Fraud: A Negative Catalyst to Bank Growth

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Abstract: This study investigates the impact of fraud on the growth of Nigerian banks, highlighting how fraudulent practices hinder sustainable development in the financial sector. Using secondary data from published financial reports between 2013 and 2023, the study employs regression analysis to assess the correlation between the prevalence of fraud and indicators of bank growth. This study has empirically examined the impact of various types of fraud on the growth of Nigerian banks, measured by total bank assets. The findings reveal that certain fraud types—specifically online/web fraud and cheque fraud—have a significant negative effect on bank growth, confirming their role as detrimental factors in the banking sector. Conversely, some forms of fraud, such as automated teller machine fraud and total amount lost, surprisingly show a positive association with bank growth, which may indicate underlying complexities or anomalies that warrant further investigation. The study recommends stronger internal control systems, and enhanced regulatory oversight to mitigate the rising incidence of fraud. This research provides policy-relevant insights into curbing fraud as a means to promote financial sector growth in Nigeria.

Keywords: bank growth, fraud, financial crime, Nigeria, internal control, financial sector, regulatory oversight.

1. INTRODUCTION

Fraud has become an endemic issue in Nigeria's banking sector, significantly affecting its integrity, profitability, and long-term growth. As financial institutions increasingly adopt digital technologies and expand their operations, the sophistication and frequency of fraudulent activities have also intensified. Fraud in banks manifests in various forms—ranging from internal embezzlement, identity theft, cyber fraud, and unauthorized transactions, to collusion between insiders and external actors (Olatunji & Akinboade, 2022). These fraudulent practices do not only result in substantial financial losses but also erode public confidence, which is crucial for the sustainability and expansion of any financial institution.

The Nigerian Deposit Money Banks (DMBs) have consistently recorded high numbers of fraud cases annually. According to the Central Bank of Nigeria (CBN, 2023), banks in Nigeria lost over ₦12.77 billion to fraud-related activities in 2022 alone—a 45% increase from the previous year. The majority of these losses were attributed to electronic fraud, often facilitated by inadequate cybersecurity infrastructure and weak internal controls. This trend threatens the stability of the banking system and impedes efforts towards financial deepening and economic development.

The growth of banks—measured in terms of profitability, market share, customer base, and capital adequacy—is negatively influenced by persistent fraudulent activities. Fraud introduces operational inefficiencies, reduces available capital for lending, and increases reputational risk (Adebayo & Sanni, 2021). In addition, frequent fraud cases compel banks to allocate significant resources toward risk management and litigation, thereby reducing funds available for investment and innovation.

Several scholars have highlighted the destructive impact of fraud on bank performance in Nigeria. For instance, Musa and Eze (2023) demonstrated that a higher incidence of internal fraud correlates with declining return on equity (ROE) and return on assets (ROA). Similarly, Nwankwo and Ogunleye (2020) found that bank branches with weak compliance frameworks experience more frequent fraud attacks and lower customer retention rates.

Furthermore, the growing concern about financial fraud in Nigeria has led to intensified regulatory scrutiny. The Economic and Financial Crimes Commission (EFCC), in collaboration with the Nigerian Financial Intelligence Unit (NFIU), has prosecuted numerous bank-related fraud cases, yet the rate of recurrence suggests that structural issues—such as poor corporate governance, insufficient employee vetting, and outdated IT systems—remain largely unaddressed (Uche & Okoli, 2024).

This paper seeks to investigate the extent to which fraud impedes the growth of Nigerian banks by analyzing recent trends, causes, and consequences. It also aims to identify strategic interventions that can help mitigate fraud-related risks and promote a more resilient and growth-oriented banking sector. By empirically examining the link between fraud and bank performance using current data and theoretical insights, this study contributes to the discourse on financial stability and institutional governance in developing economies like Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Fraud in banking involves intentional deception for personal gain, often through misrepresentation, concealment, or abuse of processes. It includes cyber fraud, embezzlement, loan fraud, ATM card fraud, and identity theft.

Online/Internet/Web Fraud

Online fraud, also known as cyber fraud, is among the most prevalent and fastest-growing forms of financial crime in Nigeria today. It involves the use of digital platforms and internet tools to perpetrate fraudulent activities. Fraudsters exploit weaknesses in banking systems, social engineering tactics, and users' lack of cybersecurity awareness to steal sensitive information such as account credentials and card numbers. Common methods include phishing emails, fake bank websites, fraudulent investment platforms, and romance scams.

