MODERATING ROLE OF ISLAMIC CORPORATE GOVERNANCE BETWEEN PRESSURE, OPPORTUNITY, RATIONALIZATION, CAPABILITY AND BANKING FRAUD IN KANO STATE NIGERIA

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By

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ABSTRACT

Past studies revealed that there were complicating result dominated between the headlines of mainstream news between banking factors and bank fraud. Hence, the purpose of this study is to investigate the relationships between pressure, opportunity, rationalization, capability, and bank fraud. Filling the theoretical gap in the literature this study introduce the moderating role of Islamic corporate governance in mitigating bank fraud in selected Islamic banks in Kano, Nigeria. Cross-sectional survey design was adopted on the banks, where bank senior managers were selected as the respondents. The study employed systematic random sampling technique for data collection, with a sample size of 351 senior managers. Both descriptive and inferential statistics were used to analyze the data collected. To test the relationship, both multiple regressions and hierarchical regression techniques were used. The findings revealed that pressure and capability have significant, direct and positive relationships with bank fraud, while opportunity and rationalization are not found to be significant predictors of bank fraud in Kano Nigeria. The result of hierarchical regression, establishes that some Islamic corporate governance principles, such as *Adl* and transparency, moderate the relationship between the independent variables in mitigating bank fraud. The findings of this study provide important Islamic background information and fraud logistics to owner/managers of banks, policy makers, and researchers to further understand the effects of opportunity, rationalization, and capability on bank fraud. The result suggests important theoretical, practical and policy implications such as fraud diamond theory, syariah compliance and managerial support in which the inclusion of Islamic corporate governance principles could enhance the resilience of the Islamic banking system in Kano, Nigeria.

Keywords:
Fraud, Islamic Corporate Governance Principles, Bank fraud

ABSTRAK

Kajian terdahulu mendapati bahawa berlaku keadaan yang rumit dengan tersebar sebagai topik utama di saluran berita di antara faktor-faktor dalam perbankan dan penipuan bank. Maka, kajian ini bertujuan untuk mengkaji hubungan di antara tekanan, peluang, kerasionalan, keupayaan dan penipuan bank. Bagi mengisi jurang teoritikal dalam sorotan literature,kajian ini memperkenalkan peranan tadbir urus korporat Islam sebagai pengantara di bank-bank Islam terpilih di wilayah Kano, Nigeria. Kajian rekabentuk temubual seksyen-silang telah diadaptasi kepada bank di mana pengurus senior bank dipilih sebagai responden. Kajian ini menggunakan teknik sampling sistematik secara rawak bagi menganalisis data yang diperolehi, dimana saiz sampling adalah 351 pengurus senior. Kedua-dua statistik secara desriptif dan inferential digunakan bagi menganalisa data yang diperolehi. Bagi menguji perhubungan tersebut, kedua-dua analisis secara regresi pelbagai dan regresi hierarki digunakan. Dapatan keseluruhan kajian ini menunjukkan bahawa tekanan dan keupayaan mempunyai hubungan signifikan, berhubung langsung dan positif terhadap penipuan (fraud) di bank, sementara peluang dan kerasionalan adalah didapati bukan penentu secara signifikan kepada penipuan (fraud) bank di Kano, Nigeria. Keputusan secara regresi hieraki dan ujian pengantara dibina dengan sebahagian prinsip urus tadbir korporat Islam, seperti keadilan dan ketelusan menjadi pengantara hubungan di antara angkubah bersandar dalam mengukur penipuan (fraud) di bank. Dapatan daripada kajian ini memberikan maklumat dasar islam, penipuan logistik kepada pemilik/pengurus bank, pembuat polisi dan penyelidik untuk melanjutkan kefahaman terhadap kesan kepada angkubah peluang, rasional dan keupayaan ke atas penipuan di bank. Dapatan juga mencadangkan kepentingan teori,praktikal dan implikasi polisi seperti teori penipuan berlian, pematuhan syariah di perbankan dan sokongan pengurusan di mana dengan kemasukan prinsip urus tadbir korporat Islam dapat meningkatkan daya tahan sistem Perbankan Islam di wilayah Kano, Nigeria.

Kata Kunci:
Penipuan, prinsip urus tadbir korporat Islam, penipuan bank

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LIST OF ABBREVIATIONS

ABU	Ahmadu Bello University
ACFE	Association of Certified Fraud Examiners
ANAN	Association of National Accountants of Nigeria
ATM	Automobile Teller Machine
BIMB	Bank Islam Malaysia
BUK	Bayero University Kano
CAP	Capability
CBN	Central Bank of Nigeria
CCB	Code of Conduct Bureau
CEO	Chief Executive Officer
CPA	Certified Public Accountant
EFA	Explanatory Factor Analysis
EFCC	Economic and Financial Crime Commission Act
FATF	Financial Action Tax force
FDI	Foreign Direct Investment
FRD	Bank Fraud
GTB	Guaranty Trust Bank
HND	Higher National Diploma
ICAN	Institute of Chartered Accountants of Nigeria
ICG	Islamic Corporate Governance
IDB	International Development Bank
IFSB	Islamic Financial Service Board
IMF	International Monetary Fund
KMO	Kaiser – Meyer –Olkin
KPMG	Klynveld Peat Marwick Geordeler
MSA	Measure of Sampling Adequacy
NDIC	Nigeria Deposit Insurance Corporation
OP	Opportunity
P	Pressure
PCA	Principal Component Analysis
PCA	Principal Component Analysis
PLS	Partial Least Square
RT	Rationalization
SPSS	Statistical Packages for Social Science
SSB	*Shari'ah* Supervisory Board
SSCE	Secondary School Certificate Examination
TI	Transparency International
UBA	United Bank of Africa
UK	United Kingdom
US	United State
UUM	Universiti Utara Malaysia
VIF	Variance Inflated Factor

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

There is little doubt that Nigeria today is faced with economic woes and abject poverty. The population of Nigerians living in unprecedented affluence is not up to 10%, while a large number of Nigerians are living under abject poverty, undue exploitation, deprivation and oppression (Akinyomi, 2012; Odulele, 2006). This, as a matter of serious necessity, has compelled all parts of the society to make attemptsto put in place, different measures for survival. Consequently, various attempts have been made to curb the frequent occurrence of fraud devastating the country by different administrations in Nigeria.

Fraud is identified as one of the major problems confronting global businesses (Adewumi, 2006; Idah, 2004). The incessant and frequent occurrence of fraud in the banking sector has become a global issue that requires a solution (Nigeria Deposit Insurance Corporation (NDIC), 2003). This is as a result of the negative economic impact that fraud has on nations around the globe, where large amounts of money are involved. At any level, fraud leads to reduction in assets and negatively to an increase in the liability of any entity (NDIC, 2012). In the banking sector, fraud may lead to loss of potential customers or affect the reputation of the banksinvolved. Furthermore, the public will try to question the confidentiality of the bank and this may ultimately lead to the bank's failure. Different mechanisms have been employed to reduce the occurrence of fraud; notwithstanding, the situation continues at an increasing rate. This is mainly because the fraudsters are continuously devising strategic means of fraud perpetration. Hence, this situation has become a point of keen interest in the banking industry (Central Bank of Nigeria (CBN), 2013).

