Fraudulent Financial Reporting and Firm Value of Deposit Money Banks in Nigeria

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Abstract: This study focused on Fraudulent Financial Reporting and Firm Value of Money Deposit Banks DBM in Nigeria. The specific objectives of the study are: External Pressure EXP, Fraudulent Cheques FCQ, and Fraudulent Loans (FRL) and these applied as independent variables; while Return on Equity ROE proxy firm value as dependent variable. Study population comprised fourteen (14) DBM in the Nigerian Exchange Group (NGX) and the period of study covered eleven (11) years annual reports and accounts of these banks reported from (2014-2024). Purposive sampling techniques select eleven (11) DMB that has the secondary data required for the period. Statistical analyses applied Descriptive Statistics, Correlations and Regressions to test the formulated hypotheses. After the analyses, the results showed that the model is significant at 5% significance level. Other findings showed that: External Pressures EXP, Fraudulent Cheques FCQ and Fraudulent Loan FRL were negative and significant on ROE of DMB in Nigeria. After all the result interpretations, we recommend that: Banks Apex management should reduce unnecessary competition that put pressure on the managers in trying to meet targets; approval of issuing and acceptance of cheques are to be properly verified and appropriately checked and finally, proper Internal control systems should be installed to scrutinize giving of loans to detect and prevent fraudulent activities.

KeyWords: Fraudulent, **External Pressure, Cheques, Loans, Financial Reporting, Return on Equity**

Introduction

Background of the Study

Fraud auditing, forensic accounting and fraudulent financial reporting according to Bologna and Lindquist, (1987) have to do with "preventing, detecting, investigating and documenting fraudulent transactions" in firms activities and reported frauds. The term "fraudulent financial reporting" was defined by Institute of Chartered Accountants of England and Wales ICAEW as the "deliberate overstating or understating of balances in financial reporting" (ICAEW, 2020). Ritonga (2019) defined it as "providing false and intentional information to manipulate material values in financial reports for personal gain". Prior researchers have argued that fraudulent financial reporting may have culminated through several other frauds during the business activities which may have been intentionally carried out by the servants of the corporations, (Okoro, 2016; Okoro & Nkemakolam, 2016). Some of these could be on cheques, loans, money laundering and other intentional fraudulent activities. In some other cases it might have taken places through the processes of overstatement and understatement of items of accounts with the intention to cover them up, (Okoro & Offor, 2019; Khahn 2019; Ritonga (2019). However, these acts undermine the reliability, quality, transparency and integrity of the financial reporting process, (Ugwu, 2020a and Ugwu, 2020b). Also it mares the integrity and the objectivity of the auditing profession by exposing auditors and auditing firms to ridicule and ultimately reduced the trust that investors have on the capital markets, (Ugwu, 2020f and Ugwu, 2020g)

History of fraudulent reporting in 2010, reported that asserts of about 347 companies were cases of corporate fraudulent financial reporting ranging between 1998 to 2007, and specifically 294 cases took place within 1987 to 1997, (Beasley; Hermanson; Carcello & Neal 2010).

Several research works in Nigeria business environment, have documented many evidences of fraudulent reporting and corporate scandal that have involved large firms and the findings have not shown clearly solutions to the fraudulent reporting, (Enobong, 2017; Falope; Ogala & James, 2024). Some of the firms that had these problems in Nigeria and beyond included Cadbury (Nig) Plc; Afribank Plc; Oando oil Plc and Arik airline which took place in 2017; Gupta in 2017; Samsung in 2018; Wells Fargo in 2018; Nissan in 2018; Tesla in 2018; Steinhoff in 2019 and Wirecard in 2019, Falope, Ogala & James, 2024; Ogbu & Ugwu, 2016a), to mention but a few.

These fraudulent financial reportings have been viewed as motivated by "materialistic tendencies" of both corporate and individuals within the society. These in their effects have decreased corporate wellbeing, increased extraordinary pressure on individual resources acquisitions resulting in unsatisfied hunger for economic wealth as against "integrity, probity, good character" and in general ethical values. The consequences become corporate failure (Omoolorun & Abilogun, 2017; Onyebu, Ugwu & Agbo, 2019; Ugwu, 2020k).

Corporate accountants, fraud managers, accountants, internal auditors and all stakeholders have been place with mandatory responsibilities to ensure that fraudulent reporting are minimized in financial reporting. Based on these scenario, stakeholders are

mandated to equip themselves with reasonable fraud skills to enable them identify and act quickly of any indicators of corporate governance failures, fund mismanagement, frauds and other such acts that could lead to fraudulent reporting, (Ezenwaka & Okoro, 2020). However, developments in accounting techniques have also put more pressures to accounting officers and stakeholders as such that developed electronic frauds have made fraud practices more complex and sophisticated to be recognized, (Ugwu, Onyebu, Oluwafemi & Agbo, 2020; Dzomira, 2014). Some of these recent development have put more pressures on the statutory auditors and made it difficult for them to detect, prevent, reduce misappropriation and "coded" corporate fraudulent financial reporting, (Karpoff et al. (2018; Sadka, 2016; Desai et al., 2016; Beatty et al., 2013). Thus there are needs for corporations to improve the audit and investigation processes and fraud auditing to reduce these scenarios, (Adeyemi & Olowookere, 2011); as these imposes "significant risks to the integrity of financial markets, investor confidence, and the overall economy" (Jaswadi, Purnomo & Sumiadji, 2022; Nwangwu, Ada-Mac, Ngige & Ugwu, 2020). However, Rehman and Hashim, (2020), reported that an "effective corporate governance mechanisms are crucial in mitigating the occurrence of fraudulent activities, (Ugwu & Nwoko, 2020; Onyebo, Ugwu, Oluwafemi, & Agbo, 2020. But more works need to be carried out to investigate frauds than before and hence this research work.

