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Effect of Fraud on Commercial Banks' Performance in Nigeria

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Abstract

The study examined the effect of fraud on bank performance in Nigeria. The specific objectives were to: investigate the relationship between the number of frauds and bank performance in Nigeria, assess the relationship between the amounts lost to frauds and bank performance in Nigeria and to examine the relationship between the numbers of staff involved in fraud loses and bank performance in Nigeria. The study utilizes secondary sources of data extracted from the Nigerian Deposit Insurance Corporation (NDIC) Annual Report and CBN Statistical Bulletin from 1994 to 2020. Statistical methods such as descriptive analysis, Pearson correlation and OLS regression techniques were employed in the evaluation of the data. The result of the hypotheses revealed number of fraud cases as well as the total amount lost to fraud had a positive and significant impact on bank performance while the total number of staff involved in fraud was found to be negative and significant on deposit money banks performance in Nigeria. The study recommended that CBN and NDIC should encourage DMBs to always report cases of fraud, this can be done through creation of a fraud "hotline" where the public can call to complain or report fraud cases with appropriate rewards that will incite more compliance. Management of banks should train and retrain staff of Nigerian banks in fraud prevention and control. Such training should include a comprehensive review of legal and regulatory guidelines that will limit fraud activities.

Keywords: Fraud, bank performance, number of frauds, amounts lost to frauds, numbers of staff involved

1. Introduction

The significance of the banking sector in any country stems from its role of financial mobilization from surplus to deficit unit, provision of a competent payment system and facilitation of the implementation of monetary policies. In intermediation, banks mobilize savings from the surplus units of the economy and channel these funds to the deficit unit, particularly private business enterprises, for the purposes of expanding their productive capacity. The banking sector has become one of the most critical sectors in the economy with wide effect on the level and direction of economic growth and transformation and on such economic variables as the rate of unemployment and inflation which directly affect the lives of our people (Mboto, Akeh, Nkamare & John, 2022).

Today, the very integrity and survivability of these laudable functions of Nigerian banks have been deteriorated in view of incessant frauds and accounting scandals. Fraud is 'deceit or trick deliberately practiced in order to gain some advantages dishonestly'. Going by the definitions, frauds in Nigeria cannot be restricted to the banks alone. A lot of fraudulent activities are prevalent in Nigerian economy ranging from bloody killings, ritual, kidnapping, robberies, forgery, misappropriation, cheating, and gangsters and looting. Bank fraud ranges from account-opening, money transfer fraud, money laundering fraud, computer fraud, loans fraud and the likes.

According to Oseni (2016) the incessant frauds in the banking industry are getting to a level at which many stakeholders in the industry are losing their trust and confidence in the industry. The spate of fraud in Nigerian banking sector has lately become a source of embarrassment to the nation as apparent in the seeming attempts of the law enforcement agencies to successfully track down culprits. Although the incidence of frauds is neither limited to the banking industry nor peculiar to Nigeria economy, however the high rate of fraud within the banking industry, calls for urgent attention with a view to finding solutions (Adeoti, 2012).

Fraud in its effect reduces organizational assets and increases its liabilities. With regards to banking industry, it may engender crises of confidence among the banking public, impede the going concern status of the bank and ultimately lead to bank failure (Adeyemo, 2012). The level of fraud in the present day Nigeria has assumed an epidemic dimension. It has eaten deep into every aspect of our life to the extent that a three years old child talks about 419, the name given to the newly discovered advanced fee fraud that is hunting our nation.

In July 2004, central bank of Nigeria (CBN) unveiled new banking guidelines designed to consolidate and restructure the industry through mergers and acquisition. Banks and Other Financial Institutions Act (BOFIA) 1991, section 15, was also designed to prevent fraud and to make Nigeria banks more competitive and able to play in the global market. The Nigeria Deposit Insurance Corporation (NDIC) 2007 annual report and statement of accounts report that cases of attempted frauds and forgeries in insured banks, as at 2007 exceeded what was recorded in the year 2006. For instance, the NDIC report for 2007 disclosed that a total of 1,553 reported cases of attempted frauds and forgeries involving over symbols N 10 billion compare with 1,193 reported cases of fraud and forgeries involving N 4,832.17 billion in the year 2006. The foregoing statistics clearly unfolds the extent to which fraud had had eaten deep into the financial strength benefit the perpetrators to the department of another person.