The problem of fraud in banks is a major issue in the banking industry compared to other sectors of the economy (Ellen & Joiner, 2011). The report of the Association of Certified Fraud Examiners (ACFE) (2012), has estimated that a firm loses 5% of its income to fraud annually and the cumulative global annual loss to fraud during 2011 was greater than USD3.5 trillion. According to Racheal and May (2008), 8.1 million people in America have been subjected to victimization by identity fraud equal to USD45 billion. In the United Kingdom (UK), credit card fraud losses greatly affected the economy to the tune of USD767 million in 2006. Similarly, according to a research conducted by Deloitte, credit card fraud recorded the highest cut of the USD600 million that airlines lose globally every year. WorldCom, Enron and the recent Libor manipulation scandals, have led to major upheavals in the Western countries and their effect has not only been felt in the individual countries or institutions but also across the financial sector globally (Chakrabarty, 2013).

In the Nigerian context, the country is relatively rich in oil and oil revenue. According to the Central Bank of Nigeria (CBN) (2010), it accounts for 90% of the foreign exchange earnings of the country. Unfortunately, Nigeria is among the 20th poorest nations in the whole world (Transparency International, 2012). There are many factors responsible for this poor performance. This includes economic mismanagement, lack of accountability, corruption and fraud, which have led to a high level of poverty among Nigerians and deteriorating economic performance of the country. Based on the ranking of Transparency International (2013), which ranks the most corrupted nations in the world, Nigeria is ranked at 144 out of 177 countries. The consequential impact of these corrupt practices is that the social, financial and legal institutions responsible for ensuring orderliness in the society, have become susceptible and involved in undesirable behavior, such as financial crime, greed, economic mismanagement and corruption, all of which have had serious negative effects on the social welfare of the Nigerian society (Shehu, 2006).

Moreover, at the global level, reported cases of fraud could be seen from the scandals of Enron and WorldCom that happened in the United States of America (USA) in 2002; Cheavols Corporate Organization in South Korea; and Marconi in theUK in 2006. All these cases of corporate fraud are examples of fraud perpetrated at different places and time. Consequently, a special organization has been instituted to fight fraud. Also, although International Police (Interpol) tries to handle fraud at the international level, fraud has not been removed from the society (Nwankwo, 1991).

The banking sector in Nigeria today is not only interested in money deposits but also in providing an effective, efficient and sound banking system. This notwithstanding, the Nigerian banking sector is replete with many cases of fraud. Of all the risks faced by these financial institutions, fraud is the most pervasive and destabilising risk to the banks in Nigeria (Adeyemo, 2012; Nzotta, 1999). There is, therefore, a serious concern that the wave of increasing fraud in the banking sector is causing a lot of havoc to the financial system. This concern is because fraud in the sector has gone so deep into all segments of the banking activities that the customers have lost their confidence in the banks.

According to Adewumi (2006), fraud is, “deceit or trickery deliberately practiced in order to gain some advantages dishonestly”. Based on this, therefore, for an action to be regarded as fraud, the intention must be dishonest, and the action must be aimed at benefitting the perpetrators at the expense of another person. The participation of some executive officers of banks in large corporate fraud now constitutes a source of major concern in the banking sector. This problem is worrisome because between 1992 to 1995, there was a serious increase in bank fraud, especially in the new generation banks (Bosworth-Davies, 1997).

From the perspective of financial analysts, fraud is a leakage in the economic system. This is because the money obtained through fraud is never ever invested in the economic system or banks. Also, lack of staffs commitment and employment policies of some banks appear to make bank officialsbecome attracted to fraud. The higher degree of fraud occurrence in the banks in Nigeria is obviously unacceptable and hence some strong measures need to be taken to quickly stop these unacceptable practices that have effects on the banking sector and on the confidence of the customers.

The general expectation of the society from the banks is accountability, transparency, fairness and effective intermediation. The society expects the banks to discharge their responsibilities with a high level of sincerity of purpose, devoid of fraud, as an important ingredient for the realization of goodwill and public trust. In fact, the rate at which fraud is occurring in the banking institutions, the dimension it is taking and its causes, call for quick attention and solution.

The adaptation of Islamic corporate governance principles by Islamic banks could provide a good solution to preventing bank fraud in the banking sector. The negative impact of fraud curtails the progress of banks or organizations and the services provided by them. A recent event on how government agencies in Nigeria continue to defraud the national wealth is disturbing. A financial analyst and development economist, Mr. Odilim Enwegbara,argues how when the government agencies were requested to remit 80% of operating surplus to the government's consolidating revenue fund account, they ultimately increased the operating cost so high to the level that permitted them to record and declare almost zero operating surplus (Okwe, 2013).

The collapse of many corporations due to poor governance and weak internal control, both in the USA and other European nations has always given rise to financial misappropriation and other fraudulent acts in financial institutions, particularly banks. This has most of the time raised matters in relation to culture of integrity, ethics and morality in most organizations.

Also, the issue of Islamic values among the bankers is so fundamental when talking about Islamic corporate governance. This is the time when the role of Islamic corporate governance can be seen. This is because the central principles of Islamic corporate governance are: *Adl, Shura,* trustworthiness, accountability, transparency, *Shari'ah*compliance, independence, competency and *Taqwa*. In addition to that, Islamic corporate governance also involves ethics, morality and integrity, which are highly entrenched Islamic values as part of their fundamental principles. All these attributes constitute the *Iman* at the central core of every Islamic corporate transaction.

The high level of fraud in the banking sector in Nigeria (NDIC, 2013) caused by both internal and external factors, bank staffs defrauding the bank or colluding with outsiders to cheat the bank, have become issuesthat are so prevalent and pervasive in the Nigerian banking sector. Also, non-enforcement of laws by regulatory agencies, such as the Nigeria Deposit Insurance Corporation (NDIC) and CBN, has left banks on their own to not adhere to financial rules, thus continuing to pave the way for more fraudulent activities within the banking sector to remain unchecked. This has resulted in the customers losing confidence in most banks in Nigeria. As such, the only way out of this problem is to employ the use of Islamic corporate governance in banks to see if it can mitigate fraudulent activities in banks, because Islamic corporate governance is "intrinsic"and appealing to the consciousness of the people, while modern corporate governance is extrinsic; hence, several issues offailure are associated with it.

Because of its importance in guiding both moral and ethical behavior, a sound Islamic corporate governance in banks in Nigeria could facilitate the curbing of fraud in banks. Although Nigeria is not a fully Islamic country, the assumption is that bankers should have good morals and ethical conduct, so as to reduce the prevalence of fraud in the Nigerian banking sector. To what extent this statement is true is subject to rigorous scientific search. In a nutshell, this study attempts to study how Islamic corporate governance, with an appropriate model, could mitigate fraud in Nigerian banks.