According to the Nigeria Inter-Bank Settlement System (NIBSS, 2024), online fraud accounted for approximately 94% of all attempted fraud cases in 2023, with mobile and web platforms being the most targeted channels. These schemes are often difficult to detect due to the anonymity of the internet, cross-border collaboration of cybercriminals, and the speed of digital transactions. The rise of online fraud is attributed to increased mobile and internet banking adoption, especially following the COVID-19 pandemic. Moreover, the proliferation of digital financial services without corresponding improvements in user education and cyber-risk management has created fertile ground for fraud.

Automated Machine Fraud

Automated machine fraud refers to fraudulent schemes involving automated teller machines (ATMs), point-of-sale (POS) terminals, and other self-service banking devices. This type of fraud typically includes card skimming, cloning, cash trapping, and malware attacks. In Nigeria, ATM and POS-related frauds remain persistent, especially in urban areas with high transaction volumes. Fraudsters often use skimming devices to read and store the card details of unsuspecting users. Some go further by installing miniature cameras to capture PINs during withdrawals.

The Central Bank of Nigeria (CBN, 2024) reported that ATM and POS frauds comprised 6.9% of total electronic banking fraud in 2023. Although the proportion appears smaller compared to online fraud, the frequency and financial impact per case remain concerning. In many instances, internal bank staff or POS operators are complicit, helping fraudsters bypass security measures. Efforts to combat this form of fraud include the use of EMV (Europay, MasterCard, and Visa) chip-enabled cards and biometric verification. However, gaps in infrastructure and enforcement continue to pose challenges.

Number of Reported Cases

The number of fraud cases reported by Nigerian financial institutions has seen a consistent increase over the past few years. Fraud reporting mechanisms have improved, but the volume and diversity of fraudulent incidents show the scale of the challenge facing the sector. According to the Nigeria Deposit Insurance Corporation (NDIC, 2024), banks in Nigeria reported over 120,000 fraud-related cases in 2023, representing a 23% increase from the 97,000 cases reported in 2022. These cases ranged from online and ATM fraud to insider abuse, fake document submissions, and identity theft. This rise is driven by factors such as digital expansion without adequate controls, increased economic hardship, unemployment (which makes individuals susceptible to crime), and weak internal banking controls. Moreover, many fraud cases go unreported by customers, meaning the actual numbers may be higher than official data suggests.

Total Amount Lost

While the number of fraud cases is alarming, the financial losses suffered by Nigerian banks are even more concerning. The cumulative impact of fraud has a direct effect on financial performance, investor confidence, and the integrity of the financial system. Data from the Nigeria Inter-Bank Settlement System (NIBSS, 2024) shows that over ₦9.5 billion was lost to fraud in 2023 alone. This figure represents a significant increase from the ₦5.7 billion lost in 2022. The losses cut across different fraud categories, with online fraud accounting for the highest percentage of losses. Interestingly, only about 15% of the stolen funds were recovered in 2023, highlighting the challenge of reversing digital transactions once completed. The low recovery rate reflects the advanced nature of these schemes, poor inter-agency collaboration, and limited technological capacity for traceability.

Cheque Fraud (Forged Cheques)

Cheque fraud involves the manipulation of legitimate cheque instruments or the creation of counterfeit ones to illegally withdraw funds from an account. It includes forgery of signatures, alteration of cheque values, and the use of stolen or cancelled cheques. While the use of cheques has significantly declined due to digitization, cheque fraud still poses a serious risk, especially among businesses and public institutions. Forged cheques are typically used in high-value corporate transactions, making each successful case highly detrimental. The NDIC (2024) reports that although cheque fraud now accounts for less than 2% of total bank fraud cases, the average loss per incident is much higher compared to digital frauds. This is because cheque transactions often involve substantial amounts and institutional accounts. Preventive measures include multi-signatory requirements, real-time verification systems, and the transition to digital payments. Nonetheless, the persistence of cheque fraud reflects the ongoing vulnerabilities in paper-based financial transactions.