Statement of the Problem

This study is considering along with other works that "subjecting financial statements to statistical scrutiny would detect and reduce associated risks to manipulations (Desi, Akintoye & Aguguom, 2023; Gbadebo, Akande & Adekunle, 2023). Prior researches show that Usman, Akpan, Luka and Abolugne (2020) on financial statement fraud prediction used conglomerate companies in Nigeria and found that foreign ownership reduces fraudulent reporting; Piosik and Genge (2019) found "negative correlation between financial statement fraud and managerial ownership". On the other hand, Amir et al. (2019) found a negative and significant result on financial statement fraud; while, Almashaqbeh et al. (2019) show that "institutional ownership is negative on financial statement fraud; but Pambudi (2020) indicated that managerial ownership is positive and insignificant; and, Ramadan (2015) found out that managerial ownership has a negative relationship with fraudulent financial reporting, Ogbu & Ugwu, 2016b). Also, Falope et al., (2024) found that financial targets, financial stability, external auditor quality, total accruals to total assets, and cooperation are positive on fraudulent financial reporting. The gap on which this current research is based on includes diverse findings of some of these prior researches; geographical gap, and variable gab as found in Nigeria based researches on this area of study. This current research is on Fraudulent Financial Reporting and Corporate Value, using deposit money banks, DMB in Nigeria.

Objectives of the Study

The main objective of this study is to ascertain the effect of Fraudulent financial reporting on corporate value, using deposit money bank in Nigeria. Other specific objectives are:

i. To determine the effect of External Pressures as Fraudulent financial reporting on corporate value of deposit money banks in Nigeria.

ii. To determine how fraudulent loans as Fraudulent financial reporting affect the value of deposit money banks in Nigeria.

iii. To determine how Fraudulent Cheque as Fraudulent financial reporting affect on the value of deposit money banks in Nigeria.

Research Questions

The following are the research questions

i. What is the effect of External Pressures as Fraudulent financial reporting on corporate value of deposit money banks in Nigeria?

ii. How does Fraudulent Loans as Fraudulent financial reporting affect the value of deposit money banks in Nigeria?

iii. What is the effect of Fraudulent Cheque as Fraudulent financial reporting on the value of deposit money banks in Nigeria?

Research Hypotheses

The following research hypotheses are formulated

Ho_1: External Pressures as part of Fraudulent financial reporting is not significant on corporate value of deposit money banks in Nigeria.

Ho_2: Fraudulent Loans as Fraudulent financial reporting is not significant on the value of deposit money banks in Nigeria.

Ho_3: Fraudulent Cheque as Fraudulent financial reporting is not significant on the value of deposit money banks in Nigeria.

Review Of Related Literature

Conceptual Review

Fraudulent Financial Reporting

Fraud auditing, forensic accounting and fraudulent financial reporting according to Bologna and Lindquist, (1987) includes all the points involved in dealing with the "challenge of preventing, detecting, investigating and documenting fraudulent transactions" in business operations including fraudulent reporting. Fraud auditing also has do with providing such an enabling situation that gives room for the detection and preventions of frauds in business transactions and deals with all kinds of financial crimes in both private and public sectors of economy, (Ugwu, 2020c and Ugwu, 2020d).

ICAEW, (2020) defined Fraudulent financial reporting as a "deliberate overstating or understating of balances in corporate financial reporting" and as well manipulating financial reports, (Ugwu, Eboatu & Nwoko, 2022). Gbadebo, Akande and Adekunle, (2023) asserted that many cases of bank frauds such as: credit, profit overstatement, and proxy fund transfers, were carried out by management. Between the year of 1994 and 2006 there were about 45 failed banks because of frauds and other reasons involving Financial statement frauds (Central Bank of Nigeria, (CBN), 2011; 2018; Nigeria Deposit Insurance Corporation, 2022).

Suswam, Ofili and Ivungu (2024) said it is a "deliberately misrepresenting the financial report suggests a fraudulent financial report". Opinions have shown that it is difficult to discover this kind of reported fraud as accounting treatments are mostly judgmental, because there is always a clear and fine line between optimistic and acceptable financial reporting and fraud detection. According to Association of Certified Fraud Examiners ACFE, (2019), "financial reporting fraud is the least common type of fraud, but when it happens, businesses loose the most on average". It is also a form of providing false and intentional information to manipulate material values in financial reports for personal gain, (Ugwu & Nwakoby, 2020a and Ugwu & Nwakoby, 2020b) These scenarios have always been based on the deliberate fraudulent activities carried out and covered by the servants of companies to satisfy their ego which always injures investor and creditors in the forms of materially misleading financial statement, (Khahn 2019; Ekwunife & Okoro, 2022; Ugwu & Nwoko, 2020a).

