Impact of Knowledge Capability and Mindset on Fraud Risk Assessment within Nigerian Deposit Money Banks

Olusoji Olumide Odukoya *a, Rose Shamsiah Samsudin a
Tunku Puteri Intan Safinaz School of Accountancy (TISSA), College of Business, University Utara Malaysia, Malaysia.

Abstract: Introduction of digital technology into the banking sector created opportunities for banks to prevent and detect various forms of frauds. To ensure this, deposit money banks (DMBs) employed various forms of electronic products and services to facilitate ethical banking. This study presents an assessment of knowledge capability (KC) and mindset of bank examiners in fraud risk assessment (FRA) within DMBs. The study examines regulators’ capacity for fraud prevention and detection within the Nigerian DMBs. This study deployed both primary and secondary sources for data collection. A total of 150 questionnaires were distributed out of which 120 were returned by targeted respondents (bank examiners) all employees of the Central bank of Nigeria (CBN), Nigerian Deposit Insurance Corporation (NDIC) and 10 DMBs. Out of the 120 questionnaires returned, 85 were retained for analysis after removal of outliers. Subsequently, the study employed IBM SPSS version 25 and PLS-SEM (Smart-PLS) software version 3 for data analysis. The results revealed significant positive relationship between bank examiners’ knowledge capability, mindset and (task performance) fraud risk assessment and by implication general reduction in the incidence of fraud and forgeries within DMBs. Consequently, the study contributes to enhancement of institutional and legal frameworks for banking examination, compliance and reporting. The empirical study would result in overall reduction in the escalating occurrence of fraud and forgeries within Nigerian DMBs. Researchers may explore interviews as primary source of data collection in addition to questionnaire administration and mix-methods, that is, qualitative and quantitative research methodology.

Keywords: Deposit money banks, Knowledge capability, Mindset, Bank examiner, Fraud risk assessment.

1. INTRODUCTION
Worldwide, technological advancement continue to impact the evolution and implementation of numerous electronic banking products and services. In this regard, the Nigerian deposit money banks (DMBs) benefited immensely from the adoption and adaptation of diverse electronic banking products and services. However, most of the electronic products and services provided multiple opportunities for persistent escalating incidence of fraud and forgeries within the DMBs. Subsequently, the fraud hampered the capacity of Nigerian deposit money banks to effectively and efficiently contribute to national economic development and growth.

Prior study Dura and Driga (2015) affirmed that an efficient and effective banking system is a major factor in national economic developments. Unfortunately, one major global threat and impediment to the DMBs’ capacity to efficiently perform the role of financial intermediation is fraud and forgeries. Convincingly and based on credible information accessed from annual reports of the CBN and NDIC, the deposit money banking sector is exposed to escalating incidence of fraud and forgeries.

The regulators are empowered to undertake banking examination through engagement and deployment of certified accounting professionals as bank examiners. In this regard, the bank examiners are required to possess prerequisite professional qualifications, practical experience and also apply statutory regulations, combinations of ad-hoc, special and target examinations processes, routine inspection visits and other complimentary strategies in the discharge of their duties. Furthermore, the regulators also apply imposition of sanctions as deterrence for proven cases of infractions against erring banks. However, the incidence of banking fraud and forgeries continues to escalate yearly (CBN, 2016).

Prior studies Adetiloye, Olokoyo, and Taiwo (2016), Lawrence (2013), Adeyemo (2012) enumerated the nature, dimension and causes of fraud in Nigerian banking and advocated numerous solutions. These studies led regulators to various policy reviews and implementations (CBN, 2015). Hence, the escalating incidence of banking fraud and failure by the regulators to stem the tide thus challenged the competence and capability of bank examiners engaged by CBN, NDIC and the DMBs.

The study postulate that banking examination and policy implementation lapses, stem from gaps in knowledge capability, growth mindset and competence of the bank examiners deployed by regulators and those engaged by the DMBs. Therefore, the study examine the impact of knowledge capability and mindset of bank examiners on fraud risk assessment within Nigerian DMBs. Hence, the specific objectives are to:

a) Examine the relationship and direction of knowledge capability of bank examiners and their competence, that is, (task performance) fraud risk assessment within Nigerian deposit money banks.
b) Investigate the relationship and the direction linking mindset of bank examiners and competence, that is, their (task performance) fraud risk assessment within Nigerian deposit money banks.