1.2 Statement of the Problem

Managing bank fraud in the banking industry has remained one of the serious problems to regulatory and statutory authorities and the banking sector in Nigeria. The impact of fraud on the economy, depositors and society,is huge. Forged cheques and Automated Teller Machine (ATM) fraud are the most commonly found types of fraud in the banking sector in Nigeria. The current banking fraud statistics shows a rapid increase in fraud-related matters. In 2011, for instance, 1,393 cases of fraud involving N6.52 billion (USD21.73 million) were discovered, and it increased to 2,300 cases in 2012 involving N7.11 billion (USD23.7 million). Subsequently in 2013, 2,478 fraud cases to an amount of more than double, i.e., N22.04 billion (USD73.47 million) were discovered. Furthermore, in 2014, the reported cases doubled to 5,197 and a sum of N16.82 billion (USD56.07 million) was involved (CBN report, 2010).

Of greater worry and concern is the increase in the number of staffs involved in fraud (Onibudo, 2007). Based on the report of the NDIC (2009), 1,914 bank employees from different banks have been involved in fraud in the banking sector. In addition, top management staffs in various banks have either been accused or indicted of bank fraud (Omachonu, 2009). According to Oguma (1981), the banks in Nigeria, on average, stand at the risk of losing N1 million naira (USD3,333) every working day due to fraud incidences. Thus, statistics should be higher than the statistics indicated above.

The zeal to get a high standard of corporate governance can obviously be seen with the emergence of different models of corporate governance. Despite the effort channeled towards enhancing governance practices, problems relating to corporate governance keep coming year-in and year-out. Why is this still occurring? Is it because the present system of governance has failed to uncover the problems of governance as claimed by Sama & Shoaf (2005), or major issues are being neglected?(Coffee, 2003; Donaldson, 2007).

Many studies have been conducted on the performance of corporations, with respect to economic gains (Friedman, 1970; Jensen, 2001; Jones,1995), but little or inadequate concern has been given to the integration of the triple bottom line (environment, economy and society). Islamic Corporate governance is complex (Khasif Rashid, 2008; Liopis, Gonzales & Gasco, 2007; McNamee & Fleming, 2006; Pettai & IIIing, 2004) as a result of the superficial and incomplete meaning developed for corporate governance (Bonn & Fisher, 2005; Sonnenfeld, 2004; Soobaroyen & Shiek-EIIahi, 2008; Sternberg, 1997) which has led to different interpretations and poor understanding. Hence the need for Islamic corporate governance, which integrates the triple bottom line of the economy, society and the environment.

Four causes comprising pressure, opportunity, rationalization and capabilities have been identified by theories and previous empirical studies as the frequent causes of bank fraud across sectors and countries. Abdullahi and Mansor (2015), for example, posit that unethical behavior is caused by perceived pressure. Every fraudster is confronted with financial pressure, hence leading to unethical behavior. These pressures can either be non-financial or financial pressures. It is pointed out by Albrecht *et al.* (2008) that since the pressure is an abstract concept, to perpetrate fraud may not be real, and it is essential to use the word 'perceived' in qualifying it. If the perpetrators, however, felt that they were compelled, this belief could influence them in committing fraud. Existence of perceived pressure can be in different ways, particularly in non-sharable financial need. The most known common factor that normally leads an individual or an entity to be involved in fraud is financial pressure. The authors further estimate that roughly 95% of all cases of fraud have been committed as a result of financial pressures confronting the fraudster.

1. PRESSURE

Pressure is an essential factor in fraud perpetration. According to Lister (2007), there are three types of pressure, i.e., personal pressure, external pressure and employment stress. Vona (2008) further investigated personal and corporate forces as motivational proxies for the commitment of fraud. Greed, large expenses or personal debt, living above one's means of income, gambling, family financial problem or health and drug addiction, are examples of perceived pressure. The interaction of the components of pressure leads a person to fraud perpetration (Okezie, 2012; Rasha & Andrew, 2012; Rosefield, 1988; Vona, 2008). Six major categories of pressure are recognized by Chen and Elder (2007). These include transgression of obligations, corporate inversion, personal problems, relationship between employees, position and achievement. Albrecht *et al.* (2008) classified pressure into four groups,comprising vice, economic, job-related and other pressures. In the opinion of Hooper and Pornelli (2010), pressure can either be a positive or negative force.

Moreover, Wells (2011, in Rasha and Andrew, 2012) argues that besides pressure, fraudsters often prevail when the opportunity to commit fraud exists. In the explanation of Wilson (2004), "opportunity" refers to the capability to override fraud control. Also, Rae and Subramanian (2008) describe opportunity as the power and ability of a worker to recognize the weaknesses of an organization and take advantage of the weaknesses by making fraud achievable. According to Kelly and Hartley (2010), the perceived opportunity concept suggests that individuals will take advantage of circumstances available to them.

2. OPPORTUNITY

An opportunity exists due to the system of governance or ineffective control that gives room for a person to perpetrate organizational fraud. It can also be due to breach of organizational policies by the employee and lack of sanctions against them (Sauser, 2007). This is referred to as internal control weaknesses in the accounting field. Perceived opportunity and perceived pressure appear to be alike because the opportunity need not be real;.the opportunity occurs in the belief and perception of the fraudster. In many situations, the lower the chance of getting caught, the higher the likelihood of fraud being committed (Cressey, 1953).

Hooper *et al.* (2010) and Srivastava, Mock and Turner (2005) posit that even when there is an extreme case of pressure, bank fraud can still not happen unless there is an existence of opportunity. There are two aspects of opportunity. The first one is the organizational intrinsic vulnerability to manipulation; and the second one is the organizational conditions that may necessitate fraud to happen. For instance, if there is weak internal control, inadequate division of jobs, irregular audit exercises and the like, then the situation will become favorable and advantageous for the workers to commit fraud. Fazli, Mohd and Muhammad (2014) and Chen and Elder (2007) employed three proxies based on the Thailand Statement of Audit Standard No. 43, to evaluate an opportunity to commit fraud. The proxies employed consist of related party transactions, the difference between control and cash flow rights and CEO duality.

3. RATIONALIZATION

Rationalization is the third element. Rationalization shows that before the perpetrator involves in unethical behaviour, he or she must articulate some morally acceptable idea. Rationalization is the excuse and justification that the immoral behavior is different from an activity that is criminal in nature. If a person cannot see the rationale behind dishonest behavior, it is not likely that he or she will take part in fraud (Cressey, 1953). It is difficult to observe rationalization, as it is extremely difficult to 'x-ray' the mind of the perpetrator of fraud. People who perpetrate fraud have a specific mind-set that permits them to provide a justification for their fraudulent behavior (Hooper & Pornelli, 2010). According to Rae and Subramanian (2008), rationalization is a justification of fraudulent action because of the worker's lack of moral reasoning and personal integrity. Kenyon and Tilton (2006) posit that the propensity to perpetrate fraud is a function of ethical values and the personal attitude of people. When a person can rationalize his or her fraudulent act, a bridge between incentive/pressure and opportunity is created (Howe & Malgwi, 2006).