Today, banks cannot withstand the growing pressure of competition among various banks due to the monster called bank frauds. If this act of fraud is not arrested, it might delete our resources because foreign investors might not find it wise to transact business via our banks (Abdullahi, 2011). The banking sector has become one of the most critical sectors in the economy, because of its significant role played in economic growth and development. The significance of these sector stems from its role of financial intermediation from surplus to deficit units, provisions of a competent payment system and facilitation of the implementation of monetary policies. In intermediation, banks mobilize savings from the surplus units of the economy and channel these funds to the deficit units, particularly private business enterprises, for the purposes of expanding their productive capacity (Mboto, Edom, Okoi, & Akeh, 2022).

The level of fraud in the present day Nigeria has assumed an epidemic dimension. It has eaten deep into every aspect of our life. The reoccurrence of fraud and fraudulent practices in banks in recent years continues to present an austere menace to the stability and continuity of banks and the banking industry in general. Today, banks cannot withstand the growing pressure of competition among various banks due to the monster called bank frauds. If this act of fraud is not arrested, it might impede on the long-term survival, stability and development of the banking system. Also, the recent dimensions and innovations of the Nigeria banking industry has witnessed a remarkable increase in the number of banks and the sophistication of operations (Mboto, Akeh, Lawal, Bekom & Nkamare, 2022).

The regulatory authorities have embarked on regular supervision and investigation of the records of banks to ensure that fraudulent practices are mitigated in the banking sector. In view of the above, this research paper therefore examines the effect of fraud and bank performance in Nigeria. The objective of this study is to examine the effect of fraud on bank performance in Nigeria. The specific objectives are:

i. To investigate the relationship between the number of frauds and bank performance in Nigeria.

ii. To assess the relationship between the amounts lost to frauds and bank performance in Nigeria.

iii. To examine the relationship between the numbers of staff involved in fraud loses and bank performance in Nigeria.

2. Literature Review

2.1 Theoretical Review

This study is anchored on theory of fraud triangle.

2.2 The Theory of Fraud Triangle

The classical theory of fraud triangle was developed by Donald Cressey in 1973. According to Cressey (1973), fraud is likely to occur if a combination of these three factors exist, that is pressure (motivation), opportunity and rationalization. Trusted persons become trust violators when they conceive themselves as having a financial problem which is non-shareable, and are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in that situation which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property.

Cressey (1953) propounded this theory, which states that the propensities for fraud is a triangle of perceived non-sharable financial need (pressure), perceived opportunity to secretly resolve the financial pressure and perceived rationalization (ability to rationalize and justify the illegal conduct/crime in their mind (Onanuga & Oshinloye, 2012). According to Chiezey and Onu (2013), pressures that move individuals to commit fraud are financial pressures (greed, debts, etc.), peer pressure vices (drugs, gambling and alcoholism), work-related pressures (high expectation for good results/targets at work or a need to cover up someone's poor results or to report results that are better than actual performance compared to the competition). Other pressures include frustration with job content or even a persistent urge to beat the system, as well as the opportunity and attitude to commit fraud. Perpetrators of fraud must believe that they can commit the fraud without being caught (or if caught, nothing untoward will happen): severity and probability of punishment (Chiezey & Onu, 2013).

2.3 Literature Review

Fraud has been the precipitant factor in the distress of and as much as various measures have been taken to minimize the occurrence of fraud, it still rises by the day because fraudsters always device strategic ways of committing fraud. This has become an of great attention in the banking world. The high occurrence of fraud within the banking industry has become a problem to which solution must be provided in view of the large sum of money involved and its adverse implications on the economy (Fadipe-Joseph &Titiloye, 2012).

However, Ojo (2008) stated that bank fraud is a serious impediment in the organizational growth of a bank as it leads to bank distress because fraud reduces the deposits of depositors and ultimately leads to the erosion of the capital base of banks. In line with Ojo (2008) bank fraud has led to bank distress which has become a common glossary in Nigeria leading many banks to fail in the period of 1994 through 2003. Bank distress is the forerunner of bank failure whereas a bank in distress could have changes, of regaining health, a failed bank every chance of life.

There is a common agreement amongst criminologists that fraud is caused by three elements called "woe" (Idolor, 2010) for any fraud to take place there must be a will, an opportunity and exit, he further went ahead to say that a fraud will only come about if the perpetrator have the will to commit the fraud, if there is a way out or escape means from appropriate sanctions or institutions that are against fraud or related abnormal behavior (Akinyomi, 2012).

