



## Financial fraud and Nigeria economy development

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### Abstract

The rapid increase in financial and insurance company fraud is a result of the system's weakness brought about by the founding of banks and the subsequent overstretching of staff resources. Fraud is gradually becoming rampant and a daily occurrence in our banking industry. Sequel to this, this study aims to carry out survey and investigation on the major causes of financial fraud and their effect on the Nigeria economy development. The study's participants are chosen deposit money banks in Nigeria to evaluate various forms of financial fraud and malpractice that can be in existence. The banks chosen for this study are Ecobank plc, Union bank plc, Skye bank plc, Keystone bank plc, Stanbic IBTC and United Bank for Africa plc (UBA). This study adopts ex post facto research design. According to the findings, the Net Interest Margin of banks has a favorable and considerable effect on economic growth in Nigeria development and bank credit has a favorable and considerable effect on economic growth in Nigeria. This study recommends that the expansion of banks' liquid liabilities serves as a metric for their size and capabilities. Our research indicates that the increase in Liquid Liabilities of Banks has favorably and considerably influenced economic growth in Nigeria over the examined period.

**Keywords:** Financial fraud, Nigeria economy, Skills, Development

### Introduction

The rapid increase in banking and insurance company fraud is a result of the system's weakness brought about by the founding of banks and the subsequent overstretching of staff resources. Financial fraud, according to Sanusi (2020), encompasses a wide range of malpractice, including "with dollar crimes," such as obtaining credit without intending to pay, obtaining money in mart-order business without supplying the goods, obtaining money by promising to invest and failing to do so, obtaining by computer fraud, insider trading, and tax fraud. "A Corporate Crime," in which directors defraud firms or businesspeople defraud other investors or tax authorities. Fraudsters engage in fraudulent actions to be viewed by society as successful individuals. The resources available for use in bank and insurance company operations are diminished when funds are lost due to fraud. The study of effect control and potential solutions to this crime in banks is necessary given the high rate of fraud (Eseoghene, 2020; Akinyomi, 2022). Odeniran & Udeaja (2020) claim that the banking sector is the center of productive activity in Nigeria because it plays a crucial role in financial intermediation, ensuring a smooth payment system, and supporting the execution of monetary policy.

Financial intermediation is the process by which financial institutions (banks and non-banks) mobilize and distribute financial resources through the financial (money and capital) market, utilizing financial instruments (loans, savings, securities) (Bello, 2021). According to the writers mentioned above, the degree of development of a nation's financial system has a significant impact on the efficiency and efficacy of financial intermediation in any economy. In actuality, the relative inefficiency of financial intermediation in most developing nations can be attributed significantly to the underdeveloped state of their financial systems. Banks, which usually have an oligopolistic structure and prioritize short-term loans over long-term investments, dominate the financial systems in these nations (Dennis, 2023; Harper, 2021).

The concepts are reinforced by Tuule's (2022) observation that banks are the hub of the payment system, how monetary and credit policies are carried out, and the vessel endowed with the capacity to create money and allocate financial resources. The stability and well-being of the banking institutions that carry out monetary policy are critical to their success. Because banks play a crucial role in the economy, their operations have been closely monitored to make sure they follow safe and sound banking practices and the law to protect the

economy. As a result, governments typically enact laws to directly affect and regulate bank operations to meet economic development goals (Ojo 2020). According to Ajie & Ezi (2020), from August 1891, when commercial banking was first established in Nigeria, until the banking law was passed in 1952, there was no legislation in the country's financial sector. The banking legislation of 1952 and further changes, particularly with the creation of the Central Bank of Nigeria (CBN) Act of 1958, made the period of oversight, examination, and control of Nigerian banks necessary. Stricter norms and regulations, better institutional facilities, and the adoption of monetary management by indigenous professionals were made possible by the creation of CBN (Fatado 2020).

Aurangzeb (2022) asserts that fraud has reached epidemic proportions in Nigeria today. It has permeated every part of our lives to the point where a three-year-old child can discuss 419, the term for the recently uncovered charge scam that is pursuing our country. Fraud is defined as dishonestly acquiring an advantage through intentional deception. Therefore, an activity must be meant to profit the perpetrator at the expense of another person for it to be considered fraud (Iganiga, 2020). In Nigeria's economy, fraud is not limited to banks. All economic sectors have seen fraud, and the size of an organization typically dictates the amount of fraud committed. This includes issues like insufficient staff, incentives, and an inadequate legal structure to deal with the economic downturn of offenders. Financial institutions, as well as their clients, shareholders, and capital bases, have suffered enormous financial losses as a result, and there has also been a decline in trust in financial institutions. Due to the rise in fraud, people now prefer to keep their money at home rather than in a bank. There is a concern that if this act is not stopped, our economy would suffer and regress (Eze, 2021; Alashe, 2020). Financial frauds with varied degrees of complexity have been increasingly common at banks. "Banking Industry has lost billions of naira to fraudulent activities, indicating a continuing increase in financial fraud" in Nigeria in the twenty-first century, according to a report by the Nigeria Deposit Insurance Corporation (NDIC, 2010). This demonstrates that while bank management is busy devising ways to prevent fraud and malpractice,