Ritonga (2019) asserted that it includes the following acts such as "first falsifying, manipulating, or changing accounting data or other data from a financial report, secondly preparing financial reports with material misstatements, and thirdly compiling financial reports regarding classification, amount, method of presentation and disclosure" that contradicts normal reporting principles". ACFE, (2016) sees it as "falsification, intentional misstatements and omitting certain elements of the statements and with the intention of deceiving the users of the statements". Then, Spathis (2012) says it is "falsifications of figures in the financial statement which do not show a true picture" of the corporate financial status by violating the accounting concepts and conventions, (Ogbu & Ugwu, 2023). Jamad, (2013) asserted that if proper investigations are to be conducted that "at least three out of every ten companies may be noted for fraudulent accounting practices". Jim, (2015) also noted that "frauds are inevitable and if treated as occupational hazards costs maybe very devastating and firms' stakeholders turns victim".

External Pressures

There are two kinds of pressures namely internal pressure and external pressures. According to Suswam, Ofili and Ivungu (2024) "pressure can originate from inside or outside the organization" and this can extend to fraud. An example of internal pressure is when employees are mandated to achieve some under financial goals or obligated to meet certain targets within a specific time limits to receive some sorts of reward or possibly face demotions or be sacked in the organizations, (Huang, Chi-Chen, An-An & David, 2017). On the other hand, Rozaq and Muhammad (2024) asserted that external pressure is where "management encounters the pressure to fulfill the demands of third parties outside of the company" Also Sasongko and Wijayantika, (2019) agree to these assertions that the pressure is geared to the satisfactions of the third party. Both internal and external pressures can be motivated by financial resources such as loans and leverages to meet up targets and competitions (Rozaq & Muhammad 2024; Skousen, & Brady, 2009; Suswam, Ofili & Ivungu, 2024)). According to Okafor and Egbunike, (2022) they asserted that pressures could lead to "dishonest behaviour", which can ultimately lead to fraud. External pressure could be of ratio of free cash flow which relates to the capital flow from corporate daily financial activities and investments, (Rozaq & Muhammad 2024; Basuki and Yulia, 2016). In the opinions of Septriani and Handayani, 2018 "external pressure can lead to fraudulent financial reporting" External pressure was found to have a negative impact on financial fraud by ((Rozaq & Muhammad 2024); while (Sari & Nugroho, 2020); Situngkir & Triyanto, 2020; Tinambunan & Januarti, 2022) found positive impact. Adusei (2020) found that "liquidity, leverage, profitability, change in auditor, and overall condition predict" fraud.

Pressure can emanate from firm managers concerning raising more debt to finance the firms operation in order to cope with market competition. Leveraging is the suitable measurement of external pressure (Skousen, Smith, & Wright 2008).

Fraudulent Loans

Fraudulent loan is considered a big treat in firms' value because it consisted of purposeful acts of false representation of information from the financial statement of a firm either to acquire unmerited loans or on the intention of deceiving stakeholders. The act could be to falsify the giving of loans, inflation of figures revenues, misrepresentations of figures of liabilities and manipulation of financial figures to present annual reports to be robust and sound; while there are hidden falsifications in the financial statement report. In most times, these acts have always resulted in firms suffering reasonable losses, brought lack of trust in firms' markets value, and in some cases suits and ultimately affect perpetuators, firms, and economic systems of the country.

Giving of a loan, is one of the means through which bankers earn money with full assurance that the money will be repaid in full with interest when due. What is considered fraudulent loan, when the borrower (business entity) is manipulated by a fraudulent bank officer or an accomplice; who is the "borrower" and is thereby declared bankruptcy nowhere to be found with the money loan, (Ugwu, Okoye, Ikwueze, Eboatu & Okoro, 2022) . Most times the borrowers are manipulated to be a non-existent entity or persons or an artificial person with the intentions of stealing bank's large amount of money, considered "as a component within" what is known as mortgage fraud (Bell, 2010). These kinds of loans always involve manipulation, misrepresentation, or falsification of information to secure a loan under false pretenses and at the end a significant amount of money is stolen by a nonexistent institution or person(Iguchi, 2014; Reskino & Fakhri, 2016; Ugwu & Nwoko, 2020b). Those involved or the organizations always, purposely falsify facts with criminal mind and obtain loans and other financial advantages to the detriment of the loaning bank, (Inayati, 2019). These falsehoods can take different dimensions (Annisya, 2016), such as: Identity theft which is hiding identity, Loan Application Fraud which is submitting false information on loan applications; Collusion involving bank employees or insiders to carry out the fraud; Forged Documents; Loan Churning by taking new loans to cover old debts and Ghost Loans which does not exists, (Okeke, Ngige, Onowu & Ugwu, 2020). All these fictitious take place through nonexistence persons or institutions, with the aims of stealing

through fraudulent intentions and repayment and defrauding the banks, (Ugwu, Ekwochi & Ogbu, 2021c). In their work, Gbadebo, Akande and Adekunle, (2023) discovered that "abnormal increases…in diversified debt composition and increasing accruals" is indication of fraud.