2. Review of related Literature

2.1 Nigerian Banking Sector Overview

The banking industry in Nigeria comprised 20 commercial and 942 micro-finance banks, Five discount houses, 64 finance companies, and six development banks. It also includes, bureau-de-change, finance companies and primary mortgage institutions. Subsequently, the financial institutions were classified on the whole into three categories, namely, deposit money banks, specialised banks and other financial institutions (CBN, 2017).

However, this study covers deposit money banks due to availability of credible statutory verifiable periodic reports on fraud and forgeries by the regulators and the economic significance and role of DMbs. The deposit money banks are defined as commercial banking institutions which discharge three major functions, namely, deposit mobilisation, granting loans, operation of payment and settlement mechanism (CBN, 2017).

2.2 Regulatory Frameworks

In pursuit of the statutory mandates to facilitate efficiency and stability within the banking industry, specific regulatory measures deployed by CBN include: Banking Ordinances Act (1952); Foreign Exchange Act (1962); Banks and Other Financial Institution Act (1991); and Failed Banks (Recovery of Debts) and Financial Malpractices Act (1994). Other instruments are: Prudential Guidelines (1990); Banking Sector Consolidation (2004); Foreign Currency Regulation (2006); Universal banking (UB) (2000); Credit Risk Management and Private Credit Bureau, among others. These frameworks are complementary, devoid of ambiguities and when effectively harnessed by bank examiners should facilitate prevention and detection of fraud (CBN Compendium 2017).

Furthermore, the NDIC provide insurance cover to protect depositors of the DMbs and provide structured mechanism for reimbursement to depositors, when any licensed DMB fail. In this regard, NDIC contribute to stability of financial system by making incidence of deposit money banks' runs unlikely. Similar to CBN, the NDIC deploy bank examiners to DMbs to review their deposits and loan portfolios thus enhancing public confidence through provision of a framework for the resolution and liquidation of weak and failed insured DMbs (NDIC, 2016).

Holistically, efficient and effective implementations of the frameworks by the bank examiners should have substantially reduced banking fraud and forgeries. However, due to knowledge capability gaps and fixed mindset the incidence persisted. This study affirmed that the statutory joint CBN and NDIC supervision and examination activities have inconsequential effect on fraud prevention and detection due to gaps in knowledge capability, mindset and competence of the bank examiners.

2.3 Fraud Concept

Prior research affirmed fraud as a global phenomenon which hampers economic developments and growth (Alghamdi, Flechais & Jirotka, 2015). Furthermore, fraud is defined as the unlawful act of obtaining, stealing, embezzling, harming and misusing organisational assets (Ayamga, 2018; Gilbert & Wakefield, 2018; Levi et al., 2007; Adeduro, 1998). Additionally, fraud occasioned concealment, manipulations, deception, intentional misrepresentation, and exclusion of truth to the financial detriment of an organisation or individual.

Prior study Vousinas (2016) defined banking fraud as application of intentional misrepresentation in order to obtain through fraud, monetary and other valuable property or assets possessed or acquired by financial institutions. Furthermore, prior study also affirmed that fraud in deposit money banks wear down the confidence of customers (Alghamdi, Flechais & Jirotka, 2015).

Furthermore, prior studies on the consequences of fraud affirmed that corporate financial accounting scandals characterised by some incidence of frauds in the early 20th century, like WorldCom, Enron, HealthSouth and recently in Nigerian banks by Oceanic, InterContinental, and GTBank Plc heightened concerns about fraud. Subsequently, the early twentieth century incidences gave rise to stakeholders’ call on auditors, to improve the quality of their work to a level that facilitate fraud prevention and detection (Lamptey & Singh, 2018; Popoola, 2015; Hogan, Rezaee, Riley & Velury 2008; Nicolaisen, 2005; Hooks, 1991).

