

## EFFECT OF FORENSIC ACCOUNTING ON THE PERFORMANCE OF NIGERIAN BANKING SECTOR

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### ABSTRACT

*The paper examined the effect of forensic accounting on the performance of Nigerian banking sector. The data were gathered from sample of Guarantee trust bank and Access Bank Plc's annual reports and accounts for (12) twelve years (2006-2017). The research work made use of multiple regression method. Forensic audit (FAUD) was used as proxy for forensic accounting and the dependent variable, net profit margin (NPM), Profit after tax (PAT) and dividend per share (DPS) were used as independent variable using multiple regression technique, E-view 9.0 software package as tool for data analysis. The result of the analysis shows that forensic audit has significant effect on the net profit margin of selected Nigerian banks. It was also observed that forensic audit influences profit after tax of Nigerian banks. The study also revealed that forensic audit has significant effect on retained earnings and dividend per share of Nigerian banks. Based on the findings of this study, the researcher recommends that the management of the commercial banks should emphasize and enhance use of forensic financial information as this will help in increasing the profitability.*

**KEYWORDS:** Forensic accounting, Performance, Nigerian, Banking Sector

### 1.1 INTRODUCTION

Forensic accounting, which is likewise called investigative accounting or extortion review, is a merger of criminological science and accounting. Legal science as per Crumbley (2003) "might be characterized as utilization of the laws of nature to the laws of man" and alludes to measurable researchers as analysts and mediators of proof and realities in lawful cases and offers specialists' feelings with respect to their discoveries in the courtroom. The science being referred to here is accounting science, implying that the examination and understanding will be of monetary data.

Joshi (2003) characterized forensic accounting as the "utilization of particular information and particular aptitude to stagger up on the confirmation of monetary exchanges." Zysman (2001) puts scientific accounting as the joining of accounting, inspecting, and investigative

abilities. Basically, forensic accounting is accounting that is reasonable for lawful survey, offering the most abnormal amount of confirmation and including the now by and large acknowledged meaning of having been touched base at in a logical manner (Crumbley 2006). Coenen (2005) expressed that scientific accounting includes the use of accounting ideas and strategies to legitimate issues. It requests announcing where the responsibility of the misrepresentation is set up, and the report is considered as proof in the official courtroom or in the regulatory continuing (Joshi). It gives a accounting examination that is appropriate to the court, which will frame the premise of exchange, face off regarding, and eventually question determination (Zysman 2001).

This implies forensic accounting is a field of specialization that needs to do with the arrangement of data that is intended to be utilized as proof, particularly for legitimate purposes. The people honing in this field (i.e., legal accountants) explore and report money related misrepresentation and professional wrongdoings, for example, embezzlement and research charges of extortion; appraise misfortunes, harms, and resources; and break down complex monetary exchanges. They give these administrations to corpo-proportion, lawyers, criminal examiners, and the Government (Coenen 2005). Their commitment is generally designed for finding where the cash went, how it arrived, and who was dependable. They are prepared to look past the numbers and manage business reality of the circumstance (Zysman 2001).

## 1.2 STATEMENT OF PROBLEM

Fake exercises in a business bank setting may negatively affect the reasonability, execution, maintainability and notoriety of advertisements banks. Cheats in Nigerian business banks have displayed a lasting issue to the business saving money administration and controllers alike. The event of false exercises in the business saving money area has been archived in different examples. For instance, as of late, the volume and recurrence of false practices in Nigerian banks have been on the expansion. As indicated by the Nigeria Deposit Insurance Corporation (NDIC), the level of announced misrepresentation in Nigerian banks ascended from N804m in 1990 to N3, 199m out of 1998. Moreover, the extent of genuine/anticipated that misfortune would the sum associated with misrepresentation ascended from 3 for each penny in 1990 to 22 for each penny in 1998. Maybe one of the most elevated misrepresentation at any point detailed in a specific year by a Nigerian bank happened in 1998 when United Bank for Africa plc discounted N786m because of extortion (Uche, 2001). Overseeing Director, Nigeria Deposit Insurance Corporation (NDIC), Alhaji Umaru Ibrahim said - in 2012 alone, store cash banks detailed an aggregate of 3,380 instances of endeavored misrepresentation and imitations including N18.04 billion to the organization, an aggregate loss of N4.5 billion was recorded amid the year under survey (2012). This speaks to a 43.7 for every penny rise contrasted with 2,352 cases in 2011. Along these lines, in the main quarter of 2013, 983 instances of endeavored misrepresentation including N7.80 billion was accounted for, while the genuine misfortune for the quarter was N2.05 billion. Ibrahim stated, digital related misrepresentation examples represented 341 cases bringing about a real loss of N75 million in the main quarter of 2013 (NDIC, 2013).

