

**Determinants of occupational fraud risk in commercial banks in
Kenya**

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ABSTRACT

The purpose of this study was to identify and analyse determinants of occupational fraud in commercial banks in Kenya. Research shows that globally, organizations loose at least 5% of their annual revenue to occupational fraud and that commercial banks are the most susceptible to occupational fraud. Despite the banking sector in Kenya ranking ahead of other East Africa Countries, economic crime survey indicate that incidences of fraud have soared sharply compared to previous years with more than 90% of the commercial banks in Kenya being affected within the year 2010 (PWC, 2011). Financial Services survey, a report by PWC indicates that commercial banks in Kenya are more susceptible to fraud risk than her neighboring countries in Eastern Africa (PWC, 2011). There is limited empirical study in Kenya on the determinants of occupational fraud risk in commercial banks in Kenya. The study was guided by bank characteristics, management control systems, governance, technology adoption and staff personal characteristics as independent variables and occupational fraud risk as the dependent variable. The study was also guided by hypotheses that were in line with the specific objectives. The study was based on positivism philosophy. The research design was descriptive and used cross-sectional approach. A self administered pre-tested questionnaire was used to collect primary data from 30 commercial banks. A pilot study was conducted to test the reliability and validity of the questionnaires.

From a stratified sample of 258 respondents, a response rate of 92% was achieved. Using Statistical Package for Social Sciences (SPSS) the appropriate qualitative and qualitative techniques were used to analyse the data.

Both descriptive and inferential statistics were generated and interpreted, mean, standard deviations, confirmatory factor analysis, Kaiser-Meyer-Olkin test, and Bartlett's test, correlation, coefficient of determination, ANOVA and t-statistics. Further both bivariate linear and hierarchical multiple regressions were done. The study results indicate that bank characteristics, management control systems, technology adoption and staff characteristics influences occupational fraud risk. Governance was found not statistically significant. This study therefore concluded there is no significant relationship between governance and occupational fraud. Based on these findings, the study recommends that banks should carry out thorough evaluation of staff before hiring and deployments using anti-fraud experts during the process, institute more elaborate and stronger occupational fraud controls and enhances technology security within the commercial banks. Further, the study recommend strengthening of investigation and execution of fraud cases once identified to mitigate and strengthen deterrence of occupational frauds.