FINANCIAL STATEMENTS FRAUD AND ECONOMIC GROWTH IN NIGERIA

Ogbonna, G.N., PhD.1 & Sagbara, Emilia Clifford1

1Department of Accounting, Faculty of Management Sciences, University of Port Harcourt, Nigeria.

Abstract
This study examined the relationship between financial statements fraud and economic growth in Nigeria. The study is a cross-sectional correlation survey. The population of study is twenty-one (21) Banks in Nigeria. Stratified Random sampling technique was adopted and 106 well structured questionnaires were used to obtain primary data through respondents who returned them for analysis. The Spearman’s Rank Order Correlation Coefficient was used to test the three hypotheses using SPSS version 20.0. Findings reveal that there is a positive and weak relationship (\(\rho=0.226\)) between management fraud and economic growth of Nigeria and there is a positive and moderate relationship (\(\rho=0.408\)) between employee fraud and economic growth of Nigeria. We therefore conclude that the effect of fraudulent activities negate the economic growth of Nigeria. Also, financial statements of banks in Nigeria have not significantly contributed to the economic growth of Nigeria because of the negative effect of financial statements fraud. Therefore, the study recommends that: banks should try as much as possible to prepare timely and objective financial statements that are free from fraud, bias and negative creative accounting which will serve as a basis for computing increased tax revenue of Nigeria, so as to enhance economic growth. Banks should also ensure that internal control measures are effectively put in place in order to discourage fraud and improve adequate and proper financial reporting. Banks should always ensure that fraudsters in banks are properly punished to serve as a lesson and deterrent to others. However, implementation of the recommendations of this study will help to reduce fraud and corruption and enhance the economic growth of Nigeria.

Key words: Financial Statement Fraud, Economic Growth, Management fraud, Employee fraud.

A. Introduction
Nigerian economic growth has over the years been bedeviled by financial statements fraud. Among the ill winds of multiple frauds that have been blowing Nigerian economic growth are financial statements fraud which includes: improper treatment of sales, revenue overstatement, understatement of expenses, overstatement of assets and understatement of liabilities and various types of corrupt practices, just to mention but a few (Eze, 2015). Hence, Transparency International has over the period rated Nigeria Corruption level very high and many observers have described Nigeria as a fantastically corrupt nation. Irrespective of this unfortunate situation each successive government has always paid a lip service and cosmetic attention to corruption and financial statement fraud to the extent that not even one culprit or fraudster has been convicted or jailed in Nigeria. This is a clear indication that successive Nigeria governments are not doing enough to combat corruption and financial statement fraud. They have been playing politics with corruption control. Hence, this study investigated the relationship between the financial statements fraud and the economic growth in Nigeria. Jhinga (2010), states that economic growth is one of the most important objectives of monetary policy in recent years and has been responsible for the rapid economic growth of any economy. Economic growth is defined as “the process whereby per capita income of a country increases over a long period of time.” According to Investopedia.com (2018), economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another and it can be measured in nominal or real terms, the latter of which is adjusted for inflation. Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used.

Economic growth according to McEachern (2000) is an increase in the economy’s ability to produce goods and services which are reflected in an outward shift of the economy’s production possibilities frontier caused by an increase in resources, such as a growth in the labor supply or in the capital stock that shifts the frontier outward. This means that Labor supply can increase either because of population growth or because the existing population works more because of training and retraining; also the capital stock increases if the economy produces more capital this year and the more capital produced this year, the more the economy grows (McEachern 2000). Economic growth can also be achieved through the
expansion of output of an economy which is, the national income, and increase in savings and investment or in factors of production. It can arise through breakthrough in technology and innovation, improvement in human capital, reduction in time preference in consumption. All these factors can contribute to economic growth in any economy.

