



## **Appraisal of Fraudulent and Criminal Activities in the Banking Institutions in Jos, Plateau State, Nigeria**

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### **ABSTRACT**

*This study appraised the fraudulent and criminal activities in the banking institutions in Jos, Plateau State. It has the following objectives: to determine the causes, effects and nature of fraud in the banks; examine the conduits through which these crimes are committed and measures to fight economic and financial crimes in the system. Field survey research methods were employed in the study to obtain data from the staff of the banks that deals directly with fraud, internal control and compliance issues. Data were collected from the 107 respondents drawn from both the 17 commercial and 7 microfinance banks located within Jos. This study adopted descriptive statistics to achieve the stated objectives. The descriptive statistics used included the frequency tables, bar graphs and pie charts in presentation and analysis of the data obtained from the field. The study established that card fraud, cash suppression and debits to deceased accounts are the common nature of the crime and are the most prevalent, poor remuneration, greed and poor HR policies are the major causes. Again it was ascertained that Cards and channels (ATM, POS), Mobile banking and politically exposed persons are the major conduits of financial crimes and bank fraud in the area. This research work has attempted to highlight the incidence and magnitude of fraud and some of its negative impact on the Nigeria economy. Fraud inflicts severe financial difficulty on banks and their customers. The study recommended that banks need to strengthen their internal control and accounting systems to be able to detect and prevent fraud and criminal activities. The bank's regulatory bodies need to strengthen their roles in overseeing the affairs banks to forestall the incidence of fraud and criminal activities in the banking institutions in Jos, Plateau State.*

**KEYWORDS:** Bottom-Top Dichotomy, Commercial Banks, Economic Crime, Fraud, Microfinance Banks,

### **INTRODUCTION**

Fraud in the global banking system is endemic among her citizens and costs them their rights of access to good health care delivery, educational service, water, electricity, roads and other social amenities. Globally, fraud in banks has retarded development process, crippled and destroyed lives, institutions and systems (Achim, Borlea, Văidean, Florescu, Mara, & Cuceu, 2021). In Africa, many bank executives and appointees hang continuously to position for so many years because of their engrossments in corrupt practices and are afraid of either probe or stoppage of inflows of fraud inflows (Iyatse & Otaru, 2022).

Anything done intentionally or not to undermine established procedures in official transactions in the public or private sector is fraud. This can be related to recruitment, procurement, and internal HR issues such as training, promotion, social protection and policy enforcement. Self-interest sought can be power, influence, ego, status and any reward or inducement intended to distract a person from performing his or her duties honestly and impartially constitute acts of corruption (Okauru, n.d). While bank fraud is not an issue specific to Nigeria or its private sector, but recently it has been almost synonymous with Nigeria's official banking environment. Various nuances of fraudulent behaviours characterize public authorities, like embezzlement, fraud, bounty, nepotism, forgery of documents, theft of bank property, bias, willful absence, awarding contracts to shell companies, overpayments, approving substandard subprojects that are not compliant with due diligence procedures (Abdullahi & Mansor, 2015).

Endemic fraud in Nigerian banks has profoundly affected the system regressively. This has created a sad paradox of widespread human poverty in the midst of abundant human and natural resources. The devastating impact of fraud manifests itself in the erosion of the banks' administrative and institutional capacity, terrible infrastructure and poor service delivery in all sectors of the economy. The devastating consequences of fraud on the banking system also include slow economic and social development, sky-rocketing unemployment, escalating crime, and moral degradation and blatant injustices. Among these negative effects is the undeniable fact that fraud poses a clear danger to the collective and individual existence of Nigerians. Other private sector organizations, especially the corporate entities are not left out in this rot because of its role as service providers, manufacturers and SMEs which help to launder proceeds economic and financial crimes in banks. This, regardless of form and nature, has potentially devastating effects on the economy, security and social welfare of people (Adebayo & Topson, 2014).

It is perhaps worth pointing out that while the modern financial system encourages and facilitates local and international trade, fraud is also empowered by global financial liberalization, modern technology to instantly transfer millions of dollars globally through existing communication infrastructure such as internet, electronic equipment and money transfer (bank transfer) (Achim, Borlea, Văidean, Florescu, Mara & Cuceu, 2021, Simeon, 2018). Fraud is

a global socioeconomic disease, affecting both the public and commercial sectors as well as emerging and developed countries around the world. This menace is rampant and quickly becoming a Nigerian culture, spreading across all levels of government (from president to councilor). The current level of fraud and corruption in Nigeria is so disturbing that no sector of the economy can avoid it.

