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Research Paper

Financial Fraud on Corporate Performance of Deposit Money Banks (DMBs) in Nigeria

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Abstract
This study investigates the impact of financial fraud on the corporate performance of Deposit Money Banks (DMBs) in Nigeria, with particular focus on financial statement fraud, tax evasion fraud, and electronic fraud. An ex post factoresearch design was adopted to analyse panel data drawn from eleven (11) listed Deposit Money Banks on the Nigerian Exchange Group over an eleven-year period spanning 2014 to 2024, yielding one hundred and twenty-one (121) balanced observations. Corporate performance was proxied by Return on Assets (ROA), while financial fraud was measured using financial statement fraud, tax evasion fraud, and electronic fraud. Data were analysed using descriptive statistics, correlation analysis, Variance Inflation Factor (VIF), and panel regression techniques. The Hausman test indicated that the fixed effects model was the most appropriate estimator for the study. The empirical findings reveal that financial statement fraud has a positive and statistically significant effect on corporate performance, suggesting that fraudulent financial reporting artificially inflates reported profitability of banks. In contrast, tax evasion fraud exerts a negative and statistically significant influence on performance, indicating that tax-related fraudulent practices undermine profitability through penalties, regulatory sanctions, and reputational damage. Electronic fraud was found to have a positive but statistically insignificant effect on corporate performance, implying that its financial impact may be mitigated by effective technological controls and recovery mechanisms within the banking sector. Overall, the results highlight the importance of forensic accounting practices, robust internal controls, and strict regulatory enforcement in curbing fraudulent activities and promoting transparency and sustainable performance in Nigeria's banking industry.

Keywords: Financial Fraud, Financial Statement Fraud, Tax Evasion Fraud, Electronic Fraud, Corporate Performance

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I. Introduction

The prevalence of fraud in Nigerian business organisations has become widespread and persistent, as evident by numerous reported incidents of bribery, embezzlement, cash theft, inventory theft, cheque tampering, payroll schemes, swindling, forgery, and kickbacks, particularly within the banking sector. This is especially true in the banking sector, as indicated from the annual report of Nigeria Inter-Bank Settlement System (NIBSS) in 2023 that the amount lost to fraud has increased over the past five years along with the growth of financial transactions in the digital payments sector (Nwadike et al., 2024). Thus, the annual fraud count has increased by 112% from 44,947 in 2019 to 95,620 in 2023, while the amount lost to fraud has grown by 496% from N2.9bn to N17.67bn within the same time and the ratio of total reported fraud value to the total value of transactions recorded over the last five years shows an increase between 2019 and 2023 from 0.0019% to 0.0022% (NIBSS Annual Fraud Landscape, 2023).

This revealed that there has been a consistent increase in fraudulent activity and fraud within the Nigerian Deposit Money Banks in comparison to other financial institutions in Nigeria. This has resulted in significant losses which outweigh statutory fraud loss provision requirements. The expenses that are connected with reducing the increasing incidence of fraud have a negative impact not only on the resources of banks but

also on the performance of deposit money banks in Nigeria (Mawutor, et al. 2019). According to Al-Amosh and Khatib (2023), when an organisation has strong and stable financial performance, it is more likely to have better possibilities for investment. Thus, it is necessary for companies to prevent continuous fraud and fraudulent acts. Furthermore, Al-Amosh and Khatib (2023) highlighted the fact that companies' financial performance is reflected in the product outputs, quality reports, and services that are provided to customers. Hence, it is absolutely necessary to prevent fraud in order to improve and maintain healthy financial performance.

The contending issue is that despite the perception that there is a steady growth in the number of forensic accountants in the country; the rate of internal and external frauds across all banks continues to climb exponentially. This could be attributed to high level of corruption in the economy with the banking sector as a major victim (Đukić et al., 2023). Regarding the significance of forensic accounting and its effect of financial fraud, a number of studies has established the association between forensic accounting and its ability to reduce fraud incidences (Akinleye&Akadi 2024; Onamusi et al. 2024; Agboare, 2021). Therefore, the study will investigates the moderating influence of forensic accounting on the relationship between financial fraud and the performance of deposit money institutions in Nigeria.

The main objective of the study is to investigate the impact of financial fraud and corporate performance of Deposit Money Banks in Nigeria. However, the specific objectives are to:assess the effect of financial statement fraud on corporate performance of deposit Money Banks in Nigeria; investigate the effect of tax evasion fraud on corporate performance of deposit Money Banks in Nigeria; and ascertain the impact of electronic fraud on corporate performance of deposit Money Banks in Nigeria.

2.1 Conceptual Review

2.1.1 Corporate Performance

Corporate performance is a notion that connects the many components of activity with the goals that businesses attempt to achieve via the activities and responsibilities of their employees. Banking performance is one of the most used aliments to assess the outcome of banking activity. It contributes to directing banks toward the best and safest path. Banking performance is a reflection of the bank's financial, operational and administrational position, which is mainly, can be measured by the three financial statements: the list of financial position (The balance sheet), profit and loss account, and the cash flow statement, which depicts the position of the banks for a certain period (Abuzarqa, 2022).

