



Effect of Employee Crime on Organizational Performance In Kogi State Ministry

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ABSTRACT

The objective of this study is to determine the effect of employee crime on organizations in public sector. Questionnaire used for the study was administered in state ministries, Kogi State, Nigeria. The study is a survey research carried out using primary data collected through the use of questionnaire. The specific objectives are: To determine the effect of employee theft on organization net profit and to examine the effect of embezzlement on organization net profit. We concluded that Internal control should be enhanced to curb employee theft in order to boost income and Forensic accountant should be invited often to help reduce the high level of embezzlement in ministries.

Keywords: organizational Performance, fraud, employee crime, embezzlement.

INTRODUCTION

Increasing rate of frauds (i.e. money laundering and fund embezzlement) in the organization in Nigerian has caused grave concern to the public. Hence, organization has been disappointed in relation to the responsibilities of auditors as they failed to contend with the issues of fraud (Karwai, 2005 and Modugu and Anyaduba 2013). Ojaide (2000) reveals that there is a distressing upsurge in the number of fraudulent activities in Nigeria, stressing the reflectivity of forensic accounting services. Kasum (2009), and Okoye and Akamobi (2009), have all in their separate studies acknowledge the increasing incidents of fraud and fraudulent activities in Nigeria especially in the public sectors. They emphasize that the financial fraud is gradually becoming a way of life. The level of Nigerian fraud has reached the extent that 65% of the Nigeria revenue goes to only 20% of the Nigerian population. Thus, the remaining 35% of the revenue goes to 80% of the Nigeria population. Despite the fact that Nigeria is one of the the largest crude oil producing countries in the world and the largest crude oil producer in Africa, yet, more than 70% of the Nigerian population are living below the poverty line (Afma 2013). Kasum (2009) reveals that, the perpetuation of financial irregularities in Nigeria is becoming the specialty of both public and private sectors. He added that, in Nigeria individuals perpetrate fraud and corruption practicing according to the capacity of their office. The effect of fraud perpetration goes beyond the economy destructions but even the personal life and behaviour. Subsequently, there is a general expectation that, forensic accounting will

be able to combat the financial malfeasance witnessed in most of the sectors of the Nigerian economy (Oyejide, 2003).

Fraud has become daily activities in the Nigerian both private and public sector, where everyone is trying to take advantage of his fiduciary duty to violate the trust (Karwai 2003). According to a report by Transparency International (2013) out of 177 countries, Nigeria has been ranked as 33rd most corrupt country in the world. Also 144th position in the group's Corruption Perception Index of the same year (i.e. 2013). Transparency International (2013) reveal that, almost 70 percent of the global nations are having a "serious problem" with civil servants on the take. However, none of the 177 countries surveyed got perfect scores. Series of allegations were made by two of the former governors of the Central Bank of Nigeria Charles Soludo and Malam Sanusi Lamido they accused the present government of financial mismanagement and lack of proper governance. Lamido has allegedly expressed his feeling of the current government about the missing \$20 billion of oil revenue where he accused the government of deliberate financial mismanagement. Consequently, Lamido was first suspended by President Jonathan because of the allegation raised and let the case go undetected. In 2015, the other Ex-CBN governor, Mr Soludo accused the Nigerian Minister of Finance- Mrs Ngozi Okonjo-iweala for the unaccounted N30 trillion (Vanguard, 2015). Recently, \$700 million was found cash in the home of Nigeria petroleum minister, yet she was covered up by the President himself (The Punch, 2015).

Statement of problem

There is an alarming increase in the number of fraud and fraudulent activities in Nigeria the perpetuation of financial irregularities are becoming the specialty of both private and public sector in Nigeria as individual perpetrates fraud and corrupt practice according to the capacity of their office. Consequently, there is a general expectation that forensic accounting may be able to stem the tide of financial malfeasance witnessed in most sectors of the Nigerian economy. However, there has not been adequate emphasis, especially survey evidence on how forensic accounting can help curb financial crimes beyond the several anecdotal views that abound. Consequently, the study fills this gap by addressing the following research questions.

