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**Fraud and Financial Crimes Prevention and Control in Nigeria:  
A Sociological Analysis**

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**Abstract**

Fraud constitutes one of the financial crimes in Nigeria. It is very widespread and it manifests itself in virtually all aspects of national life. The nation, organizations and individuals have lost huge funds to fraudulent practices. It is within this context that this paper sets to examine strategies for effective prevention and control of fraud and financial crimes in Nigeria. Idealistic theory, functionalist theory and Marxist approach were employed in explaining fraud and financial crimes in Nigeria. The Federal Government and the Central Bank of Nigeria have continued to adopt various measures in combating fraud. Some of these measures include the establishment of Independent Corrupt Practices and Other Related Offences Commission (ICPC) and Economic and Financial Crimes Commission (EFCC). It then concludes with the submission that the effective fraud and financial crimes prevention and control require the monitoring of financial intuitions by regulatory authorities and intelligence gathering.

**Introduction**

Nigeria is presumably the second largest economy in Africa with a population of over 140 million, making the country the most populous in Africa and perhaps most entrepreneurial economy. Besides, the country is endowed with human and natural resources, however the development of these resources for the betterment of the welfare of the citizens has been problematic. According to Aina (2004), corruption (fraud inclusive) is one of the major reasons for the poor economic performance and rising poverty in Nigeria.

Although fraud is a worldwide phenomenon, it is the single most important financial problem in Nigeria. The nation has suffered severe losses financially. It is disheartening to note that fraudulent activities had placed Nigeria in the unhealthy group of Non Co-operative Countries and Territories (Dagaci, 2011). Fraud is a significant threat facing government business and individuals. When it is perpetrated in any sector of the economy, it has a far reaching

effect on the entire economy. This manifests in the fact that it amounts to huge financial loss to the economy. Ajayi (2003), noted that in view of the insatiable search for money in Nigeria, big time fraud is on the increase and the banks lose huge amount running into billions of naira to fraudsters.

Fraud prevention and control continue to occupy business all over the world because of the huge associated investigation costs and direct impact to bottom line for actual losses incurred. All kinds of fraud are perpetrated against businesses, from simple cash skimming to sophisticated technology enabled theft. It is instructive to note that while the Federal Government has been consistent on pontifications in the fight against fraud and has also set up anti-fraud agencies such as EFCC and ICPC to combat this social problem. The Central Bank of Nigeria has also continued to adopt various institutional strategies in combating fraud. However, there is not yet enough by way of concrete results indicating a drastic drop in fraudulent practices in Nigeria. It

is within this context that this paper sets to examine strategies for effective prevention and control of fraud and financial crimes in Nigeria.

### **Conceptual Framework**

To enhance the understanding of this paper, it is necessary to put the discourse into a conceptual context to provide a framework for analysis. Thus, we can proceed to clarify the concept of fraud. Literally, Hornby (2001) sees fraud as the crime of deceiving in order to get money or goods illegally. There is no precise legal definition of fraud just as there is no single offence that can be called fraud. As Walker (1997) noted, fraud is one of the most difficult crimes to assess and even its definition is subject to variation across law enforcement, insurance and other government agencies. Fraud as a concept has multifarious connotations. However, it is usually taken to have elements including an intentional and unlawful misrepresentation, which cause prejudice, most often misappropriation, which is the removal of cash or assets to which the fraudster is not entitled as well as false accounting in which records and numbers reported are falsified to give and create false impression (Ogunleye, 2004).

Adewumi (1986), defines fraud as a conscious premeditated action of a person or group of persons with the intention of altering the truth and/or fact for selfish personal monetary gain. In criminal law, a fraud is an intentional deception made for personal gain or to damage another individual; the related adjective is fraudulent. Fraud is a crime, and also a civil law violation. Defrauding people or entities of money or valuables is a common purpose of fraud. According to Alata (1990), the problem of fraud is trans-systemic that is, it is there in all systems-feudalism, capitalism, communism, and socialism. It affects all classes of society, all state organizations, monarchies and republics; all situations in war and peace; all age groups; both sexes and times; ancient, mediaeval and modern.

Ovuakporie cited in Dagaci (2011) gave account of 33 types of bank frauds and financial crimes which are common in Nigerian banking sector. These include theft and embezzlement,

defalcation, forgeries suppression, substitution, payment against unclear effects, unauthorized lending, lending to "ghost" borrowers, kite-flying and cross firing, unofficial borrowing, foreign exchange malpractices, impersonation, over-invoicing, manipulation of vouchers, fictitious accounts, over valuation of status reports, duplication of cheques books, drafts, mail transfers, interception of clearing cheques, computer frauds, fake payments, teeming and lading, robberies etc.

### **Theoretical Analysis**

An attempt to propound a theory is a mental exercise and such exercise usually helps to explain the reasons for a phenomenon or an event. It is therefore imperative in this section of the paper to employ a theoretical explanation of fraud and financial crimes in Nigeria.