dishonest bank employees are creating new ways to get around those procedures. The detrimental effects or consequences of these will then be noted below. Malpractice and fraud result in needless losses of enormous sums of money. The bank's operations are severely hampered by this financial loss. Once more, every instance of fraud erodes public trust in banks, leading people to doubt the industry's ability to safeguard their funds and handle everyday transactions. Financial fraud and malpractice hinder or impede the growth of banking practices in the Nigerian economy. People avoid banks out of concern that they might lose their money if fraud takes place. The management of banks is kept vigilant by financial fraud and malpractice, which results in them wasting time and money on fraud detection and prevention. The banking sector is one of the most significant financial organizations in any country's economy. According to Olorunsegun (2020), fraud poses a significant threat to the banking sector as a whole and affects every aspect of life. For efficient intermediation, the public expects banks to operate with responsibility, equity, and openness. Examining financial fraud and its impact on Nigeria's economic growth is the goal of this study.

## Literature Review

Kanu & Okoroafor (2013) examined different types of fraudulent activities and how they affected bank deposits in Nigerian banks between 1993 and 2010. They examined the overall deposit liabilities of insured money banks in Nigeria in relation to the quantity of bank cash lost to fraud. In the study, they employed both descriptive and inferential statistics. It was discovered that there is a substantial correlation between bank deposits and sums lost due to fraudulent withdrawals.

Additionally, Owolabi (2010) examined the many types of fraudulent behaviors, their effects, and the reasons behind different types of industry change. He used a descriptive study design. He discovered that 485 (37%) of the 1283 personnel implicated in fraudulent conduct between 2002 and 2006 were managers and supervisors, while 431 (33.59%) were executive officers/accountants and executive assistants.

Odi (2013) assessed how fraud affected Nigerian

commercial banks' performance between 2001 and 2011. Using regression analysis, he closely examined the relationship between ATM fraud, forged checks, clearing checks, and bank performance. According to the report, fraud has a major effect on Nigerian commercial banks' performance.

Similarly, Inaya and Isito (2016) investigated how fraud affected Nigeria's banking sector socially. For the study, an ex post facto research design was used. The Nigerian Deposit Insurance Corporation and commercial bank statements of accounts covering the years 1990–2014 were the sources of the data. The data was analyzed using Ordinary Least Squares (OLS) and its Best Linear Unbiased Estimate (BLUE) Property. They found that Nigerian banks prosper due to a high rate of fraud, and that fraud has a detrimental social impact on the country's financial sector.

Ikpefan (2006) conducted an empirical test to determine whether deposits and the following explanatory variables fraud, actual/expected loss, and money laundering act were significantly correlated between 1989 and 2004. OLS regression was applied. The correlation coefficient, t-test, f-test, and standard error tests were used to examine the relationships. The findings indicated a positive correlation between the amount of deposits and the money laundering act and a negative correlation between money deposits and fraud and actual/expected loss.

Using empirical analysis, Abdulrasheed, Babaita, and Yinusa (2012) investigated the issue of fraud and its effects on Nigerian banks' performance. Information was gathered from the 2004–2009 NDIC annual reports. Data analysis was done using Pearson Correlation and parametric tables. Banks were found to have the largest number of fraud incidents in 2008. The overall amount involved in fraud cases and the bank's profit are significantly correlated, according to hypothesis testing, making up most of the fraud.

Similar to this, Aruomoaghe and Ikyume (2013) looked at fraud as a problem for accurate financial reporting, concentrating on the banking industry. They used survey research that was descriptive. It was shown that failing to account for fraud in the organization's financial statements could mislead

users and do not present a truthful and fair picture of the financial statement.

Adediran and Olugbenga (2010) investigated how fraud affected Nigerian banks' performance between 2000 and 2007. For analysis, OLS regression was used. The results showed a substantial inverse link between commercial banks' investment and the total number of reported fraud instances, the amount involved in the frauds, and the actual predicted loss owing to the frauds.

