

# Antecedents and consequences of staff-related fraud in the Ghanaian banking industry

Staff-related  
fraud

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## Abstract

**Purpose** – The purpose of this paper is to investigate the antecedents and consequences of employee fraud, focusing on the banking industry in Ghana.

**Design/methodology/approach** – A major bank was selected for the case study analysis. The researchers used qualitative data analysis for the study. Content analysis of investigation reports and interviews of employees from different functional areas were used as the main data collection tools.

**Findings** – This study found that loans contracted by bank employees with huge repayment amounts put financial pressure on them to commit fraud. The study also found that inadequate controls in some areas of the bank can fuel the commission of fraud. In addition, aggrieved employees have a high propensity of committing fraud. Huge punitive consequences were noted to exist for employees who perpetrate fraud, and shareholders are also affected by the fraudulent behaviour of employees.

**Research limitations/implications** – Findings shown in the study confirm the hypotheses of the fraud triangle theory on the causes of fraud despite its criticisms. The findings are also consistent with extant studies on the antecedents and consequences of fraud. The use of one bank for the case study analysis as well as the three-year analysis period impose a limitation on the study. Future studies can explore fraud using other different theoretical lenses. Gathering data from more than one bank and for a longer period of analysis may provide more accurate results.

**Practical implications** – This study provides some recommendations for fraud prevention in the banking industry in Ghana. The major one is the need for the central bank to collaborate with financial institutions to set up an effective creditworthiness system that will aid the monitoring of activities of the banks. Banks should also ensure that systems of controls are reviewed regularly to identify and deal with fraud.

**Originality/value** – This study is original, as it focuses on an industry that is highly susceptible to fraud due to issues of confidentiality with data and with scanty literature on fraud.

**Keywords** Banking, Fraud

**Paper type** Research paper

Despite intense efforts to stamp out corruption, misappropriation of assets, and fraudulent activities, it appears that fraud in its various forms is a problem that is increasing in frequency and severity (The Certified Accountant, 2009).

## 1. Introduction

The fraudulent scandals that hit international corporations such as Tyco, Merck and Co. and WorldCom have heightened both the awareness of professionals and investors to be more careful and meticulous in making investment decisions. Without debate, fraud is a problem



of modern businesses regardless of the size, sector or nature of operation. PricewaterhouseCoopers (PwC, 2007) indicated that fraud has both financial and non-financial impact on businesses. In the 2016 report of the Association of Certified Fraud Examiners (ACFE) on Occupational Fraud and Abuse, it was revealed that about \$150,000 was lost for each fraud case that was investigated besides the substantial non-financial impact of fraud. Non-financial impact of fraud cases includes damage to companies' brand, loss of employees' morale, damage to business relations with external parties and decrease in firm's value (PwC, 2007).

Fraud has been around for many years and in most countries of the world. In Ghana, fraudulent acts are mostly the Ponzi scheme type, which is a form of fraud in which belief in the success of a non-existent enterprise is fostered by the payment of quick returns to the first investors from money invested by later investors. The results from crime surveys show that in both developed and emerging markets, one of every three organizations surveyed experiences fraud of some sort (PwC, 2016). The 2016 PwC survey on Economic Crime highlighted about 14 types of fraud. However, five most common frauds committed are assets misappropriation, cybercrime, corruption and bribery, procurement fraud and accounting fraud. Fraud is a global problem but not the same everywhere. Whereas some regions reported lower rates of economic crime and the global trend was steady, Africa, Western Europe and the Middle East showed significant increases in all the types of fraud (PwC, 2016). Several efforts have been made by professional bodies, standard setters and corporate governance practitioners to ensure integrity, transparency and a fraud-free environment. Despite these efforts, the present state of fraud prevention appears not to have been successful (Neu *et al.*, 2013). Greed, gambling, personal or business financial strain, feasibility of business as well as influence of others are some causes of fraud (Goldstraw *et al.*, 2005). Other causes of fraud include insufficient controls at the workplace, personal financial pressure and expensive lifestyle maintenance (Voon *et al.*, 2008). The commissioning of fraud begins with the conception of an intention to act fraudulently usually ignited by need and financial pressure and fuelled by the availability of opportunity and the prospects of rationalization.

