# Fraud Risk Management and Corporate Performance of Deposit Money Banks (DMBs) in Nigeria

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***Abstract***

*This study examined the effect of fraud risk management on the corporate performance of deposit money banks in Nigeria. In order to achieve the objective of the study, data were extracted from annual reports and accounts of fifteen (15) deposit money banks quoted on the Nigerian stock exchange, the period covered in the study is 2012-2018. Data for fraud risk management proxied by International Fraud Report/checklist (IFRC) and corporate performance was represented by return on Asset and return on equity. In testing the research hypothesis, the study adopted both descriptive statistics and simple regression techniques analyzed with the aid of Statistical Package for Social Sciences (SPSS) version 20. The findings revealed that IFRC have significant effect on return on asset while IFRC revealed an insignificant effect on the return on equity of deposit money banks in Nigeria during the year under review. Consequent upon this study, it was recommended that 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 increasing fraud incidence. This in turn will keep the bank management alert on the control measures to put in place to prevent and deter fraud.*

***Keywords***: *Fraud risk management, return of Asset, returns of equity and profitability*

## Introduction

The Nigerian Banking Sector has become a soft target for fraudsters (internal and external) who have been getting away with colossal amounts of cash daily, weekly, monthly, quarterly and annually. Most corporate financial institutions in Nigeria are subject to fraud risks. Large frauds have led to the downfall of most financial institutions, massive investment losses, significant legal

costs, incarceration of key individuals, and erosion of confidence in capital markets. Publicized fraudulent behaviour by key executives has negatively impacted the reputations, brands, and images of many organizations around the globe. According to PKF Report (2015), The Financial Cost of Fraud, the real financial cost of fraud and error average losses were 5.47% of expenditure. Also according to the Association of Certified Fraud Examiners (ACFE) (2014), annual fraud survey report, typical organization loses 5 % of its revenue to fraud each year. The Banking and Financial Services sector had the highest number of fraud cases analyzed at 17.8%.

Fraud results in financial losses to the Banks and their customers. Shareholders' funds are eroded and this depletes the capital base of the bank. The end result is bankruptcy and the loss of confidence in the banking sector as a whole (Okaro, 2014). Fraud risk management refers to activities aimed a risks arising from the actual and potential cases of corporate fraud. It includes prevention, detection and response. Fraud detection includes those activities designed to pick up potential rising of a red flag or a subsequent review such as the use of data analytic technique (KPMG, 2010).

Fraud is not peculiar to banking industry alone but cut across all the strata of national economy in Nigeria. Recently, with the adoption and usage of payment systems, there has been a rise in the incidence of fraud in the Nigerian payments landscape. Of the nearly 44 trillion Naira in payments made across Nigeria in 2014, over 7 billion Naira was reported as the value of 6 "attempted" fraud and 6.22 billion Naira was the actual loss value reported . The Nigeria Inter-Bank Settlement System Plc (NIBSS) report also shows that in the same year, Automated Teller Machine (ATM) fraud was the most attempted with 491 incidents and Internet Banking recorded the highest fraud value of 3.2 billion Naira (Ibanichuka & Oko, 2019). The volume of fraud reported in 2016 compared to previous years attest to the fact that fraudsters do not grow weary. Nigeria electronic fraud forum (NeFF, 2015) states that the more products and services that are rolled out without proper risk and impact analysis, the easier for the "bad guys" to perpetrate more fraud effortlessly online. The determination and commitment of these unscrupulous elements cannot be underrated within the financial sector. Banking fraud is a problem to various stakeholders (shareholders, employees, customers and family members) etc. Precisely, it diminishes the financial performance of the banks leading to low dividends payment to shareholders. In the extreme case, it may threaten the going concern of the commercial bank and this may impact negatively on shareholder wealth.

The real estimated cost of fraud and average losses according to PKF report on the Financial Cost of Fraud 2015 were 5.74% of expenditure in Nigerian Banks. Also according to the Association of Certified Fraud Examiners (ACFE) (2014), annual fraud survey report, typical organization loses 5 % of its revenue to fraud each year. The Banking and Financial Services Sector had the highest number of fraud cases analyzed at 17.8%. Against this background, government in its effort tries to combat economic and financial crimes by setting up Economic and Financial Crime Commission (EFCC) and Independent Corrupt Practices and other related offences Commission (ICPC). These commissions were established by an act in the year 2002. Section 3 of the act provides for the independence and power to prosecute economic, financial and other related crimes in Nigeria. It should be noted that the success or failure of any economy is a function of performance of its banking industry.

