



INVESTIGATING THE FACTORS INFLUENCING BANK EMPLOYEES' PERCEPTIONS OF BANK FRAUD IN GUJARAT

Dr. Rupam Mishra

Assistant professor

Swaminarayan University, Kalol, Gujarat

ABSTRACT

The banking sector in India has witnessed a significant expansion, playing a pivotal role in the country's economic growth. However, as banks have become more advanced in their operations, there has been a notable increase in fraudulent activities. Despite the implementation of numerous regulations and measures to curb fraud, instances of fraud continue to persist. Fraud poses a substantial threat to an organization's reputation and its relationships with external stakeholders, including customers, suppliers, financiers, and business partners. This research paper focuses on examining the issue of fraud within the banking industry. The study aims to assess the various factors contributing to bank frauds and evaluate the level of adherence to fraud prevention measures, including those mandated by the Reserve Bank of India, among bank employees. Additionally, the research aims to provide insights into bank employees' perceptions of preventive mechanisms and their awareness of different types of frauds. The study involves a targeted sample of 100 employees working in banks located in Gujarat.

KEYWORDS: Bank, Fraud, RBI, Prevention Measures, Threat

1. INTRODUCTION

Fraud in the banking industry is a pervasive and significant concern, not only in India but worldwide. In recent years, India has experienced a notable rise in banking fraud incidents, posing substantial challenges to the financial sector and the overall economy. These frauds encompass a wide range of deceptive practices, including identity theft, money laundering, loan fraud, cybercrime, and insider trading, among others. The consequences of banking fraud are far-reaching, impacting not only the financial institutions but also the customers, investors, and the public trust in the banking system.

The banking sector plays a crucial role in the Indian economy, acting as a backbone for economic growth and development. With a large population and a rapidly expanding middle class, India's banking industry has witnessed significant advancements and innovations to meet the evolving needs of its customers. However, the proliferation of fraudulent activities has created a pressing need for a comprehensive understanding of the challenges and vulnerabilities faced by banks and the measures required to combat fraud effectively.

Fraud in the Indian banking industry has multiple underlying factors contributing to its prevalence. These include inadequate regulatory frameworks, weak internal controls, ineffective risk management systems, collusion between insiders and external actors, and the rapid growth of digital banking channels. Additionally, the ever-advancing techniques employed by fraudsters, such as sophisticated cyberattacks and social engineering methods, pose significant threats to the security of banking operations.

The impact of banking fraud extends beyond monetary losses. It erodes public trust in the financial system, undermines investor confidence, and hampers economic progress. Furthermore, fraud-related incidents can lead to severe financial instability, reputational damage, and legal repercussions for banks, thereby necessitating the implementation of robust preventive and detective measures.

Given the gravity of the situation, it is essential to explore the various dimensions of fraud in the Indian banking industry. This exploration involves understanding the types and patterns of fraud, analyzing the underlying causes and vulnerabilities, examining the consequences for stakeholders, and identifying potential solutions and best practices for fraud prevention and detection. By addressing these issues, policymakers, regulators, and banking institutions can work collaboratively to strengthen the integrity and resilience of the banking sector, ensuring a secure and trustworthy environment for financial transactions and operations.

2. LITERATURE REVIEW

Albrecht, W. S., Albrecht, C. O., & Albrecht, C. C. (2009). *Fraud examination*. Cengage Learning. This comprehensive book provides an in-depth exploration of fraud examination, covering various types of fraud, investigative techniques, and preventive measures. It serves as a valuable resource for understanding the complexities of fraud and the strategies to combat it.

Bologna, G., & Marra, A. (2018). The study emphasizes the significance of employee awareness and training programs in preventing cyber fraud in the banking sector. It highlights that well-informed employees, equipped with knowledge of potential cyber threats and preventive measures, are crucial in safeguarding banks from fraudulent activities.

Green, J. A., & Choi, K. S. (2014). This research investigates the variations in employee perceptions of internal control effectiveness between external and internal auditors and its impact on fraud prevention efforts. It underscores the importance of effective internal controls and the need for alignment between different audit functions.

Krishnan, J., & Sivaramakrishnan, K. (2015). The study examines the influence of fraud detection and prevention measures on the performance of banks in India. It finds that effective fraud management practices positively impact a bank's financial performance, highlighting the importance of robust systems and procedures in mitigating fraudulent activities.

Maiga, A. S., & Jacobs, F. A. (2017). This research explores the impact of ethical climate on employees' perceptions of the quality of management control systems and the occurrence of fraud. It reveals that a positive ethical climate within an organization contributes to a stronger control environment and a lower likelihood of fraudulent behavior.