Adewara et al. (2023) expressed that a company's performance determines its ability to receive and distribute funds within a particular period of time after it has been established. A number of factors, including profitability, leverage, solvency, liquidity, and capital adequacy, are included in its scope (Dagunduro et al., 2022; Kolawole et al., 2023; Nguyen et al., 2023). Nguyen et al. (2023) opined that the financial performance of a company is indicative of the company's capacity to manage and control its resources, as well as the overall financial state of the corporate sector. The efficiency with which a company makes use of its resources to maximise the amount of income and wealth it generates for its stakeholders is reflected in the company's financial performance. In the fields of statistical analysis and finance, financial ratios are the performance measures that are utilised the most frequently. However, a comprehensive review also takes into consideration a number of other factors (Adewara et al., 2023; Dagunduro et al., 2023). A common approach of describing the information included in financial statements is to use financial ratios that are produced from the analysis of income statements and the examination of balance sheets. This allows for the overall financial situation of a firm to be evaluated. Management is responsible for overseeing the day-to-day operations of the organisation (Fatihudin et al., 2018; Kolawole et al., 2023). One of the primary functions of management is to assess and evaluate performance. One of the ways of evaluating bank performance is through CAMELS system was defined by Elviani and Sumarna (2018) as an effective unified supervisory system for evaluating bank performance, measuring its effectiveness, and classifying and ranking banks based on six main elements (Capital adequacy, asset quality, management quality, earnings, liquidity, sensitivity to market risks). It enables the supervisory authority to intervene to correct any condition and protect financial integrity in the banking sector. This is done by using the results of analyzing the banks' annual reports and financial data. Thus, the study will employ CAMELS-which stand for capital adequacy, asset quality, management efficiency, earnings, liquidity and sensitivity to the market.

2.1.2 Financial Fraud

Financial fraud is defined as the intentional misrepresentation or deception of financial information that is carried out for the purpose of obtaining unlawful financial benefit. In addition, this may include activities such as embezzlement, money laundering, identity theft, and financial statement fraud, which is a form of fraud in which individuals or businesses alter records in order to offer a false depiction of their financial condition (Hashim et al., 2020; Metwaly et al., 2023). Bansal et al. (2024) expressed that fraud in the banking sector leads to immediate financial losses, as well as a decline in investor and customer confidence, which ultimately results in larger economic effects. It has become more difficult for fraudsters to take advantage of flaws in technologies

and security systems as a result of the necessity of digital banking, which has made the issue worse (Gupta et al., 2025). In order to effectively combat financial crime, it is necessary to implement a plan that incorporates rigorous internal controls, extensive regulatory frameworks, and the utilisation of forensic accounting techniques (Alhassan, 2020; Unuigbokhai, 2022). In accordance with Bello and Olufemi (2024), each of these techniques places an emphasis on the identification of anomalies, the enhancement of transparency, and the cultivation of a culture of accountability inside companies. When it comes down to it, having information and taking measures to prevent financial fraud are absolutely necessary in order to maintain the integrity of financial institutions over the long term and to guarantee stability in the larger economic landscape.

2.1.2.1 Financial Statement Fraud

Financial statement fraud refers to the intentional misrepresentation, manipulation, or omission of financial information by management or employees to mislead stakeholders about the organization's financial position or performance (Zenzerović&Šajrih, 2023). It is the most sophisticated and deceptive form of internal fraud because it often involves top-level management who have the authority to influence accounting policies and reporting systems (Wokeh&Essiet, 2023).

In the Nigerian banking context, financial statement fraud can involve overstating assets, understating liabilities, falsifying earnings, misclassifying expenditures, or deliberately concealing losses to portray an image of profitability and stability. One of the major drivers of financial statement fraud in Deposit Money Banks is pressure, pressure to meet earnings forecasts, satisfy shareholders, attract investors, or comply with regulatory capital requirements set by the Central Bank of Nigeria (CBN) (Ayodeji, 2024). In a market where financial performance directly influences public confidence, banks may manipulate figures to appear financially sound. For instance, a bank facing liquidity issues or high non-performing loans may overstate revenue, delay loss recognition, or reclassify non-performing loans as performing assets to present a healthier balance sheet.

2.1.2.2 Tax Evasion Fraud

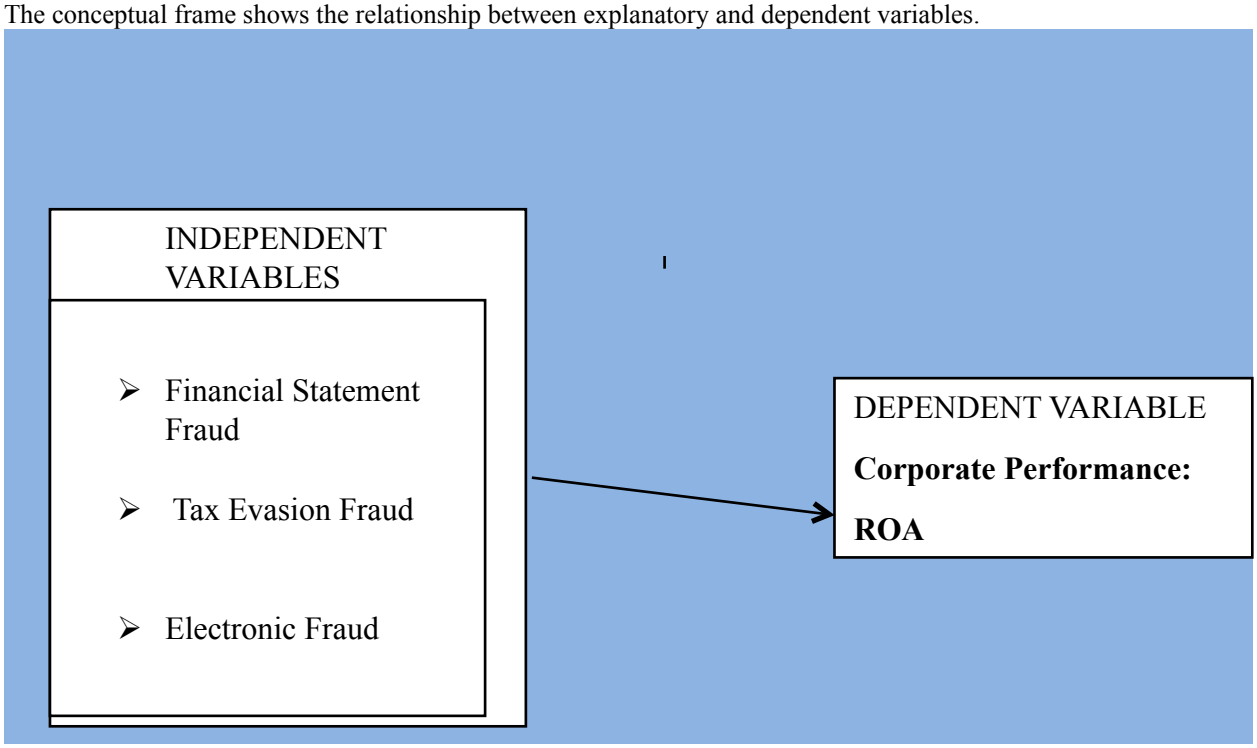
Another significant type of internal fraud in Deposit Money Banks is tax evasion fraud, which involves deliberate actions by management or employees to underreport taxable income, overstate deductible expenses, or otherwise manipulate records to reduce the bank's tax liability. It is different from tax avoidance, which involves exploiting loopholes within the law. Tax evasion, by contrast, is illegal and represents a direct attempt to defraud government revenue authorities (Asnawi, 2023).