There has been a rise in the number of staff-related frauds in recent years in various industries, including the banking sector, which can be described as a delicate sector due to the frequency in handling cash and other easily pilferable items. An analysis of fraud trend in the financial industry in Ghana to identify the causalities and make necessary recommendations to curb the trend is thus imperative and motivates this study.

## 2. Literature review and theoretical foundations

The success of every organization is dependent on good strategy and the effective implementation of the strategy by employees. Where you have employees engaged in fraudulent activities, the organization is less likely to become successful. Fraud can therefore cause the failure of an organization and jeopardize the relationship between the organization and customers. The increase in fraud by employees affects operations, leading to opportunity cost of lost sales, low capital and decrease in employee morale (Omar *et al.*, 2016).

### 2.1 Definition of fraud

A lot of researchers have explained fraud in diverse ways either in a lingual perspective or a legal perspective. However, all the explanations zero on to the fact that it is intentional misconduct and it aims at deceiving people (Arens *et al.*, 2007; Rezaee, 2005; Wang *et al.*, 2010; Yu, 2013; Murphy *et al.*, 2009; Graham *et al.*, 2008; Kranacher *et al.*, 2011). Therefore,

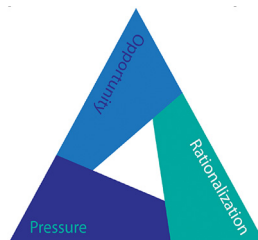
fraud can simply be explained as an intentional misconduct to deliberately take advantage of a person or situation that results in economic loss to the victims. This implies that no person or company is immune to fraud. Omar *et al.* (2016) suggested that the fraud Triangle theory is the best concept to explain fraud.

## 2.2 Fraud triangle

The American criminologist Donald Cressey from his interviews with embezzlers in his seminal work titled *Other People's Money: A Study in the Social Psychology of Embezzlement* has been cited in a majority of current studies to understand the causes of fraud. He postulated three causal factors of fraud as perceived financial pressure, perceived opportunity and rationalization. The theory suggests that the presence of all these three elements is a recipe for the occurrence of fraud (Figure 1).

The three causal factors as presented in the fraud triangle are explained below:

- (1) *Perceived pressure*: Cressey (1973) described pressure as a non-shareable financial need. It involves the inability of individuals to communicate and seek for help in times of financial difficulties. Studies on pressure to commit fraud in organizations have classified pressure broadly into financial pressures and non-financial pressures. Dorminey *et al.* (2010) explained that some of the financial pressures include sudden financial shortfalls, officials living beyond means, greed, poor credit standing and inability to obtain credit, unexpected significant medical expenses and large education expenses. Neu *et al.* (2013) explained that non-financial pressure includes family or peer pressure, gambling losses, cost and lack of productivity due to drugs or alcohol and cost of extramarital affairs. Bartlett *et al.* (2004) revealed that work-related pressures such as job inequalities and unfair treatment related to promotion, remuneration and lack of appreciation are also non-financial pressures to commit fraud.
- (2) *Perceived opportunities*: Dorminey *et al.* (2010) explained that perceived opportunities arise from many sources and include weak internal controls; poor training; poor supervision; lack of prosecution of perpetrators of fraud; ineffective anti-fraud programmes, policies and procedures; and a weak ethical culture in the form of a poor ethical tone from the top. An opportunity to commit fraud, to conceal it and to avoid being punished is the second critical factor that pushes people to commit fraud (Brockner *et al.*, 1986). Factors that enhance opportunity span from weak internal controls to failure to discipline perpetrators of fraud (Albrecht *et al.*, 2004; Cressey, 1973). Neu *et al.* (2013) also explained that



Source: (Cressey, 1973)

Figure 1.  
The fraud triangle

deteriorated audit functions and ineffective corporate governance processes create an enabling opportunity for employees to commit fraud.