Murphy, P. R. (2019). The study investigates employees' perceptions of fraud risk and the influence of organizational pressures on fraudulent behavior. It highlights the complex interplay between organizational factors and individual perceptions in shaping the propensity for fraud within a banking institution.

Ntim, C. G., Lindop, S., Opong, K. K., & Thomas, D. A. (2016). This research examines the relationship between executive compensation, corporate governance practices, and the occurrence of corporate fraud in Nigerian banks. It finds that inadequate governance mechanisms and excessive executive compensation are associated with a higher likelihood of fraudulent activities.

Rose, J. M. (2019). The study explores the impact of internal control quality and fraud risk assessments on employee reactions and behaviors. It reveals that employees' perceptions of control quality and their awareness of fraud risks influence their ethical decision-making and commitment to fraud prevention within the organization.

Shankar, R., & Devi, S. R. (2020). This research examines the determinants of bank fraud in India, considering various organizational and external factors. It identifies several key determinants, including weak internal controls, inadequate employee training, and poor governance practices, shedding light on the factors contributing to fraudulent activities in the banking sector.

Wells, J. T. (2016). This book provides a comprehensive overview of fraud examination principles, covering topics such as financial statement fraud, asset misappropriation, and corruption. It serves as a valuable resource for understanding the fundamentals of fraud examination and the techniques employed in detecting and preventing fraudulent activities.

3. RESEARCH METHODOLOGY

3.1 NEED OF THE STUDY

- **Rising Fraud Incidents:** The banking sector has witnessed a significant increase in fraud incidents in recent years. This surge in fraudulent activities poses a serious threat to the financial stability and reputation of banks. Understanding the factors influencing bank employees' perceptions of fraud is vital to develop effective measures to combat and prevent such occurrences.
- **Impact on Banking Operations:** Fraud incidents can disrupt banking operations, leading to financial losses, damaged customer trust, and regulatory scrutiny. Exploring the perceptions of bank employees regarding fraud is essential to identify the weaknesses in the internal control systems and to enhance the effectiveness of risk management practices.
- **Importance of Employee Awareness:** Employees are the first line of defense against fraud. Their awareness, knowledge, and attitudes towards fraud prevention play a critical role in mitigating fraudulent activities. Investigating the level of awareness and attitudes of bank employees can help in devising targeted training programs to bolster fraud prevention efforts.
- **Compliance and Regulatory Standards:** Banking institutions are subject to stringent regulatory requirements to prevent fraud. Understanding the factors that influence employee perceptions of fraud can assist banks in aligning their internal control systems with regulatory standards and best practices.
- **Specific Context of Gujarat:** Gujarat is one of India's key financial hubs, and the banking landscape in the state may have unique characteristics that influence employee perceptions of fraud. This study aims to provide insights specific to the Gujarat region, contributing to a deeper understanding of fraud dynamics in the state.
- **Strategic Decision-Making:** Insights from the study can aid senior management in formulating strategic decisions to enhance fraud prevention measures. By understanding the factors influencing employee perceptions, banks can develop targeted interventions and allocate resources more effectively to combat fraud.
- **Knowledge Gap:** While several studies have explored fraud in the banking sector, there may be limited research specific to the perceptions of bank employees in Gujarat. Filling this knowledge gap can provide valuable inputs for policymakers, bank management, and other stakeholders.
- **Preventive Approach:** A proactive approach to fraud prevention is essential. Investigating the factors influencing bank employees' perceptions of fraud can guide banks in adopting preventive measures and a risk-based approach to address potential vulnerabilities.

In conclusion, this study aims to contribute to the existing body of knowledge on fraud prevention in the banking sector by exploring the factors that influence bank employees' perceptions of fraud in Gujarat. The findings can

inform the design and implementation of targeted interventions to strengthen fraud prevention efforts and promote a culture of vigilance and ethical conduct within banking institutions.

3.2 RESEARCH OBJECTIVE

1. To find out the awareness about banking frauds amongst banking employees
2. To examine the relationship between the demographic profile of the banking employees and their awareness about banking fraud.

3.3 SAMPLE SIZE

100 employees working in banking sector based in Gujarat have been targeted in this study.

3.4 SOURCES OF DATA

Primary data has been collected by targeting 100 banking employees.

The secondary data have been collected from various sources such as websites, papers, and published reports.

4. DATA ANALYSIS

This investigation analysed the primary data using one sample and chi-square testing.

4.1 AWARENESS ABOUT BANKING FRAUD

1.

“One-Sample Test”

	Test Value = 3					
	“t”	“df”	“Sig. (2-tailed)”	“Mean Difference”	“95% Confidence Interval of the Difference”	
					“Lower”	“Upper”
“I am aware of SMS based fraud.”	-25.718	99	.000	-1.650	-1.78	-1.52
“I am aware of OTP Frauds.”	-30.975	99	.000	-1.740	-1.85	-1.63
“I am aware of QR code scan frauds.”	-13.125	99	.000	-1.280	-1.47	-1.09
“I am aware of Mobile malwares.”	-15.169	99	.000	-1.330	-1.50	-1.16

H₀ : Respondents do not aware about SMS based fraud.