International studies have been done on fraud risk management practices. Ohando, (2015) conducted a research on fraud risk management practice and financial performance of banks in Kenya; Glover and Aono, (1995) did a study on changing the model for prevention and detection of fraud; Bishop, (2004) studied on preventing, deterring, and detecting fraud: What works and what doesn't; Holtfreter, (2005) studied on fraud in US organisations: an examination of control mechanisms; Bussmann and Werle (2006) did a study on addressing crime in companies; Wright, (2007) did a study on developing effective tools to manage the risk of damage caused by economically motivated crime fraud; Abiola and Idowu (2009) did a study on an assessment of fraud and its management in Nigeria Commercial Bank .

None of the above reviewed studies focused on fraud risk management practices and corporate performance of deposit money banks in Nigeria. Studies done on fraud risk management practices have focused on the fraud management practices without linking it to corporate performance. They are however few studies that have been done on the effect of fraud risk management practices on corporate performance of a firm. This study aims to fill the existing gap by studying on the relationship between fraud risk management practices and corporate performance of deposit money banks. Going from the foregoing, the main objective of this study is to ascertain the influence of Fraud Risk Management on corporate performance of selected deposit money banks (DMBs) in Nigeria. The specific objectives of the study are as follows:

1. To ascertain the influence of fraud risk management on Return of Assets (ROA) of Deposit Money Banks in Nigeria.

2. To examine the influence of fraud risk management on Return on Equity (ROE) of Deposit Money Banks in Nigeria.

## Conceptual Framework

### Fraud

Fraud has become one of the greatest threats to the world economy. It is a global problem, not only in terms of its impact on our major corporations and key financial institutions, but also its effect on smaller companies and ultimately the wider public who indirectly pay for the losses through increased costs of goods and services (Okoye, 2006).

Fraud is the intentional distortion of financial statements or other records by persons internal or external to the organization, carried out to conceal the misappropriation of assets or otherwise for gain. Intention is the most important element which distinguishes fraud from error. (Ozkul & Pamukcu, 2012). Fraud can also be defined as deliberate deceit or an act of deception aimed at causing a person or organization to give up property or some lawful right. The Association of Certified Fraud Examiners (1999) further defines fraud as the use of one's occupation for personal enrichment through the deliberate misuse, misapplication or employment of organizational resources or assets. The concise oxford Dictionary of current English (1974) defined fraud as deceitfulness; criminal deception and use of false representations.

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. Odi (2013) acknowledges that fraud in banks shakes the foundation and credibility of most banks in Nigeria, resulting to some of the banks being distressed as a result of hug financial losses. This continuous increase in the electronic fraudulent attack has negatively reduced customers trust in the ability of bank to protect them. Bank customers/depositors and other stakeholders are now worried about the safety of their money and information and are expecting the bank to find a solution that can protect them and the economy as a whole.

Fraud is a universal problem as no nation is free from it; though developing countries and their various states suffer it more. The corrupt and fraudulent events witnessed daily across the nation have continued to betray every good intention and selfless effort made by true patriotic Nigerians toward restoring economic glory of Nigeria as was in the 80's when the United States Dollar had unreserved respect for the Naira in the international market (Okoye, 2016). The incidences and magnitude of fraud are increasing (Okoye & Gbegi, 2013). The above view was collaborated by Modugu and Anyaduba (2013), Gbegi and Adebisi (2014), and Okoye and Akamobi (2009). Imoniana, Antunes and Formigoni (2013) did not only acknowledge the endemic and escalating nature of fraud but re-echoed the description by KPMG (2009) that described fraud as an industry not just for fraudsters; academics study it, Investigators investigate it, lawyers litigate on it, and conference goers debate on it. However, the industry is built on managing the consequences of fraud rather than on preventing fraud.

It has been observed that reported cases of bank fraud have been on the increase, but its impact on the Nigerian banking sector is of great concern (NDIC report, 2015). In 2009, Central Bank of Nigeria while employing the services of Forensic Accountants in five commercial banks, uncovered fraud. As a result, the Chief Executive Officer of Oceanic Bank was prosecuted by Economic and Financial Crimes Commission (EFCC) and was sentenced by the court on conviction to 18 months in prison (Dada, Owolabi & Okwu, 2013). The table below shows the extent to which fraud and other related unethical factors that affected the operational efficiency and performance of Nigerian commercial banks;