- (3) *Rationalization*: According to [Dorminey et al. \(2010\)](#), rationalization involves the reconciliation of the fraudulent behaviour with the generally accepted notion of morality and trust. It is a mechanism used by fraudulent employees to explain that their fraudulent behaviour is “okay” ([Coenen, 2008](#)). It leads fraudsters to interpret their fraudulent behaviour as acceptable given the conditions and allows them to preserve their self-image and hold themselves as trustworthy despite the fraud ([Dorminey et al., 2010](#)). Common forms of rationalizations by employees include making up for being underpaid or for bonuses that were deserved but were not received. Some embezzlers tell themselves that the company does not need the money after all. Others believe that the company “deserves” to have money stolen because of bad acts against employees. [Murphy \(2012\)](#) posits that people maintain their code of ethics and guilt and this makes rationalization the most insidious element. She further highlighted six degrees of rationalization comprising shifting the blame, pleading ignorance, moral justification, advantages comparison, letting victims take the fall and euphemistic labelling. [Coenen \(2008\)](#) suggested that it may not be so easy for employees with some moral standards to rationalize their fraudulent acts. The process of rationalization may be difficult and slow, as they may create excuses in their minds to convince themselves that their actions were okay.

The fraud triangle theory like any other conceptual framework has received some criticisms from scholars. According to [Albrecht et al. \(2009\)](#), the fraud triangle framework does not provide a full analysis of the perpetrator of fraud but only provides “a one-dimensional psychological analysis of the initial perpetrator of the fraud”. [Lokanan \(2015\)](#) explained that while the three elements provide useful insights on the choices of fraudsters, the model does not discuss other issues. Specifically, [Lokanan \(2015\)](#) highlights that the individualized focus of the model distracts attention from other decision-making approaches and issues related to fraud, adding that the opportunity element does not address collusion behaviour and management override. [Cieslewicz’s \(2012\)](#) criticism was directed at issues of collusion and cultural influences regarding fraud which the fraud triangle fails to address. The work of [Cooper et al. \(2013\)](#) which recognizes that fraud takes place in multiple domains such as the individual domain, the firm domain, the organizational field and societies more generally buttresses [Lokanan’s \(2015\)](#) criticism of the focus of the fraud triangle model on individuals. [Donegan and Ganon \(2008\)](#) criticize the fraud triangle and its effect on fraud research, highlighting that generalizing from a sample of embezzlers who committed white-collar fraud for all types of fraud situations is problematic, as it drives the focus on the individual offenders and not on the culture that may have encouraged and rewarded their actions. [Murphy and Dacin \(2011\)](#) revealed that not all fraudsters need rationalization to commit fraud. [Dorminey et al. \(2012\)](#) added that the fraud triangle does not fully capture the antecedents of fraud.

Despite these criticisms, the usage of the fraud triangle model in the literature has provided much insights into fraud causes committed by individuals. Several studies have supported the proposition that each of the elements in the fraud triangle can be used to predict the likelihood of the occurrence of fraud. [Pellegrini and Gerlagh \(2008\)](#) confirmed that perceived need and financial pressure which includes low income levels of officials put a strain on employees, increasing their susceptibility to commit fraud. [Barra \(2010\)](#) found that implementing a system of internal controls tends to reduce opportunities for officials to

engage in fraudulent and corrupt behaviour. Opportunities for exploitation, weak institutional structures and relaxed penal systems were found by Pellegrini and Gerlagh (2008) as perceived opportunities for fraudulent behaviour. These findings confirm the earlier hypothesis by Cressey (1973). Free and Murphy (2013) also used the fraud triangle's framework to evaluate both in the individualized and the collective perspective of fraud.

The theory has received wide acceptance and usage in various industries. It was first adopted by the ACFE, and later by the American Institute of Certified Public Accountants in Statement on Auditing Standards No. 99. Given that the study reviews fraud from the perspective of the individual employees within the banking industry, the fraud triangle framework provides a valuable basis for this study and the criticisms as highlighted above do not affect its validity as a basis for the analysis of the fraudulent behaviours of employees in the Ghanaian banking industry.

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### 3. Research methodology

The research objective can better be achieved using a qualitative approach because of the provision of in-depth understanding of this methodology. Following this approach, the case study was deemed appropriate. According to Yin (1994, p. 13), the case study method is "an empirical enquiry that investigates a contemporary phenomenon within its real-life context especially when the boundaries between phenomenon and context are not clear". The qualitative approach of case study was therefore used for this study.