4. CAPABILITY

Researchers have argued that perceived pressure, opportunity and rationalization might coexist with each other; however, it is not likely for fraud to be perpetrated unless the capability also exists, i.e. the intending perpetrator must possess the ability and skills to commit fraud (Wolfe & Hermanson, 2004). It is not every individual who has motivation, opportunities and realization,who may perpetrate fraud due to the lack of the capability to execute or conceal it (Mackevicius & Giriunas, 2013). According to Albrecht *et al.* (2008), only an individual who has the capacity at an extremely high level will be able to know and comprehend the existing internal control of the organization, identify the weaknesses of the control and use the knowledge to plan fraud; he or she alsoknows how Islamic corporate governance could mitigate fraud in the banking sector.

Indeed, to cure this 'cancer' in the Nigerian banking sector, the policymakers and the banking sector should institute a mechanism to prevent and detect bank fraud. For example, the CBN (CBN, 1995) and NDIC (NDIC, 1998) have issued many laws and decrees to enhance corporate governance and improve accountability and transparency among the financial institutions.

This legislation includes among others, the Declaration of Assets Act 1990, the Central Bank of Nigeria (CBN) Decree No 24 of 1995, Nigerian Deposit Insurance

Corporation Decree No 22 of 1998 and Economic and Financial Crime Commission Act (EFCC) 2004. The purpose of these decrees is to enhance and possibly remove the incidence and occurrence of fraud in this sector. Moreover, because of the intensity of bank fraud, the management of different banks have utilized different mechanisms, such as fraud alert security measures and the establishment of an internal control unit (Adeyemo, 2012; Ogideta, 2008).

Nevertheless, fraud in the banking sector remains cancerous and difficult to cure. There is lack of effective enforcement and firmness by the board and the top management to resolve issues of fraud in the industry. The oversight functions of the board on the processes of audit and the internal system and control are weak in identifying risk areas and red flags, and block loopholes promptly and effectively. Reporting fraud to the appropriate authorities, investigating the fraud and ensuring accountability, are confronted with delay. This delay leads to shielding of the actual perpetrator and the blame is shifted to the officers at the junior level.

Given the failure of conventional measures to curb fraud in the banking sector, Islamic corporate governance principles that are based on *tawhid* can provide an alternative solution to bank fraud in Nigeria. The Islamic corporate governance structure differs from conventional corporate governance in the standardization of rules which must be*Shari'ah*compliant as spelt out in the Holy Qur'an. This requires the structure of the governance to meet the expectation of Muslim Ummah (Lewis, 2006). The employees in Islamic banks are also required to act in line with the principles of Islam and comply with Islamic teaching. The governance structure of Islamic banks needs banks to create a *Shari'ah* supervisory board (SSB) and complement it with the establishment of an internal control that supports it. Confidentiality, accountability, independence, disclosures and consistency, are the most essential aspects related to the functions of a SSB (Grais & Pellegrini, 2006). Running through corporate governance in Islam are the concepts of vicegerency, sincerity, integrity, accountability, trustworthiness, transparency, and above all, *taqwa*. Islamic corporate governance could be seen as being ethically and morally-oriented; it is about justice, integrity, honesty, accountability and transparency, apart from its core mission of *Shari'ah* compliance, and ensuring ethical and moral soundness of a corporation. These are two distinct features of Islamic corporate governance, i.e., being *Shari'ah*compliant and morally and ethically entrenched, as enjoined in various verses of the Holy Qur'an. The Qur'an states, "Those when given authority in the land, establish (system of) *Sallah*, give out *Zakkat*, and enjoin what is good (*Mauruf*), and forbid what is wrong (*Munkar*)" (al-Hajj, 22: 41). The Holy Qur'an further states"O you who believe stand up as a witness for Allah in all fairness, and do not let the hatred of people deviate you from justice (*Adl*) be just, this is closest to piety" ((al-Ma'idah 5:8).

Therefore, Islamic corporate governance moderates the relationship between pressure, opportunity, rationalization, capability and banking fraud by not violating the trust placed on the stakeholder by others because an entrusted person has to conserve and develop the assets positioned in his or her control for the benefit of the asset's beneficiaries. For instance, the custodian of orphans' wealth has to perform his or her duties with extraordinary integrity and care in accordance with Allah's command: "Come not near the wealth of the orphan save with that which is better till he comes to strength; and keep the covenant. Lo! Of the covenant it will be asked." (al-Isra, 17:34). Also, Islam has obligated every Muslim to uphold the trust placed upon him or her even if the other parties fail to keep their obligation towards him or her, as the Prophet instructed: "Pay the deposit to him who deposited it with you, and do not betray him who betrays you" (Abu Dawud).

Trustworthiness - clearly, the value of being trustworthy and honest in Islam overlaps modern corporate governance principles, contributing to achieving the goals ofgovernance in different ways. The corporation's board of directors and other officers have to preserve the corporation's assets and spend such assets efficiently for the benefit of the corporation and its shareholders. Also, they have to maintain their loyalty to the corporation by avoiding any conflict of interest in the transactions (Lewis, 2001).

Honesty – This is another pivotal principle under the Islamic ethical system. Honesty, commonly goes hand in hand, with trustworthiness. In the Qur'an, Allah commands Muslims to be endowed with honesty, saying: "O ye who believe! Be careful of your duty to Allah, and be with the truthful" (al-Tawba 9:119). Also, it was narrated by Muslim that Prophet Mohammad encourages this good behavior by advising his companions to be honest, to attain Allah's satisfaction.

Bankers, particularly senior managers, have a crucial function to play in curtailing bank fraud; their actions have a great influence on shareholders, customers, investors and even the society at large. Such senior managers are expected to have a high sense of morality, good ethical conduct, integrity, and above all, be always guided by

Islamic values. These are the basic principles of Islamic corporate governance. They should also be reliable, objective and competent in their field;they should possess a high level of professional integrity (Burks,2006; Mohammed,2008).Therefore, bankers' morality and ethics are very important (Rahman,2003). However, despite good corporate governance, there is still fraud in banks,which means something is still missing, i.e., values are missing in running the corporation,particularly Islamic values, which begins with *Iman*, ethics, morality and integrity. These Islamic values embedded in a corporation, will give rise to a proper Islamic corporate governance structure, devoid of any type of financial abuse and fraud in banks. A manager with a full sense of Islamic corporate governance principles at heart, knows that his or her accountability is not only to shareholders, but also in the hereafter, to the creator and to get the blessing of Allah. Many theoretical studies have been done on Islamic corporate governance, but none hasbeen examined empirically in any setting.Hence, the need for this study.

To the best of knowledge of the researcher, not many studies have examined the potential of an Islamic corporate governance model in curtailing bank fraud, particularly in the Kano State, Nigeria. Therefore, this study attempts to fill this research gap by examining the role of Islamic corporate governance model in curtailing bank fraud in Nigeria.

1.3 Research Questions

Based on the above problem statement, the study attempts to provide answers to the following research questions:

1. To what extent is banking fraud prevalent in the Nigerian banking sector?

2. What are the relationships between pressure, opportunity, rationalization and capability and banking fraud in Nigeria?

3. To what extent does Islamic corporate governance moderate the relationships between pressure, opportunity, rationalization and capability and banking fraud in Nigeria?