In the banking sector, tax evasion fraud may occur through false declarations, concealment of income, manipulation of interest income and expense recognition, or misreporting of foreign exchange transactions. Management may intentionally defer recognition of certain income streams or inflate operational costs to reduce the taxable base (Adejumo&Ogburie, 2025; Asnawi, 2023). There are also instances where collusion occurs between bank staff and tax officials to falsify records or suppress audit findings (Adejumo&Ogburie, 2025). The motivations for tax evasion fraud in Nigerian banks are varied. Some arise from a desire to enhance profit after tax by minimizing tax expenses; others result from management's attempt to maintain competitiveness by retaining earnings rather than paying large sums in taxes. In some cases, corruption and weak enforcement of tax laws provide opportunities for collusion and concealment (Osegbue&Nwoye, 2021).

2.1.2.3 Electronic Fraud

Electronic fraud has emerged as the dominant form of external theft faced by Deposit Money Banks (DMBs) in Nigeria, driven by rapid digitalisation of banking services and expansive adoption of mobile, internet and card channels (Ayodeji, 2024; Ololade et al., 2020). As banks migrated services onto internet and mobile platforms to widen access and improve efficiency, they also enlarged their attack surface. Criminals exploit vulnerabilities in customer devices, weak authentication, compromised credentials, and poorly secured third-party endpoints to execute unauthorized transfers, card fraud, account takeovers and payment-channel abuse (Ama et al., 2024). The scale of the problem is shown in industry reports: losses reported by Nigerian banks surged in 2023–2024, with aggregate fraud losses in 2024 reported in the tens of billions of naira and electronic channels accounting for the bulk of incidents. These trends are documented by industry monitors and sector reports which note dramatic year-on-year rises in fraud counts and losses, particularly through internet banking, mobile banking and POS/USSD channels (Ayodeji, 2024).

The conceptual frame shows the relationship between explanatory and dependent variables.



2.2 Theoretical Review

2.2.1 Fraud Box Key Model

The Fraud Box Key Model (FBKM), proposed by Onodi et al. (2014), as a direct solution to the persistent deficiencies of the Fraud Diamond Triangle. It is an elaborated iteration of the Fraud Diamond Theory. It introduced a fifth perspective: corporate governance. The Fraud Diamond Theory (FDT), proposed by Wolfe and Hermanson (2004), asserts that the mere availability of pressure, opportunity, and rationalisation is insufficient for fraud to occur; the individual must also possess the capability to perpetrate the deception. The study asserted that opportunity facilitates fraud, while pressure and rationalisation might lead an individual towards fraudulent behaviour. For fraud to occur, an individual must possess the ability to identify the open doorway as an opportunity and exploit it by proceeding through it (Okoye et al, 2017). Capacity refers to the presence of pertinent traits or talents and the ability to actualise such opportunities. Thus, capacity denotes comprehension of the internal control system and its deficiencies that may be leveraged in the design and execution of fraud. Nonetheless, the FBKM asserts that regardless of the intensity of pressure, the availability of opportunity, or the motives and capabilities of the prospective fraudster, effective corporate governance serves as a crucial deterrent, rendering such intentions futile and eliminating any possibility of executing the fraud. The implementation of forensic accounting can affect the incidence of fraud, hence improving the performance of deposit money banks in Nigeria. Thus, this theory will underpin the study and guide each of the objectives of the study.

2.3 Empirical Review

2.3.1Financial Statement Fraud and Performance

Yendrawati et al. (2023) investigated how managerial ownership, institutional ownership, and firms' financial performance influence the likelihood of fraudulent reporting, employing inferential statistic. The findings showed that both managerial and institutional ownership significantly reduced the incidence of fraudulent financial statements. Conversely, leverage exhibited a significant positive relationship with fraud, while profitability was not statistically linked to fraudulent reporting. The study further revealed that profitability intensified the positive association between managerial ownership and the occurrence of fraudulent statements.

Omah (2023) explored the influence of financial statement fraud on the financial performance of selected food and beverage firms in Nigeria. Financial statement fraud was measured using indicators such as improper expense recognition and inaccurate asset valuation, while return on assets (ROA) served as the measure of performance. The study adopted a descriptive research design and used secondary data from firms' annual reports and the Securities and Exchange Commission. The results demonstrated a significant relationship

between fraudulent reporting practices and financial performance. The study recommended strong policy measures to curb improper expense reporting and inaccurate asset valuation in order to enhance the performance of food and beverage companies in Nigeria.

Similarly, Seifzadeh et al. (2022) examined how managerial entrenchment influences the likelihood of financial statement fraud. They emphasized that because financial statements guide shareholders' decisions, maintaining their accuracy is crucial; thus, understanding the determinants of financial information distortion is essential. Managerial entrenchment was measured using factor analysis based on CEO duality, managerial shareholding, board independence, board compensation, and CEO tenure. Using multivariate regression, feasible generalized least squares, and a Logit model on 1,122 firm-year observations from 2013 to 2018, and employing the Beneish (1999) model to detect fraud, the study found a significant negative relationship between managerial entrenchment and financial statement fraud.

