



# A STUDY ON CUSTOMERS PERCEPTION ON FORENSIC ACCOUNTING AND RISK MANAGEMENT IN SELECTED BANKS OF MUMBAI

Sangeeta Kanojia  
Research Scholar, Post Graduate,  
Department of Commerce, SNT Women's University,  
Churchgate, Mumbai - 400020

## Abstract

Forensic Accounting is an integration of accounting, auditing and investigative skills used by forensic accountant which is suitable for the court and will be a basis of discussion, debate and ultimately dispute resolution. Before the Enron Scam, Rajat Gupta case and Satyam Scam, there was a little knowledge about forensic accounting in India. Media highlighted the irregularities of the Satyam case and need for hiring forensic accountant arose but even today the number of forensic accountants in India is still very low. The forensic accounting industry has gained importance over the years but awareness about the forensic accounting is yet to be created amongst the can be prevented by banks. The banks need to educate their employees and customers. The study is majorly focusing on the perception of banks customers towards forensic accounting regulatory authorities in India. Banks cannot give a 100% security to the people but it can take steps towards preventing the frauds. Technology being the major cause, it is like a two sides of the coin. At one side it has brought digitalisation in the banking industry, which has made all banking transaction very easy. On the other hand technology has given rise to many online banking frauds which and risk management.

**Keywords:** Forensic Accounting, Risk Management, Fraud, Fraud detection, Banking fraud, Technology in banking system.

## Introduction

Satyam Scam (2009), which was termed to be the biggest financial fraud of the country turned to be a revelation and it highlighted that, white collar crimes has increased in India and there were difficulties faced by the law enforcement agencies in uncovering the fraud. Indian organizations felt the urge to have proper investigation of financial frauds and the need for experts in this field aroused. Since then, a growth in the

forensic accounting profession was seen and the forensic accounting industry gained a lot of importance in India. Even the KPMG Fraud Survey stated that white collar crimes in Indian corporates have increased which made detecting and investigating fraud difficult. With the increase in technology there is a need of a professional specialized person having the knowledge of accounting, auditing and investigative skills which focuses on detecting or preventing fraud is required. The occurrence of fraud and irregularities in maintaining accounts necessitated proper investigation and preventive environment.

Before the Enron Scam, Rajat Gupta case and Satyam Scam, there was a little knowledge about forensic accounting in India. Media highlighted the irregularities of the Satyam case and need for hiring forensic accountant arose but even today the number of forensic accountants in India is still very low. Forensic Accountants utilize accounting, investigative skills and auditing while conducting investigation. The forensic accounting industry has gained importance over the years but awareness about the forensic accounting is yet to be created amongst the regulatory authorities in India.

Banking industry in India is growing very quickly and the fraud is also increasing at a much quicker pace. The fraudsters are using innovative methods with the help of new technologies. In recent years the banking industry has seen an upsurge in the financial crime which led to the distrust of customers. The increasing scams has crushed the confidence of investors due to which the banking industry is trying to gain the confidence of the customers by giving them services which are more secure. But banks cannot give 100% security to the people, the banking industry lacks in training its employees and lack of internal control. Technological advancements have brought the banks and the consumers close but on the other hand the technology has also brought a fear due to online frauds.

Risks associated with banks are of two type's viz., financial risk and non-financial risk. Credit risk and market risk comes under financial risk; Operational risk comes under non – financial risk. Out of the three risks credit, market and operational there are five major types of risks associated with banks, which the banks have experienced in past 2-3 years. These are (i) diversion of funds, (ii) fraudulent documentation, (iii) ATM fraud, (iv) over valuation and under valuation of financial statements and (v) cybercrime. The banks has to put more stress on the internal auditors and evaluation of financial statements for fraud fighting, new mechanisms and techniques has to be used.

Thus, the study aims on determining the perception of customers towards forensic accounting and risk management and the implementation of forensic accounting techniques used for management of risks and detecting and preventing credit risk, market risk and operational risk. Due to the increasing importance and need of forensic accounting and risk management methods, the policies adopted, the anti-fraud process and customer education on fraud risk is also focused.

### **Objectives of the Study**

The present study proposes to study the forensic accounting industry in India. It will help in understanding a general overview of customer's perception towards forensic accounting and risk management methods used by the banks for fraud detection in Greater Mumbai. The study will determine

the perception and awareness of customers towards banking frauds, forensic accounting and risk management techniques. The objectives of the study are:

1. To the concept of forensic accounting and risk management.
2. To study perception of customers towards forensic accounting and risk management due to increased banking fraud.
3. To suggest suitable measures to the stakeholders.