Recent literature categories fraud by the person conducting it and differentiates between first party and third party fraud. In first party fraud, a legitimate customer betrays the bank, whereas in the third party fraud, the customer becomes a victim of criminals who steal identities, use lost or stolen cards, counterfeit cards or gain unauthorized access to customers' accounts by other means.

Orad (2010) claims that the internet allows criminals to organize as a network, supporting each other in their attacks. Fraudsters are particularly interested in accessing customers' online accounts. A common practice to steal access data is "phishing", where an email from an allegedly credible source is sent to bank customers requesting sensitive information such as their username or password. During recent years, phishing has become a significant threat to online security. Since credit cards have become a major payment instrument for web based transactions, they have attracted great attention of fraudsters.

Akinyomi (2012) views fraud as the act of depriving a person underhandedly of something which such a person would or might be entitled to but for the perpetration of fraud in its lexical meaning, fraud is an act of trickery which is intentionally practiced in order to gain illegitimate advantage. Therefore, for any action to constitute a fraud they must be deceitful objective to benefit (on the part of the perpetrator) at the disadvantage of another person or group. Fraud typically requires stealing and manipulation of accounts, frequently accompanied by cover up of the theft. It also involves the translation of the stolen resources or into own resources or property.

2.4 Performance of Banks

Measuring the performance of banks has been a controversial issue over the years. Determining the performance of banks is usually very subjective and strongly dependent on the aspect which is to be investigated. Performance is the end result of activity and the appropriate measure selected to assess corporate performance is considered to depend on the type of organization to be evaluated and the objective to be achieved through that evaluation. Performance has also been defined as how well an organization uses resources at its disposal (Masud & Haq, 2016).

Traditionally, performance of banks is measured using quantitative financial ratios such as Profit before Tax (PBT), Return on Asset (ROA), Return on equity (ROE), Profit After Tax (PAT), Earnings Per Share (EPS) to mention a few. However, researchers are beginning to find other measurement of bank performance as the traditional measurements do not meet the needs and interest of other groups other than shareholders and prospective investors (Central Bank of Nigeria, 2013).

Masud and Haq (2016) identified additional key quantitative performance indicators of banks as total assets, advances, investment and deposits. A more contemporary approach is the use of the balance score card which identifies other qualitative measures such as customers, internal business operations, learning and growth as indicators of organizational performance.

Several factors have been found to affect the performance of banks. These factors impede the effectiveness of banks and its major role in intermediation and facilitation of efficient payment system, and its support for implantation of monetary policies. They include: deteriorating economic factors; political interferences; fraud and forgeries; weak corporate governance; and deregulation of banks. Oseni (2017) affirmed that fraud and forgeries constitute the greatest challenges facing Nigeria banking industry. Therefore, the very presence of fraud may weaken the performance of banks and its ability to function effectively.

2.5 Empirical Review

Employing regression analysis, Akintola & Oluwalaiye (2020) examined fraud and performance of the Nigeria banking industry from 2005 to 2016. Secondary data obtained from the Nigeria deposit insurance corporation annual report of various year were used for the study. Ex–post facto research designed was adopted for this study and the data were analyzed using ordinary least square (OLS) method with the aid of EViews. Findings from this study showed that there is a direct relationship between fraudulent activities in the Nigeria banking industry and the expected loss of the banking industry. The study therefore recommends appointment of trusted and honest officials to represent banks in the clearing house. Bank official should be well trained and severe punishment should be arranged for fraudulent personnel. Lastly, effective internal control should be put in place by every bank to reduce incidence of fraud in banks.

Kolapo & Olaniyan (2020), investigated the impact of fraud on the performance of deposit money banks in Nigeria between the periods from 1994 to 2017. In this study, bank deposit was specified as the dependent variable while the one-period lagged value of bank deposit, amount involved in reported fraud cases, amount lost to fraud and number of staffs involved in fraud cases were used as independent variables. The Generalized Method of Moments (GMM) estimator was employed to analyze the data. This study showed that the amounts involved in fraud cases, amount lost to fraud and number of staffs involved in fraud have a negative and significant influence on the deposit of banks in Nigeria. Meanwhile, the past value of bank deposit has a positive and significant relationship with deposit of banks in Nigeria. The significance of the past value of bank deposit justifies the introduction of dynamism to this study. It was recommended that bank management should not only strengthen their internal control system, but also utilize whistle blowing policy and other "speak-up" mechanisms, which have remained underused and underrated in the Nigerian financial sector, since greater dependence on the process-type fraud detection methods simply encourage complacency.