Managing an account misrepresentation is an issue to different partners. In the first place, it lessens the gainfulness of a bank and this may prompt decreased firm esteem emerging out of low profits to investors. In the extraordinary case, it might debilitate the going worry of the business bank and this may affect adversely on investor riches. The contributors might be contrarily influenced by bank misrepresentation particularly in the event that it prompts a bank run. This may prompt colossal misfortunes on client stores. Because of banking extortion, some staff in the business has either been rejected, or has their arrangement ended

or rashly resigned. This implies some accomplished delivers the segments are lost because of their contribution in fakes and fabrications. The workers might be influenced by losing their activity if there should be an occurrence of twisting up or liquidation of a bank because of extortion.

Down turn in the Economy all in all, both the political and financial circumstance declined from terrible to more awful with naira seeing an uncommon downgrading of 1,300% inside five years. As at December 2008 and January 2009 the naira conversion scale with the remained between #149 to #150 per \$1. Devil at that point discovered employment as sit still hands were intended to take part in one sort of extortion or the other while "419, cocaine pushing, billion naira bank cheats", getting to be general highlights of our daily paper, Television and Radio features. (Ulokings back eco and occupations 2009)

Research on misrepresentation in business banks has gotten a great deal of academic consideration. A string of studies (Akindele, 2011);(Chi-Chi and Ebimobowei, 2012), Famous and Okoeguale,(2012),(Odi 2013) , have concentrated on the effect of extortion on business banks execution while another string has concentrated on the components affecting or fueling the event of misrepresentation (Idowu,2009),(Nwaze,2006), (Ovuakporie,1994), (Ogunleye,2010). In any case, none of these investigations have offered Forensic accounting as an answer for managing an account execution. This investigation contends that forensic accounting may have a part to play in keeping money execution. Along these lines, this investigation goes for inspecting the impact of legal accounting on the execution of Nigerian saving money segment.

### **1.3 OBJECTIVES OF THE STUDY**

The aim of this seminar paper is to evaluate the effect of forensic accounting on the performance of Nigerian banking sector. The specific objectives of this study include the following;

1. To examine the effect of forensic audit on the net profit margin of selected Nigerian banks.
2. To evaluate the effect of forensic audit on profit after tax of Nigerian banks.
3. To ascertain the effect of forensic audit on retained earnings and dividend per share of Nigerian banks.

### **1.4 RESEARCH QUESTIONS**

1. To what extent does forensic audit affect the net profit margin of selected Nigerian banks?
2. What are the effects of forensic audit on profit after tax of Nigerian banks?
3. To what extent does forensic audit affect retained earnings and dividend per share of Nigerian banks?

### **1.5 STATEMENT OF HYPOTHESES**

1. Forensic audit does not have any significant effect on the net profit margin of selected Nigerian banks.

2. Forensic audit does not have significant effect on profit after tax of Nigerian banks.
3. Forensic audit does not affect retained earnings and dividend per share of Nigerian banks.

## REVIEW OF RELATED LITERATURE

### 2.1 CONCEPTUAL FRAMEWORK

#### 2.1.1 FORENSIC ACCOUNTING

Maurice E. Peloubet is credited with building up the term scientific accounting in his 1946 paper "Forensic accounting: Its Place in Today's Economy." By the late 1940s, forensic accounting had demonstrated its value amid World War II; in any case, formalized strategies were not set up until the point that the 1980s when real scholarly investigations in the field were distributed (Rasey, 2009). Since the 1980s in some Western nations, especially in the USA, another calling in the field of accounting and examining has developed. This calling distinguishes a field made out of accounting, examining, and investigative abilities (Ozkul and Pamukc, 2012).

Forensic accounting is the strength region of the accounting calling which portrays commitment that outcome from real or foreseen question or suit. "Criminological" signifies "reasonable for use in an official courtroom," and it is to that standard and potential result that forensic accountants by and large need to work (Crumbley, Heitger and Smith, 2005). Forensic accounting is perceived as a specific type of expert mastery and blessed with particular characteristics; the acknowledgment originates from having a formal confirmation in forensic accounting which gives representative esteem (Williams, 2002).

Forensic accounting is a science managing the utilization of accounting certainties and ideas assembled through inspecting strategies, methods and techniques to determine lawful issues which requires the mix of investigative, accounting, and examining aptitudes (Arokiasamy and Cristal, 2009; Dhar and Sarkar (2010). Stanbury and Paley-Menzies (2010) express that forensic accounting is the art of social event and showing data in a frame that will be acknowledged by a court of statute against culprits of monetary wrongdoing. Hopwood, Leiner, and Young (2008) contended that scientific accounting is the utilization of investigative and diagnostic abilities to resolve monetary issues in a way that meets principles required by official courtrooms. Degboro and Olofinsola (2007) noticed that legal examination is about the assurance and foundation of truth in help of legitimate case. That is, to utilize scientific systems to recognize and research a wrongdoing is to uncover all its going to highlights and distinguish the offenders.