### Significance of the Study

Forensic accounting is a legal term which deals with application of accounting techniques and concepts in issues related to legal matters. Forensic accounting is important for the corporates, shareholders, regulatory authorities etc. to deal with the increasing rate of white collar crimes including financial frauds, embezzlement and other financial wrong doings like money laundering, bankruptcy etc. it helps in investigating the fraud and helps the corporates to clear the fraudsters.

The poor corporate governance, mismanagement, frauds and other wrong doings has led to corporate failure and have placed a great responsibility on forensic accountant. Forensic accounting is required to minimize the financial frauds in order to improve the image of the corporates. The increase in technology has given a great boost to the corporate crimes, which has put a pressure on the accountants to identify the evidence of financial abuses.

This study will help to provide some indications to the stakeholders on the availability of skills required to practice forensic accounting. The study will also help in determining an overview of forensic accounting industry in India and will give an insight to the government, corporates, academicians and regulatory authorities. This study will also determine the awareness of the customers about forensic accounting which will help the governing bodies to understand the need of creating awareness amongst the general people about forensic accounting and frauds.

### Hypotheses of the Study

From the above cited objectives, the following hypotheses were proposed by the researcher.

1. There is low level of awareness amongst the customers about forensic accounting.
2. The banks educate their customers towards fraud risks and preventive measures adopted for risk management.

### Review of Literature

1. **Thirupathi K and Kumar M.** in their article “Risk Management in Banking Sector -An Empirical Study” discussed about different techniques adopted by banking industry for risk management. According to them risk management need a proactive strategy which can plan, lead, organize and control the different types of risks that come rushing into the business organizations daily and also in the long term functioning. They said that the banks should take risk more seriously and try to anticipate adverse changes and hedges in the organization. This will become a source of competitive

advantage for the organization and will also show an efficient management system in the banking industry.

2. **Settipalli A. and Yagnamurthy H.**, in the article “Forensic Accounting and Fraud” attempted to clear out the myth that when blue collar crimes happen with financial motives then only forensic accounting comes into picture. They tried to link forensic accounting with fraud. In reality white collar crimes are equally resultant. According to the authors there is a need to create awareness about the role of forensic accounting and its necessity for the betterment of the economy. In today’s era forensic accounting is much required sur to increase in fraudulent activities and financial crimes.

## Research Methodology

The researcher proposes to study the perception of customers towards forensic accounting and risk management in banks. For the purpose of the study both primary as well as secondary data will be utilized according to the objectives of the study to arrive at particular inferences. Data analysis will be done by using statistical tools to draw suitable conclusions and suggestions.

### Sources of Data

- a. **Primary Data:** - Primary data is reliable and supported by actual survey results. The exact information and current circumstances will be obtained using descriptive approach of research. The present study was conducted by interacting with the industry professionals and scheduled interview was taken. A **well – structured questionnaire** was prepared for collecting information from citizens. The total population of Mumbai is in crores which makes the universe very big. Therefore, simple random sampling method was used for data collection. For the purpose of the study the samples will be taken from Greater Mumbai area only and the **sample size** will be **100**.
- b. **Secondary Data:** - Secondary data is one type of quantitative data that has already been collected by someone else for a different purpose to yours. The secondary source of data collection will be taken from different sources like reference books, journals, professional magazines, paper publications, newspaper articles and electronic delivered information. Some published and unpublished data on forensic accounting industry will also be referred to develop information related to forensic accounting in corporate world.

For the purpose of the proposed study the collected data is processed, classified and analyzed to draw a proper conclusion for research by using appropriate statistical tools. The other tools used for presentation of data is tables, diagrams using line, bar, column, doughnut graphs and pie diagram.