Muritala, Ijaiya, Afolabi, & Yinus (2020) examined the causality between fraud and bank performance in Nigeria over the period 2000-2016 for quarterly financial data using Johansen's Multivariate Co-integration Model and Vector Autoregressive (VAR) Granger Causality analysis. The results show a long-run relationship between the variables. Bank performance was found to be linked to Granger fraud variables and vice versa at 10% significant level. This study reveals that there was a direct causal relationship between bank performance and fraud because increase in fraudulent activities in the banking sector leads to reduction in bank performance. Hence, this study recommends that internal control systems of banks should be strengthened so as to detect and prevent fraud. In this way, bank assets would be protected.

Offiong, Udoka and Ibor (2016) analysed banking sector frauds in Nigeria from 1994 to 2013. The study found that the problems of Nigerian banking sector frauds require strong inter-agency collaboration, public education and cross border cooperation to accomplish sustainable success. The study recommended, among other, that existing regulatory guidelines on prevention of banking sector frauds, which are currently inadequately addressing detection and mitigation activities, should be strengthened and broadened to include forensic accounting/auditing to aid recovery of losses.

Akinyomi (2012) examined fraud in Nigerian banking sector and its prevention. The study used primary source through the administration of questionnaire to two hundred (200) staff member in ten (10) deposit money banks in Lagos. Greed, according to the findings of the study is a foremost cause of fraud as greater part of the staff considered their remuneration as sufficient. It was also observed that banks' staff got involved at all stages of fraud, including initiation, execution and concealment. Moreover, computer fraud accounted for the majority of the fraud perpetuated in the bank. The establishment of adequate internal control system was a suggestion to prevent fraud in banks. Using descriptive data through the use of questionnaire on 253 bank employees. The study revealed that implementation of internal control mechanism is not sufficient, hence lack of training, overburdened staff, competition and low compliance level was reported as the main reasons for bank frauds. It was recommended that banks should take the rising graph of bank frauds seriously and need to ensure that there is no laxity in internal control mechanism. Employing ordinary least square method (OLS) to analyze the growth of bank frauds and its impact on the Nigerian banking industry from 1989-2004. The study recommended that bank management should strengthen their internal control system; employ qualified personnel to work in it. This would to a large extent help to rebuild the public confidence in the banking industry.

3. Research Methodology

The research adopted the ex-post facto design. The study used secondary annual data that covers the period from 1994 to 2020 obtained from the NDIC Annual reports for various years and the Central Bank of Nigeria (CBN) Annual reports/statistical bulletins. Time series data were collated for the period between 1994 and 2020 on frauds and forgeries, using the desk survey method. The method used for the collection of data is the secondary method. Secondary method of data collection, refers to the systematic examination of documents, books, newspapers, magazines and materials from the internet in order to gain understanding of the research. The methodology used in analysing the data is Ordinary Least Square regression technique. The model for this study is stated in its functional form as:

$$BPF= f(NVF, ALF, NSF) \quad (l)$$

On the other hand, the econometric model of this study is:

$$BPF = \beta_o + \beta_1 NOFC + \beta_2 ALF + \beta_3 NSFL + ut \quad (2)$$

Where BPF = bank performance; NOFC = number of frauds cases; ALF = amounts lost to frauds; NSFL = numbers of staff involved in fraud loses

βo=Interception; β1 – β4 = slope coefficient; ut = Error term.

The apriori expectations of the coefficients are stated below: β1, β2 and β3 < 0. This means that increase in the value of NOFC, ALF and NSFL are expected to bring about a decrease in the value of the dependent variable BPF, and vice versa. For the purpose of this research work, the technique for the data analysis is the regression analysis and correlation coefficient method. Regression analysis estimates the impact, extent, strength and degree of relationship that exists between dependent variable and one or more independent variables. Correlation coefficient describes the relationship between variables of the study.