Persistent stakeholders’ clamour for improvements in auditors’ fraud detection capability motivated the Institute of Certified Public Accountants in America (AICPA) in 2002 to enact the Statement on Auditing Standards (SAS) No. 99, “Consideration of Fraud in a Financial Statement Audit” (AICPA, 2002). The step was taken to strengthen auditors’ knowledge capability for prevention and detection of fraud.

In Nigeria, according to NDIC annual report for 2017, the incidence of fraud and forgeries within deposit money banks continued with increasing levels of sophistication. Table 1 outlined increasing wave of forgeries in the DMbs spanning four years, a worrisome trend and motivation for this study.
Table 1:
Frauds and Forgeries in Banks From 2014 To 2017

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Year</th>
<th>Total No of Fraud Cases</th>
<th>Total Amount Involved (₦ m)</th>
<th>Total Actual Loss (₦ m)</th>
<th>Proportion of Expected loss to Amount Involved (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>2017</td>
<td>5,744</td>
<td>2,756</td>
<td>293</td>
<td>10.63</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>4,413</td>
<td>2,211</td>
<td>538</td>
<td>38.31</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>3,702</td>
<td>2,444</td>
<td>907</td>
<td>10.52</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>1,897</td>
<td>3,552</td>
<td>1,221</td>
<td>3.86</td>
</tr>
<tr>
<td>2nd</td>
<td>2017</td>
<td>5,389</td>
<td>2,441</td>
<td>436</td>
<td>17.89</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>4,611</td>
<td>2,054</td>
<td>787</td>
<td>36.85</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2,219</td>
<td>9,584</td>
<td>1,008</td>
<td>22.61</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2,357</td>
<td>12,915</td>
<td>473</td>
<td>38.43</td>
</tr>
<tr>
<td>3rd</td>
<td>2017</td>
<td>6,903</td>
<td>2,685</td>
<td>527</td>
<td>19.66</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>3,946</td>
<td>1,210</td>
<td>446</td>
<td>36.85</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>3,550</td>
<td>2,119</td>
<td>479</td>
<td>22.61</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2,173</td>
<td>4,002</td>
<td>1,538</td>
<td>38.43</td>
</tr>
<tr>
<td>4th</td>
<td>2017</td>
<td>8,146</td>
<td>4,129</td>
<td>1,114</td>
<td>26.98</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>3,781</td>
<td>3,207</td>
<td>626</td>
<td>19.50</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2,808</td>
<td>3,874</td>
<td>776</td>
<td>20.03</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>4,198</td>
<td>5,139</td>
<td>2,960</td>
<td>57.60</td>
</tr>
<tr>
<td>Total</td>
<td>2017</td>
<td>26,182</td>
<td>12,012</td>
<td>2,372</td>
<td>19.75</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>16,751</td>
<td>8,683</td>
<td>2,396</td>
<td>27.60</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>12,279</td>
<td>18,021</td>
<td>3,173</td>
<td>17.81</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>10,621</td>
<td>25,608</td>
<td>6,192</td>
<td>24.18</td>
</tr>
</tbody>
</table>


Furthermore, the NDIC annual report for 2018 on the channels and instruments involved in fraud and forgeries in DMBs affirmed in tandem with this study that internet and technology-based sources of fraud had the highest frequencies of occurrence as shown in Table 2. A total of 59.2% of the 10,063 fraud cases reported in 2018 were internet and technology based with a total actual loss of ₦2.64 billion representing 42.83% of total actual loss.

The report also highlighted the increase in web-based fraud cases from 7,869 cases in 2017 to 12,343 in 2018. Overall, total actual loss sustained increased from ₦798 million in 2017 to ₦2.64 billion in 2018. Table 2 shows the trend between 2016 and 2018 with total number of fraud cases increased from 26,182 in 2017 to 37,817. Actual loss incurred increased from ₦2.373 billion in 2017 to ₦15.15 billion in 2018.

Table 2:
Channels, Instruments Involved and Actual Fraud Losses and Frequencies (2016 to 2018).

