

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Banking activities in Nigeria date back to the free banking period between 1895 when the first bank, the African banking corporation was enacted in Nigeria.

In the free-banking period (1892 – 1952) there were no banking acts neither were there any ordinances to regulate the establishment and operation of commercial banks in Nigeria, many banks were registered some of which did not mean business while others simply collected customers deposits and vanished. This derailed the economy of valuable funds needed for development and individuals of their hard earned funds. This also brought about loss of faith and trust in the commercial banks by Nigerians.

However, even with the introduction of the first banking ordinance in 1952 and the Central Bank of Nigeria (CBN) ordinance in 1958 to regulate and control the activities of commercial and merchant banks in the country, fraud and malpractice have increased in size and the method used required greater sophistication by the day.

Fraud in our banks involves summary techniques or forms such as: forgeries of bank instruments like: drafts, cheque, vouchers, letter of authority, falsification of accounts and records and cash fraud, from past records the assumption is that dishonest or misappropriation or rather fraud in which ever form, succeed only with the aid of bank employees who conceives with disguised customers wearing innocent faces inefficiency and negligence in terms of leadership or supervisory roles on the part of the bank officials constitute yet another handicap through which dishonesty, fraud perse prevail or succeed in our banks. This can manifest as prescribed by the industry.

Presently, with the introduction of modern banking proceeding improved communication system, automotive electric gadgets and computers into banking industry, frauds have rather gone nuclear dimension inspired by the wonderful nature of the computer and all the precautionary measures taken by banks to prevent fraud in their banks. The amount involved in fraud nowadays have increased in geometric progression. Olaleya Amupiten in his written on 'obstacles to growth of banking industry' said that "it was discovered during investigation that banks now take extra precaution before clearing a cheque because of rampant incident of frauds and forgeries, which a bank loss placed on the average of N1 million per each working day of the year in Nigeria.

Banking in a bid to reduce the incessant occurrence of frauds in their banks, now take adequate precautionary measures before clearing cheques drawn on their customers accounts. Those adequate precautionary measures gives rise to another problem facing commercial banks that is the problem of time wastage in the banking halls. Ashimi Kola in his article also said that customers wait a minimum of about two hours in the banking halls of Nigerian banks to cash their money. This has been one of its most legitimate criticisms of the quality of banking services. The checking process is long and by the time a cheque is released to the cashier for payment the customer is frustrated and perhaps had fallen asleep. This calls for an overall of the checking and control system.

The above gives light of the general situation of things commercial banks. Fraud is therefore a major enemy to all concerned with the growth and development of our banks. The intention of this researcher work is therefore, aimed at the identification of the causes of fraud.

In our banks, the effects or consequences of banks fraud in Nigeria economy and also to recommend more functional measures that will help in the minimization and control of frauds.

1.2 STATEMENT OF THE PROBLEM

In recent times, bank frauds dominate the front pages of our daily newspapers, such striking and easily recalled to the mind headlines include. "cashier nabbed over N80,000" "accountant arrested and two escaped", and three forfeit N3million, "men of "419" invaded banks", "large scale fraud in banks", just to mention but a few.

The industry has continued to witness increased numbers of frauds and malpractice with varying degree of sophistication. It was reported by the Nigeria deposit insurance corporation (NDIC) that "Banking industry has lost but N1billion of to fraudsters last years, indicating a continuing January and March 1993, out of record fraud attempts involving N4million.

In 1991 a total of N360.2million was involved in fraud, with actual loss amounting to 25.2million, compared with the N788.8million recorded in 1990. Although the actual loss worsened by 13.8 percent in the 1996.

This shows that while bank management are busy working out means of checking fraud and malpractice fraudsters on the other hand in conjunction with some dishonest bank are redesigning new methods on how to circumvent these measures. It will then be pointed out here that the results or implications of these are damaging frauds and malpractice leads to unnecessary loss of huge amount of money. This loss of money by the banks cripples banks activities and transaction.

Again, every incidence of frauds and malpractice reduces public confidence on bank, hence they question the credibility of the banking industry in protecting their money and meeting up with daily transactions.

Furthermore, the banks frauds and malpractice delays or shows down the development of banking habits in Nigeria people shy away from banks in fear of losing their money in case of fraud occurs.

Banks fraud and malpractice keeps the management of banks alert and cause them to waste resources and energies on fraud prevention and detection. It is therefore the adverse position banks fraud and malpractice places on these sector of the economy that crops up this projects

1.3 OBJECTIVE OF THE STUDY

In view of the fore-mentioned problems, it becomes

obvious that if nothing positive is done to check these incidence of frauds and malpractice, it may led to frequent bank liquidations in the economy. The objectives of this research work is therefore:

- i. to carry out the survey and investigations on the major types of bank frauds and malpractice in Nigeria using some selected commercial bank in Enugu zone as a case study;
- ii. to determine the causes and the basic factors encouraging bank fraud and malpractice and examine the various forms and areas of occurrence;
- iii. to look into the possible effects or consequences of bank frauds and malpractice in the operation of bank in Nigeria;
- iv. to examine the various management and government devices feared towards eliminating or controlling financial fraud;
- v. Finally, to present recommendations or solutions that may help in reducing if not eliminated bank frauds or malpractice.

1.4 SIGNIFICANT OF STUDY

Bank fraud and malpractice like cancer worm have eaten

deep into the fabric of the banking industry in view of that, all efforts have been made in the research work and all possible avenues exploited so as to proffer solutions on reduction or prevention of bank fraud and malpractice.

This research will be for mutual benefits of banks managements shareholders and mostly to customers whose deteriorating confidence on the banking industry will once be restored. This leading to overall security of fraud and assets of the organization for the achievement of management overall goals.

1.5 DEFINITION OF TERMS

FRAUD:

The oxford advanced learners dictionary defines it as "the action or an instance of deceiving somebody in order to make money or obtain goods illegally.

MALPRACTICE:

This is the civil causes of wrong doings which may constitute criminal offences such as falsification of accounts, alteration of record or documents, manipulation. However, the research work will deal mainly with or on fraud as it is most widely known.

BANK FRAUD AND MALPRACTICE: SOURCES, FORMS AND CAUSES

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