In the perspective of Howard and Sheetz (2006), forensic accounting is the procedure of deciphering, outlining and displaying complex monetary issues unmistakably, compactly and accurately regularly in an official courtroom as a specialist. It is worried about the utilization of accounting order to help decide issues of realities in business case (Okunbor and Obaretin, 2010). Forensic accounting is a teach that has its own models and approaches of investigative methodology that scan for confirmation, authentication and warning point of view to create legitimate proof. It is worried about the evidentiary idea of accounting information, and as a viable field worried about accounting extortion and criminological reviewing; consistence, due industriousness and hazard appraisal; identification of monetary deception and money related explanation fraud (Skousen and Wright, 2008); tax avoidance; liquidation and valuation ponders; infringement of accounting direction (Dhar and Sarkar, 2010). The America Institute of Certified Public Accountants (AICPA) characterizes forensic accounting as administrations that include the utilization of specific information and investigative abilities controlled by Certified Public Accountants...Forensic accounting administrations use

the professional's particular accounting, inspecting, monetary, assess, and different aptitudes (AICPA 2010). Singleton and Singleton (2010), said forensic accounting is the far reaching perspective of extortion examination. It incorporates anticipating cheats and dissecting antifraud control which incorporates the social event of nonfinancial data. Bhasin (2007) noticed that the goals of forensic accounting include: evaluation of harms caused by an evaluators' carelessness, actuality finding to see whether a theft has occurred, in what sum, and whether criminal procedures are to be started; accumulation of confirmation in a criminal procedures; and calculation of benefit esteems in a separation procedures. He contends that the essential introduction of scientific accounting is illustrative examination (circumstances and end results) of wonder including disclosure of double dealing (assuming any), and its belongings brought into the accounting space. As indicated by Bhasin (2007), forensic accountants are prepared to look past the numbers and manage the business substances of circumstances. Investigation, understanding, synopsis and the introduction of complex monetary business related issues are conspicuous highlights of the calling. He additionally detailed that the exercises of forensic accountants include: exploring and investigating money related confirmation; creating electronic applications to aids the examination and introduction of budgetary proof; conveying their discoveries as reports, displays and accumulations of archives; and aiding lawful procedures, incorporating affirming in courts, as a specialist witness and planning visual guides to help preliminary proof. In a similar vein Degboro and Olofinsola (2007) expressed that forensic accountants give help of accounting nature in a monetary criminal and related financial issues including existing or pending cases as determined by the Alliance for Excellence in Investigation and Forensic Accounting (Alliance) of Canada: helping with getting documentation important to help or disprove a claim; audit of the significant documentation to frame an underlying appraisal of the cases and distinguish territories of misfortune; help with the examination for revelation and the detailing of inquiries to be asked in regards to the budgetary confirmation; participation at the examination of disclosure to survey the declaration; help with understanding the money related issues and to define extra inquiries; checking on of the contradicting master's harming report, and giving an account of both the qualities and shortcomings of the position taken; and participation at preliminary, to hear the declaration of the restricting master and give help round of questioning.

Dark (2008) detailed that the forensic accountants examination incorporate distinguishing proof fraud. Gottschalk (2010) expressed that the focal point of forensic accounting is on confirm uncovered by the examination of budgetary archives. The proof gathered or arranged by a scientific bookkeeper might be connected in various settings. As indicated by Curtis (2008), forensic accountants are basic to the lawful framework, giving master administrations, for example, counterfeit invoicing valuations, suspicious liquidation valuations, and examination of money related archives in extortion plans.

These forensic accountants figure esteems, make determinations and distinguish unpredictable examples or suspicious exchanges by basically dissecting the budgetary information (Arokiasamy and Cristal, 2009). It gives a accounting examination to the court for question determination in specific cases and it likewise gives the court clarification to the extortion that has been conferred. That is the reason scientific accounting may assume a fundamental part in recognizing and lessening accounting cheats in the business division. In this idea, forensic accountants give a record examination to decide the actualities important to determine a debate before it is brought under the steady gaze of the court or the claim procedure follows through to its logical end (Ozkul and Pamukc, 2012). The activity of forensic accountants is to get the culprit and extortion happening in the organizations every

year. This incorporates following tax evasion and data fraud exercises and additionally tax avoidance. Insurance agencies contract forensic accountants to distinguish protection fakes, for example, illegal conflagration, and law workplaces utilize forensic accountants to recognize conjugal resources in separate from cases (Weygandt, Kieso, and Kimmel, 2008). Forensic accounting has been significant in the corporate plan after the money related announcing issues which occurred in a few organizations around the globe. For example, Enron, Tyco, and WorldCom. These outrages brought about the loss of open trust and gigantic measures of cash. To stay away from extortion and burglary, and to reestablish the seriously required open certainty, a few organizations made the move to enhance the foundation of their inside control and accounting frameworks radically. It was this advancement which expanded the significance of Accountants who have had practical experience in forensic accounting and who are thusly alluded as forensic accountants. Baird and Zelin (2009) say that legal accounting is critical investigative device for recognition of extortion.