<table>
<thead>
<tr>
<th>S/N</th>
<th>Nature of fraud (Channels/Instruments)</th>
<th>2016 Frequencies</th>
<th>2016 Actual loss Sustained (₦'B)</th>
<th>2017 Frequencies</th>
<th>2017 Actual loss Sustained (₦'B)</th>
<th>2018 Frequencies</th>
<th>2018 Actual loss Sustained (₦'B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ATM/Card-related fraud</td>
<td>11,244</td>
<td>0.476</td>
<td>16,397</td>
<td>0.798</td>
<td>10,063</td>
<td>2.64</td>
</tr>
<tr>
<td>2</td>
<td>Web-based (Internet banking) fraud</td>
<td>3,689</td>
<td>0.582</td>
<td>7,869</td>
<td>0.709</td>
<td>12,343</td>
<td>3.85</td>
</tr>
<tr>
<td>3</td>
<td>Fraudulent transfers/withdrawal of Deposits</td>
<td>836</td>
<td>0.626</td>
<td>963</td>
<td>0.318</td>
<td>6,980</td>
<td>1.93</td>
</tr>
<tr>
<td>4</td>
<td>Suppression of customer deposits</td>
<td>357</td>
<td>0.224</td>
<td>279</td>
<td>0.116</td>
<td>3,918</td>
<td>0.960</td>
</tr>
</tbody>
</table>
Prior studies show fraud as a misconduct intentionally planned primarily to beat detection (Wells, 2016; Dada, Enyi & Owolabi, 2013; Crumbley, 2005). Furthermore, prior researches by Dagogo and Ngerebo-a (2018), Lawrence and Byron (2013), Adeyemo (2012), Nwoji (2011), Godwin (2009), and Adeduro (1998) highlighted the origin of fraud within banks and articulated steps required for prevention and detection. It is therefore expedient in the quest for prevention and detection of fraud that bank examiners should establish appropriate assessment of fraud risk mechanism against likely fraud perpetrators.

In this regard, prior study by Gilbert and Wakefield (2017) opined that efforts aimed at curtailing fraud were impeded by gaps in knowledge capabilities, namely, fragmented legal frameworks, skills gap; lack of intelligence and ineffective implementation of regulations and standards. This study therefore asserts bank fraud as preventable and detectable provided the CBN, NDIC and managements of the DMBs fortify bank examiners’ knowledge capability and ensured they constantly maintain a growth mindset and mental attitude. Therefore, regulators ought to develop new measures that will consolidate the two identified critical factors simultaneously.

Sequel to these regulatory shortcomings, the study fills the gaps and posits that adequate knowledge capability and a consistently predictable mental attitude that is, growth mindset are vital requirements for effectful fraud examination.

### 2.4 (Task performance) fraud risk assessment (TPFRA)

Fraud risk assessment (FRA) denotes competence that is, an anti-dote to multiple internal and external sources of risks faced by the DMBs like other business organisation. Furthermore, assessment of fraud risk aids bank examiners in determining the extent and nature of processes required to facilitate their chances of fraud detection (Payments, 2015; Owens, CIA & CBA, 2012; Wuerges, 2011; Bloomfield, 1997). According to the SAS No. 99, AICPA, bank examiners like auditors are expected to document their assessment of fraud risk during the examination planning phase and regularly review the initial evaluation when required within the currency of an engagement (AICPA, 2002).

In effect, competence denotes attested demonstration of performance and incorporate capacity to perform assigned roles to defined standards within organisations (IFAC, 2006). In essence, competence within the study context connotes demonstrated ability by bank examiners in performing assigned roles of fraud prevention and detection to required standards within deposit money banks.

Furthermore, prior study established that assessment of fraud risk required requisite technical knowledge, competence and involved vigorous and repetitive procedures for spotting and evaluating risks related to the actualisation of organisational objectives (Popoola, 2020).
2016). Therefore, FRA required that bank examiners evaluate the effect of internal and external changes within the DMBs’ working environment which may render internal control ineffective.