FITC (2023) reported that cases of mobile fraud, desktop/web fraud and point of sale fraud made Nigerian banks to record 24,232 fraud cases in the first six months in 2023. In Q1 2023, a total of 12,553 scams were recorded and by Q2 2023, this number dropped to 11,679. POS-related scams are the 3 most common types of scams, and the trend continued into Q2. Fraud in the second quarter of 2023 increased significantly by 276.98% compared to the previous quarter. The total amount increased from 2.58 billion naira to 9.75 billion naira. Similarly, the amount lost saw a significant increase of 1,125.03% from N472 million in Q1 2023 to N5.79 billion in Q2 2023 (FITC, 2023).

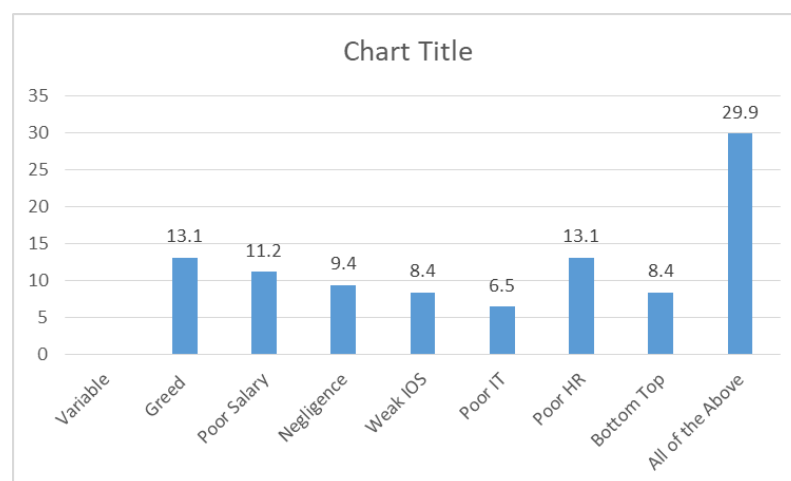
Nigeria's interbank payment system NIBBS also revealed that Nigerian banks have lost around N9.5 billion due to wire transfer fraud in 8 months, mainly through PoS transactions and betting platforms. With more than 9 billion naira lost to fraud in the banking system this year, the figure is expected to reach 20 billion naira by the end of the year. CBN's recent cashless policies, which has resulted in a significant increase in transaction volumes in the sector with increased efficiency, have a consequential impact on trading volumes in the sector. It also has resulted in a significant increase in the prevalence and rates of fraud throughout the industry. Fraud and counterfeiting in the Nigerian banking sector continues unabated, causing customers to lose money. In the first three months of 2023, almost 1 billion naira was lost due to various types of financial frauds and these illegal activities are carried out through ATMs, cards, mobile banking applications, terminals PoS terminals, cheques and other channels. This increase in cases of bank fraud is causing serious concern to customers, banks, regulators and other stakeholders (NIBSS, 2023).

The latest data from Nigeria's Interbank Payments System 'NIBSS' shows that while losses due to fraud in the financial sector in the first quarter amounted to 5.1 billion naira, the figure comes now to 9.5 billion naira as of July 2023. This brings the total amount lost to fraud since 2019 to 50 billion Naira. Amounts up to N911.45 billion have been lost due to various Ponzi schemes and related frauds across the country over the past 23 years (NIBSS, 2023, Imam, 2018). To stem this wave, stronger cooperation and partnership between the relevant financial regulators, banks and the public will go a long way to achieving a breakthrough in the fight against these schemes. This study therefore, appraises the economic and financial criminal activities in the banking institutions in Jos, Plateau State, Nigeria.

## METHODOLOGY

The financial system is regulated and maintained mainly by the Central Bank of Nigeria and Deposit Insurance Corporation. The Nigeria banking sector currently has 21 commercial banks, 860 microfinance banks and 74 other financials institute out of the 21 commercial banks in Nigeria 17 of them (Access Bank PLC, Ecobank, Fidelity, FCMB, GTbank, Heritage Bank, Jaiz Bank, Keystone Bank, Polaris Bank, Stanbic IBTC, Sterling Bank Union bank, United Bank for Africa, Unity Bank, Wema Bank and Zenith Bank) maintain serious presence and are located in Jos Plateau State. The number of microfinance banks (MFBs) within Jos (Light MFB, Gowans MFB, Challenge MFB, Yeneng MFB, Lapo MFB, Baobab MFB and NIRSAL MFB) on the other hand number also up to 7. Five (5) respondents each were drawn from the 17 commercial banks numbering 85 comprising of 1 Head of Customer Service, 1 Head of Branch Services, 1 Business Manager, 1 Resident Internal Control Officer (RICO) and one Compliance Officer, while three respondents each were drawn from the 7 MFBS numbering 21. This totals in addition to 4 from CBN up to 110 respondents that participated in the survey. The choice of these categories of respondents was simply because they are the ones that directly handle compliance issues in the system. The 110 questionnaire were administered and after five days 107 well-executed instruments were returned for analysis. Simple descriptive statistics like frequency tables, bar graphs and pie charts were used in the analysis and discussion of results.