3.1 Data Analysis

3.1.1 Descriptive Statistics

The result of the descriptive statistics is presented in Table 1. The analysis depicted that, bank performance stood at an average mean of 13.70955, for the period 1994 to 2020. The maximum value of BPF was observed at 17.03254 while minimum value was observed at 10.76211. The standard deviation for BPF was 10.51786. This demonstrated that the BPF was stable and did not deviate too much from the mean. The total number of fraud cases (NOFC) shows its minimum and maximum values of 195.0000 and 3756.000; with a mean value and standard deviation of 1364.385 and 855.1424 respectively. Further analysis of the descriptive statistics revealed that the mean value of total amount lost to fraud (ALF) was 4758.692 for the same period with its standard deviation of 4357.186. The maximum and minimum values were 17543.00 and 228.0000 respectively. Finally, the total number of staff involved in fraud revealed its mean value as 456.2692 with a standard deviation of 185.2418 having its minimum value as 85.0000 in 2002 and its maximum value of 740.0000 in 2014.

Table 1. Result of descriptive statistics

	LNBPF	NOFC	ALF	NSFL
Mean	13.70955	1364.385	4758.692	456.2692
Median	13.74016	1193.000	3471.000	482.5000
Maximum	17.03254	3756.000	17543.00	740.0000
Minimum	10.76211	195.0000	228.0000	85.0000
Std. Dev.	10.51786	855.1424	4357.186	185.2418
Skewness	0.200848	1.2118560	1.092617	-0.354946
Kurtosis	2.537486	4.310813	3.863922	2.307749
Jarque-Bera	0.406552	8.295934	5.981742	1.065089
Probability	0.816053	0.015797	0.050244	0.587109

Sum	356.4482	35474.00	123726.0	11863.00
Sum Sq. Dev.	57.59795	18281714	4.75E+08	857863.1
Observations	27	27	27	27

Source: E-views 11.0 statistical software

Furthermore, the analysis indicated that the measurement of skewness showed that NOFC and ALF was rightly skewed (positively skewed) while LNBPF and NSFL were found to be leftly skewed (negatively skewed). Similarly, the coefficient of the kurtosis of NOFC and ALF indicated that the variables were found to be peaked (3.00 and above) (Leptokurtic) relative to the normal distribution while LNBPF and NSF were found to be below 3.00 (Platykurtic). The Jarque-Bera (JB) value of 8.2959 for NFC and 5.9817 for ALF with its corresponding probability of less than or equals to 0.05 percent confirms the normality of the series and suitability for generalization.

3.2 Pearson Correlation

In an effort to analyze the nature of the correlation between the dependent and the independent variables and to examine the possible degree of association among the variable, a pairwise correlation analysis have been computed and summarize in Table 2.

Table 2. Correlation Results

	LNBPF	**NOFC**	**ALF**	**NSFL**
LNBPF	1.0000			
NOFC	0.5946	1.0000		
ALF	0.6452	0.4754	1.0000	
NSFL	-0.0955	0.1709	0.1313	1.0000

Source: E-views 11 statistical software

Table 2 above shows the correlation results of dependent variable LNBPF and the independent variables NOFC, ALF and NSFL. The correlations results shows that only NOFC (-0.0955) conforms with the apriori expectation of a negative relationship on LNBPF while NOFC (0.5946) and ALF (0.6452) were positively related at 5% significance level. Furthermore, the value of the independent variables appears to be less than 0.80 which implies no multicollinearity problems.

3.3 Analysis and Discussion of Regression Results

The ordinary least square multiple regression analysis conducted below is the regressed results for the effect of frauds and bank performance in Nigeria. From the result presented, the coefficient of the constant term (12.13314) revealed that bank performance (BPF) in Nigeria will experience a 12.13 percentage increase when all other variables (number of fraud cases, amount lost to fraud and number of staff involved in fraud) are held constant. Further analysis of the result revealed that, the estimated coefficient for total number of fraud cases (NOFC) shows that as light percentage change in NOFC (0.0006) will cause a corresponding percent increase to bank performance in Nigeria and was found to be statistically significant. The significant result is due to the fact that as the number of fraud cases grows higher, the amount of deposits lower which invariably will cause a decline in bank performance.