### **2.1.2 FORENSIC ACCOUNTING AND FRAUD DETECTION**

Characterizing fraud is as troublesome as distinguishing it. No unmistakable and perpetual run can be set down as a general recommendation in characterizing fraud as it incorporates astound, trap, shrewd and unreasonable courses by which another is deceived. Extortion is a legitimate term that alludes to the purposeful deception of reality with a specific end goal to control or misdirect an organization or person. Extortion is to make a misjudgement or keep up a current misjudgement to prompt some individual to make an agreement". It includes enhancing oneself purposefully by lessening the esteem/worth of an advantage in secret." When organizations experience serious budgetary issues and wind up in insolvency, extortion by senior administration might be included. David (2005), states that fraud isn't a plausibility however a likelihood. He likewise clarifies that extortion can be better forestalled if choices are made by a gathering and not a person. In any case, this isn't the situation if the gathering has a similar enthusiasm for mind. At that point fraud may not be averted. On the other hand, the gathering is impact by the prevailing chief who winds up choosing everything. Russel (1978 referred to in Bello, 2001) comments that the term extortion is bland and is utilized as a part of different ways. Extortion expects such a large number of various degrees and structures that courts are constrained to setting themselves with just couple of general guidelines for its disclosure and annihilation. It is better not to characterize the term for fear that men should discover methods for submitting fakes which may sidestep such definitions. Okafor (2004) additionally revealed that extortion is a nonexclusive term and grasps all the diverse means which human inventiveness can devise, which are turned to by one individual to get advantage over another in false portrayal. As indicated by Anyanwu (1993), extortion is a demonstration or course of misdirection, intentionally honed to increase unlawful or uncalled for advantage; such misleading coordinated to the drawback of another.

Accounting fraud is a demonstration of purposely distorting bookkeeping records, for example, deals or cost records, keeping in mind the end goal to help the net wage or deals figures; accounting fraud is unlawful and subjects the organization and the administrators required to common claims (Arokiasamy and Cristal, 2009). Organization authorities may depend on accounting fraud to turn around misfortune or to guarantee that they meet acquiring desires from investors or the general population.

### **2.1.3 STRUCTURE OF FORENSIC ACCOUNTING**

Forensic accounting includes both case bolster and investigative recording. Case bolster gives help of all nature in an issue including existing or pending case. It bargains essentially with issues identified with the quantification of monetary harms, while investigative accounting is

related with the examination of forensic issues (Zysman 2001). Under prosecution bolster, forensic accountants aid the accompanying:

- Obtaining narrative proof to help or negate a claim.
- Reviewing of the significant documentation to shape an underlying appraisal of the case in a distinguished territory of misfortune.
- Examining for finding, including, the detailing of the demonstration with respect to the monetary living arrangement.
- Attending the examination for disclosure to audit the declaration, help with understanding the monetary issues, and define extra inquiries to be inquired. Investigative accountants, then again, play out the accompanying:
  - Review authentic circumstance and give proposals with respect to conceivable game-plans
  - Assist with the assurance and recuperation of benefits
  - Coordinate and coordinate with different specialists (Zysman 2001)

### **2.1.3 FORENSIC ACCOUNTING ENGAGEMENT**

Coenen (2005) recognizes the accompanying as regions of strength in scientific bookkeeping:

- Investigating corporate fraud
- Litigation administrations
- Business valuation
- Computer legal

Be that as it may, Zysman (2001) in a more intricate frame caught the assignments embraced by scientific accountants as including the accompanying:

- Forensic examinations, which are more often than not in the interest of the police with the point of showing proof in an expert and compact way.
- Shareholder and organization debate that include investigation of various long periods of monetary records for valuation and capability of the issue in question.
- Personal damage claims, where, for instance, monetary misfortunes have been endured following an engine mishap or wrongful expulsion by a business. They help evaluate these misfortunes.
- Business interference and different sorts of protection claims. These assignments include a nitty gritty audit of the approach to examine scope issues and the suitable techniques for ascertaining the misfortune.
- Business/worker fraud examinations, which can include extortion following, resource recognizable proof and recuperation, criminological knowledge gathering, and due determination audit.
- Matrimonial question including the following, finding, and assessment of benefits.
- Business monetary misfortunes, where contract question, development claims, expropriation, item obligation claims, and trademark issues are the issues.
- Professional carelessness, to find out the extension and evaluate the misfortune included.
- Mediation and intervention, as a type of elective question determination.

