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FRAUD RISK MANAGEMENT AND PERFORMANCE OF DEPOSIT MONEY BANKS: A SURVEY OF FIRST BANK OF NIGERIA PLC

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ABTRACT: *The study examined fraud risk management and performance of deposit money banks, surveying First Bank of Nigeria Plc. The study population comprised major branches of First Bank of Nigeria PLC, but 10 branches were randomly selected and used for the study, with service staff from each branch making up an effective sample of 40. The Pearson Moment Correlation Statistic was used to determine the correlation between the variables. Multiple Regression Statistic was deployed in analysing the relationship between the variables: Preventive Fraud Risk Management (PFRM), Detective Fraud Risk Management (DFRM), and Responsive Fraud Risk Management (RFRM) and performance (ROA). The findings revealed that PFRM and DFRM have significant relationships with ROA, while RFRM has an inverse relationship with ROA. The study recommended that top management of banks should adopt a multi-dimensional strategy in combating and mitigating fraud. Due to the peculiarity of the industry, hands-on policies and practices such as fraud risk assessment programs, fraud risk awareness training, proactive data analysis, automation of transactions with security encryption, whistleblowing, anti-fraud policy, and frequent review of ineffective internal controls should be carried out at regular intervals to mitigate incessant bank fraud.*

KEYWORDS: Fraud risk management, Preventive fraud risk management, Detective fraud risk management, Responsive fraud risk management, Return on assets.

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INTRODUCTION

The banking sector/industry is very sensitive and valuable with its myriad functions cascading amongst others to include safe-keeping and regulation of monetary and fiscal policies; hence, its susceptibility to fraud. This sector has in recent times experienced collapses, which have largely been blamed on factors such as management inefficiency, poor economic conditions, poor quality of assets, age of the bank, fraud, etc. Of these factors, fraud arguably presents the greatest threat to the performance of banks in the Nigerian banking industry. Fraud can be defined as deceitful or tricky acts perpetrated to the detriment of another person or entity and aimed at gaining some advantage dishonestly (Suleiman & Ahmi, 2018). In the context of this study, it is an intentional act of deception carried out with the aim of manipulating an entity like a bank and having the potential of causing financial damage to it. It also comprises misappropriation, stealing or effort to steal or illegally gain, and wasting or damaging the resources of a bank or an institution (Agarwal & Narain, 2021; Olusoji & Rose, 2021). Fraud is possibly the most fatal of all the risks facing financial institutions because of its endemic nature, which predisposes banks to become vulnerable to losing and forfeiting most of their valuable assets and resources. Businesses are often exposed to the risk of fraud, manipulations, and misappropriation; hence, the need to entrench a fraud risk management strategy is eminent, as the lack of it has been the reason for many banks' inefficiency and failures. Fraudulent practices could be perpetrated both internally and externally; therefore, it is a critical area that needs very cogent attention.

Risk management has been defined as the process of understanding and managing potential risk areas that an entity may inevitably be subjected to in an attempt to achieve its corporate objectives and vision (CIMA, 2005). Fraud risk management entails controls, strategies, techniques, and systems aimed at ensuring that the occurrence and incidence of fraud are prevented, detected, and responded to as soon as they occur. Therefore, fraud risk management can be said to comprise three sub-elements: preventive, detective, and responsive controls. These controls and techniques serve as deterrents to curb, unbundle, or uncover more sophisticated ways that could be utilised by intending fraudsters, both internal and external, in overriding systems in place.

On the other hand, Preventive fraud risk management practices are those techniques that are meant to mitigate and reduce fraud and misconduct from occurring. Such practices include conducting fraud risk assessment, establishment of strong internal controls, instituting ethics/code of conduct and related standards, carrying out employee and third-party due diligence, communication and training, and review of operational policies and procedures (Gilbert & Wakefield, 2018). These preventive controls ensure systems are in place aimed at decreasing the opportunity for potential fraudsters to rationalise their intent. Detective fraud risk management practices are those techniques that are meant to uncover fraud when it occurs. A fraud detection strategy involves the use of analytical and other procedures to highlight anomalies and the introduction of reporting mechanisms that provide for communication of suspected fraudulent activities. Key elements of a comprehensive fraud detection system include exception reporting, data mining, trend analysis, and hands-on risk assessment policies, all able to nip in the board plausible areas of deviations from standards and policies. Responsive fraud risk management practices aim at initiating remedial/corrective action to manage harm caused by fraud. It ensures a complete overhaul and reassessment of the adequacy of banks' internal control environments, particularly those controls directly impacting fraud