**Fraud and Forgery cases and amount of money lost by Nigerian Banks (2006-2015)**

| Year | No of fraud and forgery cases reported | Amount Involved (# billion) | Loss to Banks (# billion) | No of Fraud cases that led to losses |
|---|---|---|---|---|
| 2007 | 1193 | 4.6 | 2.6 | 612 |
| 2008 | 1553 | 10 | 2.9 | 825 |
| 2009 | 1974 | 24.49 | 3.7 | 746 |
| 2010 | 3852 | 33.3 | 7.0 | 656 |
| 2011 | 5960 | 19.7 | 11.4 | 357 |

| | | | | |
|---|---|---|---|---|
| 2012 | 2527 | 29.5 | 5.8 | 498 |
| 2013 | 4371 | 16.72 | 6.7 | 591 |
| 2014 | 2472 | 31.09 | 9.6 | 482 |
| 2015 | 3439 | 22.71 | 10 | 513 |
| 2016 | 2308 | 17.92 | 12.3 | 308 |
| **Total** | **29,649** | **210.03** | **72** | **5,588** |

**Source: CBN Annual Reports for 2007-2016**

**Fraud Risk Management (FRM)**

According to KPMG, Malaysia Fraud Survey Report 2009, fraud risk management refers to the systems and processes used to identify an organization's exposure to fraud risk, and to implement controls, procedures and education to prevent, detect and respond to the key fraud risks. Fraud risk management practices can therefore be broadly categorized into preventive, detective and responsive fraud management practices.

Preventive fraud risk management practices are those techniques that are meant to reduce fraud and misconduct from occurring in the first place. Such practices include conducting a fraud risk assessment, establishment of strong internal controls, code of conduct and related standards, employee and third party due diligence, communication and training and introduction of policies and procedures (Ohando, 2015). Preventive controls aim to decrease motive, restrict opportunity for potential offenders to rationalize their action. Fraud prevention is the responsibility of every employee, vendor, supplier, contractor, service provider, consultant or any other agency(ies) doing business / having business relationship with the Company to ensure that there is no fraudulent action being indulged in, in their own area of activity/responsibility. As soon as they learn of any fraud or have suspicion regarding it, they should immediately report the matter as per the procedure laid down in the memorandum of association.

As fraud prevention practices may not stop all potential perpetrators, organizations should ensure that systems are in place that will highlight occurrences of fraud in a timely manner. This is achieved through fraud detection. Fraud detection methods are meant to uncover fraud when it occurs. A fraud detection strategy should involve use of analytical and other procedures to highlight anomalies, and the introduction of reporting mechanisms that provide for communication of suspected fraudulent acts. Key elements of a comprehensive fraud detection system would include exception reporting, data mining, trend analysis and ongoing risk assessment.

Fraud detection may highlight ongoing frauds that are taking place or offences that have already happened. Such schemes may not be affected by the introduction of prevention techniques and, even if the fraudsters are hindered in the future, recovery of historical losses will only be possible through fraud detection. Potential recovery of losses is not the only objective of a detection programme though, and fraudulent behaviour should not be ignored just because there may be no recovery of losses. Fraud detection also allows for the improvement of internal systems and controls. Many frauds exploit deficiencies in control systems. Through detection of such frauds, controls can be tightened making it more difficult for potential perpetrators to act.

Responsive fraud management practices aim at taking corrective action and remedying the harm caused by the fraud. In each instance where fraud is detected, Line Management should reassess the adequacy of the current internal control environment (particularly those controls directly impacting on the fraud incident) to consider the need for improvements. The responsibility for ensuring that the internal control environment is reassessed and for ensuring that the recommendations arising out of this assessment are implemented lie with Line Management of the division concerned (Trevino & Victor, 2008). Internal audit can specifically assist an entity to manage fraud control by providing advice on the risk of fraud, advising on the design or adequacy of internal controls to minimize the risk of fraud occurring, and by assisting management to develop fraud prevention and monitoring strategies. An effective internal audit plan should include a review of those fraud controls designed to address the significant fraud risks faced by an entity (Kinyua, 2011).

## Fraud Risk Management Process

The banking industry is no doubt a regulated sector as a result of the riskiness of its operation. Consequently, risk management in banks is fast becoming a discipline that every participants and players in the industry need to align with. Risk management process as noted by Soyemi, Ogunleye and Ashogbon (2014) as cited in Paulinus & Jones (2017) involves:

(i) Risk identification: In order to properly manage risks, an institution must recognize and understand risks that may arise from both existing and new business initiatives; for example, risks inherent in lending activity include credit, liquidity, interest rate and operational risks. Risk identification should be a continuing process, and should be understood at both the transaction and portfolio levels.

