

EMPLOYEE FRAUD IN THE BANKING SECTOR OF GHANA; DRIVERS AND SOLUTIONS.

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Abstract

Employee fraud has assumed different dimensions in our world today. The fraud of Barings Bank, the fraud of Enron, the fraud of Proctor and Gamble which were thought to be frauds of the century were all committed by employees. Employee fraud has become a universal concern.

Research shows that there is not a single financial organization that is immune to fraud, and that the typical organization loses 5-7 percent of its annual revenue to employee fraud. The worrying truth is that employee related frauds, which hitherto were more often committed by less skilled and low-competence employees, are now committed largely by intelligent, creative, and highly experienced employees in high positions who have more opportunities to perpetrate large-scale fraud.

Despite several research works on fraud, limited works have been conducted in the Ghanaian context. This study broadly aimed at identifying the factors that drive fraud in the banking sector of Ghana. Specifically, it identified the types of bank fraud committed by employees and determined the relationship between corporate culture and internal controls as proximate fraud factors and employee bank fraud.

Suggestions on how to curb the incidence of bank fraud were also examined.

The study made use of the mixed method approach and the sequential exploratory strategy for its design. For qualitative study, data was collected through Individual In-depth Interviews (IDIs) from 8 dismissed bank staff and 10 bank branch managers. The data collected was coded and analyzed, and results informed the design of the quantitative study which consisted of a cross-sectional survey conducted among 224 bank staff from 22 banking institutions across the 10 regions of Ghana. Data was collected through administration of questionnaires and was coded, entered, cleaned and analyzed using the SPSS software programme.

Descriptive and multivariate analyses were conducted and results of the qualitative study revealed that multiple factors operate to predispose bank staff to commit fraud. These factors were identified to include pressure from family members and peers, poor remuneration which resulted in resorting to side business activities, and weak internal control systems.

The analysis also showed that, the dominant fraud in the banking sector is suppression of post-dated cheques, electronic card fraud, and unauthorized withdrawals from customers' bank accounts. Suggestions on how to reduce the

menace of bank fraud include; enforcement of rules and regulations by managing staff, effective supervision, education of staff on the consequences of committing fraud, and providing staff with adequate remuneration.

The quantitative analysis also revealed fraud was prevalent in the banking sector of Ghana, as 94.6 percent of bank staff reported they knew someone who had committed fraud. The types of fraud mostly committed include unauthorized withdrawal from customers' account, kick-backs, expense account fraud and property fraud.

The factors; pressure, rationalization, capability and opportunity, corporate culture, and internal control were identified to have a great potential of leading bank staff to commit fraud. Of these factors, capability, corporate cultures, and internal control were found to be the significant drivers of bank fraud.

To minimize fraud, respondents suggested that strong internal control and monitoring systems be encouraged. Proper account/transaction auditing, attractive incentives for staff and proper assessment of prospective employees were also suggested. Based on the results of the study, it is recommended that managing staff of banks, especially compliance managers, enforce existing policy guidelines and internal control measures instituted to deal with fraud in their banks.