Sihombing (2021) analyzed factors influencing the probability of financial statement fraud among firms listed on the Indonesia Stock Exchange between 2010 and 2018,while also comparing fraudulent and non-fraudulent companies in terms of profitability. The findings showed that the ratio of current assets to total assets, long-term debt to equity, total sales to equity, and cost of goods sold to sales significantly affect the likelihood of fraudulent reporting. However, based on propensity score matching, profitability did not differ significantly between firms that engaged in fraud and those that did not.

2.3.2 Tax Evasion Fraud and Performance

Umiyati et al. (2024) investigated how tax aggressiveness and profitability influence the likelihood of accounting fraud among manufacturing firms listed on the Indonesia Stock Exchange between 2017 and 2021. The study analyzed 120 firm-year observations. Tax aggressiveness was assessed using the Cash Effective Tax Rate (CETR), profitability using Return on Assets (ROA), and accounting fraud through the Beneish M-Score. Logistic regression was used to test the proposed hypotheses. The findings showed that firms exhibiting aggressive tax strategies were more likely to engage in accounting fraud, while profitability was found to reduce the likelihood of fraudulent reporting.

Mu et al. (2023) explored how tax evasion, taxpayers' psychological egoism, and related factors influence tax revenue collection performance in Ethiopia's Amhara Region. Using data from 395 VAT-registered taxpayers gathered through structured questionnaires, the researchers employed structural equation modelling and multiple regression analysis via SPSS and AMOS. The results indicated that both tax evasion and psychological egoism had negative effects on tax revenue performance. Conversely, tax education and technological adoption positively improved performance. The study further noted that psychological egoism mediates the relationships between tax evasion, tax education, technology, and revenue collection.

Similarly, Olaniun et al. (2022) assessed how tax aggressiveness affects the financial performance of listed industrial goods firms in Nigeria. Using a census of 10 firms and secondary data obtained from annual reports, the study applied descriptive and inferential statistical tools. The findings showed that the GAAP effective tax rate had a significant positive impact on return on assets, while the cash effective tax rate had a significant negative effect.

2.3.3 Electronic Fraud and Performance

Jolaiya (2024) analyzed how different forms of electronic fraud influence the financial performance of Nigerian banks. Using panel data and applying the Generalized Method of Moments (GMM), with the Hausman test confirming the suitability of the random effects model, the study found that ATM-related fraud had a significantly adverse effect on banks' financial performance. Similarly, fraud committed through mobile phone channels and online banking platforms also produced significant negative effects. Overall, the study established that electronic fraud undermines bank performance.

Ezu and Chukwu (2022) assessed the influence of electronic and non-electronic fraud on financial indicators such as profit before tax, return on assets, and return on equity among Nigerian deposit money banks. Using data sourced from the Nigeria Interbank Settlement System (NIBSS), the authors conducted OLS regression supported by diagnostic tests—including checks for serial correlation, heteroskedasticity, and model specification using the Ramsey RESET test—to ensure the robustness of their analysis. Their findings indicated a negative association between fraudulent activities and profit before tax. Similarly, Tyona et al. (2021) investigated the relationship between electronic fraud and bank performance in Nigeria using an ex post facto design. After carrying out unit root tests using the Augmented Dickey-Fuller method, the study confirmed that return on equity, ATM fraud, and online fraud were stationary only after first differencing, implying integration of order one. The fully modified least squares (FMOLS) technique was employed for analysis. Findings revealed that both ATM fraud and online fraud had negative impacts on bank performance, indicating that fraudulent electronic activities erode profitability. The authors recommended that bank managers enhance internal control systems to curb such fraud.

Nwobia et al. (2021) also explored how electronic fraud affects the performance of Deposit Money Banks in Nigeria. The study noted that banks continue to suffer financial losses due to fraudulent activities, sometimes involving collusion between internal staff and external fraudsters. To address this, the Central Bank of Nigeria and the Bankers' Committee created the Nigeria Electronic Fraud Forum (NeFF) to monitor electronic transactions and report regulatory breaches. The study specifically measured the relationships between ATM fraud and bank performance, as well as POS fraud and performance, using OLS and multivariate panel regression methods. The empirical results showed negative—but statistically insignificant—relationships between electronic fraud and financial performance.

3.1 Methodology

This study adopted *an expo facto* research design to establish the mediating effect of forensic accounting on the relationship between the financial fraud and performance of deposit money banks in Nigeria. The Population of this study constituted the total deposit money banks operating in Nigeria which were thirty-three (33) in number. The sample size of the study was twelve (12) deposit money banks listed on the Nigerian Group of Exchange as the 31st December, 2024 through purposive sampling technique for the period of 11years spanning from 2014 to 2024. However, one was dropped for insufficient data needed, remaining eleven (11 companies) which constituted one hundred and twenty-one (121) observations. The study adopted purposive sampling technique which is also known as the judgmental sample while data were collected from secondary sources such as Nigeria Deposit Insurance Corporation Annual reports and selected banks annual reports. The method of data analysis included descriptive statistics and regression analysis.

This study adapted the study of Manyo et al. (2023) to estimate the relationship between financial fraud and performance of deposit money banks in Nigeria. The model is specified as:

$ROA_{it} = \beta_0+\beta_1FSF_{it}+\beta_2TEF_{it}+\beta_3EF_{it}+\beta_4FSZ_{it}+\beta_5LEV_{it}+\beta_6GRO_{it}+Ɛ_{it}$……..3.1

Where: ROA (Return on Asset) represents financial performance, TEF represents tax evasion fraud, FSF indicates financial statement fraud (proxied by earning management), EF indicates electronic fraud, FSZ indicates Firm Size, LEV represents leverage, GRO represents growth opportunity, β_0 represents constant, β_1-β_6 denote the coefficients of the variables, i is the deposit money banks and t is the t is the time frame for the study and e is the error term.

