TITLE PAGE

FRAUDS AND MALPRACTICES IN THE BANKING INDUSTRY. A STUDY OF SELECTED COMMERCIAL BANKS

BY

MOHAMMAD, JEGA HALIRU (G98BAF7066)

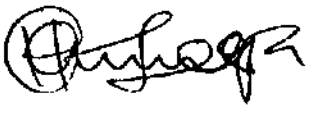
A THESIS SUBMITTED TO THE POST-GRADUATE SCHOOL,
AHMADU BELLO UNIVERSITY ZARIA,
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (M.B.A)

DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY
ZARIA, KADUNA STATE - NIGERIA

1999

DECLARATION

I hereby declare that this thesis is written by me, and that it is a record of my own research findings. All sources of information used for this write-up and where applicable other writer's views have been duly acknowledged by means of bibliography.



MUHAMMAD, JEGA HALIRU **SIGNATURE/DATE**

KASHIM IBRAHIM LIBRAR

CERTIFICATION

This project titled, **"Frauds and Malpractices in the Banking Industry"** by **Muhammad, Jega Haliru** meets the regulations governing the award of the **Degree of Master of Business Administration (MBA)** of **Ahmadu Bello University, Zaria**, and is approved for it" contribution to knowledge and literary presentation.

MALLAM SANI ABUDULLAHI
(SUPERVISOR)

3/10/2003
SIGNATURE/DATE

EXTERNAL EXAMINAR

SIGNATURE/DATE

Dr. A.M. Bashir

AC - 26/7/2020

SIGNATURE/DATE

(HEAD OF DEPARTMENT)

3/10/2003

DEAN, POST-GRADUATE SCHOOL

19/11/03
SIGNATURE/DATE

ACKNOWLEDGEMENT

I wish to express my profound gratitude and appreciation to all those who have contributed in making this task a success. First and foremost, I thank the Almighty Allah for his guidance, blessings and protection throughout the period of my study. Special thanks goes to my supervisor, Malam S. A. Abdullah, who despite his tight schedules spared his time to read through the manuscript and also offer constructive criticisms, special guidance and sound suggestions made to get my manuscript in a more presentable form.

I equally wish to acknowledge with thanks the members of staff of Afri-Bank, United bank of Africa Plc, First Bank, Bank of the North, Union Bank and Habib (Nigeria) Bank Ltd. in Kano and Kaduna for the co-operation accorded me especially during the research work.

Lastly, my sincere gratitude to all members of my family for their support, concern and encouragement. Also a very special thanks to all my friends who contributed in one way or another towards the course of this study. To all, I am truly indebted but alone I bear full responsibility for errors and any shortcomings.

MUHAMMAD, JEGA HALIRU

DEDICATION

THIS PROJECT IS DEDICATED TO MY HUMBLE SELF FOR ALL THE EFFORT I HAVE PUT IN ACQUIRING THIS KNOWLEDGE AS PART OF MY AMBITION.

ABSTRACT

This project was aimed at identifying the common forms of Frauds and Malpractices in the banking industry, their frequency, causes and the existing preventive measures in operation. The analyses of primary and secondary data led to the conclusion that Frauds and Malpractices were complex phenomena which vary in nature, character and methodology. The findings of this study revealed that majority of the Frauds-stars were banks staff, mostly cashiers and clerks, working in collusion with customers and non-customers.

Inadequate supervision, control and staffing were ranked as the most significant causes of Fraudss and Malpractices. Regular balancing of accounts periodical inspection, rotation of Job staff, proper training of bank staff, were ranked high as the most effective preventive measures against Fraudss and Malpractices perpetration.

The findings of the research work provided the basis for our recommendations which include: the banks should ensure regular balancing of their accounts; and periodical inspection of branches should also be carried out regularly.

Finally, considering the nature, causes and methods employed to defrauds banks and customers which vary with time, it is suggested that further research on Frauds and Malpractices be carried out every two to three years to keep tract of the development in the field.

TABLE OF CONTENTS

		Page
Title Page		i
Declaration		ii
Certification		iii
Acknowledgement		iv
Dedication		v
Abstract		vi
Table of Contents		vii
List of Tables		ix
Chapter One		
1.0	Introduction	1
1.1	The Statement of the Problem	3
1.2	Purpose of the Study	4
1.3	The Significance of the Study	5
1.4	Delimitation of the Study	7
1.5	Limitations of the Study	8
1.6	Definition of Terms	8
	References	12
Chapter Two		
2.1	The Nigerian Banking Industry: An Overview	13
2.2	The Definition of Fraud	17
2.3	Types of Frauds and Malpractices and ways of Defrauding Banks	20
2.4	Causes of Bank Frauds and Malpractices	38
2.5	The Effects of Frauds and Malpractices on Banks	43
2.6	Measures for Controlling Frauds and Malpractices in Banks	44
	References	45

Chapter Three

3.0	Research Methodology	**47**
3.1	Sources of Data	**47**
3.2	Method of Data Collection	**48**
3.3	Methods of Data Analysis	**49**
	3.3.1 Analysis of Field Survey	
	3.3.2 Analysis of Commercial Banks Returns on Frauds and Malpractices	
3.4	Research Problems and Limitation 26 References	**50**
	References	**51**

Chapter Four

4.0	Data Presentation and Analyses	52
4.1	Analyses of Survey Results	53
4.2	Analyses of Returns on Commercial Banks and Frauds and Forgeries	65
	References	71

Chapter Five

5.1	Summary	72
5.2	Observations	74
5.3	Conclusions	75
5.4	Recommendation	76
5.5	Suggestions for Further Research	80
	References	81
	Bibliography	82
	Appendix (attached)	

LIST OF TABLES

		Page
4.1	Table showing the ranking of responses on frequency or commonest types of frauds and malpractices.	28
4.2	Table showing the ranking of cause of frauds and malpractices.	30
4.3	Table showing the ranking of frauds and malpractices preventive measures.	33
4.4	Table showing returns on commercial banks on frauds and forgeries.	35
4.5	Table showing ten banks with the highest fraud cases.	36
4.6	Table showing the categories of staff involved in frauds and forgeries.	37

CHAPTER ONE

1.0 INTRODUCTION

Fraud is a word wide phenomenon. It has long been recognized as a major problem in every type of business environment. Fraud has been termed the number one enemy of the business world and no company is immune to it.

Studies on bank frauds and malpractice are normally promoted by the perceived effects of fraud and malpractices on banks, and the desire to find the means of curbing such adverse effects. It is generally agreed that frauds and malpractices lead to loss of the money, which belong to the bank and its clients. This loss results in reduced level of resource availability, which could hamper the operations of banks and could force a close down if the frequency and size of frauds and malpractice are high.

Given the current travail of the banking sub-sector, the need to plug out all areas of wastages more than ever before, becomes compelling. Thus, fraud which has over the years constituted substantial drain on the vaults of banks and other financial institutions need not only be detected on time, but most also be protected and controlled.

Cases of frauds and forgeries in banks have not only become incessant but also been on the increase in recent years. Although frauds and malpractices in banks are global phenomena, their growth in Nigeria has been outstanding. The 1995 Nigerian Deposit Insurance Corporation annual report for instance, presents a disturbing picture of rising trends of frauds in banks. From N851.93m in 1992, the amount involved in frauds in commercial banks alone rose to Ni, 377.15m in 1993, whereas the actual/expected loss rose from N64.8m to N241.0m.

We are aware that frauds cut across all sectors of the economy and that the size of an enterprise usually determines the volume of fraud perpetrated. We are also not unaware of the role, which such problems as inadequate manpower and training poor internal control system, inadequate incentives and unsuitable legal framework for dealing with offenders play in the perpetration of frauds. In addition to these, is the lack of commitment on the part of staff and the employment policies of some banks which tend to make frauds and forgeries susceptible and attractive.

Other effects of fraud and malpractices in banks include the loss of confidence in banks by customers, which also reduce efforts aimed at promoting the banking habit.

Malpractice and frequent occurrence of frauds lead to destruction of management's attention, increased running cost, wastage of time and resources on frauds and malpractices prevention.

The banking industry, which is the backbone of the Nigerian economy, is increasingly worried on the level of fraud and malpractices in the industry. More disturbing is that the control of identified specie of fraud or malpractice seems to give birth to another that is invariably more sophisticated and complex. This shows that frauds and malpractices vary widely in nature, character and methodology.

1.1 THE STATEMENT OF THE PROBLEM

Though the Nigerian banking industry being the backbone of the Nigerian economy, and one of the most profitable, higher performance could be achieved in terms of their output and obligations to the society. To realize this, the banking industry must perform a leading role in reactivating and invigorating the economy.

The low level of performance of the Nigerian banking industry is due to an array of problems. Of these problems the issue of frauds and malpractices is one of the most intractable and monumental.

KASHIM IBRAHIM

The frequency of these problems and their implications for the industry has inspired this research on fraud and malpractices in the banking industry. The following research questions have also been asked.

1. What is the magnitude of frauds and malpractices in our banks?
2. Why do bank staffs commit frauds and malpractices?
2. How effective are frauds and malpractices control systems in our banks?
4. How can the problem of frauds and malpractices be handled on controlled in our banks?
5. Can banks have sufficient information to predict when and how fraud of malpractice will occur?

These questions form the problem of this research work and the need to provide workable answer to them constitutes the justification for the research.

1.2 PURPOSE OF THE STUDY

The primary objective of this research is to find practical means of eliminating or minimizing the incidence of frauds and malpractices in our banks.