## **2.2 THEORETICAL FRAMEWORK**

### **AGENCY THEORY**

Agency theory addresses the Agency issue in which one party (the principal) delegates work to another (the agent), who performs that work (Jensen & Meckling, 1976). There is an agency relationship when the actions of one individual affect both his welfare and that of

another person in an explicit or implicit contractual relationship. The individual who undertakes the actions is the agent and the person whose welfare (utility), measured in monetary terms, is affected by the agent's actions is called the principal (Akaranga, 2010).

The typical case of agency relationship is the one that exists between an employer (the principal) and his employee (the agent). In an agency relationship, the principal wants the agent to act in the principal's interest. However, the agent is expected to have his own interest and consequently, he may not act in the principal's best interests. An agency relationship is a contract under which one or more persons (the principal), engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationships are utility maximizers, there is a good reason to believe that the agent will not always act in the best interests of the principal (Jensen & Meckling, 1976).

#### **FRAUD PREVENTATIVE THEORY**

This thesis began by evidence of forensic accounting services as essential for effective in the performance of Commercial Banks. Forensic accounting services were also discussed as particularly important in the present technologically advanced yet fragile economic conditions. Intentions are the best predictor of any planned behavior and understanding the antecedents of intentions provides practical insights into the behavior (Ajzen and Fishbein 1980). Therefore Fraud preventative theory was proposed to curb the behavioural intention of any individual to fraud.

According to Goosen, Pampallis, Van der Merwe and Mdluli (1999), a bank owes a duty to its customers to keep accurate records of all the transactions effected against the account in question. Thus, a bank statement serves a vital role in meeting the bank's accountability to its clients, and is a fundamental aspect of modern banking. Goosen et al. (1999:221) state that the role of a bank account statement, which is of the utmost importance to a bank, is that it serves as an audit trail showing in detail the various transactions effected against the account. The bank statement is a form of accounting record. This view is reflected in the total sample, which views a bank account statement as a detailed record of all transactions in a bank account. These transactions reflect money going into an account (credit transaction) or out of an account (debit transaction). In effect, a bank statement serves as evidence of the transactions against a bank account, a fact that is addressed by Section 236 of the Criminal Procedure Act 51 of 1977, which deals with the proof of entries in bankers' books. Section

236 of Act 51 of 1977 allows the production of a bank statement to be prima facie proof of the transactions reflected therein. Section 28 of the Civil Proceedings Evidence Act 25 of 1965 contains similar provisions relating to civil legal proceedings.

### 2.3 PREVIOUS STUDIES

As per Karwai, (2002); Ajie and Ezi, (2000); Anyanwu, (1993); Okafor, (2004) and Adeniji, (2004) abridge the sorts of fraud based on strategies for execution incorporate the accompanying yet not comprehensive as the techniques are concocted without stopping for even a minute to include: defalcation, concealment, through and through burglary and misappropriation, messing with holds, insider misuse and imitations, deceitful substitutions, unapproved, unapproved loaning, loaning to apparition borrowers, kite flying and cross terminating, informal getting, pantomime, overflowing and filling, counterfeit installment, fake utilization of the organizations records, invented accounts, bogus continues of accumulation, control of vouchers, dry posting, over invoicing, expansion of measurable information, record accounts control, imaginary contracts, duplication check books, PC extortion, abuse of anticipation accounts, bogus announcement of money deficiencies and so forth

Bozkurt (2003) opined that there are two sorts of fraud conferred in business: Personal utilization of business assets and Drawing up monetary explanations of the business dishonestly. Illustrations are: Embezzlement of the cash amid its accumulation yet before it is recorded in accounts, altering the bank records and taking financial preferred standpoint, picking up advantage through falsification of archives, making installments which ought not be made or already made, making imaginary obligations and having installments done for oneself, stock and scrap burglary, office supplies and settled resource robbery, making invented costs and getting distributions, making phantom representatives and stealing their wages/compensations, profiting from exaggerated individual uses and offering business resources under the market esteem.

As per (Ozkul and Pamukc, 2012), the accompanying are the target of monetary explanation extortion: Increasing the market estimation of the business, putting forth money related expressions steady with spending plans and acquiring out of line income by displaying dishonestly the estimation of the business.