## Data Analysis and Interpretation

### 1. Age

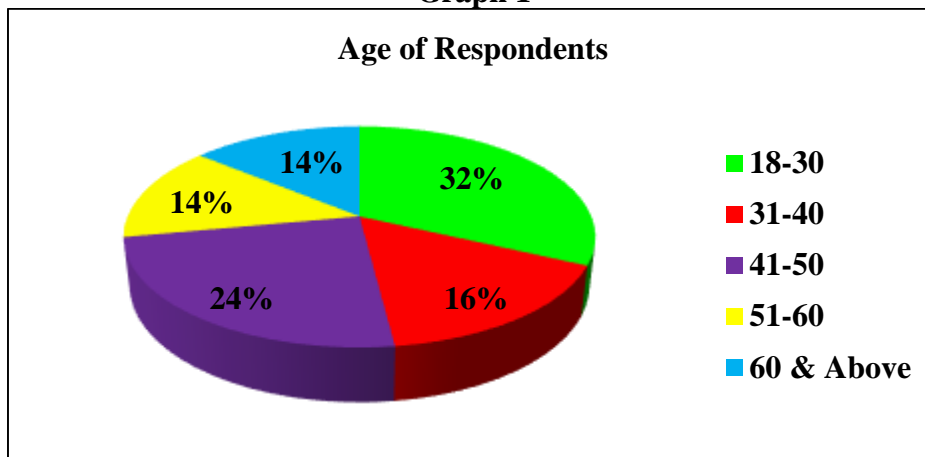
Age of the respondents is one of the main factors of the research. The results of the research have been presented in table 1 and chart 1.

**Table 1**  
**Age of Respondents**

Age (in years)	Frequency	Percentage
18 – 30	32	32
31 – 40	16	16
41 – 50	24	24
51 – 60	14	14
60 & Above	14	14
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Compiled from Primary Data

**Graph 1**



The table 1 indicates that 32 percent i.e. majority of the customers were in the age group of 18 – 30 years, 24 percent were in the age group of 41 – 50 years, 16 percent were in the age group of 31 – 40 years and only 14 percent were from the age group of 51 – 60 years and 60 and above which belongs to the elder age group.

**2. Gender**

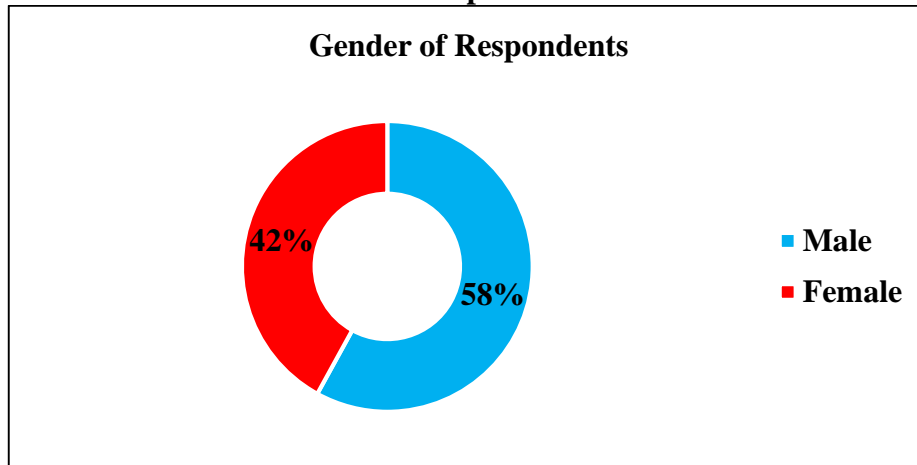
By integrating the gender dimension, one can create new knowledge which leads to innovation. The results of the research have been presented in table 2 and chart 2.

**Table 2**  
**Gender of Respondents**

Gender	Frequency	Percentage
Male	58	58
Female	42	42
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Compiled from Primary Data

Graph 2



The table 2 indicates that, majority i.e. 58 percent respondents are male and 42 percent of the respondents are female.

