPS and X= Fraud Variables

β_0 = Constant Term

β_1 = Coefficient of X1

μ = Error term

Mathematically, we have,

$$TNF = a + TAI + TEL + PLTA$$

Where,

TNF= Total number of fraud cases

TAI= Total amount involved in fraud

TEL = Total expected loss

PLTA= Percentage of loss on total amount.

4.1 Data Presentation and Analysis

Table 4.1 DATA OF BANK FRAUDS IN NIGERIAN BANK (1995-2014)

YEAR	TOTAL NO OF FRAUD CASES	TOTAL AMT INVOLVED (N' M)	TOTAL EXPECTED LOSS (N' M)	PERCENTAGE OF LOSS ON TOTAL AMOUNT INVOLVED (%)
1995	141	1,011	229	22.56%
1996	606	1,601	375	23.42%
1997	487	3,778	228	6.03%
1998	573	3,197	692	21.65%
1999	195	7,404	2,730	36.87%
2000	403	2,851	1,081	37.92%
2001	943	11,244	906	8.06%
2002	796	12,920	1,300	10.06%
2003	850	9,384	857	9.13%
2004	1,175	11,754	2,610	22.21%
2005	1,229	10,606	5,602	52.82%
2006	1,193	4,832	2,768	57.29%
2007	1,553	10,006	2,769	27.67%
2008	2,007	53,523	6,929	12.89%
2009	3,199	41,266	4,812	11.62%
2010	1,777	21,291	3,520	16.43%
2011	2,352	28,400	4,071	14.33%
2012	3,380	18,050	3,678	19.94%
2013	3,756	21,790	5,746	26.26%
2014	10,612	3.81b	16.19b	17.5%
TOTAL	36,227	277,989	56.922	-

Sources (NDIC 2015)

TESTING OF HYPOTHESES

RESULT.

DESCRIPTIVES VARIABLES=TNF TAI TEL PLTA

/STATISTICS=MEAN STDDEV MIN MAX.

Descriptives

4.2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TNF	20	141.00	10612.00	1861.3500	2316.18816
TAI	20	3.81	53523.00	13745.5905	13946.88166
TEL	20	16.19	6929.00	2545.9595	2091.97013
PLTA	20	6.03	57.29	22.7330	14.09464
Valid N (listwise)	20				

Source (SPSS VERSION 20.0)

REGRESSION

/MISSING LISTWISE

/STATISTICS COEFF OUTS R ANOVA

/CRITERIA=PIN(.05) POUT(.10)

/NOORIGIN

/DEPENDENT TNF

/METHOD=ENTER TAI TEL PLTA.

Regression

4.3 Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	PLTA, TEL, TAI ^b	.	Enter

Source (SPSS VERSION 20.0)

a. Dependent Variable: TNF

b. All requested variables entered.

4.4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.208 ^a	.043	-.136	2468.61622

Source (SPSS VERSION 20.0)

a. Predictors: (Constant), PLTA, TEL, TAI

4.5 ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4424767.916	3	1474922.639	.242	.866 ^b
Residual	97505056.634	16	6094066.040		
Total	101929824.550	19			

Source (SPSS VERSION 20.0)

a. Dependent Variable: TNF

b. Predictors: (Constant), PLTA, TEL, TAI

4.6 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	2729.264	1672.175		1.632	.122
TAI	-.057	.122	-.343	-.467	.647
TEL	.460	.789	.416	.583	.568
PLTA	-55.324	73.593	-.337	-.752	.463

Source (SPSS VERSION 20.0)

a. Dependent Variable: TNF

4.7. Discussion of Findings

The result in Table 2 shows that the descriptive statistics TNF has the mean of 1861.3500 as the dependent variable, TAI which is an independent variable has mean of 13745.5905, TEL has mean of 2545.9595 while PLTA has a mean of 57.29 which are all positive. The descriptive statistics shows positive minimum, maximum mean and standard deviation values.

From Table 4, the value of coefficient of determination is .043 that is 4.3%, which means about 95.7% of the dependent variable(Total number of fraud cases) is accounted for by the independent variables ie TAI, TEL and PLTA. In Table 6, regression coefficient is -.55324 and T- statistics is 1.632 which is 1% significant. The significance level in table 5 is .866 which is near 1% and the significance in Table 6 is .122 which is 1.2% and it represent 1% significance which is not up to 5% significant level and it is more than 95% confidence level because, it shows 98.8% because the significance level is 1.2%.

The result of the above test shows that bank fraud have negative and significant consequences on the growth on the Nigerian economy. We therefore reject the null hypothesis which states that bank fraud have positive and significant consequences on the growth of the Nigerian economy and accept the alternative hypothesis which states that bank frauds do not have positive and significance consequences on the growth of the Nigerian economy.