To achieve the primary objective, the following secondary objectives have been specified:

1. To review existing literature, collect and collate information on frauds and malpractices in our banks.
2. To identify the causes of frauds and malpractices in our banks
3. To identify the various types of frauds perpetrated by banks.
4. To determine the magnitude and frequency of frauds in banks
5. To determine the effects of frauds and malpractices in the banking industry and the economy in general
6. To make recommendations based on the findings
7. Identify the means through which the recommendations can be effectively implemented.

1.3 SIGNIFICANCE OF THE STUDY

The significance of this research study is hinged on the fact that the fate of the Nigerian economy is inevitably tied to the structure, direction and the survival ot .the banking and financial system. It follows therefore, that any serious distortion in the system will not only affects the system itself but the Nigerian economy and the public in general and the consequences, which could be financial or otherwise, cannot be quantified.

This research study will go along way to show the effect of frauds and malpractices in banks, its implications on the industry and possible remedies. It will also show the impact of this study on the economy and the society in general.

Banks and other financial institutions are expected to gain doubly from this study. Firstly, the study will highlight operational lapses and other loopholes that give room to fraudulent activities in banks and secondly the study will stimulate self-reassessment by banks.

The study will also benefit the society in general, as it will enable banks to render their services more effectively and efficiently. More specifically, the study will assist the government in fashioning economic policies that do not give room to fraudulent activities and mismanagement of investors and depositors money in banks.

To the academic world, the study will serve as a source of knowledge and confirmation of whether earlier research findings still hold in the face of the turbulent nature of Nigerian economy. The study will further identify new strategies that will consolidate or revolutionize earlier research finding.

1.4 DELIMITATIONS OF THE STUDY

The research study will focus on frauds and malpractices in the banking industry with special emphasis on commercial banks operations in Nigeria. The environment in which the research will be conducted will mainly be Kano, Zaria and Kaduna. The study will be

restricted to some selected banks in the environment under review. The study will exclude the infant banks first coming up and yet to find a firm tooting in the industry. In order to attain the objective of this research, the delimitation of the study was defined to embody all relevant aspects of frauds and malpractices in banking operations. Information was obtained on the number of fraud cases perpetrated in each bank; the different types of frauds and malpractices and the frequency of each the amount involved in the types of frauds and malpractices; the cadre of persons involved; the period of concealment; the incidence of collusion, the cause and the level of effectiveness of frauds and malpractices preventive measures.

The study also focused on areas relating to staff strength of banks, size of deposits, size of loans and advances, age of fraudsters, years of banking experience of persons involved in the fraudulent activities, the means of frauds and malpractice prevention and detection and the punishment meted to fraudsters.

1.5 LIMITATIONS OF THE STUDY

Time and costs are the major constraints of this study. They will not allow for a nation-side survey of all banks branches and persons involved in the fraudulent activities. The almost non-existent literature on the subject also constituted another serious limitation to this research study. Despite these limitations, the findings of the research still hold because the facts contained in the study will help all bankers and the general public to have some insight into input of frauds and malpractices upon the banking industry and the Nigerian economy.

1.6 DEFINATION OF TERMS

FRAUD

Can be defined as a "conscious premeditated action of a person or group of persons with the intention of altering the truth and or fact for a 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 outright theft"1

MANAGEMENT FRAUD

This is a "Deliberate fraud committed by management that injures investors and creditors through materially misleading financial statements"2

MALPRACTICE

Has also been defined as "those practices which are not only just contrary to the ethics of the banking profession but also constitute infringements of various banking laws and regulations"3

DEFALCATION

Is the "misappropriation of business assets by employees and officers of the business". It consists of the confiscation of physical properties or cash. It is the actual theft of business assets".

FALSIFICATION

Falsification of financial statement is the issuance of financial statement, which present false account valuations by management.

CLEARING HOUSE

This is where banks exchange cheques. It serves as a forum where the representative of each commercial bank deliver cheques drawn on other banks and to receive the cheques drawn on them. In Nigeria, the Central Bank of Nigeria serves as the clearinghouse.

SYSTEM

Organized set of related components established to perform a certain task.

PROGRAM

Step by step instructions that directs the computer to perform certain operations to solve a problem preparing for execution.

INTERNAL CONTROL SYSTEM

The whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise is an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.

INTERNAL AUDITING

This is an independent appraisal activity within an organization for the review of operations as a service to management. It is a managerial control, which functions by measuring and evaluating the effectiveness of other controls.

REFERENCES

1. Osuala, E. C. (1987);
   Introduction to Research methodology. Africana-Fep Publishers Limited. Pp. 21 — 25

2. Millichamp, A. H. (1982);
   Auditing D. P publications. Winchester, Hants pp. 34 and 222

3. Adekanye, A. (1986)
   Re-element of Banking in Nigeria F&A Publishers, Lagos pg. 366

4. FITC
   Frud in Banks, FITC publication

CHAPTER TWO

2.1 LITERATURE REVIEW:

The Nigerian Banking Industry: An Overview

The Nigerian banking system consists of the Central bank of Nigeria, the Commercial banks, merchant banks and development banks.

The Central bank of Nigeria (CBN) was established by the Central Bank of Nigeria ordinance in 1958. The bank effectively came into existence and comm4enced operations on 1st July, 1959 with the following principal objectives as spelt out in section 4 of the ordinance: -

1. To issue legal currency in Nigeria
2. To maintain external reserves in order to safeguard the international value of the currency
3. To promote monetary stability and a sound financial structure in Nigeria and
4. To act as banker and financial adviser to Federal Government.

The structure of commercial banking in Nigeria is fashioned towards that prevailing in the United Kingdom. Other countries in the western world have the structure, which can be described as the branch

banking system. This is characterized by a few large banks with a wide network of branches extending throughout he country. For instance, the U.K has only eight clearing banks (commercial banks) with over 1,000 numerous branches serving the banking needs of the country. However, in United States of America, the banking structure is based on a united system (i.e. numerous individual local banks). The United States system has been described as a dual system, meaning that banks are subject to either federal or state regulatory control and in some instances both.

Commercial banking in Nigeria can be classified into two: the purely indigenous banks, owned 100% by Nigerians, and the mixed banks, with a majority indigenous share holding (at least 60% equity) and minority foreign interest (at most 40%).

Commercial banking business started in Nigeria with the establishment of African

Banking Corporation in 1892 (the founding father of the present day First Bank of Nigeria Plc). Commercial banks operate as bankers to the majority of the Nigerian banking populace by providing a wide variety of services, which include:

KASHIM IBRAHIM LTD

i. Recovering demand deposits and paying customer's cheques drawn against them

ii. Receiving time and savings deposits and paying interest thereon

iii. Granting loans and overdrafts to customers

iv. Discounting commercial papers, acceptances and bills of exchange

v. Providing services to the importer and exporter (e.g. documentary credits)

vi. Provision of safe deposit vault service

vii. Management of customer's investments

viii. Acting as executor and the trustee of wills

ix. Providing foreign exchange facilities for travelers

x. Buying and selling of shares and stocks for their customers.

Merchant banking business first came into existence in Nigeria in 1960 with the registration of Messrs. Nigeria Acceptances Limited (NAL) and Phillip Hill (Nig.) Limited. These two institutions dominated the merchant banking business up to 1969 when they eventually merged. The resulting company — NAL Merchant Bank Limited has since been joined by others.

The essential function of Merchant banks that distinguishes it from other institutions is that a substantial part of its business consists of accepting bills of exchange to finance trade. These bills are eligible for rediscounts at the central Bank and command a very fine rate in the market. Unlike commercial banks offering retail-banking services, merchant banks provide wholesale banking services. They mobilize deposits in large amounts and also lend in large amounts to institutional investors and firms. In a nutshell, they deal with relatively small number of specialized accounts. Merchant banks deposits are usually fixed and interest bearing. They grant more of medium term loans and less of overdrafts. Merchant banks among others provide the following specialized services:

1. Stock broking services
2. Corporate finance
3. Equipment leasing
4. Debt factoring
5. Investment management
6. Issue and acceptance of bills and the management of united struts.

Development banking in Nigeria started with the establishment of the Nigerian Industrial Development Bank Limited (NIDB) in 1959. Other development oriented banks which subsequently followed are: the Nigerian Agricultural and Cooperative Bank (NACB), the Nigerian Bank for Commerce and Industry (NBCI), Federal Saving Banks (FSB), Federal Mortgage Bank of Nigeria (FMBN).

The main functions of development banking are threefold:

1. To fill the financial gap created by the operations of commercial and merchant banks, which lend mainly on short and medium basis respectively.
2. To act as a catalyst for development
3. Development banks lend mainly on long-term basis. They engage in equity participation in other companies and perform promotional functions like project identification, appraisal and market survey.

2.2 THE DEFINATION OF FRAUD

Fraud is a very comprehensive and complex field of crime, which encompasses a range of different activities. Due to its diverse nature, it has been difficult to proffer comprehensive definition of the term "fraud".

For many years, the standard formula was that of Buckley J. in Re London and Globe Finance Corporation Limited.

"To defraud is depriving by deceit: it is by deceit to induce a man to act to his injury. More tersely it may be put, that to deceive is by falsehood to induce a state of mind; to defraud is by deceit to induce a course of action".

That formula, it is now accepted, is not exclusive; fraud can consist of depriving a person of what is his by other dishonest means, including simple talking.