#### 3.1 Data collection

Document or content analysis and interviews were the two main techniques for data collection. The multiple sources of evidence helped to reduce the potential bias of the single method (Bowen, 2009). This increases the credibility of the findings and the relative importance of the conclusions drawn from the analysis (Eisner, 1991). Fraud investigation report from the internal audit department of the selected bank as well as disciplinary action records from the human capital department of the selected bank were used for the content analysis. Content analysis in this study provides a rich description of the phenomenon (Yin, 2009). In all, 25 cases of staff-related fraud were made available to the researchers; however, five cases were considered and subsequently used because the monetary amount of fraud involved was above the researchers' threshold of GHS1,000.00. Six employees who were indicted in fraudulent cases were interviewed. Internal audit staff as well as human capital staff were also interviewed to provide a clearer understanding on the reports. Respondents were informed about the purpose of the research and the confidentiality of the information gathered. The interviews took place at the convenience of the interviewees in their offices. The researchers conducted the various interviews with an interview guide prepared on the subject matter. There was however some flexibility in the questioning to allow more insights to be gained on the subject matter and to allow follow-up questions. Transcription of the interviews was manually coded and analysed to identify any patterns in line with the fraud triangle framework. To categorize the data, the researchers used thematic analysis. Thematic analysis is a method for identifying, analysing and reporting patterns (themes) within data. It minimally organizes and describes the data set in (rich) detail. However, it also often goes further and interprets various aspects of the research topic (Braun and Clarke, 2006). It is a qualitative research technique where the researcher makes notes and sorts the data into various categories per identified themes (Hinson *et al.*, 2009). Qualitative approaches are incredibly diverse, complex and nuanced, and thematic analysis should be a foundational method for qualitative analysis (Braun and Clarke, 2006). According to Braun and Clarke (2006):

Thematic analysis can be an essentialist or realist method, which reports experiences, meanings and the reality of participants, or it can be a constructionist method, which examines the ways in which events, realities, meanings, and experiences are the effects of a range of discourses operating within society. It can also be a “contextualist” method, sitting between the two poles of essentialism and constructionism, and characterized by theories such as critical realism.

### 3.2 Selecting the case bank

The bank used for the study was selected for two main reasons. First, the bank allowed access to the confidential and sensitive reports and records. The company further granted permission for the researchers to interview its employees. In addition to the above, the company is a big industry player on the Ghanaian banking industry with a balance sheet size of GHS3.74bn. The size of the bank makes it more susceptible to internal fraud. With the bank’s policy of zero tolerance for fraud, it is expected that adequate measures are in place to eliminate internal fraud; however, the high level of fraud occurrence in the bank within a period of three years makes it necessary to investigate the inherent causes of employee behaviour in the selected bank.

## 4. Findings

The researchers analysed the employee records and the investigation reports provided by the bank. In the analysis of the employee records, their descriptive information is provided as well as the fraud cases involved, the *modus operandi*, the cost involved in the fraud and the sanctions applied by the bank. Profile of the employees involved in the reviewed cases is detailed below. For the sake of confidentiality, pseudo names are used (Table I).

### 4.1 Description of the fraudulent cases

**4.1.1 Reported Case 1 – fraudulent MTN Mobile Money transactions.** This involved MTN Mobile Money transactions that occurred at the Madina Branch over a period of one year but were detected and investigated in August 2014. The operations manager Mr PPP on several occasions verbally ordered the teller Mr TTT to transfer various sums of monies from the bank’s Mobile Money account to persons unknown to the bank without actual cash payments. Mr PPP usually pays later within the month or in some cases beyond the month. Mr TTT then adds the money to the till to balance up his account. The procedure requires that any transaction should require a transaction ticket duly verified and approved. At the end of each day, each teller is required to prepare a cash report indicating the amount received from vault, total transaction made in and out and the balance of cash available. The operations manager is required to review this report with the available cash in the teller’s till before the branch closes. The control officer is required to review the report and the process within the month to ensure that every process is being followed and documentations are in order. The investigation report indicates that these reports were not being prepared