Table 3.1: Measurement of Variables

S/N	Variables	Type	Measurements	Sources
1	Financial Performance (Return on Asset)	Dependent variable	Ratio of Profit after Tax to total assets	Abuzarqa (2022)
2	i Financial Statement Fraud ii Tax Evasion Fraud iii Electronic fraud	Independent Variable	i. financial statement fraud which proxied by Value Discretionary Accrual of Modified Jones Model ($DACC_{it}$). ii. Total Amount Involved in Fraud iii. Total Number of Fraud Cases	Fuad et al. (2020) Akande et al. (2024); Data from Nigeria Deposit Insurance Corporation (2014-2024)
	Leverage	Control variable	i. Ratio of total debt to total assets	Appiah et al. (2020)
	Firm size	Control variable	ii. Logarithm of total assets	Niresh&Thirunavukkarasu (2014)
	Growth opportunity	Control variable	iii. Percentage change in the difference of the present and previous total assets divided by previous total assets	Kallapur&Trombley (1999)

Source: Author's Compilation, (2026)

4.1 Analysis and Results

Table 4.1: Descriptive Statistics

	ROA	FSF	TEF	EF	FSZ	LEV	GRO
Mean	0.002972	0.910721	0.158793	62653.22	6.465139	0.155272	0.079388
Maximum	0.005462	2.501396	0.291443	146183.0	7.611130	0.553424	0.334651
Minimum	0.000494	-0.819271	-0.138785	10612.00	0.000000	-0.247002	0.000000
Std. Dev.	0.001573	0.834499	0.079133	47778.71	0.728994	0.144698	0.049742
Skewness	2.79E-05	-0.400237	-0.561708	0.442535	-5.727616	0.220582	1.995482
Kurtosis	1.780039	2.029754	3.443634	1.678347	52.34376	3.063604	10.41302
Jarque-Bera	7.503537	7.976596	7.355151	12.75599	12937.06	1.001635	357.3570
Probability	0.053476	0.058531	0.065284	0.051699	0.000000	0.606035	0.000000
Observations	121	121	121	121	121	121	121

Source: E-view 10.0 version output data (2026)

From the result in Table 4.1, the descriptive statistics provide a comprehensive overview of financial fraud indicators, firm characteristics, and corporate performance among deposit money banks in Nigeria. The results show that Return on Assets (ROA), which measures corporate performance, recorded a mean value of 0.002972. This indicates that Nigerian banks generate very low returns relative to their total assets. The equality of the mean and median suggests that profitability is evenly distributed across the sampled banks, while the relatively low standard deviation further indicates minimal variation in performance. Although the distribution of ROA is approximately symmetric, the Jarque-Bera result reveals that it does not perfectly follow a normal pattern, implying slight irregularities in profitability behaviour among banks.
in the capital structure decisions of these banks. Finally, Growth Opportunity (GRO) reveals a modest average of 0.079388, suggesting limited expansion prospects for most banks. Nonetheless, the large positive skewness and high kurtosis imply that while growth is generally slow, a few banks exhibit substantial growth potential.

Table 4.2: Correlation Matrix

	ROA	FSF	TEF	EF	FSZ	LEV	GRO
ROA	1.000000						
FSF	0.414027	1.000000					
TEF	-0.256123	-0.154475	1.000000				
EF	0.072002	-0.013425	-0.094780	1.000000			
FSZ	-0.084427	0.016409	0.173772	-0.089302	1.000000		
LEV	0.040490	0.031836	0.003792	0.011059	0.366554	1.000000	
GRO	0.032062	-0.128732	-0.080325	-0.164662	-0.083850	-0.282444	1.000000

Source: E-view 9.0 version output data (2026)

From Table 4.2, the correlation matrix presents the direction and strength of the relationships between corporate performance (ROA), fraud indicators, and firm characteristics among deposit money banks in Nigeria. The results reveal that Return on Assets (ROA) is positively associated with Financial Statement Fraud (FSF), showing a moderate correlation of 0.414. This implies that as instances of financial statement manipulation increase, reported performance also tends to rise. This relationship suggests that fraudulent financial reporting may artificially inflate the performance of banks, supporting the view that some institutions enhance financial figures to mislead stakeholders.

4.2.3 Multicollinearity Check

Table 4.3: Variance Inflation Factor (VIF) of Financial Fraud and Corporate Performance

Variable	VIF	Tolerance 1/VIF
FSF	1.050580	0.951856
TEF	1.086585	0.920315
EF	1.051516	0.951008
FSZ	1.207174	0.828381
LEV	1.257406	0.795288
GRO	1.155844	0.865169
Mean VIF	1.134850	

Source: Researchers' Computation from E-view 10

The Variance Inflation Factor (VIF) analysis was conducted to examine the presence of multicollinearity among the independent variables used in explaining the relationship between financial fraud, forensic accounting, and corporate performance. The variables considered include Financial Statement Fraud (FSF), Tax Evasion Fraud (TEF), Electronic Fraud (EF), Firm Size (FSZ), Leverage (LEV), and Growth (GRO). The results show that all the VIF values range between 1.05 and 1.26, while the corresponding tolerance values fall between 0.79 and 0.95. Since the VIF values are well below the threshold of 10 and the tolerance values exceed the minimum acceptable value of 0.10, there is clear evidence that no harmful multicollinearity exists among the variables.

The mean VIF of 1.134850 further confirms that the predictors are not significantly correlated. A mean VIF close to 1 indicates that the independent variables are uniquely contributing to the model without duplicating explanatory power. Consequently, each variable independently explains variations in corporate performance without interfering with one another's effects. This implies that the fraud indicators and firm-specific control variables included in the regression model are statistically appropriate and valid for further analysis. The absence of multicollinearity indicates that the regression coefficients generated from these variables will be reliable, unbiased, and efficient. Therefore, the model can be confidently used to assess how forensic accounting techniques and different forms of financial fraud influence corporate performance.