Additionally, Ademoye (2012) conducted a descriptive analysis of the types, causes, consequences, and solutions of bank fraud in Nigeria from 2000 to 2009. The survey used ten banks with the most instances of fraud and forgeries. The types of bank employees implicated in the fraud and forgeries were also investigated. It was found that, over a seven-year period from 2003 to 2009, 656 bank employees were involved in 2,440 fraud and forgery incidents, with 431 core operating employees or 65.7% of the total involved. The catastrophic effect of fraud on bank performance was also noticed, as just 13 of the 24 banks in 2009 were deemed sound, one was minor, and 10 were deemed unsound, compared to one unsound the year before.

The nature, causes, impacts, detection, and prevention methods of bank fraud in Nigeria were evaluated by Olatunji and Adekola (2014). Convenience sampling was used to distribute the Alleyne and Howard questionnaire to 100 respondents. From 2002 to 2012, secondary data was gathered from NDIC. The analysis was done using a simple percentage. It was determined that big-time fraud was on the rise, with banks losing millions of naira every day, and scammers were busy coming up with new ways to carry out their evil deeds due to the acquisition and accumulation of quick and sudden wealth, misplaced value judgement, and the current harsh economic environment.

Additionally, sang (2012) looked at the fraud control measures used and assessed the impact of the internal control measures on the incidence of fraud in a few commercial banks in the Kenyan town of Nakuru. A structured questionnaire was used to gather data from stratified selected samples using a descriptive study methodology. Descriptive and

inferential statistics, including chi-square and linear regression, were used to analyze the data. Periodic tests were found to have 33.3 percent, but daily and weekly testing showed 24.4 percent and 29.5 percent, respectively. Non-adherence to dual control aspects was found to compromise internal control (21.8%).

Afayi (2014) investigated how fraud affected the US banking sector's performance. Banks were investigated, provided explanations for bank failures, looked at the number of bank failures or the percentage of bank failures in the United States due to fraud, reviewed the safeguards the banking sector has put in place to stop fraudulent practices, and listed any necessary corrective action. Approximately 523 banks failed in the United States between 2000 and 2014, according to the report. Eight banks, or 40% of the 20 chosen banks, fell because of fraudulent activities in method 1, the fraction of bank failure caused by fraud as opposed to other factors.

Idowu (2009) conducted study on ways to reduce fraud in the Nigerian banking sector. The study's conclusions showed that several factors, including poor policy and procedure management, subpar working conditions, bank employees staying on a particular job for prolonged periods of time, and employees feeling dissatisfied due to inadequate compensation, contributed to the frequency of fraud in banks.

According to Adepoju and Alhassan (2010), bank clients have grown to rely on and trust automated teller machines (ATMs) to effortlessly fulfil their banking demands; yet ATM scams have become more common in the nation in recent years. As ATM fraud has become more common, banks must manage the risks involved and lessen its impact. This is because fraud strategies have become more sophisticated. The "challenges of automated teller machine (ATM) usage and fraud occurrence in Nigeria banking industry" were the subject of a study by Akindele (2010). According to the survey, the biggest contributors to bank fraud were inadequate training, a communication gap, and weak leadership abilities. He recommended putting in place a sufficient internal control system and attending to the comfort and pleasure of employees.

Onuorah and Ebimobowei (2011) investigate

forensic accounting and fraud in Nigeria. According to the research, Nigerian banks must take more proactive steps, like using forensic accounting methods.

## Methods

This study will utilize the ex post facto research design. Anyam (2020) defines ex post facto research as a systematic empirical investigation in which the researcher neither controls nor manipulates the independent variables, as the conditions for the study are pre-existing or have already occurred. The research aggregates historical data from 2011 until 2024. The study is, by implication, a time series analysis. Most researchers in this field employ time-series analysis of annual and quarterly data to optimize the information utilized in their analyses. Macro et al. (2021) assert that time series analysis appropriately adjusts standard errors and performs several sensitivity checks, so explicitly addressing simultaneity bias. This study employed a multivariate linear regression approach in accordance with research on bank fraud and economic growth. The dependent variable is the growth rate of gross domestic product per capita, whereas the independent variables include lending and deposit rates, the ratio of interest rate margin to total bank assets, the ratio of liquid liabilities to GDP, and the ratio of loans to the private sector to GDP.

## Model specification

The multiple regression analysis is specified thus:

$$Y = f(X_1, X_2, X_3, X_4)$$

Where:

Y = Total GDP of Nigeria (N)

X<sub>1</sub> = Amount involved in fraud (N).

X<sub>2</sub> = Total expected Loss (N).

X<sub>3</sub> = Total number of fraud cases.

X<sub>4</sub> = Total number of staff involved in fraud.

e = Error term.