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incidence, to suggest the need for improvements and advancement (Ajayi, Ogundele & Bamgbose (2022)

The banking sector is critical in value creation to any economy. The development of most economies depends largely on it. Therefore, its profitability and sustainability, together with a system devoid of fraud, remain the expectation of all stakeholders. However, Fraud has increasingly become pervasive in the banking industry regardless of size and complexity. Ononiwu (2024) asserted that fraud is a major challenge to the entire business world, and no company is immune to it, as it affects all facets of human endeavours. Hence, the need for preventive fraud risk management practices. Furthermore, responsive fraud risk management practices can curtail the occurrence of fraud because such a system exists to respond swiftly to incidences of fraud and serve as a deterrence to future.

An effective fraud risk management system helps prevent, detect, and respond to fraud cases. Banking fraud is a menace that affects various stakeholders: proprietors of funds, employees, customers, etc. Precisely, it diminishes the financial performance of the banks, leading to low dividend payments to shareholders. In the extreme cases, it may threaten the going concern of the institution, and this may impact negatively shareholder wealth. The Association of Certified Fraud Examiners (ACFE, 2016), in its annual fraud survey report, has it that typical organizations lose 5% of their revenue to fraud each year. These incessant fraudulent activities significantly affect the sustainability and performance of banks. It is on this premise that the study seeks to ascertain the extent to which fraud risk management impacts the performance of banks.

LITERATURE REVIEW

Conceptual Review

The Concept of Fraud

Fraud has been defined as a deliberate act of deceit or deception aimed at causing a person or organization to give up property or some lawful right. The Association of Certified Fraud Examiners (2018) further defined fraud as the use of one's occupation for personal enrichment through the deliberate misuse, misapplication, or employment of organizational resources or assets. Fraud has also been described as the fraudulent conversion and acquisition of money or property by false pretence. In legal terms, fraud is perceived as the act of depriving a person dishonestly of something to which such an individual would or might be entitled but for the perpetration of fraud. Fraud is an act of deception that is deliberately practiced in order to gain unlawful advantage. Therefore, for any action to constitute a fraud, there must be a dishonest intention to benefit (on the part of the perpetrator) at the detriment of another person or organization. Fraud usually requires theft and manipulation of records, often accompanied by concealment of the theft. It also involves the conversion of the stolen assets or resources into personal assets or resources. Fraud and fraudulent practices are of various forms in the banking industry. There are general categories of fraud that are common to financial institutions: falsification of tokens, account manipulation, and deliberate reclassification of accounts to show fictitious profit. and earnings

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Causes of Bank Fraud

Bank fraud can be classified into institutional and environmental factors

Institutional factors

Institutional factors are factors that are internal and can be found within the bank's environment. They are factors within the control of the management of the bank. They include:

i. Poor information technology and database management.

ii. Weak accounting and internal control system.

iii. Inadequate supervision of subordinates.

iv. General frustration occasioned by management's unfulfilled promise.

v. Disregards for "know your customer" (KYC) policy

vi. Failure to engage in regular call-overs.

vii. Inadequate infrastructure: poor communication system and power failure, result to a build-up of unbalance postings, overcrowded office space etc, these encourages the plausibility of fraud in banks

Environmental factors

Environmental factors are external factors that can be traced to the immediate and remote environment in which the bank operates. Several social vices are prevalent around the environment in which an institution/bank operates. Among the various factors that encourages fraudulent activities are:

i. Honesty in offices or public places is no longer encouraged; on the contrary, people are often despised and regarded as slow, foolish, or stupid and not knowing how to utilize the opportunities at their disposal to make quick wealth.
ii. Many social events encourage fanning the embers of people with deep pockets, and they become the cynosure of all eyes at events because they are in position to dole out cash or make mouth-watering pledges or promises. They are easily and instantly recognized and respected. However, the source of their wealth is never questioned.

Kim, Lee & Kang (2020) identified some of the immediate and remote causes of fraud, which include the following:

1. Poor internal control

Inadequate and weak internal control and checks usually create a loophole for fraudulent staff, customers, and non-customers to perpetrate fraud. Therefore, making it very easy for them to override these controls. Thus, effective audits, formidable security systems, and other necessary procedures should be harnessed in checkmating fraud.

