

## **ABSTRACT**

*Cases of frauds and foreign in banks have not only become incessant but have also been on the increase in recent years. Although frauds and foreign in banks are global phenomena, their growth in Nigeria Deposit Insurance Corporations (NDIC) annual report for instance, presents a disturbing picture of rising trends of fraud in banks from N360.2 million in 1992 to N351.9 million in 1991. The amount unloved in frauds in commercial banks alone rose to N1, 377.15 million in 1993, whereas the actual expected loss rose from N64.8 million to N241.0 million.*

*Fraud, in banks is clearly unacceptably something's drastic ought to be done to gently stem the tide in view of its image implications for the banking industry and the adverse effects it will have on the economy. The study emerges in response to this development. In carrying out this research work, questionnaires were distributed to the respondents for their reactions. Equally oral interviews were also carried out and some texts written by eminent scholars were consulted. The researcher believed all these would give enough information for a sound report. This study therefore seeks to identify the causes and effects of book fraud. After analyzing the returned 25 questionnaire distributed to the staff of Afribank Nigeria PLC Enugu, the following findings were made:*

- 1. No internal control system is 100% errors proof but the internal control system of banks can be designed to make the perpetration of fraud difficult.*
- 2. Non-periodic review of work by bank management gives loophole and the tendency to commit fraud in the industry.*
- 3. The law enforcement agencies of the countries fail to deal seriously with the bank fraud sters apprehended and handed over to them.*

*Based on these, the following recommendation were made:*

- 1. The use of close circuit television surveillance should be commencing in all banks.*
- 2. Bank should ensure that computer operator's passwords are kept in safe hands when there is movement of Alfred staff.*

## **CHAPTER ONE**

### **INTRODUCTION**

#### **BACKGROUND OF THE STUDY**

The level of fraud in the present day Nigeria has assumed on 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 fees fraud that is hunting us a nation. Fraud is defined as "deceit or tricking deliberately practiced in order to gain some advantages dishonestly." For an action to constitute fraud therefore there must be a dishonest intention and the action must be intended to benefit the perpetrator to the detriment of another person.

Going by this definition, frauds in the Nigeria economy cannot be restricted to the banks alone. Although frauds cut across all sectors of the economy and that size of an enterprises usually determines the volume of frauds perpetrated, such problems as inadequate manpower, poor internal control system, inadequate incentives and unsuitable legal framework for dealing with offenders, downturn in the

economy, recognition being accorded the wealthy people regardless of their sources of wealth play a major role in the perpetration of frauds. The fear now is the threats which this devilish and unscrupulous act will pose to the stability and survival of individual financial institution and the performance of the industry as a whole for one thing, frauds result in huge financial losses to financial institutions and their customers, depletion of shareholders' funds and capital base as well as loss of confidence in financial institutions.

Fraud and foreign also have negative effect on the banking industry. Today, various banks cannot withstand the growing pressure of competition among various banks due to the monster called bank frauds. Equally, the confidence placed on banks is fast eroding because some people now prefer keeping their money at their homes instead of keeping them in the banks. The fear is now ..... that if this act is not arrested, it might deplete our resources because foreign investors might not find it wise to transact business via our banks.

## **1.2 STATEMENT OF PROBLEMS**

The problems of this research work will revolve around finding out the continuous cases of bank frauds in virtually all banks and other financial institution. Other problems include why banks have not been able to find solution that will help in curbing the banks and financial institutions' frauds.

Furthermore, the research is aimed at finding the economic effects of frauds to the total economy of the nation, and the consequences of these frauds to our international relationship on global market economy.

## **1.3 PURPOSE OF THE STUDY**

The purpose of this study is to identify the efforts of government and its agencies in the prevention and control of fraud. By so doing, one would have emphasized the tripartite segments involved in fighting this economic crime which is threatening the very foundation of the financial system. To be able to do this, this research seeks to identify the following:

- a. The causes of bank fraud in Nigeria.
- b. The nature of bank frauds.
- c. The extent of bank fraud in Nigeria and
- d. Ways of minimizing or eliminating bank fraud in Nigeria.

## **1.4 RESEARCH QUESTIONS**

The following research questions guided this study:

1. Does lack of effective internal control lead to banking fraud?
2. Does lack of enough motivation or incentive causes banking fraud?
3. Is bank fraud common in all banks?
4. Do societal values contribute to bank fraud?
5. Do bank frauds contribute to the dwindling economy of our country?

## **1.5 SIGNIFICANCE OF THE STUDY**

The research work will be beneficial to bank and financial institutions who are directly facing extrication as a result of financial losses due to fraud. It will also be beneficial to the government and other public factors who are gradually losing bank confidence in banks, and the customers' banks relationship that are greatly hampered as a result of frauds.

This project will also be beneficial to the general public who are losing huge sums of money to banks that are declared distressed without adequate compensation. It will enable them know the various ways frauds

are perpetrated. This can give them an insight to detect frauds easily. The general public will also benefit, as this will enable them know the role of the organizations or the management in checking frauds.

### **1.6 SCOPE AND LIMITATIONS**

Bank fraud and its effects on our economy, is an extensive topic that may involve commercial banks and community banks. The researcher would like to touch all aspects of banking activities, but for want of time and financial constraints, the researcher limits his work to frauds in the commercial banks especially Afribank Nigeria PLC Enugu.

Most importantly, records and publications could be reached easily and frauds traced in the commercial banks than other banks. Though the writer dwelled a little into fraud in merchant Banks emphasis is placed more on commercial banks.

## **BANK FRAUD AND ITS EFFECTS ON NIGERIAN'S ECONOMY (A CASE STUDY OF AFRIBANK NIGERIA PIC ENUGU)**

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