4.3: Estimation of Panel Least Squares Results

Table 4.4: Estimation of Panel Least Squares Results

Dependent Variable: ROA
Method: Panel Least Squares
Sample: 2014 2024
Periods included: 11
Cross-sections included: 11
Total panel (balanced) observations: 121

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FSF	0.000755	0.000159	4.745780	0.0000
TEF	-0.003450	0.001695	-2.035361	0.0441
EF	2.30E-09	2.78E-09	0.828662	0.4090
FSZ	-0.000169	0.000195	-0.866963	0.3878
LEV	0.000917	0.001004	0.913030	0.3632
GRO	0.003131	0.002800	1.118479	0.2657
C	0.003368	0.001279	2.632512	0.0097

R-squared	0.226724	Mean dependent var	0.002972
Adjusted R-squared	0.186025	S.D. dependent var	0.001573
S.E. of regression	0.001419	Akaike info criterion	-10.22165
Sum squared resid	0.000230	Schwarz criterion	-10.05991
Log likelihood	625.4100	Hannan-Quinn criter.	-10.15596
F-statistic	5.570778	Durbin-Watson stat	2.073860
Prob(F-statistic)	0.000043		

Source: Author's Computation (2026)

Table 4.4 presents the results of the Panel Least Squares regression analysis. The results provide important insights into how financial fraud and firm-level characteristics influence corporate performance among Deposit Money Banks in Nigeria between 2014 and 2024. Corporate performance, measured by Return on Assets (ROA), was examined against several explanatory variables including Financial Statement Fraud (FSF), Tax Evasion Fraud (TEF), Electronic Fraud (EF), Firm Size (FSZ), Leverage (LEV), and Growth (GRO). The findings reveal a mixed pattern of relationships.

Financial Statement Fraud (FSF) has a positive and statistically significant effect on ROA. The coefficient of 0.000755 with a p-value of 0.0000 indicates that increases in financial statement manipulation are associated with increases in reported corporate performance. This suggests that fraudulent financial reporting may artificially inflate profitability figures, giving an impression of improved performance in the short term even though such gains are deceptive and unsustainable. This outcome underscores the need for stronger forensic accounting oversight to detect and mitigate this type of fraud.

Tax Evasion Fraud (TEF), on the other hand, has a negative and statistically significant influence on ROA; The coefficient of –0.003450 with a p-value of 0.0441 shows that involvement in tax evasion leads to lower corporate performance. This decline may be attributed to penalties, regulatory sanctions, reputational damage, and disruptions that accompany tax-related fraud. These results point to the importance of tax compliance and ethical financial practices in sustaining performance in the banking sector.The analysis further shows that Electronic Fraud (EF) does not exert any significant influence on ROA, as indicated by its very small coefficient and a p-value above 0.40. This suggests that electronic fraud losses may be mitigated through insurance, reimbursement systems, or strong technological controls, thereby minimizing their direct impact on asset returns. Similarly, Firm Size (FSZ) shows no significant effect on ROA, indicating that larger bank size does not automatically translate into superior performance. Efficiency, risk management, and governance may be more decisive factors than size alone.

Leverage (LEV) has a positive but insignificant effect on ROA. This implies that higher debt usage does not significantly enhance profitability in Nigerian banks, likely due to strict regulatory capital requirements and risk exposure considerations. Growth (GRO) also exhibits a positive but insignificant relationship with ROA, suggesting that expansion or increases in business activities do not immediately translate into improved performance, possibly due to operational inefficiencies or delayed returns.

Overall, the model demonstrates moderate explanatory power, with an R-squared of 0.2267 and an adjusted R-squared of 0.1860, indicating that approximately 18.6% of the variation in ROA is explained by the

selected variables. The F-statistic of 5.57 with a p-value of 0.000043 confirms that the model is statistically significant as a whole, meaning the variables jointly influence corporate performance. The Durbin–Watson statistic of 2.07 indicates no autocorrelation in the residuals, supporting the reliability of the model estimates.

The analysis shows that while financial statement fraud boosts reported performance and tax evasion fraud reduces it, other forms of fraud and firm-level characteristics do not significantly affect corporate performance in the Nigerian banking sector. These findings highlight the crucial role of forensic accounting in detecting and curbing fraudulent practices, improving transparency, and promoting sustainable financial performance among Deposit Money Banks in Nigeria.

4.4.1. Fixed Effect (LSDV) and Random Effects - MODEL I

The fixed effect or least square dummy variable (LSDV) model is suitable for heterogeneity or individuality among the eleven companies by permitting each company has its own intercept value. The term fixed effect is due to the fact that although the intercept may differ across the companies, the intercept does not change over time. This implies it is time invariant. Generally, the introduction of the fixed effect is to notice the effect of some variables that are not included in the original pooled OLS model. On the other hand, the random effect model, the eleven companies employed for the purpose of analysis in the study are assumed to have a uniform mean value for the intercept. The random effect explains that the heterogeneity is random rather than fixed also that random effect is inbuilt into the error term. Therefore, it forms a composite error term. The outcomes of the fixed effects model and the random effects model are presented in Table 4.5 and 4.6 respectively.