**The Idealistic Theory:** This according to Nkom (1982) is based on the assumption that the ideas which people have do determine the way they live and the way their society is organised. The school of thought believes that fraud should be seen in terms of the nature of social and moral values prevailing in the society. This theory therefore explains fraud and financial crimes in terms of some selfish ideas, which are prevalent in the value system of the society. This approach according to Metiboba (2002) is sometimes subdivided into the traditionalist and the modernist. To him, the traditionalist sees the adoption of Western social values and attitudes as the determining factor of fraud in Nigeria, and as a therapeutic measure; the traditionalist idealist advocates a return to the social values of the traditional society. On the other hand, the modernist idealists associate corruption with certain acts of traditional practices such as gift-giving, ethnic loyalty and other parochial tendencies which tend to encourage corrupt behaviour and which may be overcome by modern rationalist values.

**The Functionalist Approach:** This sees fraud and financial crimes as emanating from the social structure of the society, which exerts a definite pressure upon certain individuals in the society to engage in non-conforming or conforming conduct. Merton (1957) has succinctly put this in another way when he asserted that a society in which there is an

exceptionally strong emphasis upon specific goals without a corresponding institutional means or procedures, will inevitably lead to what Durkheim called “anomie” or normlessness or deviation.

Metiboba (2002) notes that each culture establishes goals and interests which member of society are encouraged and expected to pursue and prescribes the method to be followed in seeking these approved objectives. It is when these means fail to match the goal of the individual in question that the individual becomes socially disorganized. As a matter of fact, the Nigerian society tends to over-emphasize individual goal attainment at the expense of the legitimate means of achieving these set goals. In Nigeria, material acquisition has virtually become the ultimate goal and the society does not appear to be concerned with how one “makes” it. All that is important is that one has “arrived” (Agbonifo, 1985). The marked discrepancy between the goals and means in our society invariably leads to various forms of fraud and financial crimes.

The Marxist Approach: Having rejected the idealist and functionalist approaches, the Marxist school of thought contends that rather than people’s consciousness determining their well-being, it is the way the society organises the production, distribution and exchange of goods and services that determines their material conditions. Some of the proponents of this approach are Nwala (1980) and Nkom (1982).

The Marxist approach is of the view that fraud and financial crimes as forms of corruption are essentially elite affairs while criticizing the idealistic approach as being too simplistic and illusory especially in its explanation of these problems. It also sees the functionalists as undermining the persistent class conflict and struggle that exist in virtually all capitalist societies (Metiboba, 2002). It is becoming more widespread in most enlightened circles today that fraud and financial crimes are structural problems, which derive from and have their existence in the socio-economic organization of society.

### **Manifestations and Consequences of Fraud and Financial Crimes in Nigeria**

Fraud and financial crimes are widespread in Nigeria and they manifest in virtually all aspects of national life, from the millions of scam e-mail messages sent each year by people claiming to be Nigerian officials seeking help with transferring large sums of money out of the country. In February 1997, over 4 million suspected scam letters were intercepted by the Nigerian postal service; about five million letters were sent back to Nigeria from about 12 countries for allegedly being postmarked by forged franking machines (Ajayi, 2003). In 2001, the total amount involved in fraud was 11.243 billion (Ajayi, 2003). In 2004, there were 1,175 recorded cases of fraud in Nigeria. In 2005, there was total of 1,229 reported cases of fraud. Nigeria also recorded 1,193 fraud cases in 2006 and 1,553 cases in 2007. The trend continued and increased rapidly in 2008 with a total number of 2,007 recorded cases of fraud (Abdullahi, 2011 and NDIC, 2009).

From the outset of the fourth republic, office-holders have been castigated by numerous reports and allegations about their involvement in 419 scams. Some of the office-holders appeared to have been convicted criminals and were, therefore, not even eligible to contest for the seats they were occupying (Ibrahim, 2003). An obvious incidence of fraud act was the allegation of abuse of office by the former inspector general of police Mr. Tafa Balogun. The EFCC investigations revealed that since he became IG, Balogun has amassed stupendous wealth running into over one billion naira. This has been traced to at least 12 accounts principally at the Fountain Trust Bank. Some of the funds were discovered to have been police funds lodged in the accounts to generate interest into private pockets. In some cases, millions of naira meant for the police just disappeared without a trace (Aiyetan, 2005).

The removal of management of former Citizens Bank and All States Trust Bank in 2005 was a result of unethical conduct which was fraudulent in nature. According to ThisDay (2006), no fewer than 30 former staff of Aso Savings and Loans Bank, including top management and members of the board, were prosecuted for giving out inappropriate loans,

mainly to themselves. The incidences of fraudulent practices in Nigeria recently are in exhaustive and they tend to constitute devastating consequences for national development.

In addition, the former Chief Executive Officer and Managing Director of Intercontinental Bank Plc, Dr. Erastus Akingbola, was arrested and prosecuted by the Economic and Financial Crimes Commission over the allegation of diverting to his personal account, the sum of N2,108,135,484.68, belonging to the bank. The money was being transferred in pound sterling, totalling, £8,540,134.48, to his domiciliary account on March 13, 2009 (Adesomoju, 2011).