Objective of the study

The objective of this study is to determine the effect of:

- i) To determine the effect of employee theft on organization net profit
- ii) To examine the effect of embezzlement on organization net profit.

Scope of the study

This study will take a critical look at effect of employee crime on organizational performance in public sector in Ogun State. To this end, the content scope will be employee theft and employee embezzlement while geographical scope is Ogun State

Conceptual Framework

Duffield and Grabosky (2001) defined fraud as a deceit that involves an intentional distortion of the truth or misrepresentation or concealment of a material fact to take advantage over another so as to enjoy some benefit at the expenses of others. Fraud usually occur when the fraudster deliberately communicates or present false statements to the victim with the prime intention of enjoying illegal advantages of the property or something of value (Vasiu and Vasiu, 2004). Mukoro, et al (2011:235) quoting Edafehirhaye and Edafehirhaye (2008) defines fraud as "tendency and propensity to do what is wrong, evil or harmful to one's neighboring spite of the knowledge of what is good. It is an attempt of subverting the rule of the game using trick to take public fund and using them for one's personal interest." Albrecht, (2005) argued that fraud is rarely seen. He continues to state that the symptoms of fraud are usually observed. The symptoms do not necessarily mean fraud is being undergone as mistakes may cause it.

History of Fraud in the Nigerian Public Sector

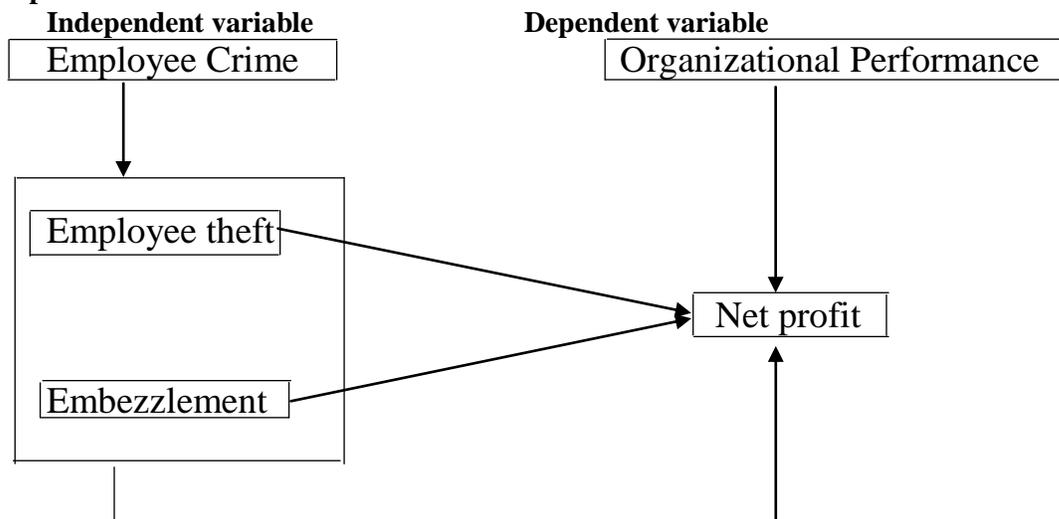
The colonial administration, serve as the root of fraud and the initial stage to narrate about the history of the financial crime in Nigeria. The British government used both the systems of direct and indirect rule to colonize the country. However, during the colonial administration the Nigerian traditional rulers were logically employed as administrative and supervising officers to the newly colonized regions in different parts of the country. The employed administrators were deployed to a distinct region different from his province. Consequently, some of these employed officials used their new power and authority of their offices as an opportunity to enrich themselves (Owolabi, 2007). In 1960, Nigeria got her independence which marks the beginning of the first democratic era in the history of the country. The first civilian government was overthrown by the military due to the alleged proposition of corruption in the elected civilian administrative in 1966.