1.4 Research Objectives

The overall aim of this study is to examine the relationship between fraud with pressure, opportunity, rationalization, and capability as independent variables; Islamic corporate governance as moderator; and bank fraud as the dependent variable. In particular, the study attempts to achieve the following research objectives:

1. To examine the level of the prevalence of bank fraud in Nigeria.

2. To examine the relationships between pressure, opportunity, rationalization and capability and bank fraud in Nigeria.

3. To investigate how Islamic corporate governance moderates the relationships between pressure, opportunity, rationalization and capability and bank fraud in Nigeria.

1.5 Scope of the Study

The study focuses on investigating the relationshipsbetween pressure, opportunity, rationalization and capability, with the moderating effect of Islamic corporate governance. The study covers only Kano state, and the unit of analysis is the banking sector. However, only the senior staffss of the selected banks are considered. Thus, the relationship between the variables under examination is investigated from the perspective of senior managers.

1.6 Significance of the Study

The study contributes to the body of knowledge of the banking sector in Kano, in particular, and Nigeria, in general, by providing an explanation on the overall finding of the examination of fraud and its implications. The current condition of financial activities and contribution to the gross domestic product and the overall economy is clearly indicated. Bank managers and other bank employees stand a chance of gaining from the findings of this study, as the possible factors influencing causes of fraud and their performance,are pointed out, which will in turn, assist them in evaluating the strengths and weaknesses of the internal control system and its performance in the banking sector. The study will also help the government of Nigeria in designing future programs through the appropriate regulatory authorities, such as the CBN and NDIC. Another beneficiary of the findings of this study is the CBN as it will help in the allocation of resources and other directives to commercial banks for the purpose of development. Academics, researchers and potential researchers would also benefit from it in enriching their understanding and knowledge with regards to the variables under examination, especially in the Nigerian context.

1.7 Operational Definitions

Some key terms are used in this study. The definitions of the terms used in the study have been used in previous research:

Fraud: This refers to deception, deceit and breach of trust; it involves an attempt to get something illegally. Fraud is a non-violent crime committed, in most cases, by those entrusted with responsibility. They end up violating the trust, hence committing fraudulent acts (David,2010) Classical theorists of fraud are: Sutherland (1947), Cressey (1953), Albrecht (2006) and Wolf (2004).

Donald Cressey is the founder of the fraud triangle (1953). Cressey found that an individual with faith and accepted to a position of trust later breaches the trust. Cressey found that violators of trust must have been confronted by three factors, which influence them to perpetrate fraud: Pressure, Opportunity and Rationalization. The three components makeup the fraud triangle theory.

Pressure: This refers to the motive to commit fraud, due to personal or financial needs through an illegal way. However, most pressure involves financial needs, though non-financial needs also play apart. Cressey (1953) classified pressure under six categories: difficulties to settle bills, business reversal, status, personal failure, physical isolation, enhancement and employee-employer relationship.

Opportunity: Refers to weak corporate control and weak internal control which can lead one to commit fraud (Vona, 2008). System weakness is when a worker has the capacity or ability to exploit, thus making the commitment of fraud possible (Mudrock, 2008).

Rationalization: Refers to the justification of fraudulent behaviour as a result of a worker's lack of moral reasoning and personal integrity (Rae and Subramaniam, 2008).

Fraud Diamond: This is a newly revived theory, developed by Wolfe and Hermanson (2004).Itargues that although pressure, opportunity and rationalization coexist, fraud will still not occur unless the fourth component, capability, also exists. In other words, the potential perpetrators of fraud must possess the required ability and skills to perpetrate fraud.

Capability: This arises when a person has the required characteristics, abilities and skills to perpetrate fraud. Here, the person identifies the opportunity and ability for fraud and turns that into a reality. However, for a person to have the capability to execute fraud, he or she must have the followings traits or skills: deceit, intelligence, stress, coercion, ego and position - all these are complementary components of capability (Wolfe and Hermanson, 2004). Not every individual with elements of pressure, opportunity and rationalization may engage in fraud simply because he or she does not have the capability to execute or conceal it (Mackevicius, & Giriunas, 2013).This element of capability is concerned with large-scale or long–term fraud

(Albrecht, William, and Wernz,1995). Rationalization and capability are interwoven and the weight of one affects the other (Wilson, 2004).

Corporation: This is a Latin word (Corpus), means “body”. A corporation is a body or group of people who run a company. It is a legal entity that is distinct and separate from its owner. Corporation, just like individual, enjoys most of the rights and responsibilities possessed by individuals. This implies that a corporation has the right to sue and be sued, enter into contract, own assets and pay taxes, hire employees and lend and borrow money. Stockholders (shareholders) are the owners of corporations and they share both the profits and losses that accrue from the operations of the firms.

Governance: The department of Egyptian linguistics refers to governance as haw Kama in Arabic (Sourial, 2004). However, in contrast, the term,‘governance’ originates from the Greek word, Kiernan, meaning to ”steer”, govern or guide. The art of governance means the association between those who are governing and the governed. It has the decision–making power conferred by the people to those in the position of authority so that the interest that is common to the society will be served. The ship of the organization requires a captain who is good, and likewise, needs the crew to guide it. Also, it needs to have a good and clear understanding of where it is going, and how the going is progressing. So, the mechanisms of governance, according to Mervyn (2002), are designed for these.

Corporate Governance: It is a system of rules, processes and practices by which an organization is controlled and directed. Corporate governance importantly requires balancing the interests of an organization and that of various stakeholders, such as management, financiers, shareholders, customers, suppliers, the community and the government at large. This is the system that organizes the relationship between the owners of the firm and the management. Lareker *etal.* (2007) define governance as a mechanism that controls a firm's decisions because of the separation between management and ownership. Corporate governance is also defined as the rules and regulations that control a firm's operations (Gillan and Starks, 2000).Corporate governance, according to Schleifer and Vishny (1997), deals with manner by which the providers of capital to a corporation give themselves assurance of earning a return on their investments. Others scholars have narrowed it down to shareholders alone, as the stewardship of an enterprise's assets for the benefit of its shareholders (Parday, 1992; p. 15).

Islamic corporate governance: If Islamic corporate governance is different from conventional governance, it is probably as a result of the function of their goals and objectives. Akhtar (2006, p. 21) explains its uniqueness stems from two principle elements: (1) faith-based approach, which compels the business to be conducted in line with the principles of *Shari'ah*; and (2) profit motives that recognize investment and business activities and wealth maximization of shareholders. So, compliance with religion is truly the major difference; however, it is not the only difference. The Islamic Financial Service Board (IFSB) defines it as the relationship between the management of an organization, the shareholders, the Board of Directors and other stakeholders. IFSB (2006, p. 27), explains Islamic corporate governance as:

”Stakeholders”, include not only the staffs, suppliers, government regulators, and customers, but also the community, especially the Muslim Ummah.