## RESULTS AND DISCUSSION



Source: Field Survey, 2023

Figure 1: Causes of economic and financial Crimes

Figure 2 depicts the major causes of bank fraud and criminality in Jos, Plateau State Nigeria. Apart from 13.1% of the respondents who attributed the causes to bank fraud to greed (13.1%) and poor HR policies, there is nearly equal responses on the other parameters like poor remuneration (11.2%), negligence on duty (9.4%), weak internal control and accounting system (8.4%), bottom-top dichotomy (8.4%), are nearly equal in value. This shows that most of the respondents are in agreement with 29.9% of the respondents who are of the view that all the stated variable in figure 2 are the causes of bank fraud in the study area. These findings are consistent with the assertions of Okauru (n,d) who identified and lists the various causes of corruption to include: unemployment, underemployment; inadequate motivation-job role, remuneration, work environment; high cost of living-housing, feeding, transportation, education, etc; lack of social safety net; poor up-bringing; wrong values; chauvinism-tribal, gender; Self-serving tendencies; taste not commensurate with status in life; saving-for-the-rainy-day syndrome; large/extended family and get-rich-quick syndrome.

Table 3: Major Economic and Financial Crimes

S/N	Variable	No	%
1.	Money Laundering	7	6.5
2.	Terrorist Financing	5	4.7
3.	Bribery and Corruption	10	9.3
4.	Over Invoicing	4	3.7
5.	Fraud	3	2.8
6.	Market Abuse	5	4.7
7.	Illicit Financial Flows	3	2.8
8.	Cyber Crime	6	5.6
9.	Tax Evasion	8	7.6
10.	Embezzlement	3	2.8
11.	Counterfeiting and Forgery	5	4.7
12.	Insider Trading	2	1.8
13.	Drug Trafficking	3	2.8
14.	All of the Above		36.4
Total		107	100

Source: Field Survey, 2023

Table 3 list the respondents' views on the major economic and financial crimes committed in banks the 14 crime stated in the study are few but prominent among many other kind of crimes committed in banks in Jos area. Insider trading, though practiced but appears to be the least prevalent crime in the area as only 1.8% of the respondents attesting to its existence 2.8% of the respondents also are of the view that illicit financial flows, over invoicing of LPOS and contract papers, and counterfeiting and forgery and drug tracking are perpetrated in the system. While 9.3% view bribery and corruption to be rampant in the banking system in Jos 36.4% of the respondents said that all these criminal economic and financial acts perpetrated in the commercial and micro finance banking system in the area.

Table 2: Conduits of bank frauds

S/N	Variable	No	%
1.	Cards and Channels (ATM,POS)	11	10.3
2.	Mobile Banking	15	14.0
3.	Internet Banking	6	5.6
4.	Bank Staff	9	8.4
5.	Customers/Individuals	7	6.7
6.	MDA Staff	5	4.7
7.	Political Exposed Person	16	15.0
8.	All of the Above	38	35.5
Total		107	100

Source: Field Survey, 2023

Table 2 shows the various avenues to fraud in banks only 4.7%` of the respondent show that staff of ministries departments and agencies contribute to bank fraud a personal observation and interaction reveals in consonance with their view that civil servants collude with bankers at different times in opening fictitious accounts for payment of ghost workers creation of proxy loads, among other criminal acts customers and individuals have also contributed to fraud in banks, 6.5% of the respondents are of the view that cashiers have invited their allies several times and handed cash to them and later declare that they have shortage from their transaction of that period 10.3% of the respondents are of the opinion that cards, ATMS, POS and others channels to defraud the system while 15.0% said that politically exposed persons (PEPS) utilize the system and also aid to defraud the system in collusion with the staff similarly majority of the respondents (35.5%) said that all the variables listed in table are pipelines through which financial crimes are committed leading to loss of customer deposit.