At the point when business cheats are broke down, it is determined that three parts meet up while carrying out the wrongdoing. These are weight, opportunity, and avocation that constitute the fraud triangle. Parts of the fraud triangle are like the fuel, start, and oxygen which together reason fire. At the point when the three meet up, definitely fire breaks out. Weight variables could be assembled into three gatherings: weights with budgetary substance, weights coming from negative behavior patterns and weights related with work. Opportunity factors are the second part of the extortion triangle. They specifically include top administration and proprietors of the business specifically. Giving the chance to submit extortion is a standout amongst the most imperative components emerging from fakes. Since the business could extraordinarily impact opportunity factor, this point ought to get specific consideration for fraud aversion. The third part of the fraud triangle is fraudster's creating resistance systems keeping in mind the end goal to legitimize his/her activity. A few endeavors of the fraudsters to legitimize themselves and the reason they made up are: (an) I had acquired the cash, I would pay back, (b) This is as a byproduct of my endeavors for the business (c) Nobody has endured subsequently and (d) I have taken the cash for a decent reason. With a specific end goal to conquer these legitimizing pardons, business ought to

disclose ethic principles to workers, advise them that fraudsters would be punished, build up moral code in the association, and give preparing on them.

After some time, the significance of beginning recognition of extortion has expanded on the grounds that the quantity of deceitful occasions has expanded. Location of fraud starts with the warning of warnings which demonstrates that something isn't right (Ozkul and Pamukc, 2012). This may become visible because of patterns in the quantity of representatives, administrators, and casualties worried about the misfortune in business resources. There are two primary approaches to recognize fakes: (a) Detection by shot and (b) Conducting a proactive research and empowering introductory distinguishing proof of indications

Numerous false demonstrations have been identified in the past by possibility. Lamentably, the rate of fraud continues amid discovery and misfortunes thus increment. As a rule, individuals who are presented to fraud in the association do realize that extortion was being dedicated, however couldn't expose it either in light of the fact that they don't know and unwilling to accuse somebody specifically or are uncertain of how to approach detailing it and may likewise fear being marked as informant (Ozkul and Pamukc, 2012).

Rezaee (2004) uncovered that money related articulation fraud has taken a toll showcase support more than USD\$500 billion amid ongoing years, with genuine case results. It will likewise give a view towards organizations who wish to instruct and increment mindfulness among of general society with respect to the earnestness of the extortion in Nigeria. This examination will prompt the mindfulness and acknowledgment level of forensic accounting.

Karwai (2002) revealed that the recognizable proof of the reasons for fraud is exceptionally troublesome. He expressed that cutting edge association's fakes for the most part include a mind boggling web of trick and misdirection that regularly veil the genuine reason.

Ajie and Ezi (2000) are of the view that reviews have demonstrated that on the normal out of each ten (10) staff would search for approaches to take if given the opportunity and in this way just could four (4) be typically fair. The far reaching cheats in present day associations have made conventional examining and examination wasteful and inadequate in the recognition and counteractive action of the different sorts of fakes going up against organizations around the world.

Oyejide (2008) opine that extortion is a subject that has gotten a ton of consideration both all around and in Nigeria. This intrigue has been uplifted by a few prominent cases including a few associations. Issues identifying with extortion have additionally been the subject of thorough hypothetical and observational examination in the scholarly writing (AppahansAppiah, 2010). In the expressions of Adesola (2008), the risk of extortion to the worldwide economy is better shown by the insights discharged by Criminologists at a consultancy: more than two hundred thousand instances of online fakes were conferred in the United Kingdom in 2006, multiplied the measure of certifiable thefts. The examination uncovered that 75% of card not present extortion was conferred on-line in 2006. The worldwide market is worried about extortion in high and low places. We are extremely acquainted with Enron, WorldCom and so on. We are additionally encountering an ever increasing number of fakes conferred in the general public.

Ramazani and Refiie (2010) examined the accountants' impression of anticipation techniques for extortion. In this exploration they analyzed accountants' impression of forensic accounting which shows the low degree of bookkeeper's view of forensic accounting. Forensic accounting is considered as one of the components in fraud counteractive action. (Bierstaker, Brody and Pacini, 2006)

Okoye and Gbegi (2013) did an investigation on the assessment of scientific accountants to arranging administration extortion chance recognition methods. The investigation uncovers that criminological accountants successfully change the degree and nature of review test when the danger of administration extortion is high, scientific accountants propose extraordinary strategies that are not proposed by evaluators when the danger of administration fraud is high, measurable accountants can make to the viability of a review arrange for when the danger of administration fraud is high, including legal accountants in the danger of administration extortion appraisal process prompts preferred outcomes over basically counseling them.