The concept of financial statement fraud has attracted great interest and generated considerable academic debate and concern over the past decade. Financial statement frauds involve deliberate manipulation of organizational financial results by effecting adjustments that are not real or making some transfers from one account to the other or stating untruthful disclosures or misstatement or even outright falsification of accounting records or omission of certain amounts with the intention to create an impressive and rosy picture that is capable of altering the real financial affairs of the organization thereby deceiving the financial statements users. Hopwood, Young and Leiner (2013) described financial statement fraud as the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements to deceive financial statement users. Also, financial statement fraud is intentional misrepresentation, misstatement or omission of financial statement data for the purpose of misleading the reader and creating a false impression of an organization’s financial strength (Bradford, 1988).

Financial statements Reporting is supposed to be regulated by International Financial Reporting Standards (IFRS) which provides the basis for accounting and financial reporting in all incorporated companies especially in oil and gas industry which substantially sustains Nigeria economy. IFRS provides reports to the shareholders and the capital markets in many countries of the world including Nigeria and management of various organizations are not allowed to be involved in financial statement fraud because of its negative consequences. The introduction of IFRS in January, 2012 in Nigeria, has negated the earlier provision whereby International Accounting Standards (IAS) did not override Statement of Accounting Standards (SAS) provisions in a situation of conflict due to local peculiarities and certain conditions that exist from time to time. The present situation is that, IFRS provisions override all local standards in situation of any conflict and all registered companies in Nigeria are required to prepare their annual accounts in line with the provisions on international Financial Reporting Standards (IFRS) with effect from January, 2012 and the Financial Reporting Counsel of Nigeria (FRCN) must ensure proper compliance and consistency with the International Accounting Standards Owoeye (2012). The rationale and implications of the latest provision among others, is to ensure worldwide comparability, harmonization and convergence of financial statements of multi-national companies with their subsidiaries and also ensure that are free from fraud and irregularities.

A typical example of financial statement fraud has been demonstrated by the Enron Saga in US. This is according to Cherreson (2003) one of the biggest impact on accountancy which occurred in 2002 when the US energy company Enron, was found to be performing far less successfully than was publicly declared. The company went under and the accountancy firm of Andersen (US) was held responsible for giving false accounting information and trying to destroy the evidence in order to deceive the financial statement users.

Financial statement fraud is usually prepared where there is ill conceived intention to commit fraud or create wrong or false impression of financial strength of an organization. Fraud can therefore be classified into four types, namely: management fraud, employee fraud, external fraud and fraud by collusion between internal staff and external person. Each of these frauds affects the authenticity and reliability of the financial statements.

Fraud is an intentional act by one or more individuals among management - those charged with governance, employees or third parties involving the use of deception to obtain an unjust or illegal advantage. Fraud may be perpetrated by an individual, or colluded in, with people internal or external to the business (ACCA Approved Study Pack, 2015). Fraud, which involves the use of deception unjust or illegal financial advantage; or Intentional misstatements in, or omissions of amounts or disclosure from an entity’s accounting records or financial statements; or theft, as defined by the Theft Act whether or not accompanied by misstatements of accounting records or financial statements.
Error on the hand is used to refer to unintentional misstatements in, omissions of amounts or disclosures from, an entity’s accounting records or financial statements. Material errors are normally corrected by the auditor’s client when they are identified. If a material error which has been identified is not corrected it becomes an irregularity and the external auditor has the right to ask the preparers of the accounts to effect the necessary corrections so that the accounts can be said to show a true and fair view.

B. Statement of Problem

Any economy that has the following features which Nigeria has is bound to have problem: lacks ability to discover new and better economic resources; inability to constantly apply the latest technology to exploit the available resources, fail to grow sufficient technically competent labour force, fail to produce and refine its crude oil locally but always export her crude oil oversea for refining and later import the same refined oil at a high cost, develop individuals instead of institutions and infrastructures, regularly roll out drums to celebrate corrupt leaders. Financial statements fraud and corrupt practices are products of corruption-ridden society. They create serious economic stagnation and pose challenges in the management of economic growth.

The critical problem involved in financial statement fraud is that it could be a camouflage to hide fraud that has been previously committed, or create false impression of the financial strength of the organizations affected. When financial statements have been falsified, funds are usually siphoned from the organizations - both private and public and they suffer financial loss or hemorrhage which eventually affects the economy. In effect, fraud can precedes financial statement falsification with intention to hide the true position and deceive innocent decision makers.