Table 3: Major Effects of bank fraud on the Economy

S/N	Variable	No	%
1.	Loss to banks	8	7.5
2.	Heightened terrorism	6	5.6
3.	Loss to customers	6	5.6
4.	Trust erosion	5	4.7
5.	Bank distress	10	9.3
6.	Stunted economy	5	4.7
7.	Rich-poor gap	4	3.7
8.	Reputational damage	5	4.7
9.	Economic distortions	7	6.5
10.	Damages private sector	4	3.7
11.	Erosion of value system	5	4.7
12.	Scares foreign investors	7	6.5
13.	Decreases national revenues	4	3.7
14.	All of the Above	31	29.0
Total		107	100

Source: Field Survey, 2023

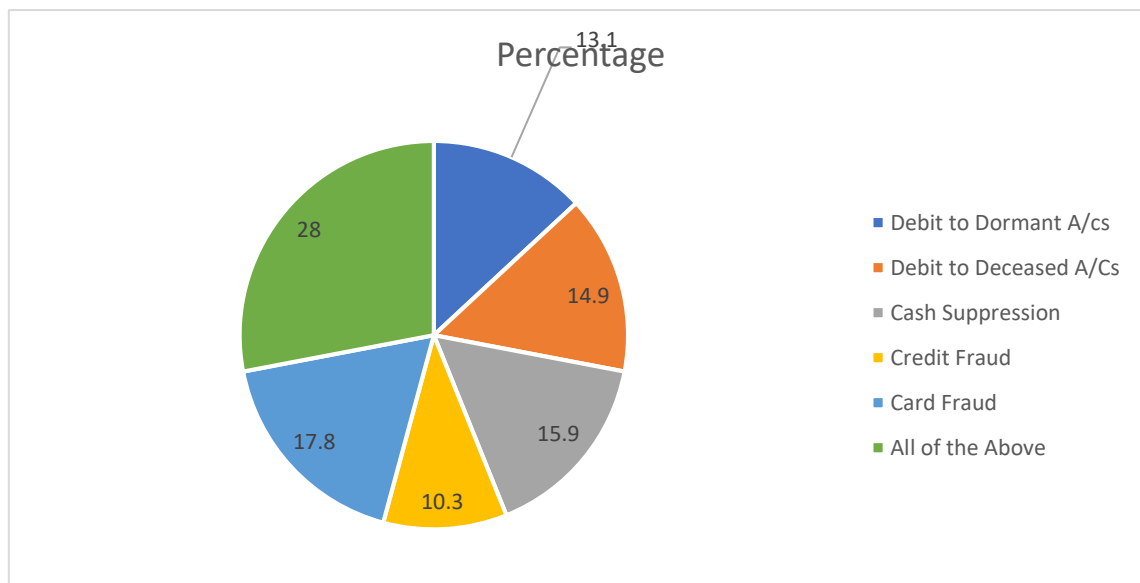
Economic and financial crimes deals great blow on the economy of countries, regions, states, institutions, groups and individuals. Table 2 indicates that fraud imposes serious loss on banks, individuals, damages to reputation and scares away foreign investors. Majority of respondents (29%) agreed that all these parameters are the effects of economic and financial crimes on banks, customers, economy and the entire country. This is in agreement with the assertion by Kawugana & Faruna (2019) who posit that financial crime is harmful in many ways: they increase the profits of criminals, harm important financial institutions and scare off foreign investors. Banking institutions are particularly vulnerable to the adverse consequences of financial crime. Financial crime exposes financial institutions to reputational, regulatory, compliance, and financial risks. In fact, once financial crime is discovered in a bank (especially on a large scale), it can affect public confidence, weaken investor confidence and thus undermine the stability of the bank. It can also affect the bank's business relationship with other banks. In general, financial crime has a significant impact on developing economies that have relatively small or fragile financial systems and are particularly vulnerable to disruption by criminal activity. OECD (2023) also agreed that the economic and financial crime that most institutions face in developing countries is a major obstacle to development. Resources that can support the development of a country are lost due to criminal acts such as corruption, tax evasion, money laundering, etc. The "spoiler" effects on the development of countries are diverse and especially serious for weak countries: Economic crime, including illicit financial flows, diverts resources much-needed to rebuild nations' public services, from security, health, education, social services and justice to opportunistic way of life of criminals.