The Pearson's correlation coefficient is specified thus:

$$r = \frac{\sum(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum(x_i - \bar{x})^2 - \sum(y_i - \bar{y})^2}}$$

## Results and Discussion

The study presented data that were relevant and in

line with the objectives of the study. Table 4.1.1 showed the relevant data for testing financial sector performance in Nigeria.

**Table 4.1** Performance indicators of deposit money banks (2011 – 2024)

	Total		Capital		
	Assets	Demand	Accounts	Total Loans	
Year	(N'M)	Deposits (N'M)	(N'M)	(N'M)	GDP
2011	1,070,019	202,162	141,969	322,764	3,194,015
2012	1,568,838	345,001	196,662	508,302	4,582,127
2013	2,247,039	448,021	364,258	796,164	4,725,086
2014	2,766,880	503,870	500,751	954,628	6,912,381
2015	3,047,856	577,663	537,208	1,210,033	8,487,031
2016	3,753,277	726,552	206,063	1,519,242	11,411,066
2017	4,515,117	946,039	419,417	1,976,711	14,572,239
2018	7,172,932	1,497,904	872,513	2,524,207	18,564,594
2019	10,981,694	2,307,911	1,560,032	4,813,488	20,657,317
2020	15,919,559	3,650,543	2,577,601	7,799,400	24,296,329
2021	17,522,858	4,132,789	1,982,326	9,667,876	24,712,669
2022	18,664,231	10,840,321	1,912,654	7,172,657	29,503,343
2023	19,371,605	13,322,755	1,965,325	8,693,260	63,258,582
2024	21,231,279	15,465,0531	2,345,891	10,988,281	71,186,535

**Sources:** Central Bank of Nigeria Statistical Bulletin (Various Years) and NDIC Annual Report and Accounts (Various Years)

Data from Table 4.1 shows that total assets of commercial banks maintained a steady increase over the years under study. However, total assets of all 89 banks operating in Nigeria as at 2016 (pre-consolidation) was N3.753B and rose to N4.515B by the end of the consolidation year (2017). This represents a 16.87% increase. In 2018 however (1<sup>st</sup> year post-consolidation), banks total assets rose to N7.17B and this represents a 58.86% increase over the previous years' figure (N4.52B). For the period under study (2023-2024), the total assets of banks grew from N1.07B to N21.231B, which represent a 1,884% increase. With a total number of 89 Banks in 2016, the average asset size of individual banks stood at N42.21B, but as at 2024, with a total number of 24 bank, the average asset size is N884.63B. Obviously, banks are now bigger and have higher capacity to finance developmental projects.

Similarly, demand deposits also maintained an upward increase throughout the period under review. Demand deposits was N202.16B in 2011 but increased to N726.55B in 2016. This represent a

259.88% increase for the pre-consolidation period. However, in 2018 (1<sup>st</sup> year post-consolidation), the figure rose to N872.51B from N206.06B in 2016 and N419.41B in 2017. This rise represents a 323.42% and 108% increase respectively, over and above the 2018 figure. The figure then rose astronomically to N15,465.05B in 2024. For the 14-year period under study, this represent a 7,549.90% increase between 2011 and 2024

Moreover, capital accounts maintained a steady increase in nominal terms for the years under review except for the years 2016, 2017 and 2021. While the 2016 and 2017 decrease could be attributed to the uncertainty in the Nigerian banking industry, following the gigantic reforms proposed by the then CBN Governor, Prof. Charles Soludo, the 2021 downward trend could be linked to the global economic crisis that engulfed the global economy beginning in 2020. Capital accounts which stood at N141B in 2011 moved to N537B in 2015 but declined subsequently in 2016 and 2017 when it declined to N206B and N419B respectively. However, it picked

up again in 2018 when it increased to N872B and stood at N2,577B in 2020. By 2021, it had declined again to N1,982B in 2021 and stood at N1,912B in 2022. In recent years, the value has also maintained an upward increase, rising to N1,912B and N2,574B in 2023 and 2024 respectively. Overall, this represents approximately 908% increase between 2011 and 2024.

Furthermore, total loans and advances also maintained a continuous increase for the entire period under review, except for Year 2022. The reduction, however, could be linked to reduction in lending activities following the effects of the 2020 global economic crisis. Total reduction, however, stood N322B in 2011 but increased to N1,519B in 2016. This represents over 370% increase for the period. Moreover, from N1,519B in 2016 to N2,524B in 2018 and stood at N7,172B and N10,988B in 2022 and 2024 respectively. For the period under study (2023 – 2024) the value of total Loans increased from N322.76B to N10,988.28B which represent a 3,304% increase.

Finally, GDP also displayed upward movement for the period under review. From N3,194B in 2011, it moved to N11,411B in 2016 and stood at N29,503B in 2022. This represents over 257% increase between 2011 and 2016 and a over N56,614B increase between 2017 and 2024, which represent a 388.51% increase.