So, a key aspect of Islamic corporate governance as Grais and Pellegrini (2006, p.2) observe, is the need for stakeholders to be reassured that the operations completely conform to the precepts of Islamic jurisprudence. The SSB plays a key role in this reassurance process and so is fundamental to Islamic corporate governance. In fact, as Gooden (2001, p. 2) comments, as the existence of Islamic corporate governance capitalizes on Islamic faith and the will to conform to the laws and the values of that faith, one would expect Islamic corporate governance to start from the ethical and moral base to be willing to uphold the highest corporate governance standards.

Islamic corporate governance principles: Refers to a set of values or norms that make Islamic corporate governance unique (Ahmad, 2003). Islamic corporate governance principles refer to a legal system in keeping with Islamic code of conduct.These principles are Quran and Sunnah, that reflect on three categories of *akhlaq* (ethics), *Iman* (faith) and *Fiqh*, the legal ruling that governs the acts of human beings. (Al-Qaradawi, 1985; Mawdudi; 1977; Yaken, 2006).The Qur’an describes Islamic corporate governance as the law of justice, ajust and principled order and compliance of rights and responsibility in a society (al-Hajj,22;41) (al- Maidah,5;8).

Bank Fraud: This is associated with fraudulent activities within the banking sector, committed by or through three ways: (i) internal - this is the situation whereby the staffs of the bank attempt to defraud the bank, such as by stealing petty cash, forgery, diverting cash, altering bank deposits, false expenditure, etc; (ii) external – outsiders, such as suppliers and customers attempt to defraud the bank by presenting fraudulent bills, fictitious billing, kickbacks, etc; and (iii) hybrid - both the staffs and customers connive to defraud the bank, through illegal ways, such as dummy suppliers, overstated prices and kitting.

1.8 Organization of the Thesis

This research is in a sequential manner of six chapters:

Chapter one provides the introduction of the study which is outlined in order of issues relating to general background and motivation, problem statement, research questions, research objectives and significance of the study as well as the scope of the study, i.e., the area to be covered during the study.

Chapter two provides a general literature overview of fraud, types of fraud, causes, factors of bank fraud, conceptual framework, the underpinning theory adopted and the relevant literature related to fraud as well as the moderating variable, "Islamic Corporate Governance" and how it can minimise fraud. It also examines the relationship between variables in a more general context.

Chapter three provides a general overview of Islam and Corporate Governance literature which previous researchers have conducted. Islamic corporate governance deals with following: (1) faith-based approach which compels the conduct of business in compliance with the principles of *Shari'ah*; (2) profit motives that recognize investment and business activities; and (3) shareholders' maximization of wealth.

Chapter four offers the research methodology for this study, which includes the research design, study sample and sampling design, unit of analysis, operationalization and measurement of variables, instrumentation, control of measurement error, questionnaire design, data collection procedure, technique for data analysis, reliability and validity as well as the outcome of the pilot study.

Chapter five reports the result of the study, where the data collection process and survey response are analysed and discussed as well as the issues of non-response bias. Data screening is also conducted, mainly for the detection of the missing data and outliers. Descriptive statistics and respondents' profile are given and interpreted. Assumptions of multiple regression analysis to ensure compliance in terms of normality, linearity, multicollinearity and homoscedasticity, are also provided.

Chapter six focuses on the general summary, discussion, conclusion and recommendations of the study. In this chapter as well, implications and limitations of the study as well as direction for future research are discussed.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

Fraud is a non-violent crime perpetrated by people who are charged with the responsibility of taking good care of fundsin most cases or with their collaborators trusted criminals (David, 2010). Bank fraud is a serious challenge confronting individuals, businesses and nations. It has a seriously negative influence on the whole economy the moment it is committed in any sector. This chapter carries out a review of the previous literature on bank fraud and proposes an Islamic way to curtail it. The chapter comprises seven sections including the introduction. Section two discusses underpinning theories of bank fraud. Section three deals with literature review and empirical studies on causes of bank fraud. Section four examines Islamic corporate governance as a moderator for bank fraud in the banking industry. The last section gives a summary and conclusion of the chapter.

2.1 Fraud

Fraud is an intentional deception made for personal gain. It is a crime and also the violation of civil law. In a nutshell, fraud is a deception intentionally practiced in order to secure unlawful or unfair gain (Davia *et al.*, 2000). Wells (2005) states that the most common presumable types of fraud are defrauding people of money.

Bank fraud is the use of fraudulent ways to gain money, property or other assets owned by the banks (Glaessner & Mass, 1994). Fraud in the bank will not stop as long as huge sums of money continue to float around. This would give individuals an opportunity of trying to device means of getting it. Perpetration of fraud can take many dimensions, including phone, emails, internets and wires (internet fraud and computer crime). It is estimated that only 20% of fraud is publicly made known and the remaining fraud is either not discovered or detected or not publicly made known due to reputational risk (Bartlett & Ballantine, 2002).

Common fraud schemes in the banking sector have been identified by Lenchtner (2011). They include identity theft, general ledger fraud, collusion with external criminals and account take-over. In the argument of Apoorva and Juni (2007), bank fraud is as a result of the failure of banks and other major components responsible for controlling frauds in banks and active participation of both clerical staffs and supervisors, in connivance with the outsiders. On the part of bank staffs, failure to follow the laid down rules religiously, has lent to a growing collusion between management staffs, politicians in power and civil servants, to defraud the banks by bending the rules, flouting the regulations and throwing the norms of the bank into the bin.

Hornby (2001) considers fraud as a criminal act of deceiving people in order to illegally get money or goods. Bank fraud is the bane of economic development everywhere, and in no small measure, causes harm to the economy (Walker, 2009). In the argument of Aina (2004), fraud is one of the major factors responsible for the poor performance of the economy and increasing rate of poverty in many developing nations. Because fraud is a global phenomenon, countries have severely suffered financial losses (Dagaci, 2013). Due to insatiable search for money in Nigeria, Ajayi

(2003) noteds that large-scale fraud in the banks is on the increase and the banks lose significant sums of money, often running into billions of naira to fraudsters.

Based on the ranking of Transparency International Corrupt Practices Index (2012), Nigeria is ranked as one of the world's most corrupt nations. Fraud occurs in various levels of complexities, making the incident very worrisome. Tung (2002) states in his bank framework for combating fraud and corruption, that fraud cases are committed by staffs, contractors, bidders, suppliers and consultants in the case of bank finance projects. This questions the integrity of some of the bank's activities. Tung (2002) further argues that in the age of computers or information technology, it has been asserted that the computers can be both an object of property crime and a tool for committing fraud. According to Shehu (2006), technological advancement can increase fraud in the financial sector, compared to traditional theft and robbery. For instance, Nigerian banks lost about N199 billion ($633 million) to online scam in 2014 (NDIC Annual Report 2014) due to the recklessness in managing customer data. The increase of bank fraud, especially those committed through electronic means. In recent times, this has affected the banking system (NDIC annual report 2014).

However, security experts say in most cases, the amount reported on fraud cases is only a small proportion of the actual losses suffered since banks prefer interdisciplinary measures to deal with "thieving employees" (K*Iman*i 2013). Thus, banks often upgrade their system to curtail fraudulent activities (Ogunleye, 2004). It is acknowledged that the ranking of Nigeria in occupational fraud abuse is second in sub-Saharan Africa. In 2014, Nigerian depositors lost $6.2 billion to fraudulent activities through internet banking and ATM scams (Prime Times, 2015).