### 3. Perception of Customers towards Forensic Accounting and Risk Management

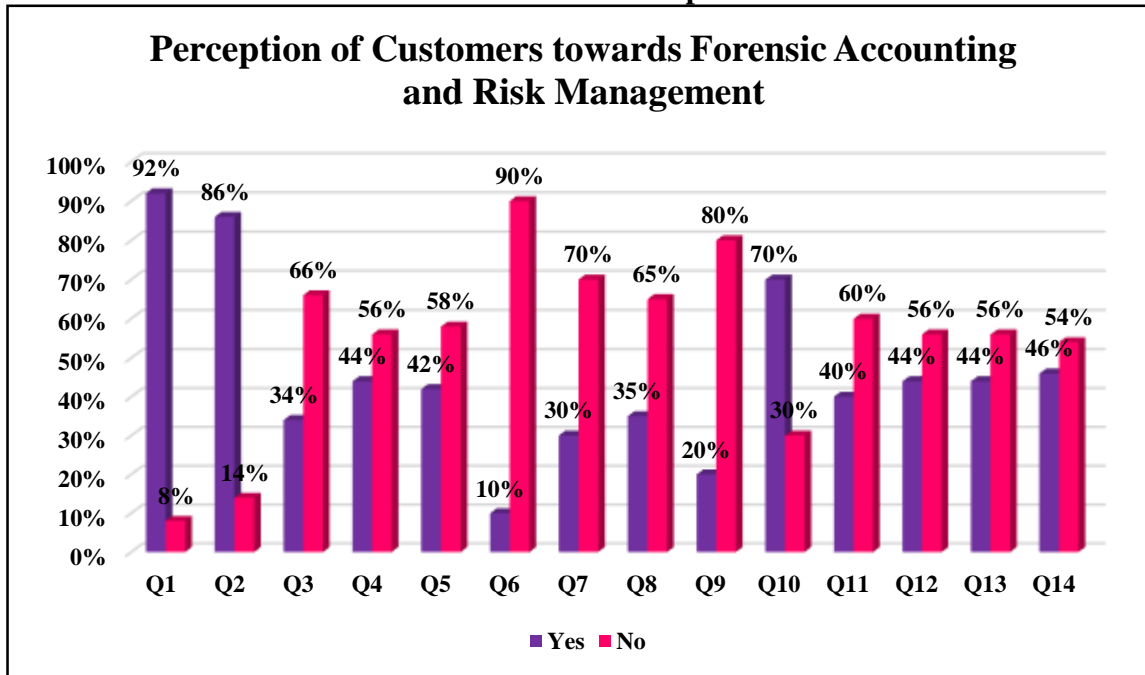
To know the perception of customers various questions were asked. The results are presented in table 3.

**Table No. 3**  
**Perception of Customers towards Forensic Accounting and Risk Management**

Ques. No.	Statements	Yes (Percentage)	No (Percentage)
Q1	Awareness about Frauds in Banking Industry	92	8
Q2	Frauds in banking industry has increased over the years	86	14
Q3	Awareness About Forensic Accounting	34	66
Q4	Forensic Accounting is the Merger of Forensic Science and Accounting	44	56
Q5	Forensic Accounting Provides Litigation Support in Prosecution Process	42	58
Q6	Awareness about the techniques used by your bank for managing the risk of fraud?	10	90
Q7	Awareness regarding Forensic Accounting used to detect banking frauds	30	70
Q8	Does your bank educate you about the preventive measures to be taken to avoid frauds?	35	65
Q9	Your bank has informed you about different types of frauds which a customer can come across	20	80
Q10	Less security in online transactions	70	30
Q11	My bank has informed me about the safety tips to avoid banking frauds	40	60
Q12	Effectiveness of Forensic Accounting over Financial Accounting	44	56
Q13	Financial Fraud can be reduced with use of Forensic Accounting	44	56
Q14	Forensic Accounting Will Prove as an Efficient Tool of Fraud Prevention	46	54

Source: Compiled from Primary Data

Graph 3



### Testing of Hypotheses

1. The stated hypothesis “**There is low level of awareness amongst the customers about forensic accounting**” is **accepted** on the basis of Table No. 2 from Q1, Q3, Q4, Q6 and Q7. There is lack of awareness amongst the citizens about forensic accounting. The frauds are increasing day by day as seen in the result and the main reason for fraud is lack of awareness and the respondents didn’t know about the reason behind the banking frauds and that it can be detected.
2. The stated hypothesis “**The banks educate their customers towards fraud risks and preventive measures adopted for risk management**” is **rejected** on the basis of Table No. 2 from Q8, Q9 and Q11. It can be clearly stated that banks need to take more efforts to educate their customers. And forensic accounting will be a tool which can detect frauds which an auditor is unable to detect.

### Findings of the Study

After the analysis and testing of hypothesis it can be clearly seen that the citizens lack awareness about the frauds and they are unaware about the tools used by banks for detecting frauds. The cost of transaction and the fear of not being safe also poses a problem for them. It was found in the research that the age of the respondents also poses a problem because the elder age group faced a lot of problem, they are not very techno savvy and didn’t find the digital payment very convenient. It can be stated that banks need to be alert and try to detect and prevent frauds.

### Suggestions

From the research conducted by the researcher to know the awareness level of the citizens regarding forensic accounting and risk management in banks the researcher has drawn the following suggestions:

1. The bank managers and senior officials should assess the fraud risk and also monitor the fraud detection systems used by their banks.
2. The regulators need to be on their toes and keep an eye on any restrictive practices implemented by banks to maintain their dominance in the banking business.

3. Awareness campaign has to be done at all the places all over India because if urban citizens are not much aware about preventive measures for frauds then what can be stated about the rural people.
4. The government can include forensic accounting in the curriculum so that even the students are aware and opt for this course. According to the present status very few chartered accountant firms provides forensic accounting services.