Table 4: Victims of Economic and Financial Criminals

S/N	Variable	No	%
1.	Financial Institution	21	19.6
2.	Finteches	10	9.4
3.	Individual and Groups	15	14.0
4.	Private and Public Companies (cooperates)	13	12.1
5.	Government (MDA's)	12	11.2
6.	Economy Society	5	4.7
7.	All of the Above	31	29.0
Total		107	100

Source: Field Survey, 2023

Figure 1 show that financial institutions, Fintechs, individuals and groups, corporates, MDAs, and the larger society (economy) falls victim of these crimes carried out in the banks as they incur losses running into millions and billions of Nigeria naira. From figure 1, financial institutions are the worse hit according to 19.6% of the respondents because they are the ones that face both customers and the regulators and are made to cough out any amount stolen through them even before the criminals are apprehended, caught and prosecuted. And on the event of their not seen, the banks pay supreme sacrifice of losing the chunk of their profits repairing the loss. Individuals groups and corporates are the second and the third most vulnerable and victimize categories that suffer these losses. 14%and 12.1% of respondents respectively attested to this and MDS's (11.2%) suffer also as most of those in government connive with bad element in banks to defraud both government and the banks of great fortunes. Majority of the respondents (29.9%) said that all these variables fall victim of economic and financial crime at different times.



Source: Field Survey, 2023

Figure 3: Nature of Bank Fraud

In figure 3, it was shown that five ways in which fraud is perpetrated in the bank, these include but are not limited to debits to dormant account (13.1%), debits to deceased accounts (14.9%), cash suppression (15.9%), credit fraud (10.3%) and internet/card fraud (17.8). Because of the growing internet penetration and in use in the society, internet card frauds are very common place especially among the youth population that is why 17.8 of the respondents are of the view that fraud is more commonly perpetrated through the use of this medium.

Most account that were abandoned either because their owner is deceased (14.9%) or they are out of business or town (13.1%) become generally dormant (inactive) and are prone to fraud from the criminal minded stakeholders in the bank and her customer base. 15.9% of the respondents are of

the view that cash suppression is very rampant while 30% of them are also of the view that all of these parameters in Figure 3 are the activities of fraud in banks in Jos Plateau State, Nigeria.

Table Z: Impacts of Economic and Financial Crimes

Table 1: Measures to Fight Economic and Financial Crimes

S/N	Variable	No	%
1.	KYC/KYB and onboarding	10	9.3
2.	Identity Verification	12	11.2
3.	Transaction Monitory and reporting	9	8.4
4.	Use of Fraud Prevention Software	11	10.3
5.	Compliance Suites	8	7.5
6.	Risk Monitory Evaluation	9	8.4
7.	Internal Control Mechanism	13	12.1
8.	All of the Above	35	32.5
Total		107	100

Source: Field Survey, 2023

There are varied measures of fighting and curbing financial crimes in banks table shows some of them to include KYC/KYB on boarding, identity verification transaction monitory and evaluation, among other ones as shown in Table 1. In all the seven listed measures there is almost equal responses from the survey attesting that the combination of all these measures can curb bank fraud and criminality while KYC / KYB onboarding is suggested by 9.3% of the respondent to be key to prevention of fraud, identity verification (11.2%), transaction monitoring and reporting (8.4%), use of fraud prevention software's (10.3%) compliance suite (7.5%) risk monitoring and evaluation (8.4%) and internal control mechanism (12.1%) are also said to be measures to prevent fraud in bank in the area. The majority of the respondent, 32.7% attested to the fact that if all these measures are put in place, it will be difficult to defraud the system. This finding is consistent with the various provisions of BOFI, CAMA 2020, EFCC, ICPC. NDLEA laws, regulations and circulars targeted at crime prevention in the deposit money bank in Nigeria.

## CONCLUSION

This study concluded that the topologies of economic and financial crimes in banks in Jos are varied and until the factors responsible for these crimes are removed the trend will continue unabated. Financial crimes bother on corruption such as embezzlement, credit fraud, card fraud and internet fraud which requires forensic accounting and auditing platforms to prevent their occurrences. All efforts to combat financial crimes in banks should therefore be targeted at the enactment of various laws to provide a legal framework to combat such crimes, the CBN enforcements, and the independence of various bodies charged with the responsibilities of fighting such crimes should be guaranteed for effective and efficient mechanisms to enforce various laws promulgated to combat financial crimes in Nigerian banks.

## RECOMMENDATIONS

1. Banks should do proper due diligence KYC and KYB on their customers by obtaining requisite information about their identity, address and nature of their business.
2. Periodic auditing and compliance monitoring of transactions and audit trail by concerned authorities, for example, forensic accounting services are required to be established in public and private institutions, banks and offices through regulatory bodies and not on a voluntary basis; recruit public and private sector forensic accountants/investigators/auditors, and train and retrain them regularly on trending technologies.
3. Minimize use of cash for all payments.
4. Government should strengthen regulatory and security agencies and grant them the necessary autonomy and independency.
5. Change of attitudes among leaders and lead towards corruption, corrupt practice and corrupt leaders.
6. The banks should put in place robust fraud prevention infrastructure to prevent such crimes from being perpetrated

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