2.2. Bank Growth

Bank growth can be refers to the expansion of banking operations, banks' assets, or profitability. Banks' assets can be banks' loans and advances, cash, investment, equipment as well as banks' branch networks; that is, anything the banks owned and uses to generates income and profit. Profitability is the returns from operations. The indicators used in assessing bank profitability are the Return on Asset (ROA), Return on Equity (ROE), Net Interest Margin (NIM) and Leverage or Equity Ratio (EQR). According to Osazee (2008), financial profitability involves measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's Return on Investment (ROI), Return on Asset (ROA), Return on Equity (ROE) and Value Added (VA). These offer clues about the banks' ability to take risks and expand business. Bank growth can also be refer to as the overall growth of the banking sector in a particular economy. Several factors can drive bank growth; this includes economic expansion, increased lending, technology advancements and effective marketing strategies.

In this study, we will use bank total asset as proxy for bank growth. And since bank's asset generates operational expansion and profits, the study thus will examine if frauds and fraudulent activities can affects banks' growth.

2.3 Theoretical Framework: The Fraud Triangle Theory

The Fraud Triangle Theory, developed by criminologist Donald R. Cressey (1953), remains one of the most widely used theoretical models to understand the underlying causes of fraudulent behavior within organizations, including banks. According to this theory, three critical elements must be present for an individual to commit fraud: pressure, opportunity, and rationalization. The theory suggests that fraud is not simply an issue of morality, but a function of situational factors that converge to make unethical actions more likely.

Pressure (or Incentive) Pressure refers to the motivating force or perceived need that drives an individual toward committing fraud. In the banking sector, such pressures may include financial strain, personal debt, lifestyle demands, or even performance expectations set by employers. For instance, employees under pressure to meet sales or lending targets may manipulate financial statements or engage in unauthorized transactions (Olatunji & Akinboade, 2022). In Nigeria, rising inflation and economic hardship have been shown to increase employee susceptibility to fraudulent activities, particularly in environments lacking strong support and oversight systems (Musa & Eze, 2023).

Opportunity : Opportunity arises when an individual perceives a low risk of detection or punishment due to weak internal controls, lack of oversight, or institutional inefficiencies. Nigerian banks, particularly those with outdated IT infrastructure or poorly structured audit systems, are especially vulnerable to fraud opportunities (Adebayo & Oke, 2022). According to the CBN (2023), over 60% of reported bank frauds in recent years involved some level of internal collusion, often due to

insufficient segregation of duties and access control failures. In this context, opportunity becomes the most controllable leg of the fraud triangle because it is shaped by organizational policies, technological safeguards, and governance practices.

Rationalization: Rationalization refers to the justifications or self-serving narratives individuals use to internally validate fraudulent behavior. Perpetrators may convince themselves that they are "only borrowing," "deserving of compensation," or that "everyone is doing it." In many Nigerian banks, rationalization may be reinforced by a toxic workplace culture, poor leadership example, or lack of accountability, which normalize unethical conduct and make fraud seem acceptable or even necessary for survival (Ezeani & Bello, 2022).

2.4 Empirical Literature Review

A growing body of empirical literature has explored the implications of fraud on the financial performance and growth of banks, particularly in emerging economies like Nigeria where institutional weaknesses and regulatory gaps exacerbate the problem. Researchers have increasingly emphasized the adverse effects of fraudulent activities on profitability, capital adequacy, loan performance, and stakeholder confidence.

Owolabi and Ijeoma (2020) examined the relationship between fraud and bank profitability in Nigeria using time series data from 2008 to 2018. Their findings revealed a significant negative correlation between the number of fraud cases and banks' return on assets (ROA), suggesting that fraud erodes operational efficiency and financial stability. They further noted that insider-related frauds had the most damaging impact, often going undetected due to collusion and weak internal controls.

Adebayo and Oke (2022) conducted a panel data analysis on 15 listed commercial banks in Nigeria between 2011 and 2020. Their study found that a 1% increase in reported fraud cases led to a 0.78% decline in profit before tax. They concluded that fraud not only reduces revenue but also increases reputational risk and legal expenses, both of which hamper long-term growth. Similarly, Musa and Eze (2023) highlighted that fraud contributes to diminishing shareholder value by reducing the earnings retained for reinvestment and expansion.