In line with approaches adopted by previous studies with similar orientation (see Okafor, 2011, and Demirguc-Kunt and Huizinga, 2012), this work will review financial performance impact as measured by three ratios which will be derived by relating each of three commercial banking aggregates to the Gross Domestic Product (GDP) namely; Bank Assets(BA) to GDP (BA/GDP), Demand deposits to GDP (DD/GDP) and Bank Credit to GDP (BC/GDP).

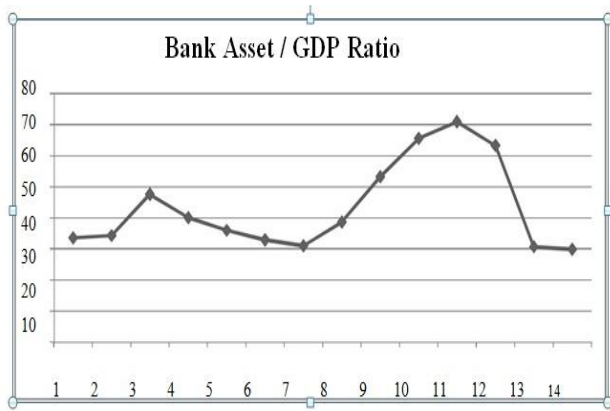
According to Uchenne & Agbo (2013), the BA/GDP ratio is a measure of the size of the banking sector relative to that of the entire economy. The ratio therefore, reflects the depth of financial activity attributable to banking sector capacity which derives from the asset base. The higher the ratio, the greater the level of financial activity attributable to banks while the reverse is the case. The ratio as well as the

BC ratio could each be applied as independent measures of financial activity. Moreover, to isolate the credit to private sector, BC is defined as loans and advances channeled to the private sector. In other words, loans and advances to various tiers of government, government ministries and agencies are therefore, not included in the calculation of the BC ratio. The ratios of each of the three banking aggregates to the GDP are presented in Table 4.2.

**Table 4.2:** selected ratios of commercial banks' aggregates to GDP in percentage (2011 – 2024)

Year	Bank Assets/GDP Ratio	Bank Deposits/GDP Ratio	Bank Credit/GDP Ratio
2011	33.50	6.33	10.11
2012	34.24	7.53	11.09
2013	47.56	9.48	16.85
2014	40.03	7.29	13.81
2015	35.91	6.81	14.26
2016	32.89	6.37	13.31
2017	30.98	6.49	13.56
2018	38.64	6.49	13.60
2019	53.16	11.17	23.30
2020	65.52	15.03	32.10
2021	70.91	17.06	39.12
2022	63.26	36.74	24.31
2023	30.62	21.06	13.74
2024	29.82	21.72	15.44

From the result in Table 4.2, bank assets to GDP ratio displayed an inconsistent trend for the period under review. From a ratio of 33.50, it edged up slightly to 34.24 in 2012. However, there were marginal gains in 2013, which were subsequently reversed in 2014, as the ratio slumped to 40.03 in 2014 from 47.56 in 2013. The gyration in the trend continued throughout the period and stood at 63.26 as at 2022. Comparatively, the 2024 ratio is lower than the 2023 figure. This implies that with the expanding GDP, the adequacy of banks' assets is diminishing. This result is quite disturbing as the economic expansion being witnessed is not reflected within the banking sector, as their asset growth rate is slower than the economic growth rate. For the trend in growth rate, see figure 4.1.1 below.

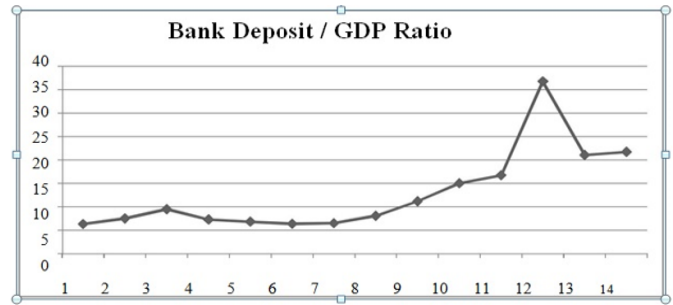


**Figure 4.1.1** Bank Asset / GDP ratio

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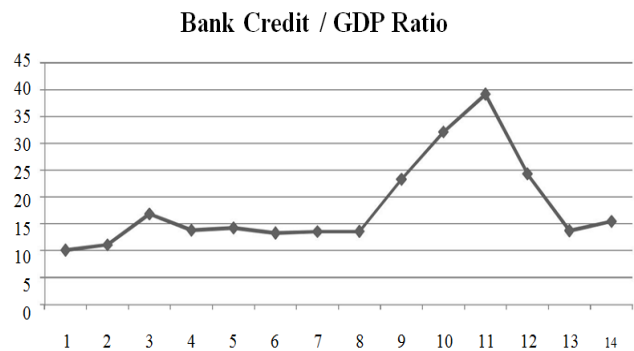
figure. This implies that with the expanding GDP, the adequacy of banks’ assets is diminishing. This result is quite disturbing as the economic expansion being witnessed is not reflected within the banking sector, as their asset growth rate is slower than the economic growth rate. For the trend in growth rate, see figure 4.1.1 below.