The problem of breach of trust and confidence by the management can be traced to introduction of the joint stock company which legally transferred the direct management of shareholders investment to the management of various companies. It is a reality that the establishment of Joint Stock Company has increased the supply of capital for commerce and industry. It was therefore, necessary for the owners of the companies, usually known as shareholders to delegate some of their members to act as Board of Directors to take care of the role of policy making of the companies while the daily activities of the business concerns are handled by the companies’ management. Most importantly, the precarious situation of the absentee shareholders arose because the actual direct management of the shareholders’ investment is entrusted to the hands of the companies’ management which in turn reports to the board of directors. With this state of affairs, the fate and interest of shareholders lies in the hands of the management of the companies. It is therefore unfortunate for the same management which supposed to protect the interest of shareholders to be involved in financial statement fraud with intention to deceive and cause users of information from financial statements to take wrong investment decisions based on fraudulently prepared financial statements. Ultimately, any investment based on false financial statements will not yield the desired return and the economy will be affected adversely.

Objectives of the Study

The main aim of the study is to investigate the relationship between financial statements fraud and economic growth of Nigeria while the specific objectives of the study are:

1. To find out if there is any relationship between management fraud and economic growth of Nigeria.
2. To ascertain if there is any relationship between employee fraud and economic growth of Nigeria.

C. Literature Review

Theoretical Framework

This study considered Cressey’s Fraud triangle theory. The theory has been adopted by government of United States in designing regulations to increase the effectiveness of auditor in detecting fraud and this is stated in SAS 99 as fraud risk factor (Skousen, 2009). According to Cressey there are three factors that must be present for fraud to occur which are pressure,
opportunity, and rationalization. Fraud triangle theory has widely been used in detecting motivation of perpetrators engaged in financial statement fraud. Researchers who used this fraud triangle theory in the research are Skousen and Wright in 2006 and 2009. In Indonesia, similar works has been done by EmaKurniawati (2012) where she used restatement as proxy for financial statement fraud with six independent variables derived from fraud triangle.

Cressey used Research problem motivation fraud to represent fraud triangle theory and this has been used by many researchers to detect the likelihood of financial statement fraud. Representative proxy developed from each component of fraud triangle is expected to investigate and reduce financial statement fraud practices. This research will answer the question: do pressure, opportunity, and rationalization affect the tendency of financial statement fraud behavior in organizations in Nigeria?

Concept of Financial Statement Fraud

The term ‘financial statement fraud’ particularly in a computer environment, is increasing and has been a central feature in a number of financial scandals in recent years. This fact, together with the increasing sophistication of fraudsters, creates difficult problems for management and auditors. When planning, and performing audit procedures and in evaluating and reporting the result thereof, the auditor should consider the risk of materials misstatements in the financial statement resulting from fraud and error.

Financial statement fraud according to ACCA Approved Study Text on Audit and Assurance (2015), involves intentional misstatements, including omissions of amounts or disclosures in financial statements, to deceive financial statement users; this may include: Manipulation, falsification or alteration of accounting records/supporting documents, Misrepresentation (or omission) of events or transactions in the financial statements and Intentional misapplication of accounting principles.

In a study carried out by KPMG (1995), it was disclosed by Crumbley et al (2007) that Fraud and other irregularities are used to refer to the following four categories:

<table>
<thead>
<tr>
<th>Management fraud,</th>
<th>Employee fraud</th>
<th>External fraud</th>
<th>Fraud by collusion between internal staff and external person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock theft</td>
<td>Lapping</td>
<td>Cheque Forgery</td>
<td>Over-invoicing</td>
</tr>
<tr>
<td>Misappropriation of cash/assets</td>
<td>Misappropriation of cash/assets</td>
<td>False Representation</td>
<td>Contract Price Manipulation</td>
</tr>
<tr>
<td>Lapping</td>
<td>False Financial Statement</td>
<td>False Invoice</td>
<td>Collation</td>
</tr>
<tr>
<td>Cheque Forgery</td>
<td>Over statement of expenses Accounts</td>
<td>Product Substitution</td>
<td>Supply and Take Back</td>
</tr>
<tr>
<td>Expenses Account Manipulation &amp; over-invoicing</td>
<td>Unnecessary Purchase without Budget</td>
<td>Bribes/Secret Commission</td>
<td>Loans without due process</td>
</tr>
<tr>
<td>Petty Cash Misappropriation</td>
<td>Cheque Forgery</td>
<td>Bid Rigging/Price Fixing</td>
<td>Investment Fraud</td>
</tr>
<tr>
<td>Kickbacks (bribery)</td>
<td>Kickbacks (bribery)</td>
<td>False Insurance Claims</td>
<td>Advance Fee Fraud</td>
</tr>
<tr>
<td>Loans without due process</td>
<td>Ghost Workers</td>
<td>Credit Card Fraud</td>
<td>Ghost Vendors</td>
</tr>
</tbody>
</table>
Adapted from Crumbley et al (2007)

Okafor A. Uzomah (2005) in his book “Auditing and investigations” defined fraud as a criminal deception in order to get advantages or an intentional act by one or more individual among managements, employee or third parties, which results in a “misrepresentation” of financial statements or audited accounts as a result of fraud committed. According to Bradford (1996:2) misrepresentation is the presentation of facts with false information either deliberately or non-deliberately.

Kingsills (1998:35) defined account misrepresentation to mean a deliberate or non-deliberate action performed by an auditor or any such person in approving and expressing opinion on incorrect financial statement.

Beasley et al (1999) argued that financial statement fraud is more likely to occur in companies which are experiencing financial difficulties rather than normal companies. Beasley (1999) divided financial statement fraud into two types. First, it is the intention of management to issue or to publish material misleading financial statements. Secondly, is the occurrence of misappropriations asset by top management like chairperson, vice chairperson, chief executive officer, president, chief financial officer and treasurer. Financial statement fraud mostly involved overstatement company’s revenues and assets (Beasley et al, 1999).

Overstating revenues can be done by recording fictitious sales and related transactions. Another practice of financial statement fraud is overstating assets by overstating inventory, property, plant, equipment, and other tangible assets while actually those assets did not exist.

The joint stock company act of 1844 in Britain was the first legislation, which requires that all incorporated companies or business should have the result of their daily activities known as the financial statement to be examined by an auditor. Later developments required that the auditor must be independent of his client, and be professionally qualified to enable him (the auditor) express a qualified opinion on the financial statement without bias.

Auditing was meant to serve for many purposes, so that, there should not be any form of fraud, error, or misrepresentation in audited accounts in order not to create conflict between the interest groups. The critical examinations of its effects are the basis for this works. The auditor over the years played the role of instilling confidence in the public at large by revealing facts about companies, which would otherwise be hidden to avoid misrepresentation and false information. England in 1900 made it legally compulsory for every company or any organization to appoint an auditor through acts of parliament.

Financial statement fraud is a situation where an external auditor who is appointed under S. 357 of Company and Allied Matters Act (CAMA), 1990 renders a false or unqualified opinion about the statement of affairs of a firm or business entity. This felony is a very big problem with adverse effect on the well-being of organization; this is because it gives incorrect picture or image of the financial status of the organization thereby misleading the owners’ (Shareholders) interest in the business concern, the creditors, financial institution and the government. In accordance with; independence and objectivity: which is one of the professional ethics of accountants (auditors) it states that an auditor must at all time perform his work objectively and impartial free or no partially from influence by any consideration which might appear to be in conflict with this requirement. The essence of this theory is to ensure honestly and unbiased opinion by an auditor in other to run away from adverse effect of incompetent in financial report.