Owolabi (2007) argue that fraud continue to grow in the country since each military administration is becoming more corrupt than the past ones. The military government's effort to solve the menace become in vain. Consequently, each military regime was best known for its abuse of power, lack of accountability and transparency.

During the military government, the right to question the government was deprived to the masses due to the nature of dictatorship (Owolabi, 2007 and Okekeocha, 2013). During that time of military administration coup d'états, was the order of the day in which one government will be deposed and install a new one instead. The problem of financial crime in Nigeria continues to be out of control during the administrations of Generals Ibrahim Babangida, Sani Abacha and Abubakar Abdussalam where fraudulent activities and other financial crime were becoming typical symbol of government officials.

Accordingly, in 1999 Olusegun Obasanjo assumed office as a Democratic president of Nigeria, after ruling the country for some time ago as a military president in 1976 to 1979. Due to the persistent growth of fraudulent activities and the pervasive nature of unethical behaviour of the government officials which cause a severe injury to the economic life of Nigerians, the newly elected president promise to employ measures to eradicate the menace. Consequently, Federal Government enacted the Independent Corrupt Practices and Other Related Offences Act in 2000 and two years later EFCC Act was also enacted in 2002[2] to deal with financial crimes and other related corrupt activities in the country. The problem of fraud and other financial crime continue to buy a bad name to the country and make an abhorred history for the nation.

Conceptual Framework



Theoretical Framework

White collar crime theory

White collar crime can be traced back to 1939. Sutherland (1949) as cited in Michael (2004) happened to be the first to formulate the term. Sutherland originally presented his theory in an address to the American Sociological Society in an attempt to study two fields, crime and high society which had no previous empirical correlation. He defined his idea as crime committed by a person respectable and of high social status in the course of his occupation. He noted that in his time, less than two percent of the persons committed to prison in a year belong to the upper class. His goal was to prove a relation between money, social status and the likelihood of going to jail for a white-collar crime, compared to more visible, typical crimes, although, the percentage is a bit higher today. Hence, because of the status of those who engaged in these atrocities, the service of a trained and experienced investigator like the forensic auditor is required to forestall the occurrence of such fraud.

Fraud diamond theory

Wolf and Hermanson (2004) introduced the fraud diamond model where they presented another view of the factors of fraud. The model adds fourth variable “capabilities” to the three factor theory of fraud triangle. Wolf and Hermanson believed many frauds would not have occurred without the right person with right capabilities implementing the details of the fraud. They also suggested four observation traits for committing fraud:

- i. Authoritative position in the organization.
- ii. Capacity to understand and exploit the organisation’s systems of accounting and internal control
- iii. Confidence that they will not be detected, or if caught, they will get out of it easily.
- iv. Capability to deal with the stress created within and otherwise good person when he or she commits bad

act.

Pressure

Perceived pressure or incentive relates to the motivation that leads to unethical behaviors. Every fraud perpetrator faces some type of pressure to commit unethical behavior. Albrecht et al. (2006) pointed out that, the word perceived is important because pressure does not have to be real; if the perpetrators believed that they are pressurized, this belief can lead to fraud.

Lister (2007:63) defined the pressure/motive to commit fraud as “the source of heat for the fire” but he believed the presence of these pressures in someone’s life does not mean he or she will commit fraud.

Pressure is the incentive that could motivate an individual to be involved in fraud. The pressure could result from personal problems, such as financial pressures or addiction pressures, or from the work environment. Management or employees may find themselves under pressure to commit fraud. For example, remuneration or advancement is significantly affected by individual, divisional, or company performance, individuals may have an incentive to manipulate results or mount pressure on others to do so.