Radzinowicz and Wolfang classified fraud together with white collar crime and defined them as "illegal acts characterized by guilt, deceit and concealment and are not dependent upon the application of physical force or violence or threats thereof"[2]

A.I. J Etuk (1988) (Auditor — General for the Federation of Nigeria) defined fraud to "embrace any cunning, deception or trick employed to deceive or cheat another. It includes all means which human ingenuity can devise that are employed to gain an advantage by false suggestion or by suppression".[3]

Advance Learners Dictionary defined fraud as "criminal deception, act of this kind, person or thing that deceive

Justice Akinlu Agudu, in his book "the criminal Law and Procedure of the Southern sates of Nigeria" (1982) defines an intent to defraud as 'an intent to deceive in such a manner as to expose any person to loss or the risk of loss"[5]

Fraud may be defined as "intentional misrepresentation, concealment, or omission of the truth for purposes of deception or manipulation of the financial detriment of an individual or organisation".[6] "Fraud", then is comprises of two fundamental elements. One is premeditated deceit. The other is peculation, a collective term for any combination of embezzlement, defalcation, or misappropriation of funds.

THE DEFINATION OF MALPRACTICE

Oxford Advanced Learners Dictionary defined malpractice as "wrong doing, neglect of duty. An example is dishonest use of a position of trust for personal gain. Malpractice has also been defined as "those practices which are not only just contrary to the ethics of the banking profession, but also constitute infringements of various banking laws and regulations".[7]

2.3 TYPES OF FRAUDS AND MALPRACTICES AND WAYS OF DEFRAUDING BANKS

Frauds and malpractices in banks vary widely in nature, character and method of perpetration, thus making the classification a very difficult exercise, while some authorities (such as the committee of Chief Inspectors of Banks) prefer to group frauds and malpractices according to the perpetrators, others prefer a classification based on the methods used. On the basis of perpetrators, bank fraud may be grouped into three broad categories:-

1. Internal Fraud — committed by members of staff and usually on small scales but are more regular.
2. External Fraud — committed by those not connected with the banks, and
3. Mixed Fraud — committed by outsiders in collusion with bank staff.

Using the methods of perpetration as a basis for classification, the following types of fraud have been identified:-

1. CASHIERING FRAUDS

Some cashiers are usually exposed to handling of raw cash and the temptation to commit some sort of fraud cannot be completely eliminated. Some of the common forms/ways of cashiering frauds are as follows:

(a) Substitution of names on credit voucher/teller. This type of fraud involves changing the credit teller of one person for another. However, the books of accounts are balanced but the wrong person has been credited. Illiterate customers account and big account holders are usually victims of this type of fraud.

(b) Teeming and Lading: This is a common feature in local branches of commercial banks. The cashier suppressed lodgments made and misappropriates the fund. If the cheque of the customer is about to be returned for the reason of insufficient fund, an inquiry is made from the receiving cashier for any Lodgment by the customer through a form known as enquiry memo. This memo alerts the cashier, who would subsequently raise the expense of another customer's account in order to conceal his fraudulent deals.

(c) Cashier Shortages: A cashier may intentionally declare a shortage if he is out of purse. In most cases, the shortages are spanous and unjustified. Sometimes, they collude outsiders to steal part of the cashier's taking relying erroneously on the bank's provisions, which stipulate that shortages should not be debited to his personal accounts immediately without enquiry. Cashier shortages is one of the commonest forms of frauds in banks.

2. **FALSIFICTION OR ALTERATION OF ACCOUNT**

This type of fraud is common with the machinists who are either acting ignorantly, innocently or with proven criminal intent to defraud. This type of fraud is committed by:

i. Inflating the credit balance of particular customer

ii. By carrying wrong balances forward in favour of a customer

iii. By taking overdrawn current account debit balances as credit

In most cases the original lender cards are maliciously destroyed or tempered with. Another form is when a cheque is paid in is suppressed from being debited to the customer's

account. This is common in branches where accounts are not balanced regularly and the internal control system has broken.

3. FORGED CHEQUE WITH FORGED SIGNATURES

Cheque forgery is a common source of fraud and constitutes the source of most forgeries in banks. In some instances cheque leaves are stolen, customers' signatures are perfectly forged and many successful withdrawals are made. Of rent, fraud syndicates have adopted the following means of perpetrating fraud in banks:-

i. Operating of specie movement of their own with forged instructions from one bank branch to the other to obtain cash;

ii. Printing of cheque books to agree with the cheque books of the bank they intend to fraud;

iii. Use of forged credit advice from the Central Bank. An example is where a government parastatal was purported to have given instruction to Central bank where they maintain their account to credit an account of either an individual or organization in another bank. This type of fraud is usually perpetrated through the clearing system.

iv. Substitution of Central bank presentation form for clearing cheques;

v. Interception and switching of telex messages for transfer of frauds.

CLEARING FRAUD

This type of fraud now constitutes a major source of loss of funds by banks in recent years and the common form and ways of committing this fraud are as follows:

(a) Substituting of Clearing Cheques

This is a situation where a cheque is sent for collection through the clearing system, a bank is substituted in transit with another cheque having the amount in common. The substituted cheque causes problems in the drawer or paying bank and before the problem is solved, the mandatory days allowed for clearing may have elapsed and damages have been done, as money would have been withdrawn by the brains behind the deal from the bank.

- 475888

KASHIM IBRAHIM L

(b) Splitting of Clearing Cheques

This is another complex method of clearing fraud. To fully understand this type of fraud, an example is demonstrated. Let us say Bank 'A' sends a cheque to Bank 'B' for presentation through he normal clearinghouse. After presentation an in-between the clearing house and Bank 'A', the cheque gets stolen or removed and replaced with two or more cheques adding up to the same amount and bearing the crossing stamp of some banks say Bank 'X' and 'Y', etc as if the cheque were presented by these banks. The original cheque does not reach Bank 'B' and the new inserted cheque are returned to Banks 'X' and Y' for reasons of "No account" by Bank 'B'.

After the clearing period allowed to clear the cheque have elapsed, bank 'A' gives value to the original cheque believing that Bank 'B' had honoured the cheque since the cheque has not been returned unpaid within or after the stipulated time. Before such confusion is resolved, the damage might have been done and the fraudsters would have made away with the money. This fraud can only take place with active participation of the bank's staff who may invariably but not necessarily be the clearing bank staff.

FALSE PROCEEDS FOR COLLECTION

This is a situation whereby a customer pays in a cheque, almost immediately he requested that the cheque should be cleared specially. T the paying bank, his accomplice would ensure that a banker's payment is issued, this bankers payment is then presented to the collection bank where the customer is given immediate credit and disappears into the thin air. Later, when collecting bank eventually presents its banker's payment, it is discovered that it has been forged. Such customer will make sure that he can not be traced as such related accounts are usually opened with false documents.

FOREIGN EXCHANGE FRAUD

The structure and administration of foreign exchange operations in Nigeria following the introduction of SFM/FEM in 1986 seem to have given impetus to frauds and malpractices in international trade for which foreign exchange is required to finance. The scope has widened considerably and the following types of frauds are now prevalent.

(a) Telex Fraud

This can be a combination of raising a fictitious telex message purporting it to emanate from a bank or a substitution of a genuine message with a fictitious one with the sole purpose of diverting funds to a wrong source.

(b) Utilizing false letter of credit to procure goods from unsuspecting exporters abroad. Though this fraud does not essentially involve actual procurement of foreign exchange but basically it is foreign exchange induced fraud, which enables the fraudsters to obtain goods without actually paying for them.

(c) Under the table deals which became common with introduction of autonomous funds scheme under FEM. Here, benefits accruing from such deals are not passed to the employer but the employee.

(d) Lodgment of forged currency into customers foreign currency domiciliary account.

(e) Irregular release of shipping documents in respect of imports to persons other than the importer.

(f) Fraudulent sales of travelers cheques, drafts, under basic travel allowances meant for academic and government officials on overseas courses but who for one reason or another did not buy the approved foreign exchange.

(g) Negotiation of forged draft purportedly issued by a bank in Nigeria or by an overseas correspondent bank.

(h) Negotiation of bills payable cheque overseas whereas the cheque is in local currency

(i) Diversion of foreign exchanges to beneficiary other than those approved by the Central bank of Nigeria though alteration of customers instruction by staff.

(j) Defalcation of foreign currency lodgment by staff.

(k) Forged mail transfers and letters of credit purportedly issued by a Nigerian bank, with intent to dupe overseas exporters

(l) Forged documents to support application for foreign exchange e.g. overseas school bill, tax clearance certificate.

(m) Theft and encasement of travelers' cheque, drafts, personal cheque etc.

(n) False instruction to transfer funds overseas, purportedly written by foreign currency domiciliary account holder.

(o) Fraudulent use of bank letterhead to obtain goods from overseas exporter or advance payment from overseas importers who believed that such letters was genuine. This is a common example of the popular "419".

(p) Connivance of staff in laundering foreign currency from drug trafficking and narcotic activities e.g. large cash lodgment not justified by nature of business.

(q) Over-invoicing for foreign exchange application in respect of imports

(r) Forgeries of foreign currency notes

(s) Spurious request on foreign bank to transfer funds from customer's account.

COMPUTER FRAUD

With the introduction of computers, fraudsters also modernize their techniques and the act in a computer environment got the name computer fraud. A recent survey in the United States gave the following startling statistics: approximately $500m is lost to computer fraud annually. On the average, each computer fraud involves $500,000 as against $10,000 per bank robbery and $19,000 per conventional bank embezzlement.

There are various types of computer frauds listed below are some common types.

i. Input Fraud

Input fraud is said to occur when the input to a computer system is maliciously modified or deleted. This normally, takes the form of modifying or deleting records of transactions to be fed into the computer system. It may also involve the modification of system and batch totals so as to ensure that the computer does not reject the corrupted input data on account of irreconcilable control totals.