Government imposes relevant taxes on companies or business concerns based on their audited financial statement. Also the decision on lending habits by financial institutions is based on financial statement which means that false information will mislead both the government and the financial institution. On the other hand, the owners of the business are also being misled. Apart from financial statement, any false information either in academics, social and cultural life usually misled. The effects of financial statement fraud among others is that it can being an enterprise into liquidation, the interest parties in the financial report such as government, shareholders, creditors, investors, workers, other groups and statutory bodies are misled and thereby creating confusion among them causes inefficiency in the managerial
operation of an account is not encouraging because it works against management information
and organization efficiency.

According to Sound Advice Tax Resources 102-1-knowing misrepresentations in the
preparation of financial statements or records: A member should be considered to have
knowingly misrepresentation facts in violation of rule 102 when he or she knowingly-

a) Makes or permits or directs another to make, materially false and misleading entries in an
entity's financial statement or records or,
b) Fails to correct an entity's financial statements or records that are materially false and
misleading when he or she has the authority to record an entry or
c) Signs or permits or directs another to sign a document containing materially false and
misleading information.

In light of the foregoing, Nigeria as a matter of fact, having accessed the effects of
financial statement frauds on the general economic growth, gave recognition to auditing
through the companies and Allied matters acts 1990 and other earlier promulgations. Despite
this laudable effort to cut tail the excesses of financial statement frauds, there still exist some
gap. It is therefore the concern of this study to bridge the gap.

Dimensions of Financial Statement Fraud

According to Rezaee (2002) there are two types of financial statement fraud; management and employee frauds. For convenience and within the scope of this study, attempts shall be made to critically examine the two broad schemes of fraud. Fraud is
classified into two; management fraud and employee fraud.

Management Fraud

Fankle (2006) sees management fraud as the act that often involves the manipulation
of the records and the accounts, typically by public officers or enterprise’s senior officers with a
view to benefiting in some indirect way. An example is obtaining finance under false pretences,
or concealing a material worsening off the Government’s position, i.e. window dressing.

Robertson (1996), posits that management fraud is a deliberate fraud, committed by
management that injures investors and creditors, through materially misleading financial
statements. Management fraud is sometimes called fraudulent financial reporting.

Management fraud is usually perpetrated by the management staff of the government,
which includes directors, chief executive officers (public resources managers), etc. The classes
of victims of management fraud are government investors and creditors and the instrument of
perpetration is voucher. Therefore, the essence of management fraud most times is to attract
more shareholders to come and invest in the country. It is also perpetrated, so that
organization will be in better position of obtaining loans from banks, because, a good statement
will show a healthy look, hence it will be a good collateral security.

Employee Fraud

This is also known as non- management fraud or staff fraud. These are frauds that are
perpetrated by the public staff. Robertson (1996) defines it as the use of fraudulent means to
take money or other property from the government. It usually involves falsification of some
kind, like false documents, lying exceeding authority, or violating of government’s policies,
embezzlement of government's funds, usually inform of cash or other assets. It consists of
three phases, which are

• The fraudulent act
• The conversion of the money or property to the fraudsters us
• The cover up

But then, employee frauds are more likely to be common where internal controls are weak.
Other types of employees’ frauds according to Awe (2005), are stated as follows:

• Fictitious payment of suppliers; Alteration of invoice; double payment of invoices;
Suppression of credit not received; Missing returned cheques (so that it appears that bills are
paid); Missing involves; Wages fraud (payroll fraud); Payment for hours not worked for;
Payment of an incorrect wage rate; Fictitious employees (ghost workers) on wage sheet;
Deliberate errors in wage sheet; Misappropriated cash taking; Actual theft of cash balance;
Misappropriated cash from credit-sales.
It is important to note that, all these form of employee fraud are perpetrated, so that the perpetrators will have an undue benefit from all the irregularities made, as embedded in the definition of fraud.

**Why Audit of Financial Statement**

Okafor (2005), asserts that the main reason for auditing a financial statement is because the users of the financial statements before the advent of an audit hardly believe the fact that such report may: contain some errors net disclose fraud, which fail to reveal some important information that can be inadvertently misleading be wrongly presented. In other words, the financial statement could said to have a kind of credibility problems on the eyes of the shareholders. Consequently, to solve the problem of credibility, an independent and a qualified form or individuals of character accountant is appointed by the company to examine the financial statement prepared by the management and express their opinion in a report to the shareholders as to whether or not they show a true and fair view of the statement of affairs of the company during the year under review.