Fraudulent Cheque

Cheque is a payments system properly made to instigate large increase in the development of payments system. According to Okonkwo, (2018) "the usage and the volume of cheques cleared highlight the relevance of cheques as a means of payment" In other words the importance of cheque as a payment system cannot be overemphasized because it reduces large amount of cash that were previously carried in business transactions. Cheque is a payment system according to Amedu, (2005) and Gbadebo, et al.,(2023) or "a mechanism that facilitates intermediation through the processing and transfer of value of money from the payer (buyer) to the payee (seller) in the process of exchanging goods and services'.

It is a means used as an instruction and method applied for the transfer of value, (Ogbu & Ugwu, 2022) and settlement of obligations emanating in exchange of goods and services in a specified defined market (Ovia, 2005). According to Nnanna and Ajayi, (2005) it is made up of "institutions, set of instruments and procedures through which financial obligations are discharged by economic agents". In cheque transactions, the drawer writes in the provided details required amount of monetary, date, the payee the of the cheque, at the end the signature is endorsed giving an order to the bank, regarded as the drawer who will now give the stated amount to the payee (Conrad, 2016).

Cheque fraud is a crime as well as an unlawful act in order to acquire money illegally or in borrowing money outside account balance and owner of account legal ownership. Alan, (2020) listed out cheque frauds as "cheque kiting, where funds are deposited before the end of the float period to cover the fraud, and paper hanging, where the float offers the opportunity to write fraudulent cheques but the account is never replenished". Muhammad and Murtanto, (2016) defined cheque as "a written instrument that directs a bank, building society, or credit union to transfer funds from an individual's account to the named individual"; While Cheque fraud was defined by Annisya, (2016) as "a class of criminal activities which entails using checks that are not authorized in order to get or borrow money that is not legally the account holder's or the account balance.

The modern day transaction of payment systems through computer is prone to cybercrime and cheque systems are not left out in fraud. The report of the Central Bank of Nigeria, CBN in 2024 recorded that cheques and cash had relatively lower fraudulent transactions as compared to the previous quarter. Yet the appendix still recorded there were frauds and forgery and a surge in transaction using different instrument among which were cheques which amount to 66.67% fraud rising from 18 cases to 30 cases in quarter four 2023 to quarter one 2024. The fraud had led to the termination of 35 banks' employees staff due to fraudulent activities in quarter one of 2024 as compared to the previous quarter of 2023, which only 9 bank employees staff were sacked because of fraudulent activities. In other words cases of fraudulent cheques have continued to arise.

Firm Value

Risman (2021) defined firm value as the "present value of future Cash flows, and future cash flows are influenced by risk factors that can cause possible deviations". Firm value shows the worth of firm's assets, and it includes those assets in the form of securities. Stakeholders are always interested in the value of the firm because that represents their interests in the firm. Firm values can be represented using several accounting terminologies such as: Nominal Value, which is legally stated in the articles of association always written down on the shares in the stock exchange, (Ugwu, 2024). The others are market value, called market price; Intrinsic Value which accesses the share price of a firm available for investors and Book Value which is for bookkeeping purposes. Increasing a Firm's value means increase in the shareholders worth and prosperity (Brigham & Daves, 2010) and the goal of maximizing share prices is important to shareholders (Brigham & Houston, 2011). This study measured firm value with return on assets as measured in past literatures: (Ugwu, Okeke, Okoye & Eboatu, 2022; Ugwu, Okoye, Nwoko & Eboatu, 2023)

Theoretical Framework

Routine Activities Theory

This study applies Routine Activities Theory propounded by Lawrence Cohen and Marcus Felson, (1979). Routine Activities centers on antisocial behavior between 1947 and 1974 expose trends of crime in the United State of America (Cohen & Felson, 1979); used to examine changes in crime rate after World War II (Kennedy & Forde, 1990); and applied to deal with deceitful behavior. The theory is also about the occurrence of fraud and its relationship with people, place and how to investigate the characteristic of fraudster and fight fraud activities (Hartel, Junger & Wieringa, 2010). Routine Activities Theory goes straight to explain why crimes such as fraud occur under some particular situations instead of understanding actions of fraudster as time-based occurrence (Felson & Clarke, 1998).

Early application of Routine Activities Theory was in fishing out those people engaged in property crimes, however these recent times it has applied to detect and control severally fraudulent activities especially those perpetrated by unsupervised employee in their routine activities undetected, (McQuade, 2006; Miller, 2013). According to Tilley (2009) it "analyses attributes of a fraudster by understanding practices that make fraud happen" by developing strategies to eradicate it and as asserted by Williams, (2016), when management decrease probability for dishonest activities.

The relevance of this theory point to the fact that its application would be a start point on which forensic accounting policies and fraud management tools would work together to tackle fraud.

Empirical Review

Tabot, Fossung, and Santo Oliviera, (2025) studied "Forensic accounting knowledge in fraud detection among commercial banks in Cameroon" They used Fraud Routine Activity Theory, Fraud Triangle theory and the rational theory of choice with a focus on primary design applied on population of 222 commercial banks. A convenient sampling technique was applied using structured questionnaires to collect data. The data collected was analysed with descriptive statistics and the result showed "positive and significant association between investigative intuitiveness and fraud detection in commercial banks".