The main reason for this is the desire to misallocate money or company merchandise or to cover up management incompetence. Input fraud can be initiated outside the immediate environment of the computer, hence the usual initiators are company staff responsible for raising processing and forwarding input forms and computer staff responsible for data entry.

ii. Theft of Software

Computer fraud can also take the form of stealing either programs or data. This crime can be committed by simply copying programs or data file for use outside the work environment.

Typical motivations for this act include:

- Intelligence i.e. as part of an elaborate espionage scheme by a competitor company or bank
- Private use — the culprit installs the software on a personal machine f or private use
- Profit — the culprit sells the stolen software for money to interested buyers

The perpetrator of this act has to be somebody with access to the machine. If the computer is linked to global communications network, then the perpetrator can be anybody with a personal computer. Theft of software is generally difficult to detect because unlike the other resources of an organization, computer data can be stolen non-destructively — hence, it is difficult to know that it has been stolen.

iii. Theft of Computer Time

It is common for personnel to use computer time for unofficial activities. Such things like units, disk packs or floppy diskettes, etc. the concept here is using computer time to analyze the data of other banks or businesses or the outright sale of computer time to other organization are common types of computer time theft or fraud.

HADRDWARE RELATED COMPUTER FRAUD

The hardware can be the target of a computer crime from three viewpoints:

1. To Destroy Hardware

   A personnel trying to cover up crime or incompetence can resort to destroy the computer hardware i.e. the physical machine itself or some storage media such as tape units, disk packs or floppy diskettes, etc. the concept here is that with the evidence (information) destroyed, crime cannot be established. A common form of destruction these days is by fire.

2. Illegal Borrowing

   A person with physical access to storage media units may temporarily remove a tape, disk or diskette from the office and use another computer facility to copy program and data files contained therein.

3. Steal Hardware

   The storage media on which vital information is stored can also be stolen. The actual target is usually not the stolen hardware but the information contained therein. The intention is either to use the information offensively or simply to deprive the owner of its use.

Someone can only perpetrate this act with physical access to the relevant hardware unit.

Frauds differ from malpractices in at least three respects:

i. Malpractice embraces not only the criminal but also, more specifically, the unethical in the general conduct of practitioners in a profession.

ii. Malpractice addresses, in particular, professionals who owe a duty to uphold the ethical standards of their calling in the drive of maximize corporate profit or individual gratification.

iii. Malpractices may not necessarily be driven by a selfish, short-run pecuniary motive. It might be attributed to a training gap, as will be exemplified by a rude bank cashier or manager. It might alternatively be attributable to professional indiscipline, as in lateness by an authorized dealer in submitting its banks completed bid from to the central bank of Nigeria at a foreign exchange auction session.

Malpractices can be broadly categorized into three namely:

1. Bank Employees Malpractices

   These are malpractices perpetrated by bank employees against the interest of their banks/employers or clients of the banks, solely for self-aggrandizement. Such malpractices include stealing of bank's monies, stealing of customers monies, falsification of accounts and forgery of bank papers for purposes of self enrichment or deliberately breaching banking rules

2. Malpractices by non-employees of banks

   These malpractices range from passing forged cheques to defraud banks, fraudulent transfer of monies such as fake international tested telexes, purportedly sent by Nigerian banks to foreign banks.

3. Malpractices by the banks

   Under this, three broad categories are identified as follows:

   i. Exceeding Credit Ceilings

      The Central Banks of Nigeria over the years imposes a general credit ceiling on banks on the percentages of their operational funds, which they may lend out as loans within these limits, it then sets out guidelines for sectional allocations of such loan funds. Banks are known to have breached these guidelines on sectional

allocations, such breaches may be due to the guest for excessive profits, namely; operating polices which result in neglect of the less lucrative areas and diverting heir loan activities into lucrative areas even in excess of the sectional ceiling imposed by the guidelines.

An example is that commercial banks tend to give more loans to general commerce at the expense of productive sectors like manufacturing and agriculture. These commercial banks' attitude of over- lending serves as encouraging large-scale foreign goods importation to the detriment of the growth of local industries. This attitude has constituted an encouragement to smuggling of foreign goods into Nigeria. Such a malpractice, which is brazen and paternally damaging to the economy, must be condemned by all and sundry. Some people have even suggested that the malpractices qualify as an economic sabotage under the Special Tribunal (Miscellaneous offenses) Degree No. 29 of 1984 as amended.

ii. Illegal Sales of Foreign Exchange

Banks are known to have engaged in the malpractice of purchasing foreign exchange from independent sources in circumstances almost similar to what obtains in the "parallel" or the "black market". The banks then sell off such privately purchased foreign exchange to their customers at exorbitant rates.

The malpractice of hoarding foreign exchange by banks, which they officially purchased in also not new in the banking industry. They are able to account for their sales by entering into their sales, the transactions involving heir sales of the parallel market purchases. This then involves cooking up the books to reflect what are considered to be acceptable exchange sales rates, which do not often reflect the actual rates of exchange sales. The hoarded officially acquired foreign exchange is also sold at exorbitant rates, leading to exorbitant overall profits all-round for the banks.

iii. Round Tripping Funds

This is the practice whereby a foreign bank would guarantee a local loan for a local project. Usually, the foreign bank would be corresponding bank or an affiliate of the local bank. The two banks would then enter into collusion and the following scenario

would emerge. On the raising of the bank guarantee by the foreign bank to the Nigerian bank to back up an application to the Nigerian bank for a loan in naira for the execution of a project in Nigeria, the Nigerian bank would then decide to grant the loan.

The project would subsequently be executed in Nigeria. All necessary foreign importation would be effected through the normal procedure of obtaining he required foreign exchange in Nigeria. During the execution, or after the completion of the project, all the parties involved (contractor, the Nigerian bank and the foreign bank) would in accordance with their initial conspiracy, record the failure to execute or complete the project. The Nigerian Bank would then formally call upon the foreign bank to remit the amount of the foreign exchange provided for it in its guarantee to enable the completion of the project or reimbursement of itself. The foreign exchange so transferred would then be sold at exorbitant rates locally. After the deduction of it's own profit locally, the remaining amount would then be transmitted back to the foreign bank through the purchase of foreign exchange in the Nigerian market. All the parties to the conspiracy, banks and individuals concerned, would then share the

remaining profit over and above the original sum guaranteed in foreign exchange.

2.4 CAUSES OF BANK FRAUDS AND MALPRACTICES

The major causes of bank frauds and malpractices within the Nigerian banking industry are as follows:

1. Social and Economic Conditions

   This may include unemployment, prevalent poverty and extended family. An increase in inequality, instance, is assumed to induce changes in the behaviour of individuals, particularly those within the low-income categories. A political argument asserts that relatively poor individuals respond to "perverse" inequality by attempting o overthrow the current system. In other words, deprived individuals within the industry connive with others to defraud the financial establishment with the express intention of replacing the "unfair" distribution with a system that is conducive towards greater equality.

2. Misplaced Social Values

   This includes worshipping of wealth no matter how acquired and thoughtless shaping of ostentatious lifestyles. This materialistic attitude and open exhibition of fortunes have

invariably enticed people to widespread frauds and malpractices.

3. Inadequate Internal Control System

This may result from sluggish and inefficient management, inappropriate recruitment, favoritism in appointing or employing board of directors, top managers and officers who are often totally unqualified or have records of malpractices elsewhere.

Other groups the cause of frauds and malpractices into two major classes:

Institutional factors and environmental/social factors. The institutional factors are those traceable to the internal environment of the bank, while the environmental/social factors are those, which result from the influence of environmental/society of the banking industry.

The common institutional causes of frauds and malpractices are summarized as follows:

- Volume of work
- Number of staff
- Nature of service
- Banking experience of staff
- Inadequate/lack of staff training
- Poor management
- Staff negligence
- Recruitment system
- Poor security arrangement for documents
- Use of sophisticated accounting machines
- Frustration
- Inadequate infrastructure
- Delays in procuring documents
- Lapses in the management control system of corporate customers
- Negligence of customers

The environmental/social factors have been identified as follows:

- Social values
- Inability of law enforcement agents to detect frauds and malpractices and prosecute fraudsters with dispatch
- Lack of effective deterrent punishment

Mr. H. K. Fuja .in an article "Frauds, malpractices in Banking Industry" asserts that there are extraneous causes of foreign frauds and malpractices, the control of which may be beyond the capacity of any one bank or group of banks prominent among these is:

i. The continuing wave of internationalization permeating all of our economic, political, technological and social life. Greater freedom begets greater permissiveness. This in turn engenders a relaxation of societal ethical standards and on upsurge in the "get-rich-quick" syndrome. Incidents of advance fee fraud, for instance, usually involve not only an indigenous trickster, but equally a fraudulent foreigner who may be tempted to reap where he did not sow.

ii. Loopholes in the regulatory, supervisory and legal system. This may find expression through ineffectiveness, or lack of firmness, on the part of regulatory, supervisory or law enforcement authorities. For example, the wave of liberalization and deregulation sweeping through the world's financial centres may alter price structures, increase competition and pose greater operating risks to financial institutions. These can lead not only to an increase in the number of failures of financial institutions but, equally important, to increase in fraud cases.

iii. Frauds and malpractices may be unwillingly encouraged by gullible depositors who may have been given to believe that money lodged with a bank or financial institution is necessarily free of the risks of loss especially through peculation. The same goes to passive shareholders, who may remain ignorant of the excesses of management for prolonged periods.