**The objectives of Auditing a Financial Statement**

The primary objective of an audit under CAMA, 1990 is for an appointed auditor to express a processional contained in the financial statement prepared by the management so that any person reading and using them can have belief or rely in them. Other secondary objectives include:

a) **To delete any form of irregularity**
b) **To prevent fraud and error**
c) **To evaluate the effectiveness or otherwise, of the internal control system within the enterprise.**
d) **To assist the management in the establishment of effective auditing system**
e) **To advice on financial matters for efficient decision making by the management**
f) **To ascertain and ensure that an enterprise conform with statutory and professional requirements and so on**

**Ways to Reduce Financial Statement Fraud.**

Shama (1994), posits that the following measures are necessary in order to control misrepresentation. These include; reduction in delegation but if it must be adopted, measures to delegate, to correct officer should be taken, provision of necessary audit material, disclosure or provision of necessary document and vouchers, appointment/employment of competent auditors, adopting an effective and efficient internal control system in an organization and installation of function able audit department.

Present day shows that presentation of true financial statement of an organization should be recorded as assets to such organization as it creates good ways. This is because research studies have shown that there is high percentage of misrepresentation in financial statement in the whole world. Meanwhile, the dangerous effect of this act (misrepresentation) can be cur bated to the barest percentage if the strategies in this study applied. There is need for impartiality in the state of affairs of organization due to its statements of account wide range of usage brokerage.

**Concept of Economic Growth**

A country’s economic growth is usually indicated by an increase in that country’s gross domestic product (GDP). Generally speaking, economic growth is measured by the value of a country’s output. In other words, economic growth is a reflection of the total monetary value of the goods and services produced by that country over a specific period of time. Economic growth often leads to economic development. However, it is important to note that an economic growth does not necessarily include intrinsic development factors, such as leisure time, environmental quality or freedom from oppression.

According to Fubara (2014) and Abedi (1997) economic growth is mostly measured by the total wellbeing of its gross domestic product (GDP), cost of living and standard of living. The term GDP simply refers to the total goods produced and measured at their monetary...
values within the country excluding net income from abroad (Fubara, 2014). Gross Domestic Product indicates the market value of all officially recognized final goods and services produced within a nation at a specified time period. The relevance of GDP in every economy cannot be overemphasized because it is the major indicator of a country economic growth and the living standard of its citizens. Indeed, the best index to understand a country’s economy is by looking at its output in terms of Gross Domestic Product (GDP). By global standard, it is output that shows how rich and viable a country is economically. Thus, a country may be said to be in recession if its output of goods and services declines for at least two consecutive quarters or the growth rate is negative for three consecutive years and when critically assessed, three consecutive quarter (Osuji, 2013). Syndelle (2009) observed that in 2007, Lagos state achieved a gross domestic product of N3.68 trillion an equivalent of $29.028 billion making it the biggest contributor to the federal government. But then, GDP can’t be boom except in a free corrupt environment. This simply means that certain machineries have to be in place in order to ensure a boom GDP. Thus, the application of effective TSA will help to achieve a performing GDP.

Gross domestic product is mathematically represented as:

\[ GDP = Consumption (C) + Investment (I) + Government Expenditure (G). \]

It is sometimes refers to cost of goods and services within the country, such as cost of accommodation, education, transportation (Fubara, 2014). Basically, fraud could deter economic growth of country. For instance in Nigeria, recent studied has found that financial statement fraud has deterred the economic growth.

(A) Gross Domestic Product (GDP)

GDP is the total value of goods and services produced within the county during a year. This is calculated at market prices and is known as GDP at market. Dernberg defines GDP at market prices as “the market value of the output of final goods and services produced in the domestic territory of a country during an accounting year.” There are three different ways to measure GDP: Product Method, Income Method and Expenditure Method. These three methods of calculating GDP yield the same result because National Product = National Income = National Expenditure.