Name	Branch/Department	Position	Amount involved (GHS)
Mr. RRR	KNUST Branch	Customer service officer	10,750.00
Mr. MMM	Madina Branch	Loans officer	112,831.44
Mr. PPP	Madina Branch	Operations manager	25,678.00
Mr. TTT	Madina Branch	Teller	5,689.00
Ms. XXX	Madina Branch	Teller	3,000.00
Mr. OOO	Kumasi Branch	Cash officer	1,000.00

**Table I.**  
Summary of fraud cases

regularly as required, and so, the process of verifying system balance with physical cash balance was not being followed. The control officer was on a long leave and was replaced with an inexperienced national service officer. A team of auditors who visited the branch from the head office noticed the difference between the physical cash balance and the system balance and issued a report to that effect. The chief operating officer (COO) upon reviewing the audit report ordered for a thorough investigation into the shortage leading to the discovery.

*Sanctions applied:* Both Mr PPP and Mr TTT were advised to resign after a disciplinary proceeding in line with the bank's policies.

*4.1.2 Reported Case 2 – fraudulent loans.* Mr MMM, a loan officer at the Madina Branch, was responsible for sourcing customers for the bank's credit scheme available with Volta River Authority (VRA), a major power provider for Ghana. The report indicates that Mr MMM opened fictitious bank accounts with documents of potential customers who abandon account opening due to several reasons. He completes the account opening documentations and submits them with his signature, which he changes with any new account to the account opening officer. He requests for a cheque book for the customer. It is usual practice for loan officers to request for cheque book for customers so far as customers sign the cheque book requisition form. After a certain period, he submits documentation for loan application to the branch manager for these fictitious customers who he claims works for the power provider. The procedure requires that the human resources manager (HRM) for the power provider should sign off the loan documentation confirming that the applicant is a staff with a stamp. Mr MMM managed to forge the signature of the HRM of VRA and designed a stamp that matches that of VRA. The last form of control is the final review by the control officer to check the authenticity of the documentations. Although required to visit the VRA to confirm the documentation, the control officers after several visits become acquainted with the signature and stamp and so approve the loans on seeing the signature and stamps. Over a year, six loans were booked for fictitious customers to the total tune of GHS112,831.44

*Sanctions applied:* At the time of the discovery, Mr MMM had resigned from the bank and was in employment with a competitor bank. A report was sent to the competitor bank who sacked Mr MMM and reported him to the central bank.

*4.1.3 Reported Case 3 – cash deposit suppression.* The investigation report found that Mr RRR who was the customer service officer of the bank was in the practice of keeping customers' cash to be used for the acquisition of fixed deposit with the bank. Mr RRR created an Excel spreadsheet with which he convinces customers of the bank that the interest offered by the bank on fixed deposit was low, but that he was in the business of investing and would offer them much better rates if they invest with him personally. He usually pays the interest on the deposit on maturity and rolls over the principal. An alert was raised as part of the annual audit that Mr RRR had never gone on leave since joining the bank in five years. He claimed that there was no one to relieve him, but the COO ordered him to go on a 22-day leave after reading the audit report. Two days after his compelled leave, the first complainant came to the branch to check the interest on her investment. After a period of two months, 14 customers had made similar complaint against Mr RRR with a total amount of GHS10,750.00 involved.

*Sanctions applied:* Mr RRR was dismissed and reported to the Kumasi Central Police and was arrested and arraigned before court.

*4.1.4 Reported Case 4 – securities suppression.* A deposit of GHS1,000.00 given to the cash officer (CO) Mr OOO by a customer for investment in the Treasury bill was suppressed by the CO. This fraudulent act was revealed when the customer came to the branch to

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enquire about her account balance and realized that the Treasury bill she was expecting to have matured had not been credited to her account. The CO then paid the cash into the customer's account.

*Sanctions applied:* A disciplinary committee adjudicated on the matter and the consensus reached was to "advise the staff to resign".