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2. Poor book-keeping

Inability to maintain appropriate books of accounts together with failure to reconcile the various accounts of the bank on a daily, weekly, or monthly basis more often than not will attract fraud.

3. Greed

Greed encompasses an inner drive by which individuals acquire financial gains far beyond their income and immediate or long-term needs. It is usually driven by a morbid desire to get rich quick in order to live a life of opulence and extravagant splendour. Greed has in many cases been regarded as the single most important cause of fraud in the banking sector.

4. Inadequate staffing

A poorly staffed bank will usually have a problem of work planning and assignment of duties. Incompetent and inexperienced staff will of necessity have to struggle with the problem of training and supervision of their officers. This situation can easily be capitalized upon by the teeming fraudsters to perpetrate fraud.

Wanjiru & Ndegwa (2000) identified other causes of fraud to include:

i. Inadequate compensation, salaries, and fringe benefits that are accruable to bank staff are poor compared to the number of man-hours put on the job.

ii. Poor working conditions

iii. Refusal to comply with laid-down procedures without any penalty or sanction.

Poor management of policies and procedures.

iv. Poverty and infidelity of employees.

v. Conspiracy between interacting agents charged with the responsibility of protecting the assets and other interests of the bank.

Types of fraud

Fraud can be decomposed into the following types:

i. Advanced fees fraud

Advanced fee fraud may involve an agent with an offer of a business proposition, which would lead to access, often for a long term. The source of funds or business is not specific and can only be reached through the agent, who does so for commission once the commission is paid, the agent disappears.

ii. Account opening fraud

This involves the deposit and cashing of fraudulent cheques. This occurs when an individual opens a transaction account at an unsuspecting bank with false identification papers unknown to the bank. This type of fraud is detected by the bank through referee forms or status inquiries when closely scrutinized.

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iii. Cheque fraud

Most common case of this kind of fraud is through stolen cheque and forged signatures. This is very popular because cheques are used daily and are not too hard to come by. Most times, this type of fraud does not require collusion unless the perpetrator is greedy.

iv. Computer fraud

This could be perpetrated by the corruption of a programme, hacking, or tampering with a diskette to gain access to unauthorized areas and give credit to an account for which the fraud was not originally intended.

v. Letters of credit

Most common in international trading, these are instruments used across borders and can be forged, altered, adjusted, and take longer time to identify. So, in most cases, perpetrators escape.

vi. Counterfeit securities

This is one of the oldest forms of crime. Documents, securities, bonds, and certificates could be forged, duplicated, adjusted, or altered and presented for loan collection. Equally, treasury notes, cashier's cheques, banker's acceptances, and certificates of deposit in an altered form could be presented to banks for redemption.

vii. Money transfer fraud

Fraudulent money transfers may result from a request solely for the purpose of committing a fraud or the alteration of a genuine funds transfer request. This can be in form of changing names, adjusting figures, or account numbers. This form of fraud is made easy for fraudsters because of the ease with which they can be done, e.g., financial technology utilisation, electronic transfers, and other get-rich-quick schemes.

viii. Loan fraud

This is perpetrated when funds are lent to a non-borrowing customer or a borrowing customer that has exceeded his credit limit. In most cases the staff are the perpetrators, like the cashiers, and they hide this from the management.

Fraud Risk Management (FRM)

Managing the risk of fraud requires the same process as managing other business risks. Fraud risk management refers to activities planned and actions taken to deter, prevent, timely detect, and mitigate significant acts of fraud. Effective fraud risk management approaches encompass controls and measures that can be grouped into three broad dimensions: preventive, detective, and responsive measures (Akindele, 2010).

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Preventive Fraud Risk Management (PFRM)

Preventive fraud risk management means avoiding the occurrence of fraud. In other words, it involves the efforts to reduce the incidences of fraud occurrence to zero. Preventive and deterrence measures are less costly than the time and expense required for fraud detection and litigation (Onyema, Ojo-Agbodu & Adebayo, 2024). Prevention of fraud starts with the identification of weaknesses in the control systems of an organization; the enforcement of stiffer control measures will reduce the opportunities for fraud and guard against potential fraudsters through proper and aggressive monitoring in order to deter fraud.