1. The Product Method. In this method, the value of all goods and services produced in different industries during the year is added up. This is also known as the value added method to GDP or GDP at factor cost by industry of origin. The following items are included in India in this agriculture and allied services; mining; manufacturing, construction, electricity, gas and water supply; transport, communication and trade; banking and insurance, real estates and ownership of dwellings and business services; and public administration and defence and other services (or government services). In other words, it is the sum of gross value added.

2. The Income Method. The people of a country who produce GDP during a year receive incomes from their work. Thus GDP by income method is the sum of all factor incomes Wages and Salaries (compensation of employees) + Rent + Interest + Profit.

3. Expenditure Method. This method focuses on goods and services produced within the country during one year. GDP by expenditure method includes: (1) consumer expenditure on services and durable and non-durable goods (C), (2) investment in fixed capital such as residential and non-residential building, machinery, and inventories (I), (3) government expenditure on final goods and services (G), (4) export of goods and services produced by the people of country (X), (5) imports (M). That part of consumption, investment and government expenditure which spent on imports is subtracted from GD. Similarly, any imported component, such as raw trials, which is used in the manufacture of export goods is also excluded.

Thus GDP by expenditure method at market Offices=C+J+G+(X-M), where(X..M) is net export which can be positive or negative.

P at Factor Cost

Empirical Review

Several Empirical studies financial statement fraud had been done both in developed and
developing economy, including Nigeria. But the findings have not gotten a consensus. However, R.S Ernest (2009:41) "said that the effect of false information or misrepresentation in accounts is that it misleads the users of such statement (account) in case of effective decision making and other usage". Furthermore, effect of misrepresentation among other things is that it can bring an enterprise into liquidation; the interested parties in the financial report such as the government shareholders, statutory bodies are misleads thereby creating conflicts or confusions (anarchy) among them. It causes inefficiency in the managerial operation of an organization by providing the managers with information that is capable of misleading them in their decision making. Misrepresentation of an 43 The recent distress in 26th commercial banks and other financial institutions led to loss of fund and other properties worth of billions of naira by depositors, which I believe is one of the reasons why the commercial banks recapitalization. This was caused by increased in fraud or misrepresentation and other unethical practice in the commercial banks. It can also be attributed to political instability poor asset quality, poor-earning and capital inadequacy. This issue of fraud or misrepresentation of accounts has as well spread to community banks, finance house; mortgage banks etc and has threatened the growth of banking in our country.

In May 2000, the institute of chartered accountants of Nigeria (ICAN) reviewed an existing document issued in November 1979 embodying a code of conduct for its members. This document is titled "rules of professional conduct for members". Professional ethics are standards or code of conduct which an auditor must observed that may be contrary to the auditor's personal interest. The essence is to ensure that financial reports are not misrepresented. To this end, it is belief that financial statement fraud does not support economic growth of Nigeria.

D. Methodology

This correlation study was conducted as a cross sectional survey. Thus, the population is 21 banks in Nigeria. Stratified Random sampling technique was adopted and primary data used to elicit responses with 106 structured questionnaires distributed. Also, in selecting the respondents, the simple random sampling technique was used. A three-item scale was developed for the independent variable based on Mullins and Aldrich (1998). The dependent variable is economy. A three – item scale was developed for its measuring variables. A five-point likert type scale was used (ranging from 5 – great extent to 1 –Not at all) for all.

For test of reliability of the scale, the Cronbach alpha coefficient method was used to establish a coefficient of 0.86. Spearman’s rank correlation statistical tool was used to test the hypotheses using SPSS version 20.0.

Research Questions

In order to achieve the specific objectives of this study the following research questions are addressed:
1. Is there any relationship between management fraud and economic growth in Nigeria?
2. Does employee fraud have any relationship with economic growth in Nigeria?