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*4.1.5 Reported Case 5 – overage suppression.* At the end of day, a teller (Ms XXX) at the Madina Branch of the bank declared an overage of GHS3,000.00 to the CO. As required by the bank's policy, the CO conducted a detailed second-level review of the teller's activities but could not trace the source of the overage. She therefore reported the overage to the operations manager (Mr PPP). Interestingly, the operations manager said that he knew the owner of the overage, as such took the money claiming that he would return it to the "owner". On taking the money, he used it to pay his outstanding debts with some of the staff of the branch.

Unfortunately, the CO went on maternity leave for a period of three months and could not follow-up on the operations manager to give the cash to the owner. Her handover documents also did not include details of these facts, so her reliever also could not follow-up. On resumption, she enquired about the overage and noted that the operations manager had spent the money. The operations manager returned the money when she confronted him. She made a formal report to the internal audit department and an investigation was initiated into the issue.

*Sanctions applied:* A disciplinary committee adjudicated on the matter and the consensus reached was to "suspend the operations manager".

## 5. Analysis of findings

### 5.1 Perceived pressure

Pressure was identified as a major cause of the recent rise in staff-related fraud cases. For instance, in the reported Case 5, involving an overage suppressed by the operations manager, the researchers found that the operations manager had contracted so many loans with monthly repayment amounts accumulating to 98 per cent of his monthly salary. The head of credit for the bank indicated that:

The bank strictly complies with Bank of Ghana (BOG) regulations which requires a maximum loan repayment amount of up to 40% of individual's disposable income, however because the bank would not give loans above that limit, staff use other means to obtain loans from other microfinance institutions. These institutions do not have the capacity to check borrower's limit before disbursing the loans.

Further checks from the audit unit revealed that, aside from his loans with the bank which represented 40 per cent of his disposable income, he had contracted loans with SM Microfinance and EMWL Microfinance, both with huge repayment schedules. It was noticed that the repayment cheques for the microfinance companies were usually returned due to insufficient balance. In an interview with the CO of the branch, she explained that:

The operations manager had contracted so many loans to do several personal projects which were not yielding the needed returns. He has bought two houses and three commercial cars to use as "trotro" (taxi business). This has put pressure on his finances. We usually observe that at the end of each month "macho men" (well-built men) visited the branch for their monies from the operations manager.

These clearly show that the operations manager was under intense financial pressure due to the profligate lifestyle he was living.



In the case of security suppression (reported Case 4), the researchers found that Mr OOO had contracted a loan from Safe Microfinance. This was aside from his personal loan from the bank. In total, his loan repayments on monthly basis represented 60 per cent of his disposable income. The researchers could not find what the loans were used for, but the loan repayments had put intense pressure on Mr OOO.

Furthermore, the researchers found that Mr RRR in reported Case 3 had also contracted a loan from TF Financial Services aside from his personal loan. With both loans, his debt service ratio had exceeded the BOG acceptable threshold of 40 per cent.

It is therefore clear from these analyses that financial pressure was at the root of these fraudulent behaviours, thereby lending credence to the proposition in Cressey's fraud triangle framework regarding non-shareable pressure being a cause of fraud.

### *5.2 Perceived opportunity*

Internal control systems are usually put in place to safeguard bank assets, ensure that policies and procedures are running as planned and prevent, detect and correct fraud and irregularities. When controls are inadequate or ineffective, individuals can circumvent them to commit fraud. From our review of Reported Case 1, we found that controls put in place to prevent users from processing their own transactions in respect of the Mobile Money platform were inadequate. Also, because most tellers were using the same access, accountability was difficult. Due to the poor control of tellers processing their own transactions, Mr TTT on several occasions fraudulently transferred funds into his mobile phone without paying. He identified the lapses in the controls and used them to his advantage.

Similarly, under reported Case 5, the CO's incomplete handover notes provided the opportunity for the operations manager to suppress the money for more than three months. The researchers enquired from the head of internal controls why the internal control unit could not detect the overage earlier. He explained thus:

Cluster control officers are employed to review general ledger on daily basis and compare with the cash report approved by the operations managers. However, in that specific case, the cluster control officer had resigned and the unit was in the process to replace her. A temporary officer sent to the branch for such review was new to the branch and as such could not conduct an extensive review of the activities. He was reprimanded for his failures.