2.5 THE EFECTS OF FRAUD AND MALPRACTICES ON BANKS

Studies on bank frauds and malpractices are normally prompted by the perceived effects of frauds on banks, and the desire to find the means of curbing such adverse effects attempts have therefore been made by many authors to identify the effects of fraud and malpractices on banks.

All the authors agreed that Fraud and malpractices lead to loss of money which belong either to the bank or its clients. The loss result in reduced level of resources availability which would seriously affect the operations of banks and could even force a close-down if the frequency and size of the frauds are high.

Another effect includes the loss of confidence by customers, which also result in a setback on efforts aimed at promoting the banking habit. In addition, the distraction of management attention increase in operating costs, and the wastage of time and resources on fraud prevention are other effects of fraud and malpractices on banks.

2.6 MEASURES FOR CONTROLLING FRAUDS AND MALPRACTICES IN BANKS

Mr. Joseph O. Sanusi (chief executive of First Bank of Nigeria Plc) has classified existing systems of control into two. Those aimed at prevention, and those aimed at detection:

i. Measures aimed at fraud prevention include: dual control, operational manual, graduated limits of authority, lending limits, reporting system, micro filming, close circuit television, establishment of inspectorate units, general personnel policies, segregation of duties, verification of signatures, control of dormant accounts, retention of passport sized photographs, close watch on the life style of staff, coding, decoding and testing of cable and telex messages. Others are observes of laid down procedures for opening and closing of accounts and the use of regiscope camera to photograph persons drawing large sums of money.

ii. Measures aimed at fraud detection include checking of cashiers, call-over, reconciliation and balancing of accounts at branch, inter-branch and head office levels, periodical submission of statement of accounts, stock taking of security items and cash in vaults and inspection by bank inspectors.

KASU

REFERENCES

1. Leigh, L. H (1982)
   The control of commercial Fraud, Heinemann London, p. 97

2. Radzinowicz and Wolfang:
   CRIME and justice: The Criminal in Society (Vol. I) 2nd Ed. (Basic Book Inc; N. Y. (1977).

3. Efuk, A. I. J. (1988):
   Deterring and Detecting Fraud, Wastages and Losses including Computer Fraud. Paper presented on 8th August 1988.

4. Oxford Advanced Learners Dictionary of Current English, Third Edition.

5. Business Times:
   "Frauds, malpractices in the banking Industry" by Fujah H. K. 12th April, 1993 pg. 5.

6. Adewumi, W. (1986) Ed.):
   Frauds in Banks, Landmark publication pg. 1.

7. Bola, P. and Kalu, A. U (1990) (Ed.):
   Banking and other Financial Malpractices in Nigeria. Matthouse Press Ltd. pp. 14-25.

8. Nwanko, G. 0. (1980):
   The Nigerian Financial System. The Macmillan press pg. 5 — 8.

9. Adekanye, A. (1986):
   The elements of banking in Nigeria, F. A. publishers, Lagos.

10. Agene, C. E. (1991):

Foreign Exchange and International Trade in Nigeria. Gene publications, Lagos.

11. Oyewale, G. 0.:

Frauds and malpractices in Foreign Exchange operations: Cases, Profiles, and Detection. Paper presented on Effective Bank Inspection Course Stream, (Masy 17 — 28, 1993).

12. DuroWada,O:

Human Aspects of Frauds: Paper presented at FITCs effective bank inspection course (May 17-28, 1993).

13. FITC:

Fraud in Banks.

14. Otoboh, P. 0. (1994):

Fraud Detection, prevention and control. Paper presented at Jasy Tec. Human Resource Development Consultants 4-day Course at K. C. H. ABU, Zaria.

15. The Nigerian Banker:

Frauds in banks Vol. 6, No. 1, 1984.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

This study is survey oriented. It is therefore based on personal. interviews and questionnaire survey. To compliment he information obtained, secondary data is further utilized from publications and Annual Reports of the Nigeria Deposit Insurance Corporation (N IC).

Although this study is intended to cover some selected commercial banks in Kaduna and Kano states, a sample area would be selected and from this population universe, a further sample would be selected.

3.1 SOURCES OF DATA

Data for this study were obtained from two major sources namely:

(a) Primary Source: Information obtained directly from questionnaire respondents and personal interviews conducted s well as observations on the research topic.

(b) Secondary Source: This is information obtained from publications relevant to the research study. Data obtained were from returns of commercial banks on frauds and forgeries — Nigerian Deposit Insurance Corporation (NDIC) reports, relevant articles and papers presented on the subject.

3.2 METOD OF DATA COLLECTION

The methods used for the collection of data include questionnaire, survey and personal interview for the collection of primary data and library research for the secondary data.

The research population, for the purpose of this study includes the staff as well as the executive management of the selected banks under study.

A carefully structured questionnaire was administered in order to obtain valid, relevant and standardized information from all sample respondents and returns were received. The questionnaire was used in order to excerpt some control over the extent to which respondents would answer questions.

Through the use of the questionnaire the exact pieces of information required were obtained. The researcher is however aware of the fact that some respondents answered the questions from incomplete record and/or provide information as required and resorted to cancellation. The problem has already been recognized and acknowledged under the section "research limitations", and the answers obtained as result might be based o bias and incomprehensive leading to insignificant

conclusions and perhaps recommendations. As some of the answers from the questionnaire were not comprehensive enough, it was necessary to obtain further information. The structured interview method was used, even though it had the problem of bias, the method enabled the research to collect some in-depth information.

There was also the use of naturalistic observation during visits to banks. In conducting this research, the researcher had to use libraries to be able to review past and existing, as well as orthodox and empirical literature to obtain relevant data relating to the topic. To this end, secondary data was obtained from returns on commercial banks on Frauds and Forgeries (NDIC) annual reports and other relevant statistics as contained in other publications and reports. This source of data collection was extensively used and formed the greater part of all the data sources in this wok.

3.3 METHOD OF DATA ANALYSS

Numerical data can be communicated in various ways as the spoken world, in the form of table or by means of one or two statistical analysis. For the purpose of this study, data was presented and analyzed by tabulations and percentages.

3.3.1 Analysis of Field Survey

The analysis is based on responses from questionnaire administered in the sample areas of the research study, i.e. Kaduna and Kano states. The responses were analyzed in the light of our research questions.

3.3.2 Analysis of Commercial banks Returns of Frauds and Malpractices

The analysis has been based on secondary data namely from commercial banks returns on frauds and malpractices as contained in NDIC reports. Comprehensive inferences and conclusions were drawn on the data given in the reports. The analyses were also tailored towards the research questions raised in the study.

3.4 RESEARCH PROBLEMS AND LIMITATION

Time and cost are the major constraints to this study as they will not allow for a nationwide survey of all banks branches and persons involved in the fraudulent activities. The almost non-existent literature on the subject also constituted another serious limitation to this study.

REFERENCES

1. Osuala, E. C. (1987):
   Introduction to Research Methodology, Africana F. E. P. publishers limited.

2. Innocent I. (1986)
   Research Methodology

3. Dr. 7. Mohammed
   Lecture Notes on Research Methodology M.B.A. (1999)

actual expected loss and rank of staff involved in frauds. The analyses were aimed at answering the research questions raised in chapter one.

4.1 ANALYSES OF SURVEY RESULTS

Fifty bankers drawn from various commercial banks in Kaduna and Kano states were asked to rank the various types of fraud and malpractices by their relative frequency. The results of which are presented in table 4.1.

Table 4.1: Ranking of frequency of Types of Fraud and Malpractices.

S/No.	Type of Frauds and Malpractices	%
1	Cashiering Fraud	86
2.	Falsification of Accounts	76
3.	Clearing Fraud	74
4.	Suppression of Entries	70
5.	Gross Firing of Cheques or Kite Flying	68
6.	Forged cheques with forged signatories	50
7.	Computer Fraud	46
8.	Foreign Exchange Fraud	20
9.	Printing of Bank Documents illegally	18
10.	Robberies	0

Source: Responses from the Questionnaire

In the opinion of 86% of the respondents, cashiering frauds and malpractices ranked highest among he types of fraud and malpractices perpetrated by bankers. The high frequency of this type of fraud was attributed to the exposure of cashiers who were mainly junior staff, inexperienced and inadequately trained to handle raw cash. Another reason was that most of bank cashiers and clerks did not pass through the vigorous process of screening before their employment.

Falsification of accounts was ranked next at 76%. These types of frauds and malpractices were usually committed by machinists who were acting ignorantly, innocently or with proven criminal intent to defraud. This category of staff that were opportune to handle transfer vouchers (non-cash transaction vouchers) often play with customer's account by inflating credit balances, carrying wrong balances forward in favour of a customer, taking debit balances as credit, etc with the sole aim of committing fraud.

Clearing fraud in the opinion of the respondents accounted for 74%. This type of fraud and malpractice constituted a major source of loss of funds by banks in recent years. The fraud was usually perpetrated by customers and in most cases with active collusion of bankers. It usually involved large sums of money and most bankers were

indicated to collude with outsiders because of the large share of fraud proceeds they might get.

Suppression of entries accounted for 70% in the opinion of the respondents. This type of fraud and malpractice was attributed to bankers greed and lack of loyalty to their banks. It also constituted a major source of income leakage to most banks. An example was a suppression of a cheque paid in from being debited to the customers account in such a situation, the bank loses interest for the number of days the cheque was suppressed or not reflected in the customers account.