KPMG's Fraud Survey (2003) uncovers that more organizations are: as of late encountering episodes of extortion than in earlier years; taking measures to battle fraud; and propelling new antifraud activities and projects in light of the Sarbanes-Oxley Act of 2002 (KPMG 2003). PricewaterhouseCoopers' (PWC) 2003 Global Crime Survey demonstrates that 37 percent of respondents in 50 nations revealed critical financial wrongdoings with the normal misfortune per organization of \$2,199, 930 (PWC 2003). This review comes about underscore the significance of forensic accounting practice and training. Earlier research (Rezaee 2002; Crumbley 2003 and 2009; Peterson and Reider 1999, 2001; Rezaee, Reinstein, and Landar 1996; Rezaee and Burton 1997) surveys the writing on forensic accounting practices, affirmations, and training. These examinations additionally give prove demonstrating that forensic accounting instruction has advanced from being constrained, to proceeding with proficient training sessions for honing accountants, to a present condition of being offered as a credit course by a few colleges. Buckhoff and Schrader's examination (2000) finds, "adding a forensic accounting course to the accounting educational programs can significantly profit the three noteworthy partners in accounting training—scholarly establishments, understudies, and bosses of accounting graduates."

Observational confirmation from an investigation by Boritz, Kotchetova and Robinson (2008) affirms that criminological accountants could recognize essentially higher number of extortion than inspectors. Srivastava, Mock and Turner (2003) in their examination found that criminological review methodology essentially brought down extortion dangers. Moreover, explore has additionally demonstrated that proactive scientific information examination utilizing PC based complex explanatory tests can distinguish extortion that may stay unnoticed for a considerable length of time (Brown, Aiken, and Visser 2007). An examination by Bierstaker, Brody and Pacini (2006) investigated accountants' recognition with respect to extortion location and counteractive action strategies. The discoveries uncovered that authoritative utilization of legal accountants was the slightest regularly utilized of any against fraud strategy yet had the most elevated adequacy rating. This is like the discoveries of Ernst and Young's (2003) overall extortion study, which expresses that exclusive 20% of associations utilized measurable accountants despite the fact that the fulfillment level for the administration 88% was the most astounding.

### **3. METHODOLOGY**

#### **3.1 RESEARCH DESIGN**

The research design employed in this research is the *ex-post facto* research design. This is because, the researcher does not aim to control any of the variables under investigation and our pre-disposition is to observe occurrence over a period of time (2005-2015). Another justification for the research design is the desire of the researcher to use secondary data to test

the hypothesis formulated. These are already existing data, thus, cannot be manipulated by the researcher.

### 3.2 AREA OF STUDY

The research is conducted in Nigeria with specific reference to Nigerian banking sector.

### 3.3 POPULATION OF STUDY

The population of this study will be the twenty-two (22) banks in Nigeria.

### 3.4 SAMPLE SIZE

The sample size of two selected banks in Nigeria as at December, 2015 will be used. The sample will include the following banks Access bank Plc. and Guarantee Trust Bank Plc.

### 3.5 SOURCES OF DATA COLLECTION

This study made extensive use of secondary sources of data. The secondary sources used in this study includes: journals, annual reports of the two selected banks and CBN statistical bulletin.

### 3.6 MODEL SPECIFICATION

The model specification for this study will be as follows;

$$FAUD = \beta_0 + \beta_1NPM_{t-1} + \beta_2PAT_{t-1} + \beta_3RE_{t-1} + ut \dots$$

Where:	FINPEF	=	Financial Performance
	FAUD	=	Forensic Audit
	NPM	=	Net Profit Margin
	PAT	=	Profit After tax
	RE	=	Retained Earnings
	$\beta_0$	=	Constant (Coefficient) to be estimated
	t	=	Current Period/Time
	ut	=	Error term

$\beta_1-\beta_4$  = Parameter of the independent variables to be estimated.

### 3.7 ANALYTICAL METHOD/TECHNIQUE

Multiple regressions involved three or more variable the study will use a linear multiple regression analysis to test the association between the dependent and independent variables used in this research work.

## 4. DATA ANALYSIS

This section employed the used of descriptive statistics, correlation and linear multiple regression made to analyze and interpret the data collected in the study. The data collect were presented in a tabular form. The analysis followed the model specification in chapter three of this study. The chapter is organized into five sections: section two presents the data collected,

section three deals with descriptive statistic explains the regression results. The computational device used in the Eviews output.

This section provides the data used in the study. These data are in relation to the variables used in the study. The variables are, return on equity, asset value per share, earnings per share, firm size, return on assets and net assets value per share per share.

Regression analysis is a statistical process for estimating the relationships among variables it also includes many techniques for modeling and analyzing several variables when the focus is on the relationship between a dependent variable and one or more independent variable and one or more independent variable (or predictors).

However, the analysis of research presented in this paper, examines the effect of forensic accounting on the performance of Nigerian banking sector. This section discusses the regression results in relation to forensic audit volatility and other analysis for the period under review.

The results are presented below.