H₁ : Respondents aware about SMS based fraud.

INTERPRETATION

As can be seen from the table above, the significance value is 0.000, which is less than the standard value of 0.05. As a result, the null hypothesis is rejected, and the conclusion is that Respondents aware about SMS based fraud.

H0 : Respondents do not aware about OTP fraud.

H1 : Respondents aware about OTP fraud.

INTERPRETATION

As can be seen from the table above, the significance value is 0.000, which is less than the standard value of 0.05. As a result, the null hypothesis is rejected, and the conclusion is that Respondents aware about OTP fraud.

H0 : Respondents do not aware about QR code scan frauds.

H1 : Respondents aware about QR code scan frauds.

INTERPRETATION

As can be seen from the table above, the significance value is 0.000, which is less than the standard value of 0.05. As a result, the null hypothesis is rejected, and the conclusion is that Respondents aware about QR code scan frauds.

H0 : Respondents do not aware about Mobile malwares.

H1 : Respondents aware about Mobile malwares.

INTERPRETATION

As can be seen from the table above, the significance value is 0.000, which is less than the standard value of 0.05. As a result, the null hypothesis is rejected, and the conclusion is that Respondents aware about Mobile malwares.

4.2 RELATION BETWEEN DEMOGRAPHIC PROFILE OF BANKING EMPLOYEE AND AWARENESS ABOUT BANKING FRAUD

1. “Gender vs Awareness about Banking Frauds”

"Chi-Square Tests"

	"Value"	"df"	"Asymp. Sig. (2-sided)"
"Pearson Chi-Square"	3.046 ^a	3	.385
"Likelihood Ratio"	3.468	3	.325
"Linear-by-Linear Association"	.574	1	.449
"N of Valid Cases"	100		

H0 : There is no significant link between gender of the respondents and awareness about the banking frauds.

H1 : There is significant link between gender of the respondents and awareness about the banking frauds.

INTERPRETATION

The X² value, as stated in the Pearson Chi-Square table above, is 3.046. P-value is above 0.05 indicates that the null hypothesis is accepted. As a result, it can be concluded that gender of the respondents and awareness about the banking frauds has no significant correlation.

2. "Age vs Awareness about Banking Frauds"

"Chi-Square Tests"

	"Value"	"df"	"Asymp. Sig. (2-sided)"
"Pearson Chi-Square"	5.357 ^a	6	.499
"Likelihood Ratio"	6.480	6	.372
"Linear-by-Linear Association"	.000	1	.998
"N of Valid Cases"	100		

H0 : There is no significant link between age of the respondents and awareness about the banking frauds.

H1 : There is significant link between age of the respondents and awareness about the banking frauds.

INTERPRETATION

The X² value, as stated in the Pearson Chi-Square table above, is 5.357. P-value is above 0.05 indicates that the null hypothesis is accepted. As a result, it can be concluded that age of the respondents and awareness about the banking frauds has no significant correlation.

3. "Work Experience vs Awareness about Banking Frauds"

"Chi-Square Tests"

	"Value"	"df"	"Asymp. Sig. (2-sided)"
"Pearson Chi-Square"	2.463 ^a	6	.873
"Likelihood Ratio"	2.882	6	.824
"Linear-by-Linear Association"	.318	1	.573
"N of Valid Cases"	100		

H0 : There is no significant link between work experience of the respondents and awareness about the banking frauds.

H1 : There is significant link between work experience of the respondents and awareness about the banking frauds.

INTERPRETATION

The X² value, as stated in the Pearson Chi-Square table above, is 2.463. P-value is above 0.05 indicates that the null hypothesis is accepted. As a result, it can be concluded that work experience of the respondents and awareness about the banking frauds has no significant correlation.

4. "Designation vs Awareness about Banking Frauds"

"Chi-Square Tests"

	"Value"	"df"	"Asymp. Sig. (2-sided)"
"Pearson Chi-Square"	4.478 ^a	9	.877
"Likelihood Ratio"	5.440	9	.794
"Linear-by-Linear Association"	.646	1	.422
"N of Valid Cases"	100		

H0 : There is no significant link between designation of the respondents and awareness about the banking frauds.

H1 : There is significant link between designation of the respondents and awareness about the banking frauds.

INTERPRETATION

The X² value, as stated in the Pearson Chi-Square table above, is 4.478. P-value is above 0.05 indicates that the null hypothesis is accepted. As a result, it can be concluded that designation of the respondents and awareness about the banking frauds has no significant correlation.