- 475888

In the opinion of the respondents, foreign exchange fraud with 20%, printing of bank documents illegally with 18% and bank robberies with 0% were not frequent types of frauds and malpractices in their branches. The reason attributed for the less frequent occurrence of foreign exchange fraud was that in most of the branches sampled, foreign exchange transactions were mostly handled by their head offices or central foreign exchange unit in Lagos. The role of the branches was documentation only and sending same to the controlling office. The branches sample were not also involved in bidding and allocation of foreign exchange to customers. Printing of bank

UNIBEN LIBRARY HG

documents illegally was also a rare occurrence in the branches sampled.

This was attributed to sufficient stationery documents usually sent to the branches by their Head or Area Offices and the fact that most of the documents were specially printed by the Nigerian Printing and Minting Company with advanced technology which ordinary printer s do not have.

Most of the branches sampled did not record a single case of robbery. This was attributed to tight security provided to banks by armed police personnel.

Table 4.2: Ranking of Fraud and malpractices Causes

S/No.	Causes of Fraud and Malpractices	%
1.	Poor Management, e.g. inadequate supervision, control and under staffing	76
2.	Lapses in the management control system of corporate customers	74
3.	Inadequate/lack of staff training	72
4.	Poor salaries and condition of service	70
5.	Recruitment	66
6.	Inability of low enforcement agents to prosecute fraudsters with dispatch	64
7.	Social values	60
8.	Use of sophisticated accounting machines	54
9.	Poor security arrangement for documents	50
10.	Frustration	50
11.	Staff negligence	46
12.	Delays in procuring documents	44
13.	Years of banking experience	16
14.	Age of branch	10
15.	Location of branch	10
16.	Banks ownership structure	6

SOURCE: Responses from the Questionnaire

76% of the opinions of bankers sampled, identified poor management, inadequate supervision, control and under staffing as the most significant causes of frauds and malpractices in banks. These causes were attributed to the rapid expansion of banking industry in the 1980s. In order to produce more officers, some banks have resorted to accelerated promotion policy. This apparently affected the quality of supervision of junior staff by these new breed officers.

Another cause of frauds and malpractices attributed to poor management was inadequate control system. The comprehension of the banks control systems is basic necessities for managers. However, in situation where managers were not opportune to know or familiarize themselves fully with the control systems, it would not be possible for them to know whether the control system at their various branches are adequate were adequate or not consequently, fraudsters often easily take advantage of the situation.

These cause were followed closely by lapses in management control of corporate customers with 74%. These causes of frauds and malpractices were attributed to lapses and inadequacies in the management control system of banks corporate customers. If a corporate customer loses its cheque book or leaf and delays in

reporting such to the bank, this document might be used to commit fraud similarly, if a firm is careless in the handling of its security materials, such as the seal, it might be aiding the perpetration 'of fraud using it's banks accounts.

Inadequate/lack of training accounted for 72%. In the opinion of the respondents, this was another cause of frauds and malpractices. It was common to find inadequately trained staff working in some banks. Frauds and malpractices perpetrated in this area, was attributed to the rate of expansion in the banking industry since the introduction of Rural banking Scheme in 1977. This has led to acute shortage of trained personnel in the banks generally. Another effects of this was that even some clever long-serving messengers or ancillary staff could easily take advantage of the inexperience and half-baked officers to perpetrated frauds and malpractices.

Poor salaries and condition of service at 70% was another cause of fraud and malpractices in banks in the opinions of the respondents. There was a general perception in the banking industry that the staffs were inadequately compensated. This view was based on the fact that considering the efforts put by banks staffs in generating the Jumbo

profits which banks declare annually and what they were paid as salaries and allowances.

The respondents generally viewed the compensation to staff in terms of salaries and allowances to be inadequate. It was also generally greed that when people were poorly paid and they were unable to meet their personal physiological and social needs, they would be tempted to fraudulently convert some of their employers money into their own use. The temptation becomes harder to resist particularly to bank staff who work with physical cash or near money instruments that could easily be converted to cash.

Lapses in recruitment system with 66% in the opinion of the respondents were another cause of frauds and malpractices in banks. Some years back, recruitment of bank staff was purely based on merit, as a result, banking used to be publicly acknowledged as a noble profession. However, nowadays all kinds of subjective factors like tribalism, family connections, religion, etc. were employed for recruiting staff into banks.

This sad situation had made fraudsters infiltrate the banking industry easily. Inability of law enforcement agents to prosecute fraudsters with dispatch was next in the ranking with 64%. Sadly, the kind of punishment meted out to fraudsters in Nigeria does not seem to be sufficiently deterring and often not carried out with dispatch.

In the words of Mr. Wole Adewunmi " A fraudsters knowing that the chances of being detected is small and that he will be welcome back with open hands as a rich man after a few months or year in prison, sees no reason why he should not catapult himself swiftly into the class of who have 'arrived' by committing fraud".

Misplacement of societal values was ranked next at 60%. The banking industry is not an island but an integral part of the society. It is affected by as well as it affects the elements in its immediate and remote environments. If the whole society of which the bank is a part, is normally corrupt, it would be difficult to expect banks to be insulate from the effects of such moral decadence. What society appreciates and generally workshop is money. In effect, the present high propensity to defraud of the average Nigerian is the direct product of our materialistic society"[2]

Sometimes frauds and malpractices were perpetrated because of the need to make ends meet. Such need usually arose because of:-

i. Inordinate ambition to join the class of those who have made it

ii. Biting inflation, this is the greatest enemy of workers all over the world when prices of goods and services are rising and workers salaries remain fixed, purchasing power will tend to decline and corresponding, the standard of living will also tend to fall.

iii. Increased financial burden resulting from dependents thrown out of jobs.

Next in the ranking with 54% was the use of sophisticated accounting machines. This type of fraud and malpractice was mainly attributed to the use of sophisticated accounting and communication equipment known as computer. There was wide spread concern about computer fraud mainly because of its technicality and difficulty of fraud detection until losses had reached large scale.

475688

Poor security arrangement for security documents ranked at 50% was also a cause of frauds and malpractices in banks. Easy access to chequebooks, drafts, fraudsters could exploit specimen signature cards.

Size of branch in terms of deposits, number of staffs, loan and advances was equally ranked at 50% to be a significant factor in perpetrating frauds and malpractices. Years of baking experience with 16% were in the opinion of the respondents not a significant factor in the cause of frauds and malpractices. This fact was attributed to instances where some bankers under probation committed frauds and malpractices.

Age of branch at 10% was another insignificant factor. This was attributed to the fact that frauds and malpractices took place in many new branches in the respondents' banks. Location of bank branch was another insignificant factor on the cause of frauds and malpractices with 10%. Some of the respondents opined that frauds and malpractices took place in rural branches than in urban branches. This was due to the remoteness of these branches and less frequent visits by controlling offices, officers and bank inspectors.

Bank ownership structure was the least cause of frauds and malpractices in banks with 4%. In the opinion of the respondents wherever fraudsters find the opportunity, they defraud irrespective of the banks ownership structure.

Table 4.3 shows the ranking of frauds and malpractices preventive measures

S/N	Preventive Measurers	%
1	Regulating balancing of accounts	82
2	Internal Audit periodic inspection	72
3	Regular rotation of staff/ob	72
4	Internal disciplinary actions	70
5	Proper training of bank staff	66
6	Manual of instructions	66
7	Area offices branch monitoring	64
8	Staff schedule of duty check and balances)	62
9	Dual control over assets and other security documents	54
10	The checking of cashiers	52
11	Preparation of week l /month l returns to controlling officers	50
12	Control over lending limits	
13	Prosecution of fraudsters by law enforcement agents	10

Source: Responses from the questionnaire.

In the opinion of the respondents, regular balancing of accounts was ranked as the most effective measure with 82%. This was attributed to the fact whenever heads of accounts were not balanced, it signals problem. Periodic inspection (internal audit) was ranked at 72%. In the opinion of the respondents, it was the second most effective frauds and malpractices preventive measure. The periodical inspection gave management an insight on how well branches were complying with laid down rules and procedures, the accuracy, truth and fairness of the

returns sent to these head offices. In a nutshell, the auditors serve as watch dogs. Regular rotation of job/staff was also ranked at 72%. In the respondents opinion, that was another effective frauds and malpractices preventive measure. The logic for regular staff/job rotation was that any staff who did something that was fraudulent or unethical could easily be detected by the staff that took over his assignment.

Internal disciplinary action is ranked at 70%. This was another effective frauds and malpractices preventive measure. Staff of the banks operating in a disciplinary environment, frauds and malpractices perpetration would be difficult and often internal disciplinary measures taken on staff served as a deterrent to others in the bank. However, prosecution of fraudsters by law enforcement agents ranked at 10% in the opinion of the respondents, was not an effective preventive measure of frauds and malpractices. This was attributed to longer time spent by police in investigation of fraud cases and the undue delay in conviction of fraudsters. This assertion had been confirmed by police statistics of fraud and forgery cases in Table 4.7.

4.2 ANALYSIS OF RETURNS OF COMMERCIAL BANKS ON FRAUDS AND MALPRACTICES

In compliance with the provisions of section 39 and 40 of Nigerian Deposit Insurance Corporation Decree No. 22 of 1988, insured banks are to render returns on cases of frauds and forgeries and the number of bank staff terminated, dismissed and returned on grounds of frauds.

Frauds and forgeries are of special concern to the monetary and supervisory authorities as these activities undermine the safety, soundness and stability of the banking industry. The elimination of these malpractices from the banking system is therefore in the best interest of depositors and the development of the economy in general.