In another study, Uzochukwu and Nwosu (2021) investigated the relationship between electronic banking fraud and customer deposit growth. They observed that repeated fraud incidents led to significant withdrawals by customers, resulting in liquidity shortages and reduced bank credit creation. Their results underscored the importance of cybersecurity investment and robust authentication systems in mitigating fraud and fostering bank growth.

In the broader African context, Muriithi and Kamau (2020) assessed fraud risks in Kenyan and Nigerian banks, revealing that both countries face systemic challenges including poor staff training, outdated technology, and regulatory lapses. They concluded that banks that invested in automated anti-fraud detection systems recorded a 23% improvement in financial performance compared to those using manual processes.

On the regulatory front, Okafor and Chijindu (2023) analyzed the effect of compliance with anti-fraud regulations issued by the Central Bank of Nigeria and the Nigeria Financial Intelligence Unit (NFIU) on bank growth. Their regression analysis showed that regulatory compliance had a statistically significant moderating effect, reducing the negative impact of fraud on banks' asset growth.

Furthermore, Ezeani and Bello (2022) explored the impact of employee ethics and fraud reporting mechanisms on the incidence of fraud in Nigerian banks. Their empirical findings confirmed that a well-structured whistleblower system significantly reduces internal fraud and improves managerial accountability, both of which are essential for sustainable bank growth.

More recent work by Uche and Okoli (2024) emphasized the macroeconomic implications of unchecked financial fraud in the banking system. Using structural equation modeling (SEM), they established that fraud indirectly affects national economic growth through its negative impact on credit supply, savings mobilization, and investment confidence.

In a similar study, Cumming, Lewellen, Mclatire, Moore & Trzeciak (2017), studied 67 insiders' as well as 13 outsiders' fraud cases also in the USA banking industry from 2010-2017, and the following findings amongst others were revealed:

i. That there were evidences of abuses of privilege either by present authorized insiders or related insiders who have had authorized access, and

ii. That the cases involving managers and executive positions were more damaging, and that it took a long time period before detection.

In addition, Funso and Temitayo (2018)**,** investigated the impact of frauds on the performance of deposit money banks (DMBs) in Nigeria. The study covered the periods of 1994 to 2015 and adopted bank deposit as the dependent variable while the one period lagged value of bank deposit, amount involved in reported fraud cases, expected amount lost to fraud and the number of staff involved in fraud as the independent variables. By applying the Generalized Method of Moment (GMM) estimator, the study outcome revealed that the amount involved in fraud cases, the expected amount lost to fraud and the number of staff involvement have a negative and significant influence on deposit money banks' (DMBs) performance in Nigeria

In the same view, Muritala et al., (2020), examined frauds and bank performance in Nigeria. applying data obtained from 2000 t0 2016 on a granger causality test, and other econometrics tests, findings revealed that frauds activities in the banking sector affect performance through profits reductions.

On frauds perpetrators, Wanjohi (2018), examine frauds in the Kenyan's commercial bank of Africa. By employing descriptive statistical analysis with the used of online questionnaire on staff respondents, 68 staff representing 33% of the population revealed that fraud in banks are perpetrated mostly by staff employees while third party fraud was second.

Similarly, Albrecht (2017), in his study examined insider abuse in government entities and private companies. The outcome of the study revealed that those who commit fraud are typically perceived to be honest, and have earned trust in the organization. He introduced the term ''fraud triangle'' to combine the three conditions Cressey (1950) found necessary to motivate insider abuse: perceived pressure, opportunity and rationalization. According to Albrecht (2017), there are many ways in which insider abuse are carried out within an organization; these are categorized into three: receipt fraud, theft of asset and disbursement fraud. Receipt fraud can be accomplished by stealing duplicated payments, stealing payments on bad debts or creating accounts while stealing receipts. Theft of asset can be accomplished by, for example, theft of cash inventory and fixed assets as well as using company assets for personal use. Perhaps the most elaborated insider abuses are designed to steal using disbursements made by the company. Example of disbursements fraud include vendor fraud in which an employee arranges to overpay a vendor in return for cash kickbacks and/or other gifts from the vendor; payroll frauds, in which ghost employees are paid and health claim fraud. In terms of impact, Albrecht (2017),thus concluded that business losses due to disbursement fraud exceed the combined losses from receipt fraud and asset theft.