Detective Fraud Risk Management (DFRM)

Fraud detection involves identifying fraud as quickly as possible once it has been perpetrated. Fraud detection strategies are plans implemented to efficiently and promptly identify fraud. Often, fraud is carried out by insiders/employees, thus making it difficult to detect fraud (KPMG, 2017). Detective fraud risk management practices involve mechanisms applicable in identifying areas or units plagued by operational inefficiencies and lags, thereby predisposing banks to risk of fraud/loss of assets or resources (Brown & Tailor, 2024).

Responsive Fraud Risk Management (RFRM)

These are practices or controls designed to manage fraud occurrence. It involves proactive remedial action to allay the harm caused by fraud or misconduct. Organizational responses to fraud vary significantly from sector to sector and across countries. According to ACFE (2018), having numerous ways and mechanisms of reporting fraud incidences in an organization leads to effective control of fraud. Organizations should recognize and uphold the establishment of a fraud response strategy. Top management should think and propose multiple ways of reporting fraud incidences through whistleblowing or other reporting mediums (Brown et al., 2024).

Preventive Fraud Risk Management and Performance

It is imperative to emphasize preventive fraud risk management practices, as it decreases the opportunities for fraud. Preventive fraud risk management practices increase stakeholder trust and confidence that information and other resources of value are not at risk of being disclosed or fraudulently misused. Therefore, an effective preventive fraud risk management system will accrue cost savings that would be incurred to detect or respond to fraud. These cost reductions inevitably enhance performance. Various methods of preventive fraud risk management include surprise audits, segregation of duty, authorization and approval procedures, use of transaction limits, application of security mechanism, virus protection, password protection, strengthening policy framework on reporting, fraud vulnerability, and instituting penalty and disciplinary action, among the fraud risk management practices that affects the performance of banks (Onyema, et al, 2024)

Detective Fraud Risk Management and Performance

Detective fraud risk management helps to save fraud losses that could have reduced the profitability of the entity. Various methods of fraud detection include management review of processes, employee job rotation, internal and external audits, and a reward system for tip-offs. Fraud detection also allows for the improvement of internal systems and controls. Many

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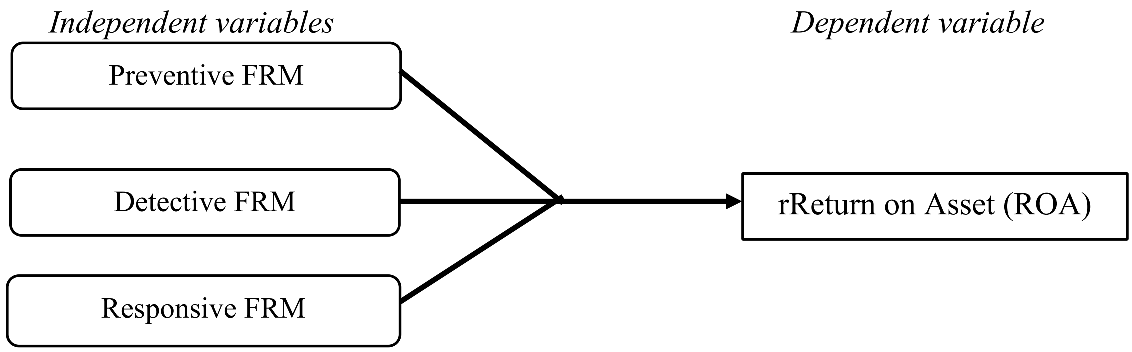
fraudsters exploit deficiencies in control systems. Through detection of such frauds, controls can be tightened, making it more difficult for potential perpetrators to act (PwC, 2020).

Responsive Fraud Risk Management and Performance

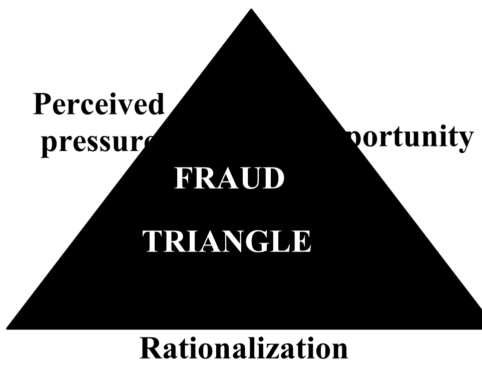
Responsive fraud risk management ensures the recovery of lost assets due to fraud, thereby increasing availability of assets to foster profitability. An effective responsive fraud risk management practices include internal investigation, reviews by the audit committee, reappraisal of operational systems, restructuring of authorization hierarchy, civil action for recovery, warning or reprimand, settlement before the courts, and disciplinary action or immediate dismissal (KPMG, 2006).