Opportunity

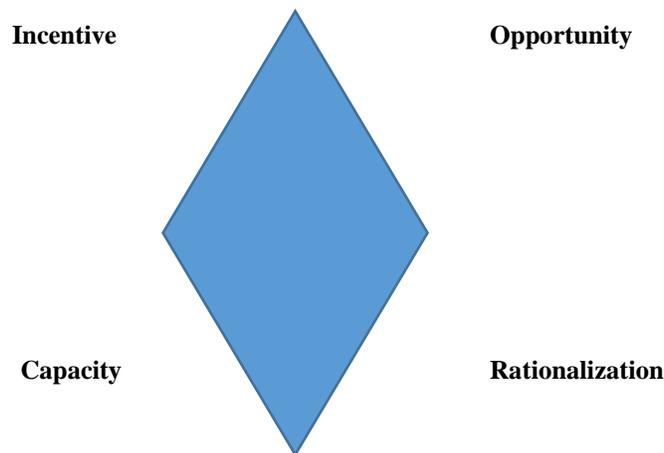
Pressure creates the motive for the crime to be committed, but the employee must also perceive that he has an opportunity to commit the crime without being caught or seen. This Perceived opportunity constitutes the second element. In Cressy’s view, there are two components of the perceived opportunity to commit a trust violation; general information and technical skill. General information is simply the knowledge that the employee’s position of trust could be violated. Technical skills refer to the abilities needed to commit the violation. These are usually the same abilities that the employees need to have in order to obtain and keep his position in the first place.

Rationalization

The third and final factor in the fraud triangle is the rationalization. Cressey pointed out that rationalization is not an *ex post facto* means of justifying a theft that has already occurred. Significantly, rationalization is a necessary component of the crime before it takes place; in fact, it is the part of the motivation for the crime. Because embezzler does not view himself as criminals, he must justify his misdeeds before he ever commits them. The rationalization is necessary so that the perpetrator, can make his illegal behavior intelligible to himself and maintain his concept of himself as a trusted person.

Capacity

This is the situation of having the necessary traits or skills and abilities for the person to commit fraud. It is where the fraudster recognized the particular fraud opportunity and ability to turn it into reality. Position, intelligence, ego, coercion, deceit and stress, are the supporting elements of capability (Wolfe and Hermanson 2004). Albrecht et al. (1995) believe that only the person who has an extremely high capacity will be able to understand the existing internal control, to identify its weaknesses and to use them in planning the implementation of fraud.



Source: Wolfe and Hermanson (2004)

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METHODOLOGY

Primary data was the source. Questionnaire used for the study was administered in state ministries, Kogi State, Nigeria. The study is a survey research carried out using primary data collected through the use of questionnaire. The population of was 93 accountants in Lokoja in Kogi State.

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

REGRESSION

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/MISSING LISTWISE
/STATISTICS COEFF OUTS R ANOVA
/CRITERIA=PIN(.05) POUT(.10)
/NOORIGIN
/DEPENDENT FA1
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Regression

		Notes
Output Created		10-OCT-2019 23:11:41
Comments		
Input	Data	C:\Users\IKECHUKWU\Desktop\NNAMDIA\ik spss.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	123
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT FA1 /METHOD=ENTER FA2 FA3.
Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.03
	Memory Required	1676 bytes
	Additional Memory Required for Residual Plots	0 bytes

[DataSet1] C:\Users\IKECHUKWU\Desktop\NNAMDIA\ik spss.sav

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	embezzlement, employee theft ^b	.	Enter

a. Dependent Variable: net profit

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R	Std. Error of the
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			Square	Estimate
1	.898 ^a	.806	.802	.391

a. P **Okoye et al..... Int. J. Innovative Finance and Economics Res. 7(4):136-142, 2019**

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.285	2	28.642	187.508	.000 ^b
	Residual	13.748	90	.153		
	Total	71.032	92			

a. Dependent Variable: net profit

b. Predictors: (Constant), embezzlement, employee theft

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.155	.079		1.973	.052
	employee theft	.070	.099	.064	.709	.480
	Embezzlement	.798	.085	.843	9.395	.000

a. Dependent Variable: net profit

5.1 CONCLUSION AND RECOMMENDATION

From the analysis of the studies, we concluded that

- 1) Internal control should enhanced to curb employee theft in order to boast income
- 2) Forensic accountant should invited often to help reduce the high level of embezzlement in ministries

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