## Conclusion

Forensic accounting will help the organisations to stop corruption and fraud which will result in growth. RBI has the guideline for prevention of fraud and they say that the banks should strengthen their systems. Banks can also use artificial intelligence and other tools which can easily detect frauds. There is an urgent need to stop cybercrime which has created a fear in the minds of the citizens. Forensic accounting will help the banks to bring the trust of the citizens in the banks. Now a days the banking frauds are increasing very fast and according to the research the citizens lack knowledge about banking transaction and the frauds associated with it. The research analysis shows that there is very less trust and awareness amongst the citizens and it has to be regained by the banks with the help of forensic accounting. The study depicts that forensic accounting has a better future in India as the techniques are being accepted by many banks.

The major concern of the country is to prevent white collar crimes because the citizens need honesty and transparency in financial reporting as they will be the ultimate sufferers. Due to which, forensic accounting has become an effective tool in the process of preventing frauds. Forensic accounting has a tremendous potential as a new area of practice for the Indian Chartered Accountants. A lot more exposure is required to forensic accounting industry to inculcate an ethical behaviour in the organizations.

## References

1. Bhasin, M. (2012). Corporate Accounting Frauds: A case Study of Satyam Computers Limited. *International Journal Of contemporary Business Studies*, 3(10).
2. George. P and Podoli. L (2015), An Overview of Forensic Accounting in India, National Conference on "Accounting, Finance and Management: Current Issues and Developments. ISBN No. 978-81-925842-1-8.
3. Goyal, M. (2014, November), Forensic Audit: Need of the Hour for the Corporates International, *Journal of Innovative Research & Studies*. 3(11).
4. Kolluru. N, (July 2016), Role and Importance of Forensic Accounting and Financial Fraud Examiner. Retrieved from <https://www.linkedin.com/pulse/role-importance-forensic-accounting-financial-fraud-examiner-n-rao>
5. Okoye, & Gbegi. (2013, March). Forensic Accounting: A Tool for Fraud Detection and Prevention in the Public Sector. *International Journal of Academic Research in Business and Social Sciences*, 3(3).
6. Ramazani, M., & Atani, H. R. (2012, March). Accountant's Perception of Forensic Accounting (Case Study of Iran). *Global Journal of Management and Business Research*, XII (VI), 31-45, ISSN: 2249-4588. Retrieved from <https://journalofbusiness.org/index.php/GJMBR/article/view/682/615>
7. Sharma, D. A. (2014, December). Frauds in India and Forensic Accounting. *International Journal of Research & Development in Technology and Management Science –Kailash*, 21(5).
8. Yadav, D. S., & Yadav, D. S. (2013, July). Forensic Accounting: A New Dynamic Approach to Investigate Fraud Cases EXCEL. *International Journal of Multidisciplinary Management Studies*, 3(7).



9. Thirupathi K and Kumar M. (2013), Risk Management in Banking Sector -An Empirical Study, International Journal of Marketing, Financial Services & Management Research, Vol.2, No. 2, ISSN 2277- 3622. Retrieved from [www.indianresearchjournals.com](http://www.indianresearchjournals.com)
10. Settipalli A. and Yagnamurthy H., Forensic Accounting and Fraud, IOSR Journal of Business and Management - International Conference on “Paradigm Shift in Taxation, Accounting, Finance and Insurance”, Volume 1, pp 18-23, ISSN: 2278-487X. Retrieved from <http://www.iosrjournals.org/iosr-jbm/pages/Conf.17037-Ver-1.html>
11. Kumah S. P., Sare Y. A. and Bernard B. (2014), Corporate Governance and Risk Management in the Banking Sector of Ghana, European Journal of Accounting Auditing and Finance Research, Vol2, No.2, pp.1-17, April, 2014.
12. [http://censusindia.gov.in/2011census/dchb/2723\\_PART\\_B\\_DCHB\\_%20MUMBAI.pdf](http://censusindia.gov.in/2011census/dchb/2723_PART_B_DCHB_%20MUMBAI.pdf) (page no. 24)
13. [www.indiaforensic.com/frauds](http://www.indiaforensic.com/frauds)
14. <http://www.ifs.edu.in/forensic-accounting-and-fraud-examiner>
15. <https://www2.deloitte.com/content/dam/Deloitte/in/Documents/finance/in-finance-DeloitteIndiaBankingFraudSurveyIII-noexp.pdf>