Table 4.4 shows a break down on frauds and forgeries cases in the period 1995— 1998

Table 4.4 Returns of Commercial banks on Frauds and Forgeries

Year	No. of Banks Rendering Returns	No. of Banks with Fraud Cases	Amount Involved (N'M)	Actual Expected Loss (N'M)	Proportion of Actual/Expected Loss to Amount Involved (%)
1995	173	127	1,006.28	226.38	22.49
1996	170	587	1,542.91	371.08	24.07
1997	154	471	3,590.31	224.54	6.25
1998	149	564	3,129.16	673.50	21.52

A total sum of N1;006.3m was involved in fraud and forgeries in 1995, out of which N226.4m was regarded as actual/expected loss. In 1996, a total sum of N1,542.9m was involved in frauds and forgeries out of which N371 .1 m was regarded as the actual expected loss. Compared with its level of N1,006.3m in the year 1995, the amount involved in frauds and forgeries showed a remarkable increase of over N500m in 1996. The actual expected lost at N371.lm in 1996, however, showed a slight increase of about N165m above its level of N226.4m in 1995.

It is worth noting that on the average, the number of banks with fraud cases per quarter in 1996 was 145, compared with the 32 cases per quarter in 1995. This increase could be partly due to the increased number of banks, which submitted returns in 1996, and partly due to he increasing sophistication with which the perpetrators go about their nefarious activities.

The sum of N3,590.31m was involved in frauds and forgeries in the year 1997. Compared with N1,542.9m in 1996, this showed a remarkable increase of about 200% in 1997. The actual expect loss was N224.5m in 1997, which showed a decrease of more than 50% of the expected actual loss of N371.lm in 1996. This decrease was as a

KASHIM IBRAHIM

result of some improvement in the internal control systems of some banks that had fraud cases in the year 1996.

In 1998, the sum of N3,129.5m was involved in frauds and forgeries as against N3,590.3m in 1997. This showed a slight decrease of N460m in 1998 over the figure of 1997. The actual expected loss was N673.5m in 1998. Compared with the 1997 figure of actual expected loss of N224.5m the figure had more than tripled that of 1997.

On the average, the number of banks with fraud cases per quarter in 1997 was 118, compared with 1996 figure of 145, there was a slight decrease and compared with the 1998 figure of 140 banks per quarter, there was also a slight increase in 1998 figure over that of 1997 figures.

Table 4.5 Ten Banks with the Highest Fraud Cases

Group	1995		1996		1997		1998	
	Amount Involved (N'M)	% Share	Amount Involved (N'M)	% Share	Amount Involved (N'M)	% Share	Amount Involved (N'M)	% Share
Total for 10 Banks	630.49	62.34	1,052.62	65.76	3,104.3	96.6	3,104.3	97.11
Grand Total for all Banks	1,011.36	100.00	1,600.68	100.00	3,777.92	100.00	3,196.52	100.00

Source: Bank Returns — N.D.I.C Reports 1995— 1998.

A larger percentage of the amount involved in frauds and forgeries during the years 1995 through 1998 were accounted for by ten banks most of which were commercial banks. The reason for the high proportion of commercial banks with fraud cases in the total number of banks could be seen in terms of commercial banks large branch network, large number and low quality of employees, numerous customers and products. Table 4.5 presents the total amount involved in frauds and forgeries for the banks with highest fraud cases.

The table shows that the ten banks accounted for a total amount of N3,104.3m, about 97.11 percent of the total amount involved in 1998 as compared with 96.6 percent in 1997, 65.76 percent in 1996 and 62.34 percent in 1995. The total amount for all banks was highest in 1997 at N3.7b, also the contribution of the 10 banks was highest at 97.1 percent in 1998.

An analysis of the type of fraud and forgery cases perpetrated showed that the commonest types were the following:

(a) Presentation of forged cheques;

(b) Granting of unauthorized loans

(c) Unauthorized overdraft;

(d) Positing of fictitious credits;

(e) Suppression of cheques; and

(f) Fraudulent transfer and withdrawals.

These fraudulent practices by bankers as reported in the N.D.I.C report (1998) confirmed the ranking of our survey results on types of frauds and malpractices perpetrated by bank staff—table 4.1.

475888

Table 4.6: Members of Staff Involved in Frauds and Forgeries

Rank	1995		1996		1997		1998	
	Number	%	Number	%	Number	%	Number	%
Supervisors managers	151	24.16	218	39.49	203	35.9	112	36.01
Officers, Accountants and Executive Assistants	142	22.72	96	17.39	154	27.2	72	23.15
Clerks and Cashiers	172	27.52	145	26.27	124	21.9	82	26.37
Typists, Technicians and Stenographers	18	2.88	19	3.44	20	3.5	12	3.86
Messengers, Drivers, Cleaners, Security Guards and Stewards	123	19.66	66	11.96	57	10.1	26	8.36
Temporary Staff	16	2.56	5	0.91	5	0.90	5	1.61
Uncategorised Staff	3	0.48	3	0.54	3	0.50	2	0.64
Total	625	100	552	100	566	100	311	100

Source: Bank returns — N.D.I.C reports (1995 — 1998)

Table 4.6 shows the rank and number of bank's staff involved in frauds and forgeries from 1995 to 1998. The table showed that a total of 311 staff of banks were involved in frauds and forgeries in 1998, and were either dismissed, returned or had their appointments

terminated. This is a relatively low level when compared with 566,552 and 625 in 1997, 1996 and 1995 respectively. Of the total, core operations staff such as supervisors, officers, accountants, managers, executive assistant clerks and cashiers accounted for about 85.53 percent. However, it is worth noting that despite the fact that N.D.I.C. has strived to provide figures, which though verifiable, are best conservative. This is principally because the figures are based on reported incidents of attempted and successful frauds. Not all banks were reporting and even then, there is the likelihood of some banks under-reporting in order to avoid the attendant publicity and loss of public confidence.

It is also a known fact that not all fraud cases that occur in banks and other financial institutions are reported to the police. The fear here is that, if the public should get to know of the frequent incidents of fraud in their depositing banks, they would rush to withdraw the deposits, on occurrence that may lead to the collapse of such financial institutions. This has made statistics given by the police authority in fraud cases to be different from the one given by N.D.I.C. whose proper returns are supposed to be rendered.

REFERENCES

1. Wole Adewumi;

   "Fraud in Banks: An overview" in Wole Adewumi, Ed. Frau in Banks (Nigerian Institute of Bankers, Lagos, 1986), p.3.

2. Ogwum, P. A.;

   "Problems and prospects of the Nigerian Banking Industry" A paper presented at the seminar for bank Directors on Developing a Healthy Banking System in Nigeria, organized by FITC at the Federal Palace Hotel, Lagos on 26th and 27th June, 1985.

3. Gross, H. D. and Hempel, G. H.;

   Management policies for Commercial Banks (Eaglewood Cliffs, New Jersey, Prentice-Hall Inc. (1973).

4. Nigerian Deposit; Insurance Corporation (N. D. I. C). Annual Reports and Statement of Accounts for 1995,1996,1997 and 1998.

CHAPTER FIVE

SUMMARY, OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS

This chapter contains four sections. In section one, summary of the study is given. Section two contains observations made. The third section contains conclusions derived from the research findings. Finally, in the fourth sections recommendations were made based on the conclusions.

5.1 SUMMARY

Chapter one outlined the purpose of the research study, its significance to the banking industry, government and the general public. The delimitation of the study focused ~n fraud and malpractices in the banking industry with special emphasis on commercial banks operations in Nigeria. The research was conducted in Kaduna and Kano states and covered a period of four years (1995 — 1998). However, time and cost were the major limitations of the study as they did not allow for a nationwide survey of all banks branches and persons involved in frauds and malpractices.

KASIM IBRAHIM LIBI

In chapter two, related literature was reviewed on the research topic. The first part of the chapter was a brief history of the Nigerian banking industry. The second part dealt with various definitions of frauds and malpractices and major types of frauds and malpractices in the banking industry. Ways of defrauding banks were also discussed in the section. The chapter also discussed the difference between frauds and malpractices and broad categories of malpractices perpetrated by banks. Major causes of banks frauds and malpractices within the Nigerian banking industry were discussed in the chapter. The third chapter discussed the research methodology employed, such as the source of data, method of data collection and method of data analysis. In chapter four, the presentation and analyses of data were made. In the first section of the chapter, data obtained through questionnaire and interviews conducted (primary data) were tabulated, ranked as a percentage of total response and analyzed. The second section of the chapter dealt with the analysis of data as contained in returns of commercial banks on frauds and forgeries in N.D.I.C. reports from 1995 — 1998. The analyses in the chapter were tailored towards answering the research questions raised in chapter one.

5.2 OBSERVATIONS

Based on the analyses in chapter four on field survey and N.D.I.C reports data on fraud and malpractices in the banking, we observed as follows:

i. That between 1995 and 1998, commercial banks filed 1,749 cases of frauds and forgeries with Central bank of Nigeria (CBN).

ii. That the highest number of fraud cases occurred in 1996 when 587 cases were reported with N1 ,542.9b as the amount involved in the fraudulent acts.

iii. The highest actual expected loss was in 1998 where the sum of N673.5m went down the drain due to frauds and malpractices.

iv. In the period under review, 2,064 bank staff was involved in the 1,749 cases of frauds and forgeries reported. The number of junior staff of various cadres accounted for 926 of the total within the junior staff cadre, bank cashiers alone were 523 of the total.

v. Share of total amount involved in frauds and forgeries for ten banks with highest fraud cases in 1995 was 62.3%, 1996, 65.8%, 1997, 96.6% and 1998, 97.1%.