Table 3. OLS Multiple Regression Result

Dependent Variable: LNBPF				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.13314	0.651211	18.63166	0.0000
NOFC	0.000668	0.000299	2.233169	0.0360
ALF	0.000164	5.834305	2.809114	0.0102
NSFL	-0.000251	0.104039	-0.204707	0.0397

R-squared	0.524266	Mean dependent var	13.70955
Adjusted R-squared	0.459393	S.D. dependent var	1.517866
S.E. of regression	1.116026	Akaike info criterion	3.198063
Sum squared resid	27.40129	Schwarz criterion	3.391616
Log likelihood	-37.57482	Hannan-Quinn criter.	3.253799
F-statistic	8.081452	Durbin-Watson stat	0.857158
Prob(F-statistic)	0.000000		

Source: E-views 11.0 statistical software

Furthermore, the estimated coefficient for total amount lost to fraud (ALF) {0.0001} with a corresponding probability of 0.0360 shows that the total amount lost to fraud significantly impacted on bank performance in Nigeria. Lastly, the total number of staff involved in fraud (NOSF) affects bank performance negatively with NSFL coefficient of -0.0002which means that one-unit increase in NSF decreases BPF by -0.0002 units. Also, the test for the existence of autocorrelation was performed using Durbin-Watson statistic. The Durbin Watson result indicates 0.8571 and since this value lies between 0 and 2, it can be deduced that there is absent of autocorrelation among the successive values of the variables in the model. In addition, the F-statistic (8.0814) indicates that there is little or no variation between the variables in the model; and this can be seen from its probability value which is less than 0.05 (0.0008). The R^2 {R-Squared} which measures the overall goodness of fit of the entire regression, shows the value as 0.5242which is52 per cent. This indicates that the independent variables (NOFC, ALF, and NSFL) accounts for about 52 per cent of the variation in the dependent variable (BPF). The adjusted R-squared of 0.4593 indicates the additional input variables are not adding value to the model. The S.D. dependent var of 1.5178 indicates the deviation from the average value of BPF in the data.

Table 4. Summarized test of hypotheses from the regression result

Variables	**T-Statistics**	**Prob. Value**	**Observation**	**Decision**
NOFC	2.233169	0.0360	p-value < 0.05	Reject null
ALF	2.809114	0.0102	p-value<0.05	Reject null
NSFL	-0.204707	0.0397	p-value<0.05	Reject null

Source: Excerpts from table 3

3.4 Test of Hypotheses

In order to test the already stated hypotheses in chapter one, the following decision rule is stated.

Test of hypothesis one

To test this hypothesis, it is restated in the null and alternative forms as:

H0: There is no significant relationship between the number of frauds and bank performance in Nigeria.

H1: There is a significant relationship between the number of frauds and bank performance in Nigeria.

Based on table 4 and the decision criteria, we reject the null hypothesis and accept the alternative hypothesis and conclude that there is a significant relationship between the number of frauds and bank performance in Nigeria. This implies that the number of fraud cases is significant in explaining the variations in bank performance.

Test of hypothesis two

To test this hypothesis, it is restated in the null and alternative forms as:

H_0: There is no significant relationship between the amounts lost to frauds and bank performance in Nigeria.

H_1: There is a significant relationship between the amounts lost to frauds and bank performance in Nigeria.

Based on table 4 and the decision criteria, we reject the null hypothesis and accept the alternative hypothesis and conclude that there is a significant relationship between the amounts lost to frauds and bank performance in Nigeria. This implies that fraud losses in the banking sector have positive significant impact on the performance of bank in Nigeria.

Test of hypothesis three

To test this hypothesis, it is restated in the null and alternative forms as:

H0: There is a negative and insignificant relationship between the numbers of staff involved in fraud loses and bank performance in Nigeria.

H1: There is a positive and significant relationship between the numbers of staff involved in fraud loses and bank performance in Nigeria.

From Table 4, the study deduced that numbers of staff involved in fraud loses (NOSF) has a coefficient of -0.00025 with a significant probability value of 0.0397. Implying that the number of staff involved in fraud loses negatively impacted on bank performance and was found to be insignificant. Hence, the study accepted the null hypothesis of the study and concluded that: there is a negative and a significant relationship between the numbers of staff involved in fraud loses and bank performance in Nigeria.

3.5 Discussion of Findings

The objective of this study was to examine the impact of fraud on the performance of DMBs. Fraud triangle theory was adopted in the study, culminating to model specification, where proxies was used to measure fraud (independent variable) and performance of DMBs in Nigeria (dependent variable). In order to achieve the stated objectives and hypotheses, the study employed several empirical tests and submitted the following findings. The overall result of the descriptive analysis showed that the JB value for NOFC and ALF with corresponding probability of less than or equals to 0.05 percent confirms the normality of the series and suitability for generalization. A correlation analysis was conducted to examine the possible degree of association among the variables and test for multicollinearity problems. The result revealed that the value of the independent variables appears to be less than 0.80 which implies no multicollinearity problems. From the regression results, the ordinary least squares estimation R-square is 0.5242 indicates that the independent variables (NOFC, ALF and NSFL) accounts for about 52 per cent of the variation in the dependent variable (BPF). Hence, the study does have a goodness of fit. While the adjusted R-squared of 0.4593 indicates the additional input variables are not adding value to the model. The Durbin Watson result indicated that, there is absent of autocorrelation among the successive values of the variables in the model since the DW value of 0.85 lies between 0 and 2. In addition, the F-statistic (8.0814) indicates that there is little or no variation between the variables in the model.