Table 4.5 Fixed Effects

Dependent Variable: ROA
Method: Panel Least Squares
Sample: 2014 2024
Periods included: 11
Cross-sections included: 11
Total panel (balanced) observations: 121

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FSF	0.000767	0.000167	4.592701	0.0000
TEF	-0.003652	0.001835	-1.990488	0.0492
EF	2.17E-09	2.90E-09	0.749207	0.4554
FSZ	-0.000193	0.000207	-0.932510	0.3532
LEV	0.001618	0.001400	1.155857	0.2504
GRO	0.003133	0.003063	1.022857	0.3087
C	0.003465	0.001355	2.556467	0.0120

Effects Specification

Period fixed (dummy variables)

R-squared	0.237175	Mean dependent var	0.002972
Adjusted R-squared	0.119817	S.D. dependent var	0.001573
S.E. of regression	0.001476	Akaike info criterion	-10.06997
Sum squared resid	0.000226	Schwarz criterion	-9.677174
Log likelihood	626.2333	Hannan-Quinn criter.	-9.910441
F-statistic	2.020954	Durbin-Watson stat	2.080496
Prob(F-statistic)	0.018094		

Source: Author's Computation (2026)

Table 4.6 Random Effects

Dependent Variable: ROA
Method: Panel EGLS (Period random effects)
Sample: 2014 2024
Periods included: 11
Cross-sections included: 11
Total panel (balanced) observations: 121
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FSF	0.000755	0.000165	4.563800	0.0000
TEF	-0.003306	0.001774	-1.863192	0.0650
EF	2.30E-09	2.89E-09	0.796886	0.4272
FSZ	-0.000169	0.000203	-0.833719	0.4062
LEV	0.000917	0.001044	0.878019	0.3818
GRO	0.003131	0.002911	1.075590	0.2844
C	0.003368	0.001330	2.531567	0.0127

Effects Specification		
	S.D.	Rho
Period random	0.000000	0.0000
Idiosyncratic random	0.001476	1.0000

Weighted Statistics			
R-squared	0.226724	Mean dependent var	0.002972
Adjusted R-squared	0.186025	S.D. dependent var	0.001573
S.E. of regression	0.001419	Sum squared resid	0.000230
F-statistic	5.570778	Durbin-Watson stat	2.073860
Prob(F-statistic)	0.000043		

Unweighted Statistics			
R-squared	0.226724	Mean dependent var	0.002972
Sum squared resid	0.000230	Durbin-Watson stat	2.073860

Source: Author's Computation (2026)

In order to ascertain the appropriate choice of either of these estimated models, the study employed the use of Hausman Test.

4.4.2 The Hausman Test I

The Hausman Test was carried out to verify if there is a significant discrepancy between the estimates of the fixed effect estimator and that of the random effect estimator. The null hypothesis underlying the test is that fixed effect estimates do not distinguish significantly from the random effect estimates. The test statistic formulated by Hausman has an asymptotic chi-square distribution. Having estimated the Hausman Test Hypothesis:

H_0: Random effect model is appropriate
H_1: Fixed effect model is appropriate

The rule is that if the probability value of the Chi-Square Statistics is statistically significant, we accept fixed effects model, otherwise, the random effects model is appropriate.

Table 4.7 Extract from the Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.24680	6	0.0043

Source: Author's Computation (2026)

Examining the Chi-square values of the cross- section random in Table 4.7, the test yielded a chi-square statistic of 14.24680 with a corresponding p-value of 0.0043. Since the p-value is below the 5% significance threshold, the null hypothesis of no systematic difference between the random effects and fixed effects estimators is rejected. This outcome indicates that the regressors are correlated with the individual-specific effects, thereby justifying the adoption of the fixed effects model as the more consistent and reliable estimator for the analysis. Consequently, the interpretation of results is based entirely on the fixed effects specifications.
Using the fixed effects model, the analysis examines how financial statement fraud, tax evasion fraud, electronic fraud, firm size, leverage, and growth influence corporate performance, measured by Return on Assets (ROA), over the period 2014 to 2024. The findings reveal diverse patterns of relationships across the explanatory variables. Financial Statement Fraud (FSF) has a positive and highly significant effect on ROA, with a coefficient of 0.000767 and a p-value of 0.0000. This implies that increases in financial misstatements are associated with increases in reported profitability. The result suggests that fraudulent financial reporting tends to artificially inflate performance figures, creating short-term gains that do not reflect the true financial health of the banks. This underscores the need for strong forensic accounting and regulatory scrutiny to detect manipulative practices.

Tax Evasion Fraud (TEF) displays a negative and statistically significant relationship with corporate performance, as shown by its coefficient of –0.003652 and p-value of 0.0492. This indicates that banks involved in tax evasion experience a decline in performance, likely due to penalties, compliance challenges, reputational damage, and the internal disruptions that accompany fraudulent tax practices. This reinforces the importance of tax compliance and transparent reporting in sustaining long-term financial performance.

Electronic Fraud (EF), however, exhibits an insignificant effect on ROA, as reflected by its negligible coefficient and a p-value of 0.4554. This suggests that although electronic fraud may occur, its direct impact on asset returns is minimal. This could be due to existing recovery mechanisms such as insurance, fraud-mitigation technologies, and effective internal control systems that cushion the financial effects of electronic breaches.

Firm Size (FSZ) also shows an insignificant negative influence on performance, with a p-value of 0.3532. This result indicates that larger banks do not necessarily perform better than smaller ones. The outcome suggests that structural efficiency, governance quality, and operational discipline may be more important determinants of performance than size alone. Similarly, Leverage (LEV) has a positive but statistically insignificant effect on ROA. This suggests that increasing debt levels does not meaningfully influence profitability in Nigerian banks, possibly because regulatory capital requirements limit excessive leverage and its potential benefits. Growth (GRO) also demonstrates a positive but insignificant association with ROA, implying that banks' expansion activities or increases in market share do not immediately translate into improved performance, likely due to time lags or expansion-related costs.

The overall model statistics indicate moderate explanatory power, with an R-squared of 0.2372 and an adjusted R-squared of 0.1198, suggesting that approximately 12% of the variations in ROA are explained by the combined effects of the explanatory variables after accounting for period-specific factors. The F-statistic of 2.0209 with a p-value of 0.0181 confirms that the model is statistically significant, indicating that the variables jointly influence performance. The Durbin-Watson statistic of 2.08 also indicates the absence of autocorrelation, affirming the reliability of the fixed-effects estimates.

In summary, after establishing through the Hausman test that the fixed effects model is the appropriate estimator, the analysis shows that financial statement fraud significantly and positively influences reported performance, while tax evasion fraud significantly diminishes performance. Other variables, electronic fraud, firm size, leverage, and growth, do not exert significant effects. These findings point to the critical role of forensic accounting practices, regulatory enforcement, and corporate governance reforms in promoting transparency and ensuring sustainable performance in Nigeria's banking sector.