Theoretical framework

Fraud Triangle Theory

The Fraud Triangle



The Fraud Triangle theory was propounded by Cressey in 1971. Cressey, opined that fraud perpetration is hinged on three triggers namely perceived pressure, opportunity and rationalization, which makes up the fraud triangle. Cressey emphasized that fraud executors are confronted by perceived pressure, either work-related or personal. The pressures then motivates such individual to commit fraud to meet the expectations of the pressure at hand. The executors of fraud believes that he/she could commit fraud without being caught. Second, the opportunity to commit fraud presents itself through weak internal controls and inadequate punishment if found. However, rationalization explains the ability of the fraudster to find ways to justify and rationalize their actions as acceptable. Rationalization refers to the manner in which people think about their work, performance, and contribution within the workplace. It

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entails the value derivable from productivity or delivering some value (Simbolon, Ahmad, & Elviani, 2018). The fraud triangle theory explains key areas where people become susceptible and vulnerable to committing fraud, therefore, financial institutions must reengineer their systems and operations to adequately reduce the risk of fraud incidences optimally (PwC, 2020; Mbu-Ogar, Ugwoke, Nkiri, Eyo & Abotsi, 2024)

Perceived Pressure

This is also known as motivation. Motivation is typically based on either greed or need. Many people are faced with the opportunity to commit fraud, and only a minority of the greedy and needy do so. Personality and temperament, including how frightened people are about the consequences of taking risks, play a role. Some people with good objective principles can fall into bad company and develop tastes for the fast life, which makes them desirous of fraud. Others are tempted only when faced with ruin anyway. Every fraud executor is confronted with some kind of pressure or need. Pressures that motivate individuals to commit fraud are financial, work-related pressures, or vices (ACFE, 2028)

Opportunity

Weak internal control system, poor or inadequate security over company property, and unclear policies with regard to acceptable conduct gives room for opportunistic behaviour to commit fraud. Some scholars have opined that most employees are honest, some are totally dishonest, and many are swayed by opportunity (PwC, 2020)

Rationalization

Many people obey the law because they believe in it or are afraid of being shamed or rejected by society if they are caught. Most fraud perpetrators may rationalize fraudulent actions as necessary, harmless and justified (Ononiwu, Ogbuabor & Okoro, 2024)

Empirical Review

Halar & Schwaiberger (2026) explored a digitally transformed system of internal control for effective financial statement fraud prevention and detection: A literature review: The study provides an overview of the impact of internal control on fraud deterrence, analyzing whether digital technologies can harness control activities for better prevention and detection of fraud. Findings depict that applying the fraud diamond model and categorizing common red flags, tools, and techniques for fraud prevention and detection, as well as the adoption of digital technologies as part of a company's system of internal control, could serve as an anti-fraud mechanism.

In addition, Ofanson (2026) examined forensic investigation as a tool for financial crime detection and corruption control: A Study of Nigeria. The research evaluates the importance of forensic investigation as a tool for identifying, preventing, and curbing corruption and financial fraud in Nigeria. Primary data were utilized using structured questionnaires. Five hundred questionnaires were distributed to respondents constituting selected academic staff from tertiary institutions, partners in professional accounting firms, bank managers, senior officers of principal anti-graft agencies, and members of the Nigerian Judiciary, including Senior Advocates. The data collected were analysed using analysis of variance (ANOVA). Findings indicate that forensic investigation positively influences the prevention, detection, and control

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of corruption and financial crimes in Nigeria. The study recommended that existing anti-graft statutes and regulations in Nigeria be re-engineered to facilitate forensic inquiry, eradicate financial crimes, and foster a corruption-free economy through an uncompromising campaign against financial crimes supported by the government's firm commitment to prosecute offenders.