Empirical Results and Findings

Demographic characteristics:

Descriptive statistics of frequencies and percentage were used in our primary analysis. Meaning that information in this section was extracted from the sample on the basis of demographic questions in the questionnaires. Therefore, the sample was described using sex, age, educational qualification, work experience and position. The data shows 69.6% of the respondents were males while 30.4% were females. It also, shows that 31.9% of the respondents were within the age bracket of 25 to 35 years, 45.2% were within the age bracket of 36 to 45 years while 22.9% were within the age bracket of 46 years and above. On educational qualification, we had the following distribution, 28.9% diploma, 54.1% Degree and 17.0% Professional. Again, on work experience, 15.6% of the respondent had worked for 1- 5 years, 20.7% have worked for 6 – 10 years, 26.7% have worked for 11 – 15 years while 37.0% had worked for 16 years and above. Similarly, the data indicates that 32.6% of the respondents were top management staff, 45.9% were middle management staff while 21.9% were lower management staff.
Hypothesis:

**Ho1:** There is no significant relationship between management fraud and economic growth of Nigeria

**Table 1:** Result Showing the Relationship between management fraud and economic growth of Nigeria

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Mfx</th>
<th>Egx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman’s (rho)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.226*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

*=Correlation is significant at 0.05 (2-tailed)

The result of hypothesis 1 above shows that there is a positive but weak relationship (rho = 0.226) between management fraud and economic growth of Nigeria. This indicates that management fraud weakly affect economic growth of Nigeria.

**Ho2:** There is no significant relationship between employee fraud and economic growth of Nigeria

**Table 2:** Result Shows the Relationship between employee fraud and economic growth of Nigeria

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Ef</th>
<th>Eg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman’s (rho)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.408*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

*=Correlation is significant at 0.05 (2-tailed)

Analysis of table 2 above shows that there is a positive and moderate relationship (rho = 0.408) between employee fraud and economic growth of Nigeria. This indicates that employee fraud affect economic growth of Nigeria.

**Summary of Findings, Conclusion and Recommendations**

**Summary of Findings**

Two hypotheses were developed for this study. The first one examined whether there is any relationship between management fraud and economic growth of Nigeria while the second one investigated whether there is any relationship between employee fraud and economic growth of Nigeria. The hypotheses were tested with Spearman rank correlation statistical tool using SPSS version 20.0. The results show that there is a positive and weak significant relationship (rho = 0.226) between management fraud and economic growth of Nigeria, which of course indicates that management fraud weakly affect economic growth of Nigeria. Again, the result shows that there is a positive and moderate relationship (rho = 0.408) between employee fraud and economic growth of Nigeria. This indicates that employee fraud affect economic growth of Nigeria, to a moderate extent. These findings tend to illustrate that financial statements fraud has not encouraged the economic growth of Nigeria.

**E. Conclusion**

With respect to the summary of findings, the study concludes that for any country to achieve desired economic growth, she must avoid financial statements fraud, employees and management fraud. This is as a result of the activities of management and employees of banks
affect economic growth in Nigeria. The effect of these fraudulent activities has negative effect on the economic growth of Nigeria. However, implementation of the recommendations of this study will help to reduce fraud and enhance the economic growth of Nigeria.

**Recommendations**

Based on the summary of the findings and the conclusions thereof, the study therefore recommends that;

1. **Banks should try as much as possible to prepare financial statements that are free from fraud which are capable of increasing the tax revenue of Nigeria, so as to enhance economic growth.**

2. **Banks should ensure that internal control measures are put in place in order to discourage fraud and adequate financial reporting.**

3. **Banks should formulate and implement policies and laws that support adequate financial reporting in order to boost the economic growth.**

4. **They also ensure that fraudsters in banks are punished to serve as a lesson to others.**

**References**


Probable Remedies Mediterranean Journal of Social Sciences Vol. 3 (2) May 2012, ISSN 2039-2117


Investopedia.com/terms(2018). Follow us: [Investopedia on Facebook](https://www.investopedia.com/terms/e/economicgrowth.asp#ixzz584N0bf7w)


Happy New Year Sir,