(ii) Risk Measurement: Once risks have been identified, they should be measured in order to determine their impact on the banking institution's profitability and capital. This can be done using various techniques ranging from simple to sophisticated models. Accurate and timely measurement of risk is essential to effective risk management systems. An institution that does not have a risk measurement system has limited ability to control or monitor risk levels. Banking institutions should periodically test their risk measurement tools to make sure they are accurate. Good risk measurement systems assess the risks of both individual transactions and portfolios.

(iii) Risk Monitoring: Institutions should put in place an effective management information system (MIS) to monitor risk levels and facilitate timely review of risk positions and exceptions. Monitoring reports should be frequent, timely, accurate, and informative and should be distributed to appropriate individuals to ensure action, when needed.

(iv) Risk Control: After measuring risk, an institution should establish and communicate risk limits through policies, standards, and procedures that define responsibility and authority. These limits should serve as a means to control exposure to various risks associated with the banking institution's activities. Institutions may also apply various mitigating tools in minimizing exposure

to various risks. Institutions should have a process to authorize and document exceptions or changes to risk limits when warranted.

**Corporate Performance**

The reward attributable to the stakeholders of any business setting is a function of sound corporate or financial performance which showcases the real value of the entity for the purpose of maximizing the stakeholders‟ wealth (Abubakar & Ofurum, 2018).corporate performance is the measurement of the results of an economic entity's policies and operations in monetary terms with a view to ascertain its overall financial health over a given time frame (Gaspareto, 2004). The performance of most quoted firms is normally announced through periodic published financial statements and it is targeted at producing complete and reliable information to assist the users to take informed investment decision. It can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Pimentel, Braga and Casanova, (2005) maintained that economic success of any entity is determined by the magnitude of the financial performance.

Corporate performance refers to the potential of a venture to be financially successful (Eljelly, 2004). Sollenberg and Anderson (1995) assert that, corporate performance is measured by how efficient the organization is in use of resources in achieving its objectives. There are three basic situations that can describe business financial situation. It can be profitable, it can break even or it can operate in a loss. In most cases, an organizational goal is to make profit. The grand objective of deposit money banks (DMBs) is to make profit. To measure the profitability of commercial banks, there are a variety of ratios used of which Return on Asset, Return on Equity and Net Interest Margin are the major ones (Murthy and Sree, 2003 , Alexandru et al.,2008).

ROA represents the ability of a bank to make profits from its assets. It shows how efficiently the resources of the company are used to generate income. An increasing trend on ROA is an indication that the financial performance of the company is improving. Conversely, a decreasing trend means that financial performance is deteriorating (Crosson, Jr Needles, Needles, & Powers, 2008). ROE measures the rate of return on the owners' equity employed in the firms business. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. Thus the higher the ROE the better the company is in terms of financial performance. Khrawish (2011) explained that ROE is the ratio of Net Income after Taxes divided by Total Equity Capital. ROE reflects therefore how efficient a bank management is using shareholders' funds.

**Fraud Risk Management and Corporate Performance of Deposit Money Banks in Nigeria**

Several researches have been undertaken in the area of fraud and its effect on financial performance of commercial banks in Nigeria. Most researcher give different view and results. There has been no study that has been done focusing on fraud risk management and corporate performance of deposit money banks in Nigeria. Studies done on fraud risk management practices have focused on the management practices without linking them to corporate performance. They

are however few studies that have been done on the effect of fraud risk management practices on financial performance of a firm.

Ohando (2015) conducted a study on the relationship between fraud risk management practices and financial performance of commercial banks in Kenya. Data were collected from 14 commercial banks in Nairobi with the aid of a structured questionnaire. The results of the study indicated that there exists a positive relationship between fraud risk management practices and financial performance of commercial banks in Kenya. It also found out that preventive and detective fraud risk management practice had a very strong positive (0.932 and 0.868) and influence on financial performance of commercial banks.

Githecha (2014) in his study on the effect of fraud risk management strategies on the financial performance of commercial banks accepted the alternative hypothesis that fraud risk management strategies have an effect on the financial performance of commercial banks in Kenya. The correlation analysis showed that technology adoption had the strongest positive Pearson correlation coefficient influence on financial performance of commercial banks. In addition, governance as well as regulation was positively correlated to financial performance of commercial banks as measured by ROA.