Also, Oluwadare, Adekanmbi, and Omodara (2025) studied artificial intelligence (AI) and fraud prevention in Nigerian deposit money banks (DMBs). The study examined the effectiveness of artificial intelligence in preventing fraud within Nigerian deposit money banks by evaluating the roles of AI adoption, investment in AI technologies, and public perception in enhancing fraud detection efficiency. The study is imminent given the increasing sophistication of financial crimes in the banking sector. The study builds on prior research that recognizes AI as a transformative tool in financial risk management and fraud detection. It addresses gaps in the understanding of how different AI-related factors collectively influence fraud prevention outcomes. Cross-sectional survey design was used, targeting professionals in forensic auditing, risk management, and IT security across five leading Nigerian banks. Structured questionnaires yielded 138 valid responses. Data analysis employed were descriptive statistics and multiple regression using SPSS. The findings showed that AI adoption, investment in AI, and public perception all significantly enhance fraud detection efficiency. Investment in AI technologies was the most influential predictor. However, correlation analysis confirmed strong positive relationships between AI-driven tools and fraud prevention measures. The study recommends that to achieve efficiency in fraud risk management, bank executives, policymakers and IT professionals should optimize AI integration for best outcomes in fraud risk management. Also, the study offers empirical evidence on the strategic role of AI in improving financial security in emerging economies.

Notwithstanding, Olusoji & Rose (2021) examined knowledge capability and fraud risk assessment in Nigerian deposit-money banks: The mediating effect of problem representation. Recent report from the Nigerian Deposit Insurance Corporation (NDIC) suggests that the country's deposit money banks (DMBs) have been exposed to escalating incidences of fraud and forgeries. This has hampered their capacity, efficiency, and contribution to national economic growth and development. This study examines the capability and competence of DMB regulators to prevent and detect fraud and, at the same time, develop an effective mechanism to do so. Data for the study were collected using questionnaires administered to 350 forensic accountants and bank examiners working with the Central Bank of Nigeria (CBN), NDIC and 15 randomly selected DMBs in Lagos. Statistical techniques deployed were descriptive statistics and multivariate regression. The results indicate a significant positive relationship between the study variables and reduction in fraud incidence in DMBs. The result has implications for accounting literature on knowledge capability and competence as vehicles for fraud prevention and detection in DMBs in Nigeria. The study recommends an integrative approach to bank examination in which both forensic accountants and bank examiners are involved as permanent fixtures in fraud prevention and detection in DMBs, as it will guarantee a fraud-free DMB sector.

Wanjiru & Ndegwa (2000) studied the influence of fraud risk management on fraud occurrence in Kenyan listed companies. The study sought to investigate the influence of fraud risk management practices with respect to preventive, detective, and corrective controls on the level of fraud occurrence in listed firms in Kenya. Data for the study were obtained from a sample of 275 senior managers through structured questionnaires. The findings revealed that

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preventive and corrective controls have a negative and inverse effect on the degree of fraud occurrence on listed companies in Kenya. Conversely, detective controls do not reduce fraud occurrences. The implication of the findings shows that effective anti-fraud measures can be realized through management's strategy of instituting stringent AI control tools in the company's operations.

METHODOLOGY

The study population comprised of major branches of First Bank of Nigeria PLC. A random sample of 10 major branches constituting retail banking South, was explored from which service staff in each of the branches made up an effective sample of 40. A five-point Likert scale questionnaire was used in eliciting responses from the respondents. The Cronbach's alpha (α) test was also used in ascertaining the validity and reliability of the data set.

Model Specification

The study model explains the relationship between the independent variable and the dependent variable explicitly guided by the equation model adapted from the study of Mbu-Ogar, Nkiri & Eyo, (2026)

$$ROA = \beta_0 + \beta_1 PFRM + \beta_2 DFRM + \beta_3 RFRM + \varepsilon$$

Where:

ROA = Return on Assets

PFRM = Preventive Fraud Risk Management

DFRM = Detective Fraud Risk Management

RFRM = Responsive Fraud Risk Management

β_0, β_1, β_2 β_3 Regression Intercept and Coefficients

ε = Error term.

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RESULTS AND INTERPRETATION

Data Presentation

Table 1: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
ROA	0.128	10	0.200*	0.969	10	0.883
PFRM	0.304	10	0.009	0.879	10	0.126
DFRM	0.215	10	0.200*	0.892	10	0.179
RFRM	0.106	10	0.200*	0.978	10	0.956

* This is a lower bound of the true significance.
a. Lilliefors Significance Correction
Source: Researchers' computation, 2026
Table 1 above shows the result of normality test using the Shapiro-wilk model; it indicates that the variables ROA, PFRM, DFRM, and RFRM have significance values of 0.883, 0.126, 0.179 and 0.956 respectively, since there are greater than 0.05, for a sample less than 100, it depicts that the data is normal for the stated relationship.