There is no disputing the fact that endemic fraud and financial crimes in Nigeria pose devastating consequences on all ramifications of national development (social, economic, political and cultural). Both generally are significant threats facing government business and individuals. When they perpetrated in any sector of the economy, they have a far reaching effects on the entire economy. This manifests in the fact that they amounts to huge financial loss to the organization, other organizations in whose interests the banks operate, their shareholders and individual customers. The cost of fraud and financial crimes are always passed on to the society in the form of increased customer inconvenience, opportunity costs, unnecessarily high prices of goods and services, and activities funded by the fraudulent gains (Ogunleye, 2004).

Ibrahim (2003) noted that fraud and financial practices have become one of the main reasons for the development of poverty and underdevelopment of the country's economy. Evidence abounds that the most recurrent cause of bank failure was fraud. Fraudulent practices also contribute to the problem of mass poverty in Nigeria. It has rendered millions of Nigerian citizens unemployed and uneducated. Indeed, the poverty profile of Nigerians appears to be worsening. The UNDP Human Development Report for 2001 places Nigeria at No. 148 out of the 173 countries surveyed. The situation was marginally worse with the 2003 report, which puts Nigeria at the 152 among the 175 countries covered in the survey. National

incidence of poverty stood at 70 percent in 2001 (Obadan, 2001).

In Nigeria, fraud and financial crimes lead to distortion of the economy through waste and misallocation of resources. In 2001 alone, Nigeria was said to have lost more than N23 billion to fraud (Saliu and Aremu, 2004). Another implication of fraud and financial crimes is that they accelerate capital flight from the country. Swiss bank vaults reportedly hold large sums of Nigerian money deposited by corrupt public officials. All these are anti-thetical to national development; hence the need for measures to effectively prevent and control fraud and financial crimes are necessary.

### **Strategic Measures for combating Fraud**

The successive governments in Nigeria, have worked assiduously to eradicate fraud and other financial crimes as significant categories of social problems. For example, in the 70s, the Muritala Muhammed/Obasanjo administration waged a war against corruption via its Jaji declaration. Alhaji Sheu Shagari that succeeded them equally waged war against the vice while the administration of Buhari attacked corruption through its War Against Indiscipline (WAI). General Babagida in 1989, inaugurated a committee on corruption and other economic crimes while general Abacha set up a number of probe panels to fight corruption (Bello-Imam, 2004).

Similarly, since the re-commencement of democratic rule in 1999, democratic government has been consistently fighting fraud along other financial crimes. Immediately the country re-democratised in May 1999, the war against corruption became most prominent blank of this administration. As part of the strategic measures to combat the problem, a bill was passed into law on anti-corruption known as the Corrupt Practices and Other Related Offences Act on the 13th of June, 2000 by the National Assembly. This Act establishes the Independent Corrupt Practices and Other Related Offences Commission (ICPC). The Commission's duty is not only to investigate, arrest and prosecute people for corruption, but it is also charged with corrective, preventive, and educational responsibilities.

The Economic and Financial Crimes Commission (EFCC), is another institutional cum-administrative response to fraud established by the Obasanjo's administration. The commission has recorded overwhelming achievement in the fight against fraud within the short period of its establishment. Regardless of status in the society, the EFCC has investigated, prosecuted and brought many corrupt public officials to justice including the former Inspector-General of Police, Tafa Balogun. The Commission is also in the process of ensuring that the former Chief Executive Officer and Managing Director of Intercontinental Bank Plc, Dr. Erastus Akingbola is brought to justice for his fraudulent practices in the Intercontinental Bank Plc. The case of the former Speaker of the House of Representative, Mr Dimeji Bankole is not left out.

Ekechi (1990) stated that measures aimed at fraud prevention should include dual control, operational manual, graduated limits of authority, lending units, reporting systems, close circuit television, establishment of inspectorate units, referencing on presentation of document of value, segregation of duties, verification of signatures, control of dormant accounts, detection of passport sized photos, close watch on the lifestyle of staff and coding/decoding and testing of telex messages. On the fraud detection measures, Ojeigbede cited in Abdullahi (2011) noted that these should include checking of cashiers, call-over, reconciliation and balancing of accounts at branches, periodical submission of statement of accounts, stock taking of security items and cash in the vaults and inspection by bank inspectors.

### **Conclusion**

This paper has attempted to examine the cankerworm of fraud and financial crimes in Nigeria. The causes of fraud and financial crimes have been anchored on relevant sociological theories like Idealistic, functionalist and Marxist theories. Some cases of fraud and financial crimes were equally explored and their effects on the nation, organizations and individuals. Most of the measures adopted in fraud prevention and control in Nigeria are adequate but need to be

improved upon. It is therefore, our submission that the effective fraud and financial crimes prevention and control in Nigeria require the monitoring of financial intuitions by regulatory authorities and accurate intelligence gathering on these unethical practices.

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