Under reported Case 3, it was noted that Mr RRR could continue his fraudulent activities because he worked for almost five years without going on leave. Regular vacation is a control that is put in place to uncover irregularities and fictitious activities of employees while at post. The human capital unit of the selected bank as well as the internal control unit could not effectively ensure that all individuals go on their earned annual leave in line with the bank's control systems and policies. When asked, the internal auditor stated thus:

The long service of Mr RRR without leave was identified after the audit of the business office in 2014. Upon reviewing the report, the COO immediately ordered for him to proceed on leave. Two weeks into his leave, customers came to inquire about their non-existing investment deposit with the bank. This triggered the investigation into his fraudulent practices and one week into the investigation, 14 customers reported similar grievances.

From the reported Case 2, the researchers found that loan application procedures that were in place at the time of the fraud were inadequate, and thus created opportunity for such fraudulent cases to occur. First, the use of paper approval where the bank only requires the signature of the HRM of VRA to process a credit facility is deficient considering that signature forgery in the country is generally high. Also, the failure of the control officer to

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physically confirm with the HRM is a key control deficiency that resulted in the fraudulent transaction.

The foregoing analysis again reinforces Cressey's theses that opportunity is a significant cause of fraud, as there were clear opportunities that were exploited by the employees to engage in stated fraudulent behaviours.

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### *5.3 Rationalization*

As discussed in the literature review, rationalization represents the justification of users' fraudulent actions to create a moral or acceptable reason for the fraud. It is a justification of the fraud as being normal and acceptable. It is easier to rationalize one's action and its continuity fuels one's quest to involve more and more in fraud, making it the soft but dangerous tenet of Cressey's (1973) fraud triangle theory. In other words, after continuous rationalization, individuals may not require lapse in controls or financial pressure to commit fraud but would make a conscious effort to find a loophole in the control system and perpetrate the fraud.

The researchers found several instances of rationalization, first under reported Cases 1 and 5 which involve Mr PPP, he justified his action that the bank had failed to take care of his medical bills after he was involved in an accident while on duty. In an interview with the country chief inspector, he highlighted that:

Mr PPP was involved in an accident three years ago, when he was required to open and supervise vault operations one weekend for the bullion services to work. The bank has a mutual health insurance for all staff, but after a few visits to the hospital, the doctor's report could not determine exactly what was wrong, as such Mr PPP resorted to the use of unaccredited herbal doctors and medicine which the bank could not verify and pay. After his dismissal, he has taken the bank to court and the bank is currently considering settling the matter out of court.

The continuous rationalization by Mr PPP fuelled his financial pressure to perpetuate the two cases of fraud reported above.

With respect to reported Case 3, Mr RRR had justified his action claiming he did nothing wrong because the rates of interest the customers were requesting for the deposit were above the bank's rate of deposit. From a review of the disciplinary committee meetings, he was quoted as having said that:

The bank was unable to accept customers term deposits because of low rates, I am willing to give the customers rates above the banks approved rates.

Based on this justification, Mr RRR did not see anything wrong in suppressing customer deposits to the bank and personally taking the deposits, investing the funds in a real estate business and paying the customers higher interests when investments mature.

Similarly, under reported Case 1, Mr TTT justified his actions by claiming that as the operations manager (Mr PPP) has been ordering him to transfer MTN Mobile Money (MM) without payment, he felt there was nothing wrong because he intended to pay later.

The analyses under this heading reveal that when employees are able to rationally explain the fraudulent behaviour as normal, they are fortified to continue in such acts, and fail to see anything wrong with that. This is consistent with Cressey's proposition that rationalization emboldens individuals to continue in their fraudulent behaviour.