Adejumo and Ogburie (2025) investigated "forensic accounting in financial fraud detection: trends and challenges" as it pertains as it pertains financial fraud prevention. They applied a "cross-border transactions and sophisticated concealment tactics". They discovered that a increasing level of financial information needs professionals to continue to improve skill technicality and adaptation of developing fraud schemes. However, they also stated that "Legal and regulatory inconsistencies" poses treat to fraud investigations and enforcement

Ahmad, Yenny and Roni (2024) discussed fraudulent financial reporting using 45 index companies in Indonesia, 2018–2022. They measured fraud hexagon, using "pressure, opportunity, capability, rationalization, arrogance, and collusion", on fraudulent financial reporting. A purposive sample of 125, applied on panel data regression analysis. After the analysis they discovered that "pressure on financial stability significantly influences the potential for fraudulent financial reporting". However other variables of the studies had none "significant effect on the potential for financial fraud reporting".

Choi, and Gipper, (2023) studied "fraudulent financial reporting and the consequences for employees". The study used "employees' outcomes, such as wages and turnover, before, during, and after periods of fraudulent financial reporting", based on "U.S. Census data with SEC enforcement actions". They found that firms who have employees that committed fraud "lose about 50% cumulative annual wages, compared to a matched sample, and the separation rate is much higher after fraud periods." In other words, employment growth at fraud firms is positive during fraud periods

William and Reskino (2023) assessed "fraud pentagon theory (pressure, opportunity, rationalization, capability, and arrogance) on corporate governance on whether it detects fraudulent financial reporting in Indonesia in 2019-2021. Panel multiple regression analysis was used to analyze data collected from 132 purposive sampling.. They found that "financial stability and effective monitoring' are significant in detecting fraudulent financial reporting. But, "financial target, external pressure, total accruals, change in director, and CEO duality are not significant. Finally, corporate governance of audit committee and institutional ownership were not moderators fraudulent financial reporting.

Sihombing, (2021) studied factors that affect financial statement fraud using fraudulent and non- fraudulent in Indonesia, (2010 – 2018). The result show that "the ratio of current assets to total assets, long-term debt to total equity, total sales to total equity, and the cost of goods sold to sales are significant on financial statement fraud. Also in applying "cross-sectional data" it was found that profitability is not significant on "fraudulent and non-fraudulent" firms.

Nidia and Reskino (2023) investigated on how "audit committees contribute to fraudulent financial statements" and how "Can audit committees strengthen the relationship between stimulus, opportunity, rationalization, capability, ego, and collusion toward fraudulent financial statements?" With a purposive sample and descriptive statistics, the results indicated "stimulus and opportunity are positive on Fraudulent Financial Statements, while "Rationalization, Capability, ego, and collusion were not. Finally, audit committee moderation is insignificant on "Fraudulent Financial Reports".

Nabila, et al. (2023) applied the three components of fraud triangle Theory "pressure, opportunity, and rationalization fraudulent financial reporting variables namely "financial stability, external pressure, managerial ownership, financial targets, nature of the industry, ineffective monitoring, organizational structure, and rationalization" in Indonesia (2017-2021) on 21 companies. The study collected secondary data and analyzed it with regression and found that, financial stability is positive and significant; while nature of industry is negative and significant effect on fraudulent financial reporting. Also, both "managerial ownership, ineffective monitoring, structure organization, and rationalization were insignificant on fraudulent financial reporting.

Nor, Nor A. M. , Elinda, Mohd & Shah, (2023) investigated audit reports issued in response to public's growing on financial oversight of government agencies. They applied content analysis on five years (2013-2017) for audit report of Auditor General Department (AGD). The results show that "state government agencies" has the highest qualified report incidences. Mostly on :faking liabilities and expenses and altering asset values as indication of fraudulent financial statement components for five years.

Eko and Wiwik (2023) studied "financial targets, effectiveness monitoring, auditor switching, and political connections of financial statement" fraud moderated by political connections from (2017-2019). Data were collected 25 firms on purposive sampling descriptive statistics and absolute difference regression analyses were used. They found that "financial target and effectiveness monitoring is significant; while auditor switching and political connections are not significant on financial statement fraud. There is no moderation between "effectiveness monitoring and political connection on financial statement fraud.

Achmad, Ghozali, Helmina, & Imang, (2023) studied "fraudulent financial reporting using the fraud hexagon theory factors" in Indonesia from (2017–2021). The results indicates that" external pressure and arrogance" is significant, but, "financial targets,

financial stability, ineffective monitoring, auditor switching, change in director, and collusion" are not significant on "fraudulent financial reporting".

However, the study of Abiloro and Olorunfemi, (2021) on "key determinants of fraudulent financial reporting in Nigeria" using fraud triangle theory elements on 15 banks from (2012-2020) with regression analysis showed that "pressure" is positive and significant; but "rationalization" is negative and significant, "whereas opportunity" is positive and insignificant on "fraudulent financial reporting"

Taufiq (2018) discussed the causes of "fraudulent financial reporting" on manufacturing companies on 79 manufacturing firm in Indonesia from (2013-2015). The study discovered only pressure is significant; while "opportunity, rationalization and capability" were not significant on fraudulent financial reporting.

Agbaje and Oloruntoba, (2018) discussed "financial statement fraud" on profitability some manufacturing firms in Nigeria (2002-2016). The evidence shows a "significant relationship between financial statement fraud and profitability" in Nigerian manufacturing industry. Further, "incorrect assets valuation" and improper expense recognition are positive and significant positive on return on assets (ROA).