Kuria and Moronge (2013) in there study on the effect of fraud management practices on growth of insurance companies in Kenya also concluded that technology and governance when applied as a control mechanism greatly determined the growth of insurance firms. The results of their study also showed that though regulating the industry is a noble goal as far as growth of the industry is concerned, it may not be a major consideration.

Independent studies conducted by KPMG and EY in 2006 indicated that organizations that implement company-wide fraud awareness training cut fraud losses by 52%. The study further indicates that companies are devoting more time and resources to fraud management, with the focus generally on fraud detection and reporting. However, less emphasis is placed on fraud prevention and responses to discovery of fraud.

The extant of literature are therefore saturated with knowledge on the impact of fraud to organizational performance, and with special emphasis on banking industries. The nature, types of fraud, the causes and its effect on the industry are mostly discussed in the present literature, and perhaps it influence on the micro economy. Little or no evidence is provided on the direct relationship of fraud risk management and Corporate Performance of banks in Nigeria, given the importance and the value that the banking sector has to Nigerian economy. These omissions in the literature therefore form a major gap in this study and it is against this back drop that this study is conducted to find out empirically the influence of fraud risk management practices on Corporate Performance with a special reference to the preventive, detective and responsive checklist adopted from the international fraud report (2010).

## Theoretical Framework

**The Fraud Triangle Theory** as described by Cressey, (1971) as a classical theory and designated the propensities for fraud as a triangle of perceived opportunity, perceived pressure and perceived rationalization. Every fraud executor is confronted with some kind of pressure or "need". Pressures that motivate individuals to commit fraud are financial pressures (high medical bills or debts), vices (drugs, gambling, and alcohol), and work related pressures (high pressure for good results at work or a need to cover up someone's poor performance or to report results that are better than actual performance compared to those of competitors) and other pressures (frustration with the nature of work, or even a challenge to beat the system) Donald, (1986). This „need" or greed usually has a combination of other factors such as the opportunity and the attitude to commit the fraud. The executor of fraud must believe that he or she can commit the fraud without being caught (or if caught, nothing grave will happen) Abdullah & Mansur, (2015). The opportunity to commit fraud is possible when employees have access to assets and information that allow them to both commit and conceal fraud. Opportunities are provided by a weak internal control environment, lack of internal control procedures, failure to enforce internal controls and various other factors such as apathy, ignorance, lack of punishment and inadequate infrastructure (ACFE, 2010; Duffield & Grabosky, 2001; Levi, 2008). Access must, therefore, be limited to only those systems, information, and assets that are truly necessary for an employee to complete his or her job. The third driver of fraud is ability of the perpetrators to find a way to rationalize their actions as acceptable. Rationalization or Absence of guardians refers to the manner in which people think about their work, performance and contribution within the workplace Kiragu, Wanjau, Gekara, & Kanali, (2013). They, therefore, attach a value that they should derive from the company for being productive or delivering something of value. Absence of guardians, on the other hand, refers to the situation where there are limited or no processes in the organization to test the integrity of the financial information or processes. The absence of the integrity process includes an absence or ineffective role of internal auditors, external auditors, Board of Directors and reporting requirements – banks, regulators and appropriate management review.

## Methodology

Data for this study was secondary in nature and was gathered mainly from the annual reports and accounts of the selected fifteen (15) quoted deposit money banks. Fraud risk management was proxied using the international Fraud Report of 2010 (covers responsive, detective and preventive) obtained from the financial statements for the period 2012 to 2018. This serves as the guide of conducting the content analysis. This is contrary to studies that uses questionnaire which is distributed to target respondents as the means of gathering practices of fraud risk management (Ochando, 2015). In addition, the financial performance was represented by Return of Asset (ROA) and Return on Equity (ROE) of selected banks.

Beside the use of descriptive statistics, to among others include simple average, median and standard deviation, to describe the variables, regression analysis is also adopted to test for the relationship between the independent variable of fraud risk management practices and dependent variable corporate performance.
The econometric form for the model is specified as:

ROA = $a_0 + a_2 IFRC + u_{it}$
ROE = $a_0 + a_2 IFRC + u_{it}$
Where:
*ROA= Return on Asset*
*ROE = Return on Equity*
*IFRC = International Fraud Report or checklist*
$a_0$ *= constant*
$u_{it}$*= error term*

**Test of Hypothesis**

**Hypothesis 1**

**$H_0$**: Fraud Risk Management proxy by IFRC does not significantly affect the return on Asset of Deposit Money Banks in Nigeria