In summary (task performance) fraud risk assessment encompassed identification of inherent fraud risk, assessment of possibility and consequence of inherent risk and responses to anticipated and substantial inherent risks of fraud (Owens, 2012; ACFE, 2009). For the study, (task performance) fraud risk assessment is defined as bank examiner’s knowledge and capacity to access risks of fraud to a distinct standard within the DMBs’ operating sphere.

2.5 Knowledge Capability (KC)

Knowledge capability represents attributes that propelled the individual with required chance to perform. It is “the professional knowledge, skills, values, and ethics required to demonstrate competence” (IFAC-IES 8.8, 2006). Furthermore, prior studies outlined knowledge capability as capacities, key skills, competences, abilities, core skills, values, fundamental skills, pervasive qualities, distinguishing characteristics, and individual attributes (Popoola, 2014, Davis et al., 2010; DiGabriele, 2008).

However, in relation to fraud prevention and detection, the chance that fraud may occur, according to antifraud professionals necessitate the setting up of controls premised on individual characteristics of measures, constructs, and combinations of hazard (Popoola, 2014; Dorminey et al., 2012). Put concisely, KC form a fundamental part of perpetrators and becomes material in evaluating the bank examiners’ competence towards check-mating fraud and forgeries in DMBs.

Based on previous studies and due to the persistent negative impact of banking fraud and forgeries on the Nigerian DMBs, the knowledge capability, mindset of the bank examiners and their competence that is, (task performance) fraud risk assessment deserve to be studied in order to curtail the escalating incidence of fraud.

2.6 Mindset Component (MC)

Mindset is expounded as a predictable state of mind or mental attitude which sways individual behaviour in given situations. It is the perception, process and distinct attitude which regulates the individual in the gathering and analysis of information (Gollwitzer & Keller, 2016; Gollwitzer, 2012; 1990). In addition, mindset influences a bank examiner’s thought process and ways of thinking. Falconer (2012) defines mindset as a qualitative motivation for action, state of mind, an unacknowledged, powerful but subtle feeling and core assumption that motivate participation, a feeling that is distinct from emotion. Chui (2010) established that mindset as an independent variable, has direct impact on individuals’ (task performance) fraud risk assessment.

The study thus affirmed that a bank examiner with distinct knowledge capability, but a fixed mindset is incapable of aiding fraud prevention and detection in DMBs’ dynamic operating environment and so can never be effective in fighting the scourge. According to Ahmad et al., (2018), Feder (2000) efficient professionals working as intelligent and strategic planners depend on overpowering mindset, when challenges are encountered in the working environment. In essence, growth mindset affects the bank examiner’s professional behaviour.

3. Conceptual Framework

In line with the discussion and review of literature, the study presents the conceptual framework as illustrated in figure 1. The framework demonstrate that knowledge capability and mindset exhibit direct relationship on assessment of fraud risk. Furthermore, the research framework denotes direct effect of bank examiners’ knowledge capability and mindset on (task performance) fraud risk assessment.

![Figure 1: The Research framework.](image)

Figure 1: The Research framework.

4. Theoretical framework and Hypothesis Development

The two linkages in the theoretical framework of this study represents the prediction that knowledge capability and mindset of bank examiners have direct positive effect on their (task performance) fraud risk assessment. Relying on the review of previous studies, a modest change in knowledge capability and mindset would propel substantial task performance changes including posing an influence on individual’s assertiveness to achieve decision-making job (Popoola, Che-Ahmad & Samsudin, 2015; Chui, 2010; Davis et al., 2010; DiGabriele, 2008; Brandstatter & Frank, 2002). Therefore, knowledge capability and mindset components of fraud possess a direct positive relationship on task performance that is, taking decisions through fraud measures and rederivation of control structures known as fraud prevention (Wolfe and Hermanson, 2004; Cressey, 1953: 1950).
Furthermore, the association of knowledge capability and mindset components of fraud and fraud risk assessment have been acknowledged and adjudged by literature in accounting and psychology. These studies provide empirical evidence in support of the statement that knowledge capability and mindset components of fraud correlates the evolution of individual behaviour and ultimately inspire task performance and prevention of fraud (Baz et al., 2016; Popoola, 2014; Sengur, 2012; Wolfe and Hermanson, 2004; AICPA, 2002).