Indeed, there are over 10,000 related cases of fraud in the banking sector in Nigeria (Star Africa, 2015). According to a CBN report (2013), the cases of fraud in banks has increased by 80%, mostly carried out by outsiders and the staffs of banks through means, such as suppression, theft, pilfering, fraudulent ATM activities or transactions, conversion of customers' deposits and illegal fund transfer. With regards to the involvement of people, it shows that outsiders have been involved in 137 cases or 64% of the cases while bank staffsare involved in 68 cases or 36%. All the statistical evidence shows that financial crime of whatever form has become a real social problem and calls for attention of scholars and managers, alike.

2.2 Causes of Bank Fraud

Three major causes of bank fraud have been identified by the fraud scale and the fraud triangle theories. These causes comprise pressure, opportunities and rationalization. In this section, the association between the three motivating factors to perpetrate bank fraud are examined.

2.2.1 Perceived Pressure/Incentive/Motive

Perceived pressure can be described as the factors that lead a person to behave unethically. Any individual who commits fraud is confronted with some pressure to engage in an unethical act (Abdullahi & Mansor, 2015). Pressures, in this context, may be financial or non-financial pressures. As pointed out by Albrecht *et al.* (2010), the word ‘perceived’ is normally used to qualify pressure because the motive to perpetrate fraud may not be a genuine one. Hence, it is essential for the word ‘perceived’ to be used. If the people who commit fraud have the feeling that they were pressurized, this notion could lead to the act of committing fraud. Perceived pressure can be in different forms, particularly in non-sharable financial need. The most recognized and common factor that influences an organization to commit fraud is financial pressure. According to Albrecht *et al.* (2008), roughly 95% of all cases of fraud have been specifically committed because of the financial pressure on the part of the perpetrator. Lister (2007) also posits that pressure is a crucial factor for fraud perpetration. He states three forms of pressure, comprising personal pressure, external pressure and employment stress. Furthermore, Vona (2008) investigated personal and corporate forces as the proxies for motivation to commit fraud. Perceived pressure examples include family’s financial or health problems, gambling, greed, personal debt or large expenses, living above one’s means and drug addiction.

Pressure, according to Rae and Subramanian (2008), is associated with the motivation of employees to perpetrate fraud. This is because of personal financial pressure or greed. Similarly, Rasha and Andrew (2012) and Vona (2008) believe that corporate and personal pressures are the major motives behind fraud perpetration. Pressure is classified into four, comprising economic, job-related, vice and other types of pressure (Albrecht *et al.*, 2008). According to Hooper and Pornelli (2010), pressure can be a force that is either positive or negative.

2.2.2 Perceived Opportunity

Perceived opportunity is the second element that is necessary before a fraud can occur. Inadequate control or weak system of governance may create the opportunity for a person to commit fraud in an organization. In the accounting field, this is referred to as weaknesses in internal control. According to Kelly and Hartley (2010), perceived opportunity indicates that individuals will take advantage of available circumstances to them. Just like perceived pressure, the form of perceived opportunity does not need to be genuine. Many things can contribute to the presence of an opportunity to perpetrate fraudulent acts in a firm. Such factors include breach of policies by employees through negligence and the absence of sanctions against unethical behavior (Sauser, 2007). Opportunity, as explained by Wilson (2004), is the ability to override the existing controls put in place to prevent fraud.

2.2.3 Rationalization

Rationalization connotes that an individual who commits fraud must frame some ideas that are morally justifiable to him or her before his or her involvement in a behavior that is an unethical. The concept mainly justifies and gives excuses that conduct that is not moral is different from the one that is criminal. If a person cannot give justification for his or her dishonest behavior, it is not likely that such person will be involved in fraud. It is difficult to observe rationalization. This is because it is not possible to read the fraud perpetrator's mind. According to Hooper and Pornelli, (2010), people who perpetrate fraud have a specific mind-set that permits them to give justification or excuses for their wrong doings. Rationalization refers to the justification of a fraudulent act because of lack of personal integrity of the employee or moral reasoning (Rae & Subramanian, 2008). As argued by Kenyon and Tilton (2006), the propensity of individuals to engage in fraud is dependent on ethical values and their personal attitude. Florenz (2012),concludes that a bridge between pressure/incentive and opportunity is created when a person can rationalize unethical behavior.

2.2.4 Capability (Skills and Ability)

The Fraud TriangleTheory is a theory that is well-known and frequently discussed in fraud literature. This theory recognizes three elements as the major factors responsible for fraud perpetration: pressure, opportunity and rationalization. According to the theory, there is likelihood of fraud existing in the presence of these three elements, and the gravity of the fraud will depend on the weight of each of the three elements (Howe & Malgwi, 2006).

Many researchers have tried to recognize more factors that influence unethical behavior (including fraud). Consequent upon this, an expanded version of the Fraud Triangle Theory, known as the Fraud Diamond Theory, was introduced and published by Wolf and Hermanson in the CPA Journal in December 2004. The major difference betweenthe Fraud Triangle Theory and the Fraud Diamond Theory is the inclusion of "CAPABILITY" as the additional element to the Fraud Diamond Theory.

The argument of Wolfe and Hermanson (2004) is that although perceived pressure might exist together with opportunity and rationalization, it is still not likely that fraud will be committed unless capability, which is the fourth element, also exists.

Invariably, the person who intends to commit fraud must possess the skills and ability to do so.

Banks have employed measures to curb fraud, including discouraging possible fraud through having a code of ethics at the top level. It can also be a proactive program on fraud management, or deterring fraudulent acts that have occurred. Some control, such as the whistleblower initiative, can be employed to prevent fraud, or may assist in detecting its incidence (CAQ, 2010). With today's advancement in technology, detecting fraud is extremely difficult and complex; hence, strategies to confront it nowadays should also be sophisticated.

Bierstaker, Brody, and Pacini (2006) talk about the effect of cultural factors on fraud. It has a great influence on fraud to be committed as in the case of the CheobolConglomerate of South Korea, where corporate frauds were discovered, due to cultural influence on what is considered to be moral and justand right or wrong across nations. Many studies have suggested that there is a tendency for fraud to happen when a person has an incentive (pressure) to perpetrate fraud, weak control or oversight, which give an opportunity for the person committing fraud and the person can rationalize the fraudulent act or attitude. Many kinds of fraud, especially corporate fraud, could not have happened without the right person with the right capabilities in place.

In the 1990s and early 2000, the Ugandan banking sector witnessed a great deal of failure in banks, where eight banks encountered failure. The primary causes of these bank failures were poor corporate governance and dominant shareholders exerting unnecessary influence on the banks' management, which led to unethical behavior, such as prevalent insider lending. Similarly, in 1990, the banking sector in Kenya was afflicted by multiple rate of failure of banks. This was as a result of poor corporate governance, as was the case in Uganda. Abusive and poor management existed in banks simply because the Board of Directors (BoD) was weak, lacked professional expertise and independence as well as incentives to provide oversight on management functions.