4.5. Discussion of Findings

The objectives and hypotheses one to three formulated in chapter one are tested in this section. It is also highlighted the interpretation and implication of findings on the impact of financial fraud on forensic accounting and corporate performance of Deposit Money Banks in Nigeria. The decision rule is that if the calculated P-value is lower than 5% significance level, the alternate hypothesis is accepted and the null hypothesis is rejected.

The first objective of this study assessed the effect of financial statement fraud on corporate performance of deposit Money Banks in Nigeria. The hypothesis tested is that financial statement fraud has no significant effect on corporate performance of deposit Money Banks in Nigeria. Financial Statement Fraud (FSF) has a significant positive effect on effect on corporate performance of deposit Money Banks in Nigeria at the probability level (p-value) of 0.0000 and t-statistic of 4.592701 at 5% significance level. This implies that the alternate hypothesis should be accepted while the null hypothesis rejected. Hence, the result supports the theoretical expectation and the acceptance of the alternate hypothesis as against the null hypothesis. The implication is that, as the financial statement fraud increases by a unit, there is an increase of 0.000767 in corporate performance of deposit Money Banks in Nigeria. This finding is in conformance with the existing research results of Yendrawati et al. (2023), Omah (2023) but contrary to the findings of Seifzadeh et al. (2022).

The finding that financial statement fraud has a significant and positive effect on the corporate performance of Deposit Money Banks in Nigeria, as indicated by a p-value of 0.0000 and a t-statistic of 4.592701 at the 5% significance level, suggests that fraudulent financial reporting tends to create an artificial improvement in performance indicators. One possible reason for this outcome is that banks engaging in financial statement fraud often inflate key financial metrics such as profits, assets, or shareholders' equity. This manipulation makes the institution appear more profitable and stable than it actually is, thereby improving performance ratios like return on assets or return on equity.

Second objective is to investigate the effect of tax evasion fraud on corporate performance of deposit Money Banks in Nigeria. Tax Evasion Fraud (TEF) has a significant negative effect on corporate performance of deposit Money Banks in Nigeria at the probability level (p-value) of 0.0492 and t-statistic of -1.990488 at 5% significance level. Hence, the result supports the theoretical expectation and the acceptance of the alternate hypothesis as against the null hypothesis. The implication is that, the greater the Tax Evasion Fraud (TEF) by a unit, the lower the corporate performance of deposit Money Banks in Nigeria by -2.035361. This finding is in line with the work of Mu et al. (2023) but contradicts work carried out by Olaniun et al. (2022).The significant negative effect of Tax Evasion Fraud (TEF) on the corporate performance of Deposit Money Banks in Nigeria, reflected in a p-value of 0.0492 and a t-statistic of –1.990488 at the 5% significance level, suggests that tax-related fraudulent practices tend to undermine the financial health and operational efficiency of banks. One possible explanation is that tax evasion exposes banks to substantial regulatory, legal, and reputational risks. When tax irregularities are detected, the institutions may face penalties, sanctions, or increased monitoring by tax authorities, all of which can erode profits and weaken overall performance.

Tax evasion fraud is also indicative of weak governance structures within the banks. Poor oversight, inadequate internal controls, and unethical managerial behaviour often accompany such fraudulent practices. These weaknesses can spill over into other aspects of the bank's operations, resulting in inefficiencies, resource misallocation, and reduced investor or depositor confidence. Furthermore, banks involved in tax evasion may engage in complex schemes to conceal taxable income, which can increase administrative costs, distort financial planning, and compromise long-term strategic decisions.

Third objective is to explore impact of electronic fraud on corporate performance of deposit Money Banks in Nigeria. Electronic Fraud (EF) exerts positive but statistically insignificant effect on corporate performance of deposit Money Banks in Nigeria at the probability level (p-value) of 0.4554 and t-statistic of 0.749207 at 5% significance level. Therefore, the null hypothesis is accepted against the alternate hypothesis. Hence, the result does not support the theoretical expectation. The finding is contradicts the findings of Ezuand Chukwu (2022), Jolaiya (2024), Tyona et al. (2021) and Nwobia et al. (2021). The implication is that, a unit increase in Electronic Fraud (EF) brings about increase in corporate performance of deposit Money Banks in Nigeria but not significant. The finding that Electronic Fraud (EF) exerts a positive but statistically insignificant effect on the corporate performance of Deposit Money Banks in Nigeria—reflected in a p-value of 0.4554 and a t-statistic of 0.749207—indicates that although electronic fraud incidents may appear to have a slight upward influence on performance indicators, this influence is neither strong nor meaningful in explaining variations in performance. Several reasons may account for this outcome.

One possible reason is that Nigerian banks have increasingly invested in sophisticated electronic fraud detection and prevention technologies. These systems help to reduce the actual financial impact of electronic fraud, meaning that the losses incurred may not be large enough to significantly affect profitability or other performance measures. As a result, the estimated effect appears positive but weak, reflecting that fraud incidents are being managed effectively without substantial disruption to financial outcomes.

II. Conclusion

This study concludes that financial fraud remains a critical factor influencing the corporate performance of Deposit Money Banks in Nigeria. While financial statement fraud significantly inflates reported performance in the short run, such gains are deceptive and unsustainable, posing long-term risks to stakeholders. Conversely, tax evasion fraud significantly undermines corporate performance due to regulatory penalties, reputational damage, and governance weaknesses. Electronic fraud, although present, does not significantly affect performance, likely due to improved fraud detection technologies and internal control systems. The findings underscore the need for strengthened forensic accounting practices, enhanced regulatory oversight, and improved corporate governance frameworks to deter fraudulent activities and ensure transparency, accountability, and sustainable performance in the Nigerian banking sector.

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