5. “Education vs Awareness about Banking Frauds”

	“Value”	“df”	“Asymp. Sig. (2-sided)”
“Pearson Chi-Square”	6.210 ^a	9	.719
“Likelihood Ratio”	7.173	9	.619
“Linear-by-Linear Association”	.138	1	.711
“N of Valid Cases”	100		

H0 : There is no significant link between education of the respondents and awareness about the banking frauds.

H1 : There is significant link between education of the respondents and awareness about the banking frauds.

INTERPRETATION

The X² value, as stated in the Pearson Chi-Square table above, is 6.21. P-value is above 0.05 indicates that the null hypothesis is accepted. As a result, it can be concluded that education of the respondents and awareness about the banking frauds has no significant correlation.

6. “Type of Bank vs Awareness about Banking Frauds”

	“Value”	“df”	“Asymp. Sig. (2-sided)”
“Pearson Chi-Square”	1.915 ^a	3	.590
“Likelihood Ratio”	2.341	3	.505
“Linear-by-Linear Association”	.005	1	.946
“N of Valid Cases”	100		

H0 : There is no significant link between type of bank of the respondents and awareness about the banking frauds.

H1 : There is significant link between type of bank of the respondents and awareness about the banking frauds.

INTERPRETATION

The X² value, as stated in the Pearson Chi-Square table above, is 1.915. P-value is above 0.05 indicates that the null hypothesis is accepted. As a result, it can be concluded that type of bank of the respondents and awareness about the banking frauds has no significant correlation.

5. CONCLUSION

The banking industry faces significant challenges in combating fraud, as fraudsters constantly exploit weaknesses in internal controls. To address these vulnerabilities, banking institutions must prioritize risk management and internal control standards. Advancements in information technology, such as automated risk screening systems, can strengthen internal controls and mitigate fraud risks. However, it is important to recognize that achieving zero fraud risk is impossible, as fraudsters continually adapt and find new ways to commit fraudulent activities. Banking institutions should emphasize the essential role of their staff in combating fraud. Staff members need to be vigilant, learn from past fraud incidents, and implement preventive measures in their daily work. Senior management should advocate for the importance of assessing fraud risks and create a culture where employees understand their responsibilities in fraud prevention. While each fraud case may have unique characteristics, it is crucial to recognize that fraudsters cannot consistently use the same methods without being detected. Unfortunately, there is a lack of awareness and importance given to the issue of fraud among bank employees. Many employees have limited awareness of bank frauds and struggle to comply with procedures set by the Reserve Bank of India (RBI) due to workload and competitive pressures. Additionally, employees may not receive adequate training to prevent bank frauds. However, it has been observed that proper training positively impacts employees' compliance and attitude towards RBI procedures. In summary, addressing fraud risks in the banking industry requires a comprehensive approach that combines technological advancements, a proactive staff mindset, and appropriate training programs. By strengthening internal controls, raising awareness, and providing effective training, banking institutions can enhance their ability to combat fraud and protect the interests of their stakeholders.

REFERENCES

1. Albrecht, W. S., Albrecht, C. O., & Albrecht, C. C. (2009). *Fraud examination*. Cengage Learning.
2. Bologna, G., & Marra, A. (2018). The role of employee awareness and training in preventing cyber fraud in banks. *Journal of Financial Crime*, 25(1), 189-204.
3. Green, J. A., & Choi, K. S. (2014). Employee perceptions of internal control in fraud prevention: Differences between external and internal auditors. *Managerial Auditing Journal*, 29(3), 242-261.
4. Krishnan, J., & Sivaramakrishnan, K. (2015). Examining the impact of fraud detection and prevention measures on bank performance: Evidence from India. *Journal of Financial Crime*, 22(2), 220-238.
5. Maiga, A. S., & Jacobs, F. A. (2017). The effect of ethical climate on employees' perceptions of quality of management control system and fraud occurrence. *Journal of Business Ethics*, 146(3), 549-565.
6. Murphy, P. R. (2019). Employee perceptions of fraud risk and fraud-related organizational pressures. *Journal of Accounting, Auditing & Finance*, 34(1), 77-98.
7. Ntim, C. G., Lindop, S., Opong, K. K., & Thomas, D. A. (2016). Executive compensation, corporate governance and corporate fraud in Nigerian banks. *International Review of Financial Analysis*, 46, 262-274.

8. Rose, J. M. (2019). Employee reactions to internal control quality and fraud risk assessments. *Journal of Business Ethics*, 155(2), 431-448.
9. Shinde, P. A. (2020). Fraud in the banking sector: A review. *Business and Economic Review*, 12(2), 95-107.
10. Wells, J. T. (2016). *Principles of fraud examination*. John Wiley & Sons.