Subsequently, the study assert that a significant positive relationship exists between knowledge capability and mindset components of fraud and TPFRA. Subsequently, two hypotheses are developed:

H1: There exists a significant positive relationship between KC of bank examiners and TPFRA in the Nigerian deposit money banks.
H2: There exists a significant positive relationship between MC of bank examiners and TPFRA in the Nigerian deposit money banks.

5. Research Methods and Measurement of Variables

The study adopts cross-sectional design and survey methodology (Creswell & Creswell 2017). The questionnaire demanded from respondents about their capabilities and competence relative to fraud prevention and detection. In all, 36 indicator items were evaluated on a five-point Likert scale “strongly disagree” to “strongly agree”. The CBN, NDIC, and 10 DMBs constitute the scope of the study. Furthermore, the unit of analysis is the individual bank examiner in the CBN, NDIC and the deposit money banks.

5.1 Data Collection

The study employed primary data to accomplish the objectives of the study. Subsequently, 12 experts in field of study were consulted and their input used to update the questionnaires before distribution. Thereafter final questionnaires were produced and distributed after undertaking content validity of the instruments. In this regards, 150 questionnaires were distributed with 120 received from which 85 were found useable and retained for analysis representing a 57% useable response rate.

5.2 Operationalisation of the Construct/Variable

The dependent variable, (task performance) fraud risk assessment was adopted from Baz et al., (2016); Dzomira (2014); Owens (2012) and ACFE (2009) measurement of (task performance) fraud risk assessment. The study employs four items, 5-point Likert scale “strongly agree” to “strongly disagree”. Similarly, independent variable of knowledge capability measurement instruments was adopted from Yanto (2016) and Davies, Farrell and Ogilby (2010) measurement of knowledge and consist of seven items 5-point Likert scale ranging from; “strongly disagree” to “strongly agree”. In addition, mindset variable measurement instruments were adapted from Verwey and Asare (2016) and Chui’s (2010) measurement of mindset and Mcleod’s (2009) attitude measurement and consist of 25 items 5-point Likert scale ranging from 1 “strongly disagree” to “strongly agree”.

5.3 Data Analysis

The study employed IBM SPSS for windows version 25 and PLS-SEM (SmartPLS) software version 3 for data analysis. In this regard, regression analysis technique was employed for inferential statistics to test the stated hypotheses while descriptive statistics involved summary statistics.

6. Result and Discussion.

6.1 Response Rate

Table 3 contained summary of the questionnaires distributed and number returned by respondents. In all, 150 questionnaires were distributed while 120 respondents returned their questionnaires representing 80% return rate (Tabachnick & Fidell, 2013). However, 35 questionnaires were removed in all, 8 due to outliers and 27 incomplete responses by the participants. Subsequently, 85 questionnaires were found useable and subjected to further analysis representing 57% usable rate. As suggested by Sekaran (2003), a response rate of 30% is adequate for further analysis of the study. Linus (2001) recommended a response rate of 50% for social science research in Nigeria. Hence, the response rate of 57% recorded in the study is adjudged adequate.

<table>
<thead>
<tr>
<th>Details</th>
<th>Copies</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires distributed</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Questionnaires returned</td>
<td>120</td>
<td>80</td>
</tr>
<tr>
<td>Unusable Questionnaires:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incompleteness and non-eligibility</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>Univariate and multivariate outliers</td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
<td>Questionnaires used for further analysis</td>
<td>85</td>
<td>56.7</td>
</tr>
</tbody>
</table>

Source: Field Survey (2020)

6.2 Descriptive Analysis of the Constructs

Table 4 provide the descriptive statistics for the study. Based of the three study constructs, KC disclosed the highest mean value of 3.89 and standard deviation of 0.75. TPFRA construct recorded 3.65 as mean value and 0.46 for standard deviation. Also, MC construct indicated lowest mean value 3.05 and 0.44 for standard deviation. In addition, skewness provides an indication of the symmetry in the distribution whilst kurtosis present information regarding its peakedness (Tabachnick & Fidell 2007).
Based on normality, both skewness and kurtosis are considered to test whether the data is normally distributed. As suggested Tabachnick and Fidel (2013), the criterion for skewness and kurtosis are ranged between ±2.58. Based on table 4, the results fell within range hence the data is normally distributed.