Meanwhile, there are some studies that revealed the causes of fraud and fraudulent activities in our banking sector. For example, Povel, Singh and Winton (2017), in their study examine poor performance as a cause of financial statement fraud by firms. According to Povel et al., (2017) model, poorly performing firms engaged in fraud to mask their true condition so as to attract investors. In the model, invested funds allow for project finance that also confers benefits to the firm manager. Investors can choose to rely on public available information or more costly monitoring of firms when deciding whether or not to invest in firms, because they base their prior beliefs about firms' conditions on the average number of financial sound firms, that is, become optimistic. Since investors will monitor companies with poor performance and are less likely to invest in these firms, thus poorly performing companies have an incentive to misrepresent their financial condition when overall economic conditions are good.

Similarly, Sang (2021), investigated the development of frauds control measures in selected commercial banks in Kenya. The author used questionnaire on 89 staff selected among the staff from the selected commercial banks . applying descriptive statistical analysis, the study outcome revealed that the effectiveness of internal control measures was undermined by non-adherence to dual control aspects and the lack of sufficient time to undertakes the various periodic tests diligently. The study therefore recommended the need to established a comprehensive fraud mitigating measures against external frauds at the cashier department, more enforcement of compliance with frauds mitigating methods, an increase in staff members in any operational areas and life style auditing among the bankers to detect frequent frauds occurrence among the bankers.

Summary of Empirical Literature and Research Gap

From the various empirical literatures that were reviewed in this study, it became clear that there are no uniformity in the approaches in terms of the dependent variable, as well as in the methodologies adopted in the studies. For instance, Aruonoaghe and Ikyume (2015), examined fraud as a challenge to accurate financial reporting in Nigerian banks, while Uchenna and Agbo (2013), Afayi (2014), and Odi (2014), evaluate the impact of fraud and fraudulent practices on bank performance, among others. Also, none of the works reviewed used the variable (bank growth) as a variable for analysis; and all the studies reviewed outcomes revealed a negative results.

Taken together, these empirical studies consistently affirm that fraud is a major obstacle to the growth and performance of banks in Nigeria and other developing economies. However, they also point to effective solutions such as improved corporate governance, technological innovations, and regulatory enforcement that can help mitigate the adverse effects of fraud and promote resilience in the banking sector. In terms of the methodologies used, while some adopted descriptive research design, others utilized ex-post Facto research design and applied OLS regression for data analysis. There is thus divergence in approaches and methodologies, thus the gap in the study.

3. METHODOLOGY

3.1 Research Design

This study adopts an explanatory research design using multiple regressionl data to assess the impact of fraud on bank growth in Nigeria. Secondary data sources were employed to ensure a comprehensive analysis of the relationship between fraudulent practices and banking performance indicators.

3.2 Data Sources and Collection

Secondary data were sourced from the annual financial reports of selected commercial banks, the Central Bank of Nigeria (CBN), and Nigeria Deposit Insurance Corporation (NDIC) fraud reports spanning from 2013 to 2023.

3.3 Estimation Technique

A multiple regression model was used to examine the relationship between fraud occurrences (measured by number of reported fraud cases and fraud losses) and bank growth indicators.

3.3 Model Specification

The model for the study is derived from the general form:

$$Y = a + bx \qquad \text{……………..equ. 1}$$

Where:

Y = dependent variable,

a = constant,

Drawn from equation 1, this study adopts and adapts the model used by (Adebayo and Oke 2022; Nwankwo 2013), They examined the impact of financial fraud on the performance of Nigerian deposit money banks using a panel regression framework. Their work provides a relevant foundation, especially in terms of variable operationalization and estimation techniques suitable for the Nigerian banking environment. Their model thus is presented as:

represented as:

$$Eps = a_0 + a_1 ATMfraud + a_2 wF + a_3 cf + u \qquad \text{…..……equ.2}$$

Where:

Eps = earnings per share,

a_0 = constant terms,

$a_1 - a_3$ = coefficients of the independent variables,

ATMfraud = automated teller machine fraud,

Wf = web fraud,

Cf = cheque fraud (forged cheque), and

u = error term.