## **6. Discussion of findings**

### *6.1 Antecedents of staff-related fraud in the banking industry*

The presentation of the findings from the lenses of Cressey's fraud triangle theory has provided clear insights on the causes of fraud among bank employees in Ghana. Specific

issues emerging from the findings indicate that within the overall categorizations by Cressey (1973), perceived pressure for bank staff mostly emanates from the contraction of huge loans to improve and maintain profligate lifestyles that create loan repayment burdens based on the repayment amounts. It is instructive to note that most of the staff involved had contracted huge sums of loans that have high repayment amounts usually beyond the BOG acceptable ratio of 40 per cent. As these funds are not used in productive ventures, their repayment becomes a burden on bank staff's salary for the repayment period. The longer the repayment period, the more likely the staff would be pressured to engage in fraud to keep up. These findings are consistent with earlier findings by Omar *et al.* (2016), who highlighted that staff-related fraud is mostly caused by individual lifestyle. However, the analyses above provide more insights to show that the inherent cause of fraud from the perspective of non-shareable pressure for bank staff is the contraction of huge loans to manage and maintain expensive lifestyles. These findings present an important avenue for banks in Ghana to critically look at loans contracted by their staff both internally and externally to ensure that they are within approved limits.

Furthermore, the inherent failures in the internal controls instituted by banks to prevent frauds were also critical in causing bank-related staff fraud in Ghana, as shown by the analyses of findings. Consistent with the findings of Farooq and Brooks (2013), Omar *et al.* (2016) further reiterated that the poor controls in different forms provide opportunities for potential fraudsters to commit fraud. The apparent lack or inadequacy of controls offered many of the fraudsters reported in the cases above the chance to perpetrate fraud despite strict policy of the bank against all forms of fraud.

Although the findings presented did not show so much rationalization by the bank staff, the few highlighted indicate that when staff are aggrieved by one or more actions of their employer, they can go to the length of committing fraud and justify their actions to feel relieved.

### *6.2 Consequences of staff-related bank fraud*

The description of the cases above explains why the selected bank has put in place punitive measures to curb staff-related fraud. Majority if not all the perpetrators' and accomplices' frauds are usually dismissed, as is observed in the reported cases. This is in line with the bank's policy of zero tolerance for fraud and is consistent with extant analysis by Zahra *et al.* (2005), which highlights that employees who commit fraud are often hit the hardest, explaining that fraud can cause these employees to lose their jobs, their retirement savings and their reputations. The damage to their reputation often taints their resume and makes the search for alternative employment difficult. This is shown in reported Case 2. Even though the perpetrator had already left employment with the bank, his new employers also dismissed him and he was further reported to the central bank. The report to the central bank will ensure that such a person would not ever get employed in a financial industry in Ghana.

These actions of fraud also put a dent on the bank's image and damages the bank's relationship with customers and also reduces the wealth of shareholders in the process. If the fraud committed by staff affects a customer's bank balance, the bank usually pays off the customers to maintain its reputation and relationship with the affected customer. This is also consistent with the findings of Zahra *et al.* (2005), which show that shareholders and debt holders usually have a financial loss in cases involving employee fraud. The refund of the stolen funds to customers reduces the wealth of the shareholders in the short term and long term.

## 7. Conclusions and recommendations and future research

Staff-related fraud in the bank is an issue that is critical to competitiveness and survival in a highly competitive industry. However, this area of fraud has not been researched extensively, mostly because of the confidential nature of the industry and the consequential issue of data gathering. Fraud in the banking industry has devastating consequences for the employees involved. Despite the consequences and the measures put in place by banks to curb such practices, some employees nonetheless practise the despicable acts. It is therefore necessary to do critical analyses of the nature of these fraudulent acts to understand their causes to influence future actions by banks.

The discussion of the findings shows that loans with huge repayment amounts contracted from microfinance institutions with few checks and balances by bank staff greatly influence bank employees' propensity to commit fraud. These loans are mostly contracted to manage or maintain expensive lifestyles. To effectively reduce the cases of staff-related fraud and potentially fraud in general, financial institutions should critically monitor the loans contracted by their employees to ensure that they are within acceptable limits. The central bank can greatly influence this by providing a collaborative platform for accessing loans contracted by bank employees in all financial institutions (whether banks or small microfinance institutions).

Banks also need to improve their systems of controls in all areas of business processes to ensure that employees are not afforded the opportunity to perpetrate fraud which will impose a dent on the bank's image and reduce the bank's value to its shareholders.

Future studies can analyse the causes using some other theoretical lenses such as the framework presented by Zahra *et al.* (2005). Their framework can provide different analysis of the antecedents and consequences of fraud especially related to management fraud.

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#### Further reading

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