Bank deposits to GDP ratio also showed inconsistent trend for the period under review. The ratio was 6.33 in 2011, rose to 7.53 and 9.48 in 2012 and 2013 respectively but into 11.17. This decline clearly reflects the weak banking industry with no improvement in deposit levels, however, following the increase in minimum capital requirements and the attendant bank consolidation, the figures rebound to 11.17 representing a 72.11% increase over the previous year’s figures. The increase continued and hit an all-time high of 36.74 in 2012. This figure represents a 115.35% increase over the year 2011 figure. However, the figures declined further to 21.06 and 21.72 in 2011 and 2024 respectively. The growth trend is shown in figure 4.1.2 below. The hike in year 12 is because of the increase in Demand Deposits from N4,132B in 2021 to N10,840B in 2022. The drop in 2013 and 2014, however, does not reflect a drop in the absolute value of Demand Deposits, but reflects the inadequacy of the value of the Demand Deposit as a ratio of the GDP following the recent GDP rebasing and expanding economy.

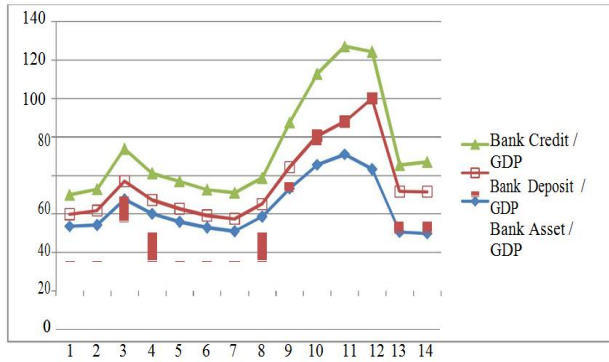


**Figure 4.1.2.** Bank deposit / GDP ratio

Furthermore, the result from Table 4.2 shows that the ratio of bank credit to the private sector has maintained an inconsistent trend within the period under study. From a ratio of 10.11 in 2011, it moved up slightly to 11.09 in 2012 and continued to increase to 16.85 in 2013 but fell to 13.81 in 2014. Further increase was witnessed in 2015, which later fell in 2016 from 14.26 to 13.31 respectively. This range was maintained till 2019, when the figure rose to 23.30 which represents a 71.32% increase over the previous year’s figure. The lull between 2016 to 2018 is suspected to be because of stiffer requirements for bank lending, following series of bad debt discoveries which were exposed during the consolidation exercise, which ended in December 2017. The increase was not sustained for too long, as the global financial crisis of 2020 – 2022 further depressed the recovering activities of bank lending. Banks were generally less willing to advance loans to private sector institutions. The ratio stood at 24.31 as at 2022 and depressed further to 13.74 and 15.44 in 2023 and 2024 respectively. The further depression is because of expanded GDP figure and expanding economy. The growth trend is shown in figure 4.1.3 below:



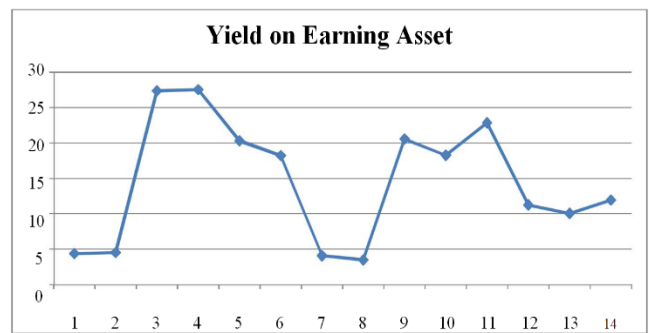
**Figure 4.1.3.** Bank Credit / GDP Ratio  
Source: Researcher’s excel computation



**Figure 4.1.4.** Comparison of the values of bank assets, bank deposits and credit advances to the private sector

**Source:** Researcher’s Excel Computation from the result in figure 4.1.4, all three indicators maintained a similar pattern, which fully reflects their appropriateness for measuring banks performance on economic growth. More interesting is the downward trend between year 12 to 14 of our study (2011 to 2024), which also clearly reflects the inadequacy of our celebrated positions, and the exposure is credited to rebased GDP figures that clearly show the true nature of the Nigerian economy.