Following their empirical strategy, this study specifies a model that incorporates fraud incidences,

The adapted model of this study is specified in functional form as follow:

$$BTA = F(OLf, ATMf, NFC, TAL, CHf) \qquad \text{…….. equ.3}$$

Where:

BTA	=	bank total asset,
OLf	=	online/internet/Web fraud
ATMf	=	automated machine fraud,
NFC	=	number of reported cases.
TAL	=	total amount lost, and
CHf	=	cheque fraud (forged cheque),

The linear equation or the operational form of the model is given as:

$$BTA = a_0 + a_1\,OLf + a_2 ATMf + a_3\,NFC + a_4\,TAL + a_5\,CHf + u \qquad \text{..........equ.4}$$

a_1, a_2, a_3, a_4, a_5 of are the coefficient of the variables to be estimated

Apriori expectation are $\beta_1 <_0, \beta_2 <_0\ \beta_3 <_0\ \beta_4 <_0\ \beta_5 <_0$. The a priori expectation all have negative sign.

ORDINARY LEAST SQUARES MULTIPLE REGRESSION

Dependent Variable: BTA
Method: Least Squares
Date: 29/06/2025   Time: 12:10
Sample: 2010Q1   2023Q4
Included Observations: 56 after adjustments
Convergence achieved after 8 iterations

Variables	Coefficient	Std. Error	T-Statistic	Prob.
C	-5194.593	1007.579	-5.155517	0.0000
OLF	-196.4728	29.89355	-6.572413	0.0000
ATMF	71.38304	48.80172	1.462716	0.0511
NFC	-79.61600	51.51783	-1.545407	0.1339
TAL	8647.147	1440.573	6.002573	0.0000
CF	-0.056642	0.021606	-2.621588	0.0144
AR(2)	-0.437064	0.180082	-2.427031	0.0222
R-squared	0.814144	Mean Dependent var		878.8189
Adjusted R-Squared	0.779727	S.D. dependent var		943.0831
S.E. of regression	442.6198	Akaike info criterion		15.18627
Sum of squared resid	5289632.	Schwarz criterion		15.45836
Log likelihood	-244.5734	Hannan-Quinn Criter		15.27782
f-Statistic	23.65482	Durbin-Watson Stat		1.724278
Prob(f-statistic)	0.000000			

Online/Web Frauds (OLF)

From Table 3.1 above, the summary of the regression results shows that when the value of respective independent variables are held constant at zero value, the average value of the variable Bank total assets -15194.593 units. This is not consistent with the a'priori expectations. The constant is expected to be positive.

The variable Online/Web Frauds (OLF) is in line with the study's a priori expectation, which says that increase in OLF, will lead a decrease in Banks total assets a proxy for bank growth.

The value of the coefficient of the variable is negative, indication that a unit increase in variable Online/Web Frauds will lead to -196.4728 decrease in BTA. The probability value is 0.0000, indicating that it is highly statistically significant.

Automated Teller Machine Fraud(ATMF)

The variable Automated Teller Machine Fraud (ATMF) has a positive   sign which implies that the relationship between ATMF and BTA is direct. This is not consistent with the theoretical expectation of this study which says increase in Automated Teller Machine Fraud will lead to a decrease in Banks total assets.

From the result, a unit increase in ATMF will lead to an increase in BTA by 71.38304. The probability value is 0.0511, indicating that it is statistically significant.

Number of Fraud Cases (NFC)

 The variable Number of Fraud Cases (NFC) is in line with the study's a priori expectation, which says that increase in NFC, will lead a decrease in Banks total assets a proxy for bank growth.

The value of the coefficient of the variable NFC is negative, an indication that a unit increase in variable Number of Fraud Cases will lead to -79.61600 decrease in BTA. The probability value is 0.1339, indicating that it is not statistically significant.

Total Amount Lost (TAL)

The variable Total Amount Lost (TAL) has a positive   sign which implies that the relationship between TAL and BTA is direct. This is not consistent with the theoretical expectation of this study which says increase in Total Amount Lost will lead to a decrease in Banks total assets.

From the result, a unit increase in Total Amount Lost will lead to an increase in BTA by 8647.147. The probability value is 0.0511, indicating that it is statistically significant.