5.0. Conclusion

This paper investigates the consequences of bank frauds on the economic growth of the Nigerian for the period of 1995 to 2014. Based on the research findings, it can be inferred that it is important to emphasize that the management and regulation of bank fraud was quantitatively important in the performance of Nigerian economy as a whole. We observed that bank fraud whether through electronic device, clearing or cheque has had a positive effect on the performance of commercial banks in Nigeria and this affect the growth of the Nigerian economy. This is because the results obtained from this study support both theoretical and empirical evidence that bank fraud have a great consequences on the performance of Nigerian commercial banks and concluded that the level of ATM bank fraud over the years have indeed negatively affected insignificantly on performance of commercial banks in Nigeria and the Nigerian economy as a whole; that forged cheque has negative effect but significant on the performance of commercial banks in Nigeria; and that there is significant positive relationship between clearing fraud and the level of commercial banks performance in Nigeria and the entire Nigerian economy.

5.1. Recommendations

From the findings of this study, the following recommendations were made to improve the consequences of bank fraud on the growth of the Nigerian economy:

- The regulatory and supervisory bodies of banks in Nigeria need to improve their supervision using all tools at their disposal to appropriately check and curtail the incidence of fraud and fraudulent practices in the banking industry in Nigeria.
- Furthermore, training techniques should be upgraded to test honesty and integrity and not just technical skills. This should entail extensive training programme regularly done, as well as personality tests and IQ tests so as to understand the personality and character of the trainee. This would reduce negligence and carelessness in carrying out basic procedures that could pose as loopholes for fraud.
- A good internal organization should be put in place by banks. This will ensure that proper delegation exists, duties and job, are clearly divided and that jobs do not overlap. Similarly, staff members should not have unlimited access to sensitive machines and instruments like cheques, and official stamps. Data security should be ensured at all times. The bank however, should make it a point to take good care of their staff through fringe benefits and incentives Jobs at the bank should be constantly rotated, so that no staff stays in one position for too long.

References

- Adeyemo, K.O.(2012): Frauds in Nigerian Banks: nature, deep seated causes, aftermaths and probable remedies. *Mediterranean Journal of Social sciences*. Vol. 3 (2).
- Akinyomi, O.J. (2012): Examination of Fraud in the Nigerian Banking sector and it's prevention. *Asian Journal of Management Research*. Vol.3 issue 1.
- Akindede, R.I (2011):Fraud as a negative catalyst in the Nigerian Banking industry. *Journal of Emerging Trends in Economic and Management Sciences*. 2(5).
- Alashi, S.O. (1994): Fraud prevention and control: The role of Government and Government agents. *Chartered institute of Bankers, Lagos*. 30(4).
- Benjamin, E.O. et al. (2015): The impact of forensic investigative methods on corporate fraud detection in banks in Nigeria. *European Journal of Accounting Auditing and Finance Research*, vol.3(4).
- Boniface, B. (1991): Fraud in the Banking industry. *The Nigerian Bankers*. OCT-DEC 22 & 23. CIBN Press.

- Ibrahim, A, et al. (2014): Managing Bank frauds and forgeries through effective control strategies. A case study of Central Bank of Nigeria. *International Journal of Business and management inventions*. Vol.3 (4).
- Idowu, A. (2009); An assessment of frauds and it's management in Nigerian commercial Banks. *European Journal of Social Sciences*. Vol.10 (4).
- Idolor, E. J. (2010): Bank fraud in Nigeria: Underlying causes ,effects and possible Remedies. *African Journal of Accounting ,Economics, Finance and Banking Research*. Vol.6 (6).
- Kanu, S.I. and Okorafor,E.O.(2013): The nature, extent and Economic impact of fraud on Bank deposit in Nigeria. *Inter disciplinary Journal of Contemporary Research in Business*. Vol.4(9).
- NDIC Annual Report (1995-2014) NDIC Publication.
- Nwankwo, G.O. (2005): *Bank Management, principles and practice*. Malt House Press Ltd. Lagos.
- Nwankwo, O.(2013) Implications of fraud on commercial Banks' performance in Nigeria. *International Journal of Business ang Management*. Vol. 8 (15).
- Ojo,A. (2006) *Curbing fraud within the Banking system: A Bankers perspectives*. Lagos: A.M Continental Ltd.
- Ojo, J.A. (2008): Effects of Bank frauds on Banking operations in Nigeria. *International Journal of Investment and Finance*. Vol. 191).
- Olansanmi, O.O. 92010) Computer crime and counter measures in the Nigerian Banking sector. *Journal of internet Banking and Commerce*. Vol.15(1).
- Owolabi, S.A. (2010): Fraud and fraudulent practices in Nigerian Banking industry. An international multy-disciplinary *Journal, Ethopia*. Vol.4 (3b).
- Uchenna, C. and Agbo, J.C. (2013): Impact of frauds and fraudulent practices on the performance of Banks in Nigeria. *British Journal of Arts a*