Table 2: Pearson's Correlation Coefficient Matrix

		ROA	PFRM	DFRM	RFRM
ROA	Pearson Correlation	1	0.598	-0.391	0.452
	Sig. (2-tailed)		0.068	0.264	0.190
	N	10	10	10	10
PFRM	Pearson Correlation	0.598	1	0.332	0.542
	Sig. (2-tailed)	0.068		0.349	0.105
	N	10	10	10	10
DFRM	Pearson Correlation	-0.391	0.332	1	0.056
	Sig. (2-tailed)	0.264	0.349		0.878
	N	10	10	10	10
RFRM	Pearson Correlation	0.452	0.542	0.056	1
	Sig. (2-tailed)	0.190	0.105	0.878	
	N	10	10	10	10

Source: *Researchers' computation, 2026*

Table 2 explains the result of the Pearson's Correlation Statistic, which measures the correlation between pairs of variables. The analysis above shows that ROA positively correlates with PFRM (0.598) and RFRM (0.452) to mean that an increase in preventive fraud risk management and responsive fraud risk management would result in an increase in ROA. However, an inverse correlation exists between ROA and Detective Fraud Risk Management (DFRM) with an index of (-0.391).

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Table 3: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R-squared	Std. Error of the Estimate	Durbin-Watson
1	0.867[a]	0.752	0.628	0.45856	1.891

a. Predictors: (Constant), RFRM, DFRM, PFRM

Table 4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.819	3	1.273	6.054	0.030
	Residual	1.262	6	0.210		
	Total	5.081	9			

a. Dependent Variable: ROA
b. Predictors: (Constant), RFRM, DFRM, PFRM
Source*: Researchers' computation, 2026*

The statistics in table 3 show the regression result indicating an R-squared of 0.752. This implies that a 75.2% variation in the dependent variable (Bank's Performance, measured by ROA) is caused by changes in the independent variables PFRM, DFRM and RFRM. However, table 4 shows that the model is significant with a P value of 0.030, which is less than 0.05 and F statistics of 6.054.

Table 5: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.319	1.202		0.265	0.800
PFRM	0.940	0.313	0.780	3.005	0.024
DFRM	-0.737	0.246	-0.653	-2.993	0.024
RFRM	0.102	0.379	0.066	0.268	0.798

a. Dependent Variable: ROA
Source*: Researchers' computation, 2026*

The findings explain that Preventive Fraud Risk Management (PFRM) and detective fraud risk management (DFRM) have significant relationship with banks' performance (ROA), with values of (0.024). This is in line with the study of Ofanson (2026) and Oluwadare, Adekanmbi, and Omodara (2025). Preventive fraud risk management strategies would often serve as barriers and deterrents to avert any plausible incidence of fraud. This can be achieved through constant reassessment of possible fraud risk areas, periodic surprise audits, deployment of necessary tools in the form of technology to strengthen controls, and review of policies to prevent any future risk. Even when fraud has been detected, technology will aid in ascertaining the trail of processes, procedures, or transactions that led to such fraud so that necessary actions

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will be taken. On the other hand, responsive fraud risk management (RFRM) was found not to have a significant relationship with performance (ROA), with a value of 0.798 greater than 0.05. This is in tandem with the work of Wanjiru and Ndegwa (2000). Responsive fraud risk management strategies are corrective and remediated controls thought out when fraud must have occurred. Since losses occur when fraud is perpetrated, it might not have any significant impact on earning (ROA). But prospectively, it helps in reengineering and overhauling an organizations systems and operations to ensure areas of weaknesses and loopholes are attended to.

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATION

Fraud is an eminent component of the banking industry due to the nature of its transactions. Thus, fraud risk management strategies have to be multi-dimensional and hands-on to mitigate and combat fraudulent practices. Therefore, management of banks should adopt fraud risk best practices and policies such as fraud risk assessment programs, fraud risk awareness training, proactive data analysis, automation of transactions with security encryptions, and reviewing ineffective internal control. These efforts and initiatives would aid in strengthening fraud risk management, culminating into enhanced performance and earning predictability.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

This study is constrained and decomposed into three proxies of fraud risk management: preventive fraud risk management, detective fraud risk management, and responsive fraud risk management. Thus, we suggest that future researchers should explore other fraud risk management paradigms other than the ones used in this study. It is also pertinent for future researchers to consider other sectors and increase their samples in order to obtain a more generalized and representative result.

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