Cheque Fraud (forged cheque)

The variable **Cheque Fraud** conforms to the study's initial a priori expectation, which posits that an increase in cheque fraud leads to a reduction in the bank's total assets, serving as a proxy for bank growth. The coefficient associated with this variable is negative, indicating that a one-unit increase in cheque fraud results in a -0.056642 decrease in total bank assets. Furthermore, the probability value of 0.0144 demonstrates that this effect is statistically significant.

From table 3.1 above, the coefficient of determination (R^2) is *0.814144* this means that that 81 percent of the total variation in bank growth proxy by Banks total assets is explained by changes in the independent variables when the coefficient of determination is adjusted for degree of freedom. This implies that 19 percent is unexplained due to error term. The F-Statistic is highly significant at 1% level of significance with the pro-value of *0.000000*, the model has a goodness of fit as shown from the probability value. Durbin Watson Statistic of *1.724278* indicates that there is absence of serial autocorrelation. Thus, we can say that the model has a high goodness of fit.

Policy Implications

The findings of this study have significant implications for policymakers, banking regulators, and financial institutions aiming to strengthen the Nigerian banking sector and promote sustainable economic growth. The negative impact of fraud particularly online/web fraud and cheque fraud on bank growth calls for urgent policy attention and targeted interventions.

Policymakers should prioritize the creation and enforcement of comprehensive anti-fraud policies that cover emerging digital threats alongside traditional fraud types. This includes updating legal frameworks to effectively address cybercrimes and ensuring that penalties for fraud are sufficiently deterrent. In addition, Regulatory agencies such as the Central Bank of Nigeria (CBN) should enhance their supervisory capabilities by adopting more proactive and technology-driven monitoring systems. This will enable early detection of fraudulent activities and prompt intervention before significant damage occurs.

 Effective fraud mitigation requires collaboration between banks, regulators, law enforcement agencies, and technology providers. Policies should encourage data sharing and coordinated responses to fraud incidents, creating an ecosystem of trust and resilience. Besides banks should be required by regulatory policy to implement and regularly update risk management frameworks tailored to fraud prevention, including the use of advanced data analytics and machine learning tools to identify suspicious transactions. By adopting these policy measures, Nigeria can mitigate the negative impact of fraud on the banking sector, safeguard depositor funds, and enhance the overall stability and growth potential of its financial institutions.

4. CONCLUSION

This study has empirically examined the impact of various types of fraud on the growth of Nigerian banks, measured by total bank assets. The findings reveal that certain fraud types—specifically Online/Web Fraud (OLF) and Cheque Fraud—have a significant negative effect on bank growth, confirming their role as detrimental factors in the banking sector. Conversely, some forms of fraud, such as Automated Teller Machine Fraud (ATMF) and Total Amount Lost (TAL), surprisingly show a positive association with bank growth, which may indicate underlying complexities or anomalies that warrant further investigation.

Overall, the model demonstrates a strong explanatory power, accounting for approximately 81% of the variation in bank growth. The robustness of the regression results and absence of serial autocorrelation reinforce the validity of these conclusions. These insights highlight the critical importance of fraud control as a catalyst for sustainable growth and stability in Nigerian banks, emphasizing that unchecked fraud activities can significantly undermine institutional performance and investor confidence.

5. RECOMMENDATIONS

Based on the study's findings, the following strategic recommendations are proposed to mitigate the adverse effects of fraud and foster resilient bank growth in Nigeria:

 Banks should invest in advanced cybersecurity measures and real-time fraud detection technologies, particularly targeting Online/Web Fraud, which has a statistically significant negative impact on growth. Besides, regular training programs focused on fraud awareness, identification, and ethical conduct should be institutionalized across all levels of banking staff to reduce vulnerability to cheque fraud and other internal risks. In addition, regulatory bodies need to enforce stricter compliance standards and conduct frequent audits to detect and deter fraudulent activities effectively. Besides, banks must adopt transparent reporting practices and establish robust internal control mechanisms to ensure that fraud cases are promptly identified, reported, and addressed. Moreover, the positive relationship between Automated Teller Machine Fraud and Total Amount Lost with bank growth suggests potential data or contextual complexities. Finally, banks should also engage customers in fraud prevention initiatives by educating them on safe banking practices, especially related to online transactions and ATM use. Implementing these recommendations will not only reduce fraud risks but also enhance the overall health and growth prospects of Nigerian banks, contributing to a more stable and trustworthy financial system.

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