5.3 CONCLUSIONS

On the basis of the data presented in chapter four, we conclude as follows:

1. Cashiering fraud, falsification of accounts, clearing fraud, suppression of entries, cross firing of cheques, foreign exchange fraud, forged cheque with forged signatures were the commonest methods employed to defraud banks. On the other hand, prinking of bank documents illegally and computer fraud had least occurrence.
2. Poor management in terms of inadequate supervision, inadequate controls and under staffing were the most significant causes of frauds and malpractices.
3. Lapses in the management control system of corporate customers and in adequate/lack of staff training were other significant causes of frauds and malpractices.
4. Years of banking experience, bank ownership structure and location of branches were relatively insignificant factors in the perpetration of frauds and malpractices in banks.
5. Regular balancing of accounts, periodical inspection, rotation of staff/job proper training of bank staff were ranked high as the most effective preventive measures against frauds and malpractices in banks.
6. Also ranked as important factors in frauds and malpractices prevention were a good manual of instruction, area offices branch monitoring, staff schedule of duties, dual controls over assets and other security documents.

5.4 RECOMMENDATIONS

In making these recommendations, cognisance had been taken on the fact that the integrity of bankers is tied to the prevailing standard of probity in society. The banking industry is not an island but an integral part of society, as such it would be unrealistic to expect higher standards from bankers.

i. Regular balancing of accounts: Experience has shown that imbalance books provide fertile grounds for frauds and malpractices. All times, books of accounts are intentionally distorted so as to create confusion. This situation should in fact be viewed as a danger signal.

ii. Periodical inspection of branches by banks inspectors should be regularly carried out. It enables banks to operate as per laid down rules and procedures and any fraud or malpractice perpetrated can be detected in good time.

iii. Banks branches should undertake regular rotation of staff/job. In other words, no staff should be left on one function for too long a period in order to forestall the possibility of exploring existing operational loopholes and shortcomings for personal gain. Bank management should also ensure that all members of staff take their leave when due. Accumulation of leave should be discouraged.

iv. Banks should have sound recruitment policy and proper training programs for their members of staff. It is worth nothing that a good number of frauds and malpractices in the banks succeed due to mainly staff involvement in fraud syndicates. It is also recommended that banks should insert in their employment contracts a clause to hold guarantors of bank staff responsible for fraud perpetrated by employees whom they introduced to the banks.

v. Banks should undertake regular checking of cashiers and close monitoring of their activities. In consideration of cashiering fraud s the commonest form of fraud in most banks, there is the need to redesign a more effective internal control system particularly in cash departments of banks. Cash officers should ensure the need to cash by the cashiers before the money is made available to them. Receiving and payment of cash, a common practice of rural branches of banks should be divorced from each other. The use of close circuit televisions in big or urban branches to monitor the movement of staff and customers should be implemented.

vi. To stem the cause of fraudulent activities through the clearing system, banks should use officers for clearing house operations as against the present practice of using clerks.

vii. Inability of law enforcement agents to detect fraud or prosecute fraudsters has made banks reluctant to report cases to police. It is hereby recommended that banks should with the Federal Government to allow private prosecution of fraud cases in regular courts on special tribunals. This might put an end to police attitude of delaying investigations.

viii. All banks should introduce striker disciplinary actions, which would serve as a deterrent to other staff whenever malpractices are proved against such staff.

ix. To avert abuses by board members and top management staff, the American - Filipino model called DOSRI (Directors, officers, stockholders and related interests) states that a banks' board member or management should not interfere with any process for granting loans and advances to customers. Through the vigorous applications of the principle of DOSRI, a bank could help alleviate chronic problems of favoritism in granting and retrieving loans, unhealthy recruitment and promotions, which resulted in the collapse of many banks around the world. In Nigeria, a case in point was Owena Bank shuns total outstanding staff loans as at February, 1993 amounted to over N60m, far exceeding the banks actual total paid-up share capital. The amount represented 14% of he bank's gross loans.

The following gindes in fraud detection known as "Red Flags" are recommended to banks for use:-

1. Personal

A Financial Pressures:

i. High personal debts

ii. Severe illness in family

iii. Inadequate income and/or living beyond means

iv. Excessive gambling

v. Heavy expenses incurred from association with Other women/men

vi. Undo family, peer, company or community expectations.

vii. Excessive indulgence in alcohol or drugs which' result in high indebtedness

B. Revenge Motives — Complaints of

i. Perceived inequalities (e.g. underpaid, poor job assignment)

ii. Resentment of superiors

iii. Frustration, usually with the job.

C. Personality Red Flag

i. A person lacking in the development of personal moral honesty.

ii. A person without a well-defined code of personal ethics

iii. A person who enjoys feeling of power, influence, social status and excitement associated with rapid financial transactions involving large sums of money.

iv. A person who is arrogant or egocentric

v. A person with threatened self-esteem

vi. A person who delight in subverting system of control

vii. A person with a criminal history

viii. A person who has questionable associates

ix. A person with poor references

D. Opportunity Red Flag:

i. Very familiar with operations (including cover-up capabilities)

ii. In a position of trust while he is not trustworthy

iii. Close association with superiors and they other key people.

SUGGESTIONS FOR FURTHER RESEARCH

In consideration of the fact that frauds and malpractices in the banking industry are alarmingly on the increase and the fact that the causes and methods employed vary with time, 'it is hereby suggested that research on frauds and malpractices be carried out regularly every two to three years to keep tract of the development in the field.

REFERENCES

1. Jalingo, U. M. (1993):

   "Prevention and early detection of frauds in organizations: Techniques in plugging loopholes internally/'. A paper presented on Fraud, PuB Lagos.

2. Adewumi, W. (1986):

   "Frauds in Banks" (Nigerian Institute of Bankers, Lagos).

3. Savanbank News: Vol. 6, No. 11 April/June, 1993. Edition, P. 14 to 19.

4. Agbo, N. and Alabi (1984): "Crash of the Banks" News-watch magazine, February 14, 1994 Edition.

BIBLIOGRAPHY

1. Adewumi, W. (1986) (ED.):
   Fraud in Banks: Landmark publications, Lagos

2. Adekanye, F. (1986):
   The Element of Banking in Nigeria. Third Edition P. & A. publishers Ltd, Lagos.

3. Adekanye, F. (1986):
   "Frauds in Banking Transactions". The Nigerian Banker Vol. 6, No. 1 Nigerian Institute of Bankers, Lagos.

4. Agene, C. F. (1991):
   Foreign Exchange and International Trade in Nigeria Gene Publications, Lagos.

5. Ajibola, P. B and Kalu, A. U (1990):
   Banking and Other Financial Malpractices. Malthouse press Limited, Lagos.

6. Agbo, N. and Alabi, M. (1994):
   "Crash of the Banks" Newswatch Magazine. Feb. 14,1994 Edition.

7. Agbchusi, t. 0. (1986):
   Frauds I Banks FITC publications, Lagos.

8 Cross, H. D. and Hampel, G. H. (1980)
Management Policies for Commercial Banks. Eagle wood, Cliffs, New Jersey Prentice-Hall Inc.

9. Dakup, M. N. (1993)
"Cost of Bank Frauds and Legal Issues in Frauds Management" Savanbank News. Vol. 6, No. 1J

10. Durowale, 0. (1993):
"Precipitating Factors in Frauds and Criminal Motivations'. Paper presented at the Effective Bank Inspection Course, FITC Lagos. May 17-28, 1993.

475838

11. Efuk, A. I. J. (1988):
"Deterring and Detecting Frauds, Wastages and Losses including Computer Fraud." Paper presented at Nigerian Institute for Higher Education Management, TCC, Ogere.

12. Jalingo, U. M. (1993):
"Prevention and Early Detection of Frauds in the Organizations. Techniques in Plugging Loopholes internally." Paper presented on Frauds.

13. Leigh, L. H. (1982)
The Control of Commercial Fraud. Heinemann, London.

14. Millichamp, A. H. (1982):
Auditing: An Instructional Manual D. P. publications

15. Nigerian Deposit Insurance:
Corporation (NDIC): Annual Reports and Statement of Accounts, 1995, 1996, 1997 and 1998.

16. Nwanko, G. 0. (1980):
The Nigerian Financial System: Macmillan Press, London.

17. Osoala, E. C. (1982):
Introduction of Research Methodology. Africana Fep. Publishers.

18. Ogwuma, P. A. (1985):
"Problems and Prospects of the Nigerian banking Industry". Paper presented at the Seminar for Bank Directors on Developing Healthy banking System in Nigeria, FITC, Lagos.

19. Oputa, C. A. (1993):
"Why Fraud Thrives in Banks". Vol. 6 No. 22, the Financial Post.

20. Oyewale, G. 0. (1993)
Frauds and Malpractices in Foreign Exchange Operations: Cases profiles, Investigations and Detection." Paper presented on Effective Inspection Course, May 17-20, 1993.

21. Radzinowicz Wolfgand
Crime and Justice: the Criminal in Society (Vol. I (2 Ed.) (Basic Books Inc.) New York, 1997).

KASHIM I... RECEIVED

APPENDIX I

Department of Business Administration,
Institute of Administration,
Ahmadu Bello University,
Zaria.

October 04, 1999

Dear Sir,

This is an M.B. A. Project work on "Frauds and Malpractices in the Banking Industry" leading to the partial fulfillment for the award ot the Degree of Master of Business Administration.

The research work is for academic exercise only and all information given in answering attached questionnaire will be confidently treated.

In the light of the above, I shall appreciate it you kindly answer the attached questionnaires. Thanking you in advance for your co-operation.

Yours faithfully,

MUHAMMAD, JEGA HALIRU