Further, the outcome of the ordinary least squares regression technique revealed that, the estimated coefficient for total number of fraud cases (NOFC)was positive and significant impact on the performance of DMBs in Nigeria. This implies that reported fraud cases are handled accordingly. This is due to the fact that the disclosures of fraud in banks as per number of cases reported is quite adequate and accepted by the customers and the NDIC. To prevent possible distress and collapse of banks as a results of fraud, the NDIC is charged with providing a reasonable assurance for the safety and security of depositor's fund despite the number of reported fraud cases.

Similarly, the findings also revealed that total amount lost to fraud (ALF) have a positive and significant impact on DMBs performance. This implies that total amount lost to fraud is more likely to increase to bank performance. This is contrary with our aprori expectation. In reality, if the fraud amount is increasing in banks, the customers will be skeptical, and may not want to deposit all of their monies in the bank and this hampers on the profitability of the bank hence its performance. The findings deviate from the works of (Kalapo & Olaniyan, 2020; Muritala, Ijaiya & Afolabi & Yinus, 2017), that reported a statistically significant and negative impact of amount lost to fraud on the performance of DMBs. They opined that as total amount involved in bank fraud increases, a significant decrease in the performance of banks will be expected. However, our findings could be as a result of the number of years studied and our proxy for performance.

Lastly, it was found that total staff Involved was negative and significantly related to the performance of DMBs in Nigeria. This finding agrees with our apriori expectation and implies that the more staff in banks engages in fraudulent activities, lesser performance will be attained by banks. The findings were in consonance Offiong, Udoka & Ibor, (2016) who found a negative and significant relationship between total staff involved in fraud cases and the performance of DMBs. Adopting the OLS multiple regression technique, the following findings were made:

1) There is a significant number of fraud cases on bank performance in Nigeria.
2) There is a significant relationship between the amounts lost to frauds and bank performance in Nigeria was accepted.
3) There is a negative and a significant relationship between the numbers of staff involved in fraud loses and bank performance in Nigeria.

3.6 Conclusion/Recommendations

Based on the findings of this study it was concluded that the total number fraud cases and total amount lost to fraud showed a positive and significant impacts the performance of DMBs; whereas, total number of staff involved in fraud revealed a negative and insignificantly relationship on DMBs performance in Nigeria. Fraud has been the precipitant factor in the distress of and as much as various measures have been taken to minimize the occurrence of fraud, it still rises by the day because fraudsters always device strategic ways of committing fraud.

Fraud is the act of depriving a person underhandedly of something which such a person would or might be entitled to but for the perpetration of fraud in its lexical meaning, fraud is an act of trickery which is intentionally practiced in order to gain illegitimate advantage. Therefore, for any action to constitute a fraud they must be deceitful objective to benefit (on the part of the perpetrator) at the disadvantage of another person or group. Fraud typically requires stealing and manipulation of accounts, frequently accompanied by cover up of the theft. It also involves the translation of the stolen resources or into own resources or property.

From the findings, the study makes the following recommendations for policy and practice:

(1) The CBN and the NDIC should encourage DMBs to always report cases of fraud. This can be done through creation of a fraud “hotline” where the public can call to complain or report fraud cases with appropriate rewards that will incite more compliance.

(2) The regulation and supervision of DMBs should be stricter, that is, the CBN and NDIC should tighten their grip in regulating and supervising so as reduce the amount of funds lost to fraud incidence. This in turn will keep the bank management alert on the control measures to put in place to prevent and deter fraud.

(3) There is need for management of banks to train and retrain staff of Nigerian banks in fraud prevention and control. Such training should include a comprehensive review of legal and regulatory guidelines that will limit fraud activities. An expectation of punishment should also be well communicated and followed accordingly irrespective of the level of staff involved in fraudulent activities.

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