### Table 4: Summary Statistics

<table>
<thead>
<tr>
<th>Constructs</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task Performance Fraud Risk Ass.</td>
<td>85</td>
<td>3.65</td>
<td>.460</td>
<td>.081</td>
<td>.251</td>
</tr>
<tr>
<td>Knowledge Capability</td>
<td>85</td>
<td>3.89</td>
<td>.746</td>
<td>-.599</td>
<td>-.378</td>
</tr>
<tr>
<td>Mindset Capability</td>
<td>85</td>
<td>3.05</td>
<td>.439</td>
<td>1.370</td>
<td>1.044</td>
</tr>
</tbody>
</table>


### 6.3 Assessment of Model Fit.

Figure 2 represents the examined measurement model. The data which were analysed through structural equation model revealed the fitness. By the rule of thumb, the composite reliability should be higher than 0.7 and average variance extracted greater than 0.5 (Hair, Black, Rabin, & Anderson 2014). The model revealed the indicator loadings of variables, most items that did not meet the benchmark were discarded. The final measurement model is shown in Figure 2.

![Measurement Model](image)

### 6.4 Validity of the Research instrument

The extent to which a score accurately and truthfully represent the concept of a construct is known as validity (Zikmund et al., 2013). Furthermore, Sekaran and Bougie (2016) defined validity analysis as a test or assessment of how efficiently a developed research instrument actually measure the construct it is intended to measure. In the determination of internal consistency reliability and validity of all the construct of the study, Cronbach alpha, Composite reliability (CR) and Average variance extracted (AVE) as suggested by Garson (2016) were calculated using PLS-SEM algorithm as shown in Table 4.

### Table 5: Construct Reliability and Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Composite Reliability</th>
<th>AVE</th>
<th>R - Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>.875</td>
<td>.547</td>
<td></td>
</tr>
<tr>
<td>Mindset</td>
<td>.837</td>
<td>.564</td>
<td></td>
</tr>
<tr>
<td>TPFRA</td>
<td>.794</td>
<td>.565</td>
<td>.392</td>
</tr>
</tbody>
</table>

Source: Field Survey (2020) Computed using PLS 3 Software

From Table 5, CR and AVE of all constructs as computed were above the threshold of 0.7 and 0.5 respectively as postulated by (Hair et al., 2014). Subsequently, it is concluded that all the constructs were actually measured by the chosen indicators and thus confirmed the validity and reliability of the research instruments.
### Table 6: Discriminant Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>KC</th>
<th>MC</th>
<th>TPFRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Capability</td>
<td>0.740</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mindset Capability</td>
<td>0.531</td>
<td>0.751</td>
<td></td>
</tr>
<tr>
<td>Task Performance FRA</td>
<td>0.568</td>
<td>0.526</td>
<td>0.752</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2020

Table 6 presents discriminant validity results. On the table, bolded diagonal numbers present the square root of AVE of each latent variable with each higher than their correlations among other constructs in line with Fornell-larcker criterion. This confirmed the requirement that a construct should be absolutely unique and also capture situation not represented by other constructs in the model (Hair et al., 2014).

### 6.5 Bootstrapping Analysis

Bootstrapping analysis was undertaken to determine the effect of between knowledge capability, mindset and (task performance) fraud risk assessment. Bootstrapping was done by using 5000 samples with 85 cases. The results presented in figure 3 showed how that the magnitude and significance of the structural paths are consistent (Henseler, Hubona, & Ray, 2016).

![Figure 3: Structural Model](image)

### 6.6 Test of Hypothesis

Table 7 present the path coefficient which indicates the Beta value, Standard error, Adjusted R Square and Decision rule of hypothesis tested in the study. The table showed knowledge capability has a positive and significant effect over (task performance) fraud risk assessment in DMBs with T-value of 4.398 with a corresponding beta coefficient of 0.402. The result therefore supports the hypothesis which states that there is a significant positive relationship between KC of bank examiners and TPFRA within Nigerian deposit money banks.