**Table 4.2: Regression results of the analysis**

Dependent Variable: FAUD  
 Method: Panel Least Squares  
 Date: 06/18/18 Time: 14:57  
 Sample: 2006 2017  
 Periods included: 12  
 Cross-sections included: 2  
 Total panel (balanced) observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NPM	1.947560	0.438337	4.443065	0.0003
PAT	9.99E-11	7.61E-10	0.131256	0.8970
RTENS	-6.99E-09	1.75E-09	-3.996624	0.0008
C	0.229931	0.180738	1.272175	0.2195
R-squared	0.564254	Mean dependent var		0.719545
Adjusted R-squared	0.491630	S.D. dependent var		0.518427
S.E. of regression	0.369639	Akaike info criterion		1.010385
Sum squared resid	2.459391	Schwarz criterion		1.208756
Log likelihood	-7.114231	Hannan-Quinn criter.		1.057115
F-statistic	7.769496	Durbin-Watson stat		1.026191
Prob(F-statistic)	0.001555			

**Source: Eviews 9.0 Software**

### **Interpretation of Regression Coefficient Result**

Table 4.2, indicates that an increase in Net profit margin, profit after tax and retained earnings of Nigerian banks will decrease forensic audit by 0.369639. This implies that forensic audit is affected negatively by Net profit margin, profit after tax and retained earnings of Nigerian banks.

### **Interpretation of Durbin Watson- Statistic**

The Durbin-Watson statistic is 1.026191 which is not up to 2. In this case, the Durbin Watson statistic is closer to 2 than 0 which indicates the absence of autocorrelation in the series. The result indicates the absence of positive serial correlation in the time series data extracted from the annual report and accounts of selected banks in Nigeria.

### **Coefficient of Determination (R<sup>2</sup>)**

The Adjusted R-squared is 0.491630. The adjusted R<sup>2</sup> reveals that only about 49% of the variations in Forensic audit could be explained by Net profit margin, profit after tax and retained earnings of Nigerian banks while about 51% could be explained by other factors capable of influencing forensic audit of Nigerian banks as well as the error term and the unexplained variables.

**Table 4.3: Correlation of dependent and independent variables**

	<b>FAUD</b>	<b>NPM</b>	<b>PAT</b>	<b>RTENS</b>
<b>FAUD</b>	1.000000	0.393701	0.026343	-0.249784
<b>NPM</b>	0.393701	1.000000	0.414279	0.628620
<b>PAT</b>	0.026343	0.414279	1.000000	0.448560
<b>RTENS</b>	-0.249784	0.628620	0.448560	1.000000

**Source: Eviews 9.0 Software**

The table above represents that correlation analysis of the variables which reveals the strength of the relationship that exists among the variables.

From the table above, it was discovered that all the independent variables (Net profit margin, Profit after Tax and Retained Earnings) have fairly relationship with the dependent variable (Forensic audit).

### **DISCUSSION OF FINDINGS**

This hypothesis states that there is no relationship between net profit margin and forensic audit of selected banks in Nigeria. From the result of the regression analysis in Table 4.2, it

reveals that forensic audit has significant effect on the net profit margin of selected Nigerian banks in the tune of 0.0003.

Hypothesis two states that forensic audit has significant effect on profit after tax of Nigerian banks. The regression analysis result of Table 4.2 reveals that forensic audit is influenced negatively by profit after tax in an insignificant amount of 0.8970.

The last hypothesis states that Forensic audit does not affect retained earnings and dividend per share of Nigerian banks. There is great relationship between retained earnings and forensic audit of Nigerian banks in the tune of 0.0008.

## **FINDINGS**

At the end of this research work on the effect of forensic accounting on the performance of Nigerian banking sector. The researcher found out the following;

1. Forensic audit has significant effect on the net profit margin of selected Nigerian banks.
2. It was also observed that forensic audit influences profit after tax of Nigerian banks.
3. The study also revealed that forensic audit has significant effect on retained earnings and dividend per share of Nigerian banks.

## **CONCLUSION AND RECOMMENDATIONS**

The findings of this study were crucial in the formulating study conclusions. However, the study also took into account the expectations of the study. It was possible to conclude from the study findings that forensic investigation and forensic litigation were statistically significant in explaining changes in financial performance of commercial banks in Nigeria. It was also possible to conclude that use of forensic financial information influenced and improved performance of commercial banks in Nigeria. The study also concludes that use of forensic financial information has improved transparency in commercial banks hence managed to curb fraud thus increasing profitability.

The study recommends that the management of the commercial banks should emphasize and enhance use of forensic financial information as this will help in increasing the profitability.

It is also recommended that the management ensures that the bank adapts to new technological changes taking place in the world to ensure that they have a well-structured system to accommodate these changes.

Appropriate sanctions should be applied when fraud is detected. Where persecution is considered to be the appropriate sanction, proper Forensic procedures need to be followed during investigation and trained experts like the Professional Forensic Accountants should

conduct the investigation, where there is evidence of fraud, appropriate disciplinary action in accordance with the Provision of Public Service Rules should be implemented.

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