Indah, Muhammad, and Afifah (2022) studied "financial targets, financial stability, external pressure, the nature of the industry, and rationalization's influence on financial statement fraud" moderated by "institutional ownership" using 29 firms in Indonesia from (2016–2018). They found that "financial targets" is positive, and "industry's nature" is negative on "financial statement fraud". Also, "financial stability, external pressure, and rationalization" are not significant. However "institutional ownership moderates "financial targets" and "financial statement fraud".

Bii and Kinuthia, (2024) investigated "audit committee characteristics on fraudulent financial reporting" of firms in Kenya. Variables of the study were "Audit Committee; gender, financial expertise, size and independence" using Fraud Pentagon theory from (2012-2021). The findings were that "audit committee characteristics of gender variability, audit committee size, audit committee financial expertise and audit committee independence" were all significant on fraudulent financial reporting in Kenya.

Also, Budiandru and Safuan (2021) studied "fraud triangle" in relation to "financial statement fraud" from (2018-2020). This study applied logistic regression analysis reported that "financial stability variable and the fraud industry variable indicated the presence of accounting tampering" In other words, they are significant on fraudulent financial reporting in Nigeria

Finally, Abiodun (2018) investigated "financial statement fraud as it affects the organisational performance. Specifically, from (2000-2015). The study found findings that "causes of fraud are caused by management, technological, legal and personal".

Methodology

Research Design

The study applied Ex-Post Fact research design to determine the relationship among variables of financial statement from and (firm value) using return on equity of banks. This methods of study seeks to find out the factors that causes certain occurrence, conditions, events or behaviours in analyzing some past events through an existing data as had been applied in, (Vivian, Anetoh, Ugwu & Okoro 2025; Okeke & Ugwu, 2023; Nwoko, Okuma & Ugwu, 2022; Ugwu, 2020e; Kothari & Garg 2014).

Nature and Source of Data Collection

Secondary data was collected from audited accounts of banks in Nigeria with focus on evidence of External Pressure EXP, Fraudulent Cheque FCQ, and Fraudulent Loans (FRL) that proxy fraudulent financial reporting as independent variables; while firm value, Return on Equity ROE proxy financial performance as dependent variable.

Population of the Study

Study population comprised fourteen (14) deposit money banks in the Nigerian Exchange Group (NGX). The study covered eleven years annual reports and accounts of these banks as were reported within the period of 2024

Determination of Sample Size

Purposive sampling techniques were applied to select eleven (11) deposit money banks for this study based on proper documentations of the required data shown from Nigeria Exchange Group, (2024)

Model Specification

A model of Taufiq (2018) on fraudulent financial reporting is adapted on this study.

The model is shown as follows:

$ROA_{it} = \beta 0 + \beta 1 FT_i + \beta 2 FS_i + eINO_i$ --------------------(i)

Where: ROA= Return on asset; FT = financial targets; FS = financial stability;

INO= institutional ownership

The model is modified as follows:

Firm Value, Return on Equity, ROE =F (EXP, FCQ, FRL)----------------------------------(ii)

Where

Firm Value = Return on Equity ROE; External Pressure = EXP; Cheque Fraud = FCQ

Fraudulent Loans = FRL

$FMV, ROE = b_o + b_{1i} EXP + b_{2ii} FCQ + b_{3iii} FRL + u_i$-------------------- (iii)

Where; Bo= constant; We define other variables of the equation as follows:

βi-βi is parameters to be estimated as found in Ugwu & Nwakoby, 2020; Ugwu, Eboatu, Okoro & Okeke, (2022); Ugwu, Eboatu & Chiamogo, (2023)

FMV_{it} = Proxy ROE Return on Equity; where $β_o$ = Constant term (intercept) of model; $β_1$- $β_3$ = Independent variables; $μ_t$ - $μ_t$ = Stochastic Elements that represent all other variables affecting firm value decisions that were not captured in our models; EXP_{it} = External Pressures, i in period t; FCQ_{it} = Fraudulent Cheques, i in period t; FRL_{it} = Fraudulent Loan, i in period t; while t = 11 years from (2013-20223).

Method of Data Analysis
The study applied pre-test using descriptive statistics, Correlation; specification to detects endogenous Repressors and finally applied Panel Least Square regression techniques dependent variable (company value) and independent variables (fraudulent reporting) in the model, (Ugwu, Chude, Okoro & Anetoh, 2025; Ugwu, Ekwochi & Ogbu, 2021)

Variable used and their Measurement

Category	Variables	Measures as	
Dependent Variable			
Firm Value	ROE	Return on equity in percentage is computed as profit after tax divided by Total equity	Ugwu and Nwakoby, (2021); Setiawan and Gestanti, 2022
Independent variable			
Fraudulent Cheques	FCQ	Total amount of cheque fraud done in a years	AL-Tahat (2015),
External Pressures	EXT	*LEVERAGE=Total Liabilities* Divided by *Total assets*	Akbar (2017): *LEV=Total Liabilities* Divided by *Total assets*
Fraudulent Loans	FRL	Total amount of Fraudulent loans giving out in years	Lewellen, (2016),

Source: Author's computation (2025)

Decision Rule
The decision for the hypotheses is to accept the alternative hypotheses if the p-value of the test statistic is less or equal than the alpha and to reject the alternative hypotheses if the p-value of the test statistic is greater than Alpha at 5% significance level.