27.37% in 2013. The rise reflects a 506.87% increase between the 2013 and 2012 figures. This high figure was sustained for another year and dropped by 25% in 2016. Following the completion of the bank consolidation process, Yield on Earning Asset further dropped to 4.07% in 2017 and 3.47% in 2018. This swing continued, rising sharply to 20.58% in 2019 and closing the year 2022 at 11.24%. These gyrations reflect the impact of series of reforms the banking industry passed through within the period under study, and more lately economic downturn of 2020-2022. The downward trend also reflects the high operational cost of banking business in Nigeria. The growth trend is shown in figure 4.1.5 below:



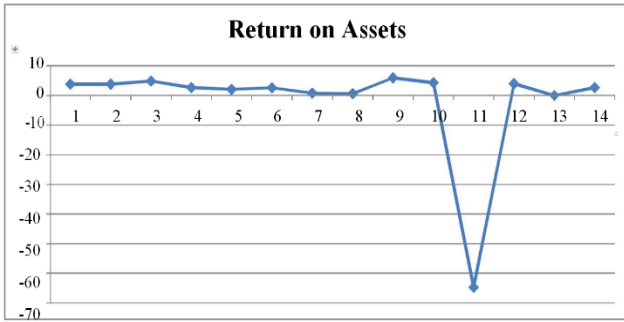
**Figure 4.1.5.** Yield on earning assets

**Table 4.3:** Indicator of bank efficiency – selected earnings/probability indices of commercial banks in Nigeria (2011-2024)

	Earnings/Profitability Indices (in %)		
	Yield on Earning Assets	Return on Assets	Return on Equity
2011	4.36	3.82	102.88
2012	4.51	3.78	115.27
2013	27.37	4.82	57.41
2014	27.55	2.63	41.63
2015	20.32	2	29.11
2016	18.22	2.58	27.23
2017	4.07	0.75	4.81
2018	3.47	0.59	4.12
2019	20.58	5.92	36.83
2020	18.27	4.29	24.11
2021	22.87	-64.72	-9.28
2022	11.24	3.91	16.29
2023	10.05	-0.04	-0.28
2024	11.92	2.62	22.2

Moreover, as can be seen from Table 4.3, the return on assets fluctuated (in some cases widely) within the period under review. From 3.82% in 2011, it fell slightly to 3.78% in 2012 but picked up in 2013 when the figure moved to 4.82%. This increase was short-lived as the figure dipped again in 2014 when it fell to 2.63%. This downward trend continued till 2018 where the figure fell to 0.59%. By 2021, there was a huge deficit of -64.72% and an impressive recovery the following year back to credit position, 3.91%. This credit position slipped in 2023, closing at - 0.04% and further improvement witnessed in 2024, closing at 2.62%. The huge deficit could be attributed to the bad loans which were made manifest, following the global financial crisis of 2020. However, the recovery the following year is as a result of Asset Management Corporation of Nigeria’s (AMCON’s) purchase of bad and doubtful debts from Nigeria banks. This debt takeover is instrumental to the return to profit position by Nigerian banks. This trend is shown in figure 4.1.6 below.

From the result in Table 4.3, yield on earning assets of banks showed an inconsistent trend for the period under review. The 2011 and 2012 figures stood at 4.36% and 4.51% respectively and rose sharply to



**Figure 4.1.6.** Return on assets  
**Source:** Researcher’s excel computation

Furthermore, it can also be seen from the result in Table 4.3 that return on equity also fluctuated for the period under review. From a robust figure of 102.88% in 2011, it fell to 29.11% in 2015 and continued its downward trend up to 2018 when it recorded a meagre 4.12% before going into negative region in 2021 with a deficit of -9.28% and stood at -0.28% as at 2023. However, improvements are witnessed in the 2024 figure, hitting a high point of 22.2%, over the previous year’s negative figure (-0.28). Similar to Return on Asset, the decline in 2021 is a fallout of massive losses incurred by banks due to bad loans, arising from the global economic crisis. The recovery in 2024 (22.20%) is also a reflection of reduced operational cost and sale of bad loans to AMCON. This trend is shown in figure 4.1.7 below:

**Table 4.4:** Determination of economic growth

Year	GDP	Population	GDP Per Capita	GDP Per Capita Growth
2011	3,194,015	110,379,440	28.93	0.395
2012	4,582,127	113,470,064	40.38	0.0029
2013	4,725,086	116,647,226	40.50	0.423
2014	6,912,381	119,913,348	57.64	0.194
2015	8,487,031	123,270,922	68.84	0.308
2016	11,411,066	126,722,508	90.04	0.242
2017	14,572,239	130,270,738	111.86	0.185
2018	18,564,594	140,000,000	132.60	0.075
2019	20,657,317	144,900,000	142.56	0.136
2020	24,296,329	149,971,500	162.00	0.0124
2021	24,712,669	150,665,001	164.02	0.186
2022	29,503,343	151,654,007	194.54	1.119
2023	63,258,582	153,443,124	412.26	0.0947
2024	71,186,535	157,739,531	451.29	0.0962
2013	80,222,130	162,156,238	494.72	

From the result in Table 4.4, GDP growth fluctuated within the period under review. From 0.0395% in 2011, it dipped to .0029% the next year, with a rebound to 0.423% in 2013. This gyration continued and in more recent times, the downward figure was sustained at less than 0.1% in 2011 and 2024.

## Conclusion and Recommendation

### Summary of the findings

The results of this investigation are as follows:

1. Bank credit has a favorable and considerable effect on economic growth in Nigeria.
2. The expansion of liquid liabilities of banks positively and significantly influences economic growth in Nigeria.
3. The Net Interest Margin of banks has a favorable and considerable effect on economic growth in Nigeria.

### Conclusion

The summary indicates that the banking sector holds a crucial role in the economy, necessitating continuous scrutiny and analysis of its activities. The limited success of the banking industry observed in the study can be ascribed to the collaboration and shared commitment of key stakeholders. The study indicated that the primary aim of all government policies should be to enhance the banks' performance in their essential functions to favorably influence the country's economic growth. It may be argued that banking operations in Nigeria have favorably influenced the country's economic growth, as indicated by gross domestic product, throughout the studied period from 2011 to 2024.

### Recommendations

The following are the recommendations of the study.

- a. Credit allocation to the private sector should focus on priority sectors, namely industry and agriculture, to ensure a significant economic impact. Government laws ought to favor the promotion of private sector financing, providing enhanced incentives for these industries. The government should also strive to establish a stable macroeconomic

environment. A stable macroeconomic environment is essential for the advancement of financial markets and the delivery of efficient services required to bolster the real sector for economic growth. Domestic and foreign investors will be reluctant to invest in an economy characterized by instability in macroeconomic indicators of uncertainty, specifically interest rates, exchange rates, and inflation. A robust macroeconomic environment and adequate income levels GDP per capita, domestic savings, and domestic investments are critical factors influencing the development of financial systems in emerging nations. Infrastructural advancements are essential to guarantee that borrowed capital is directed towards manufacturing activities rather than basic utilities such as access roads and power generation.

- b. Initiatives must be undertaken to lower deposit interest rates, which are consistently rendering investable funds costlier and exacerbating inflation. Regulations that restrict banks' investable cash should be eased to promote increased lending to the private sector. Banks should deliberately participate in developmental lending to foster economic progress rather than solely pursue profit. Lending to priority sectors may be less profitable than lending to commercial or trade companies; however, extending credit to the latter at exorbitant interest rates may exacerbate inflation and diminish the beneficial effects on economic growth. The government should secure a reduction in banks' interest expenses, which will therefore lower the interest rates imposed on borrowers. Operational expenses frequently remain elevated owing to infrastructure and technological underdevelopment inside the nation. Banks frequently rationalize the substantial disparity between lending and deposit rates (exceeding 15% per annum) by citing operational and insurance-related expenditures. Efforts should be undertaken to standardize and align interest rates on deposits to mitigate the prevailing practice of offering excessively high rates to entice depositors' cash.

- c. The expansion of banks' liquid liabilities serves as a metric for their size and capabilities. Our research indicates that the increase in Liquid Liabilities of Banks has favorably and considerably influenced economic growth in Nigeria over the examined period. There exists a mutual obligation between the Government and Banks to guarantee that the documented rise in absolute figures is likewise represented in real terms. Government is expected to also come up with policies that encourage expanded lending based on new capacities. There is an urgent necessity for the government to guarantee financial stability and, ultimately, the safeguarding of depositors' monies and investors' assets. The necessity for regulation and oversight of the financial system stems from the fact that financial intermediaries and markets, like enterprises, are vulnerable to asymmetric information. The primary aim of financial regulation and supervision is to improve the operational efficacy of the financial system, thereby augmenting its capacity to withstand shocks and uphold financial stability. Financial instability arises when disruptions to the financial system hinder the payment mechanism, hence affecting the capacity for routine corporate operations and commerce to proceed. This may result from the failure of a systemically important financial intermediary or other disturbances. Any disturbance in the financial system may result in significant real economic consequences.

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