**Table 1 ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .323 | 1 | .224 | 1.325 | .004[b] |
| | Residual | 5.580 | 24 | .226 | | |
| | Total | 6.103 | 26 | | | |

a. Dependent Variable: ROA
b. Predictors: (Constant), IFRC
Source: Researcher's Computation using SPSS version 20 software, 2019

**Table 2 Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -2.101 | 1.761 | | -1.036 | .271 |
| | IFRC | 2.214 | 2.549 | .204 | 1.141 | .004 |

a. Dependent Variable: ROA
Source: Researcher's Computation using SPSS version 20 software, 2019

The result of the analysis of variance (ANOVA) and ordinary least square regression analysis showed in table 1 and 2 respectively to evaluate the level of significance of the influence of fraud risk management on return on asset revealed that return on equity is explained by -2.101 constant factor and 2.214 of the bank size as demonstrated in the regression model used to test the level of effect that fraud risk management has on return on Asset as shown below;

ROE = -2.101 + (2.214) IFRC
This means that every unit change in IFRC will lead to 2.214 changes on return on asset. This shows a positive relationship and signifies that fraud risk management has a positive impact on return on asset. The P-value from the ANOVA and coefficient table was used to determine the significance of the influence that the IFRC has on return on asset. The contribution of IFRC to the model is insignificant because p- value (0.004) is less than the alpha value of 0.05. Hence, we accept the alternate hypothesis which states that fraud risk management proxy by IFRC significantly affect the return on asset of deposit money banks in Nigeria.

**Hypothesis 2**

**$H_0$**: Fraud Risk Management, proxy by IFRC does not significantly affect the return on Equity of Deposit Money Banks in Nigeria

**Table 1 ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .323 | 1 | .323 | 1.355 | .254[b] |
| | Residual | 6.681 | 28 | .239 | | |
| | Total | 7.004 | 29 | | | |

a. Dependent Variable: ROE
b. Predictors: (Constant), IFRC
Source: Researcher's Computation using SPSS version 20 software, 2019

**Table 2 Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -2.216 | 1.963 | | -1.076 | .291 |
| | IFRC | 2.460 | 2.549 | .215 | 1.164 | .263 |

a. Dependent Variable: ROE
Source: Researcher's Computation using SPSS version 20 software, 2019

The result of the analysis of variance (ANOVA) and ordinary least square regression analysis showed in table 1 and 2 respectively to evaluate the level of significance of the influence of IFRC on return on equity revealed that return on equity is explained by -2.216 constant factor and 2.216 of the IFRC as demonstrated in the regression model used to test the level of effect that IFRC has on return on equity as shown below;

ROE = -2.216 + (2.460) IFRC
This means that every unit change in bank size will lead to 2.967 changes on return on equity. This shows a positive relationship and signifies that IFRC has a positive impact on return on equity.

The P-value from the ANOVA and coefficient table was used to determine the significance of the influence that the IFRC has on return on equity. The contribution of IFRC to the model is insignificant because p- value (0.263) is greater than the alpha value of 0.05. Hence, we accept the null hypothesis which states that Fraud risk management does not significantly affect the return on equity of deposit money banks in Nigeria.

## Conclusion and Recommendations

The impact of fraud on the banking and financial sector cannot be overemphasized, especially with the pervasiveness of fraud incidences in contemporary times. Based on the findings of this study it was concluded that Fraud risk management proxy by IFRC affects the corporate performance of Deposit Money Banks in Nigeria. However, all commercial banks are victims to fraud incidences and that the use of preventive and detective fraud risk management practices increases the ROA of commercial banks in Nigeria. However the use of responsive fraud risk management practices decreases the ROA. The study therefore recommends that:

1. 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 increasing fraud incidence. This in turn will keep the bank management alert on the control measures to put in place to prevent and deter fraud.

2. The CBN and the NDIC should encourage DMBs to always report cases of fraud. This can be done by incentivizing them with appropriate rewards that will incite more compliance. Ethical committee should be set up in DMBs and staff should be constantly trained on ethics so as to imbibe ethical culture on the staff in order to reduce their involvement in fraudulent activities.

3. The preventive fraud risk management practices used by banks such as fraud risk assessment program, strong internal controls, board audit committee and management oversight, antifraud policy and surprise audits should be encourage to an efficient level.

4. The detective fraud risk management practices such as bank reconciliation and internal audit function should be a fully introduce in the operations of most banks in Nigeria

5. The responsive fraud risk management practices such as communication to employees that management took appropriate actions, strengthening internal controls, recovery of stolen assets and progressive sanctions should be done on a regular basis to checkmate the operational efficiency of staff.

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