Data Analysis, Results and Presentation

Introduction
This chapter presents the Statistical Analyses, the empirical results, Findings and discussion of findings.

Descriptive Statistics
Here, the individual characteristics of the variables used in this study were presented. The Descriptive Statistics examined the performance of the variables within the reviewed periods. The descriptive statistics is presented in table 4.1 below.

Table1 Descriptive Statistics

	ROE	FCQ	EXP	FRL
Mean	10.38300	0.502833	5.793333	0.750000
Median	8.865000	0.500000	6.000000	1.000000
Maximum	60.34000	0.600000	7.000000	1.000000
Minimum	2.800000	0.500000	4.000000	0.000000
Std. Dev.	8.801394	0.015633	0.865560	0.436667
Skewness	5.453835	5.454250	-0.962160	-1.154701
Kurtosis	37.30614	31.60218	3.395740	2.333333
Jarque-Bera	3339.820	2142.700	906.1516	14.44444
Probability	0.000000	0.000000	0.000005	0.000730
Sum	623.9800	30.17000	347.0000	45.00000
Sum Sq. Dev.	4580.408	0.014419	42.18333	11.35000
Observations	121	121	121	121

- *ROE=Return on Equity; FCQ= Fraudulent Cheques; FRL= Fraudulent Loan*

Source : Researcher's Computation (2025)

Table 4.1 shows the descriptive statistics of the variables of the study. It shows the standard deviation, mean maximum and minimum values of the data obtained and analyzed. Return on equity showed a maximum value of 60.34% and a minimum value of 2.80% with a mean value of 10.3% and a standard deviation of 8.801%. Fraudulent Cheque has maximum value of this ratio is 0.6% and a

minimum value of 0.5**%**. The mean value is 0.5% with a standard deviation of 0.016%. External Pressure has a maximum value of 7% and a minimum value of 4% and a mean value of 5.7% with a standard deviation of 0.8%. Fraudulent loan shows a maximum value of 1% and a minimum value of 0%. Also, mean value has 0.7% with a corresponding standard deviation of 0.4%.

Table.2 Correlation Analysis

In examining the relationship that exits among the variables, the study employed the Pearson Correlation coefficient. The results are presented below in table 4.2

Table 2 Result of Correlation Analysis

	ROE	FCQ	EXP	FRL
ROE	1.000000	0.045568	-0.244407	-0.135856
FCQ	-0.046568	1.000000	0.072878	-0.267675
EXP	-0.244405	0.072878	1.000000	0.400666
FRL	-0.135868	-0.267875	0.400689	1.000000

- *ROE=Return on Equity; FCQ= Fraudulent Cheques; FRL= Fraudulent Loans*

Source: Researcher's Computation (2025)

Table 2 above is the correlation analysis result among independent variables. The correlation analysis shows that the dependent variable ROE has a negative relationship with FCQ, and equally negatively related with EXP and FRL. FCQ has a positive relationship with EXP and a negative relationship with FRL. The table values as they are show that none depicts any correlations. However, in checking for Multi-Colinearity, none of the independent variables were perfectly correlated. In other words there is an absence of Multi-Colinearity issues in the model. Multi-colinearity always shows as a result of wrong signs or implausible magnitudes in the estimated figures shown in model coefficients and depicts the bias of the standard errors of the coefficients.

Table 3 Regression Table

The Regression result table are analyzed and the diagnostic tests or some key statistics or the variable that needs to be interpreted are shown below

Table 3 Regression Table Result

Variable	Coeff.	Std. Error	t-Statistic	Prob.
C	0.2284073	0.534226	4.166465	0.0000
FCQ	-0.1259320	0.317936	9.631221	0.0007
EXP	-0.2385557	0.106448	-2.147215	0.0056
FRL	-0.1970856	0.545418	3.641810	0.0012

Effects Specification			
		S.D.	Rho
Cross-section fixed (dummy variables)			
Period random		0.000000	0.0000
Idiosyncratic random		12.15021	1.0000

Weighted Statistics			
R-squared	0.582252	Mean dependent var.	4.440000
Adjusted R-squared	0.575799	S.D. dependent var.	15.73980
S.E. of regression	12.42380	Sum squared resid.	4170.767
F-statistic	4.060924	Durbin-Watson stat.	1.775884
Prob(F-statistic)	0.003830		

Unweighted Statistics			
R-squared	0.512252	Mean dependent var.	4.340000
Sum squared resid	4160.767	Durbin-Watson stat.	1.776884

- *ROE=Return on Equity; FCQ= Fraudulent Cheques; FRL= Fraudulent Loans*

Researcher's Computation (2025)

Regression table above shows the R-Squared. The R-Squared co-efficient is the determination or measure of goodness of fit of regression model and it tested the explanatory power of the independent variables in the model. The result show R^2 = 58%, The

value is an evident that the model has a good fit with the R^2 nearing 100% and this shows all the dependent variables jointly affects up to 58% out of the expected 100%, with a balance of about 42% which are accounted for by other variables outside the scope of this study as represented in our model by the error term.