Furthermore, Table 7 also revealed that mindset has T-value of 3.221 with a corresponding beta coefficient of 0.312. This means that mindset has positive and significant effect on (task performance) fraud risk assessment in Nigerian DMBs. The result thus supports the hypothesis which states that there is a significant positive relationship between mindset of banking examiners and TPFRA within Nigerian deposit money banks. In essence, (task performance) fraud risk assessment in DMBs require specialised knowledge and a growth mindset that is, an attitude which strengthens the reasoning and behaviour of individual bank examiner in the discharge of job functions with specific emphasis on banking fraud prevention and detection.

### Table 7: Effect Size

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Beta</th>
<th>Std Error</th>
<th>T-value</th>
<th>P-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge -&gt; TPFRA</td>
<td>.402</td>
<td>.091</td>
<td>4.398</td>
<td>.000</td>
<td>Support</td>
</tr>
<tr>
<td>Mindset -&gt; TPFRA</td>
<td>.312</td>
<td>.097</td>
<td>3.221</td>
<td>.001</td>
<td>Support</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2020
6.7 Effect Size
It is expedient to assess the effect size for the association between knowledge capability, mindset and (task performance) fraud risk assessment in the Nigerian DMBs. The result is presented in Table 8. It shows the effect size computed as increase in R-Squared of the latent variable to which the path is connected, relative to the proportion of unexplained variance in the latent variable (Chin, 1998). R-Square change is the change in $R^2$ when a casual factor is removed from the model.

The F-square coefficient is constructed according to Cohen, (1998) and Callaghan, Wilson, Ringle and Henseler, (2007) as $(R^2_{\text{original}} - R^2_{\text{omitted}}) / (1-R^2_{\text{original}})$. The rule of thumb is that values of 0.02, 0.15, and 0.35 are adjudged as weak, moderate, and strong effects respectively (Cohen, (2013). Therefore, looking at $F^2$ as shown in Table 6, knowledge capability and mindset has small effect on (task performance) fraud risk assessment within the Nigerian deposit money banks.

Table 8: Effect Size and Predictive Reliance

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Effect size ($F^2$)</th>
<th>Predictive Reliance ($Q^2$)</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>.19</td>
<td></td>
<td>Medium</td>
</tr>
<tr>
<td>Mindset</td>
<td>.12</td>
<td>.19</td>
<td>Small</td>
</tr>
<tr>
<td>TPFRA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table 8 disclosed an evaluation of the predictive reliance ($Q^2$) of the path model of this study. This was calculated using the blindfolding procedure and cross validated by redundancy method (Hair et al., 2014). The criterion is $Q^2$ values 0.02, 0.15 and 0.35 indicate that an exogeneous construct has small, medium, or large predictive reliance respectively for a defined endogenous construct. The study’s $Q^2$ result of 0.19 indicate that knowledge capability and mindset have medium sized predictive effect on TPFRA.

6.8 Conclusion
The study investigates the relationship between knowledge capability, mindset, and competence that is, (task performance) fraud risk assessment of bank examiners in deposit money banks in Nigeria, a developing economy. The capability requirements of knowledge and mindset component have direct positive relationship with (task performance) fraud risk assessment. The implication of the study is overall reduction in the incidence of fraud and forgeries in deposit money banks. Furthermore, the study enhances the literature on institutional, regulatory, ethical, and legal frameworks for bank examination and reporting for prevention and detection of fraud within deposit money banks in Nigeria. The research limitation is the application of cross-sectional design methodology through the administration of questionnaires. Hopefully, researchers may be able to overcome the current respondents’ apathy towards open and transparent discussion of issues related to fraud and forgeries in deposit money banks. Hence, future research may explore interviews as primary source of data collection in addition to administration of research questionnaires and subsequently employ mix-method (Triangulation), that is, qualitative and quantitative research methodology.

REFERENCES