However, the f-statistics has the power to measures the overall significance of all the independent parameters applied in the model. The value is 4.050924, with a corresponding probability of 0.003730, which is less than 0.05. By this, the study accepts and states that there is a significant relationship between the independent variables and the dependent variable. This means that the parameter estimates are statistically significant in explaining the relationship in the dependent variable.

The measure of the individual statistical significance of the parameters in the model from the result above implies that FCQ, EXP and FRL reduce (firm vale) return on equity shown at 1% level of significance.

The Durbin Watson (DW) test for autocorrelation is used to test for the presence of first order autocorrelation, when the value of DW is closer and a little above 2.00, it means the absence of autocorrelation among the independent variables. The model shows Durbin Watson value as (1.7).and it satisfy the condition and implies the absence of autocorrelation; and thus the variables are suitable for predictive purposes.

Hypothesis Testing

Ho₁: External Pressures are not significant on value of deposit money banks in Nigeria.
The test of the hypothesis on whether external pressure in fraudulent reporting affect firm value shows that EXP has a negative value of (-0.2385) and corresponding probability values (0.0056), and if compared with the decision criteria, it is negative and significant on the firm value. By these, we reject the null hypothesis and accept the alternate hypothesis that EXP is negative and significant on firm value of banks in Nigeria. What it entails is that each pressure mounted on the managers of the banks to embark on uncoordinated leverage to keep the operations of the banking systems reduces its value at end.

Hypothesis Two

Ho₂: Fraudulent Cheques are not significant on the value of deposit money banks in Nigeria.
Fraudulent Cheques FCQ has the value of (-0.125) and a corresponding probability value of (0.0007) and these show that each FCQ issued by the management affects the return on equity ROE of the banks in a negative way and reduces its value in the market. In testing the hypothesis using the criteria of 5% significance level, the study rejects the stated null hypothesis and accepts the alternate hypothesis and states that FCQ is negative and significant on ROE of banks

Hypothesis Three

Ho₃: Fraudulent Loans are not significant on the value of deposit money banks in Nigeria.
Fraudulent Loan FRL has the value of (-0.1970) with a corresponding statistical probability of (0.0012) as found in the model. This implies that any fraudulent loan given to customers by the bank affects its values ROE. By this we state that since the stated hypothesis is more than the calculated, the study reject the null hypothesis and accepts the alternate hypothesis that FRL is negative and significant on ROE of the banks.

Findings and Discussions of the findings

After the test of the study hypothesis the result found the followings
1) External Pressures EXP on the bank managers are negative and significant on ROE of banks in Nigeria;
2) Issue of Fraudulent Cheques FCQ are negative and significant on ROE of banks in Nigeria; and finally
3) Fraudulent Loans FRL are negative and significant on ROE of the banks.

From the model above, the study found out that the in overall that fraudulent reporting emanating from EXP, FCQ and FRL reduces banks equity from the period under study. There are prior researchers on Fraudulent financial reporting who have have shown that it reduces firm values; while other findings found it negative on firm value. To an extent, it depends on industry and the extent of the EXP, FCQ and FRL.

The findings of Septriani and Handayani, 2018 agreed that "external pressure can lead to fraudulent financial reporting" but Rozaq & Muhammad 2024; Indah et al., 2022) stated it has a negative impact. However more literatures asserted that pressure has positive effect in agreement with the study findings. Some of these studies are (Sari & Nugroho, 2020); Situngkir & Triyanto, 2020; Tinambunan & Januarti, 2022; Ahmed, et al., 2024; Choi & Gipper, 2023; William & Reskino, 2023; Sihombingm 2021; Nabile et al., 2023; Achad et al., 2023; Abilaro & Olorunfemi, 2021; Tuufig, 2018) who found that pressure is positive and significant in agreement with this study findings.

At the same time, this study agrees along with Adusei (2020) who found that "liquidity, leverage, profitability, change in auditor, and overall condition predict" fraud in firms, while Gbadebo, Akande and Adekunle, (2023) reported that "abnormal increases…in diversified debt composition and increasing accruals' indicates fraud.

Conclusion

This study examines the effect of Fraudulent Financial Reporting and firm value of the selected eleven (11) quoted deposit money banks in Nigeria for a period of 11 years. The results showed that the overall model of the study is significant. The model result depicted that about 58% of the systematic variation in the dependent variable was explained by the study independent variables

(External pressure, Fraudulent Cheques and Fraudulent Loans). F-statistic value of 4% is significant at (0.00380 level of significance on the independent variables DMB in Nigeria. The test of hypotheses showed that all the independent variables (External Pressure, Fraudulent Cheques and Fraudulent Loans) are all negative and significant on return of equity of banks in Nigeria. .

Recommendations

In line with our finding, the following recommendations were made
1. Banks Apex management needs to checkmate the leveraging of their operation by reducing pressure on the managers in meeting up rival banks in order to prevent fraud and fraudulent activities.
2. Managers approval of issuing of cheques and acceptance of cheques should be properly verified and appropriately checked to curtail the incidence fraud in the banking industry in Nigeria.
3. Finally, proper Internal control systems should be installed to scrutinize bank loaning to detect and prevent fraudulent loans and protect ROE of the banks.

Suggestions for further Study

Further study can also be carried out on Financial Statement Fraud using other industries than banks in Nigeria

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