Lapses in internal control enhance the chancesto commit fraud (Albrecht, 1996). Symptoms of weak internal control include a weak control environment, inadequate segregation of duties, poor physical safeguards, lack of independent checks, no proper authorization, no sound documentation, records and accounting system inadequacy. Bologna (1994) points out environmental factors can increase fraud, such as inadequate rewards and inadequate internal control. An analysis of 114 real cases of corporate fraud was done by Calderon and Green (1994). Their study reveals that 60% of the fraud cases are due to weak accounting control, incorrect documentation and limited separation of duties. This led to managerial and professional staffsbeing involved in 45% of the fraud cases. Hangen and Selin (1999) identified the value of internal control systems, such as safeguard of assets, accurate accounting, operational efficiency, and compliance issues.

Jefford, (1992) investigated 910 cases sent to the internal auditors for a period of nine years from 1981-1989 to evaluate the particular risk factors; 63% of 910 cases were under internal control risk. Bhasin (2007) examined the reasons behind cheque fraud, andfind that Chief Executive Officers (CEOs) should be held responsible for non-adherence to prescribed rules and procedures. Sharma and Brahma (2000) stress on the role of bankers in fraud cases. They find that fraud could emanate in all bank dealings, such as loans, cheques, bill purchase, inter-branch accounts, deposit accounts, hypothecation and foreign exchange transactions. The main cause of bank fraud is negligence in adhering to the rules and procedures by the staffs supervising the organizational activities. Corporate fraud as enhance by skills, position e.t.c as postulated by Diamond Fraud Theory.

Smith (1995) offers an explanation for people who engage in embezzlement. The individual who embezzles is a type of opportunist who quietly detects the internal control lapses, and uses the chance of the loopholes to his/her advantage. Wilson (2006) investigated the factors that led to the breakdown of Barnug Bank in India; hefinds that it is due to failure of management, especially in its supervisory role, both in financial and operational controls. Ziegeufuss (1996) conducted a research to find out the types andnumber of fraud occurrences in both local and states branches of the banks in India. The study finds that theft, assets misappropriation, falsified invoices representation are the most commonly found fraud types. The main reasons the number of fraud cases has increased at both levels are due to pressure from the economy, bad management practices, decrease in the value of the society, lack of sanctions for wrong-doing and lack of training for people charged with the responsibility of preventing and detecting fraud. Red-flag is the most often reposted case. This is due to weakness in the internal control system, neglecting the audit reports, loss in inventory and not paying attention to employees' rewards.

Ventura and Daniel (2000) investigated embezzlement and fraud opportunities in organizations that are religious-based. The finding shows the presence of incentives, rationalization and opportunity for committing bank fraud in Christian churches. However, it is unknown till date whether incentives and rationalization are more dominant in churches than in other organizations. However, the existence of opportunity has been discovered to be common in churches. Albrecht *et al.* (1995) and Cressey (1973) stress that one of the important elements normally found in employee embezzlement is opportunity. It is therefore assumed that the embezzlement occurring in churches is a result of opportunity. Their finding also shows that opportunity is trust-driven.

Khanna and Arora (2009) assessed different factors that are instrumental for bank fraud in India; their findings show inadequate training, over-burdened employees, low level of compliance and undue competition, as the major factors for bank fraud in the Indian banking sector. Critically, when we look at the above mentioned studies, they all have attempted to show that one of the core factors leading to fraud is a poor corporate governance system as well as environmental and cultural factors.

A study by Rashidah Abdul-Rahman and Irda (2014) indicates that there also is fraud in Malaysian Islamic banks. They studied afinancial scandal involving Bank Islam Malaysia (BIMB). For the year ended 30th June 2005, a loss of RM456 million was declared, with a portfolio of gross non.A sum of RM774 million due to bad loan and investments incurred from offshore financial centre operations in Labuan was instrumental to the problem (Netto, 2005). However, this loss could not be traced not due to failure of the principles of Islamic banking, but due to weaknesses in the internal control of staffs as stated by the second finance minister (Netto, 2005). BIMB tried to find out if the accrued losses and non-performing loans (NPLs) were due to lack of compliance to banking operations or misconduct (Ahmad 2009).

Another study was conducted by Wilford and Mawanza (2014) in Zimbabwean organizations on fraud, but viewed from the fraud triangle perspective. The study tried to look at the major causes of fraud in Zimbabwe based on the fraud triangle, knowing fully that in the global business, fraud is a reality. As mentioned earlier, the three forces in the model are opportunity, pressure and rationalization. It may be convenient to perpetrate fraud in an organization because of weak internal control, lack of skill, lack of thorough employee supervision and poor checks and balances. Mackevicius and Giriunas (2013) note that fraudsters are constantly in search of sophisticated techniques and advanced methods to commit fraud by carefully examining the internal and external environment of the company, the system of accounting and control, the financial condition of the company and its operations. The above study used the Fraud Triangle variables of pressure, opportunity and rationalization; however, the important element of the Fraud Diamond theory, i.e., capability, was also found to play a great role in the course of the study by Mawanza (2014).

The frequency and volume of fraudulent activities in banks operating in Nigeria have been on the high side (Chibuike & Uche, 2006). Based on the report of NDIC, the rate of reported cases of fraud in banks in Nigeria increased from 3% to 22% in 2011. The highest fraud ever reported in the Nigerian banking sector happened in 2000, when a sum of N786 million was written-off by UBA PLC because of fraud.

The ever increasing pattern and growth of fraud in the banking sector in Nigeria is not unexpected considering the country's profile as a fraudulent and corrupt nation. This is a clear case of corporate fraud mainly perpetrated by the positional status of the perpetrators.

Idolor (2010) carried out a study to find the underlying causes and effects and the possible remedies to fraud. He finds that unofficial borrowing and foreign exchange malpractices are not regarded as bank fraud, simply because they are common in all banks in Nigeria. There are also issues of staffs involvement in initiating and executing fraud, greed and poverty and other factors, such as staffs shortage, weak internal control, inadequate training, absence of personal ethics, poor conditions of service and corporate governance weakness as managerial causes that assist in spreading fraud in the Nigerian banking industry.

Adepoju, Alhassan and Mohammad (2010) conducted a study in three banks in Minna, a state in Northern Nigeria on ATM fraud in Nigeria. They found the proliferation of ATM fraud in Nigeria across the globe. ATM fraud and reducing the effect of fraud are crucial matters that confront the banking sector as the techniques of fraud have advanced. ATM fraud, according to Brunner *et al.* (2004), is not the only problem of banks; it is also a big threat that needs well-coordinated and cooperative action on the part of the banks and customers. There must be proper law enforcement to fight the scourge. Diebold (2002), in a paper titled, "ATM fraud and security" highlighted such issues like card theft, skimming devices and pin fraud, among others. Numerous factors influence the increasing rate of fraud in the Nigerian banking sector, ranging from bad policies and procedures of the management, inadequate working conditions, lack of job rotation and employees' frustration due to poor remuneration (Idowu, 2009).

In a survey carried out on 16 banks in Qatar by Nabhan and Hindi (2009), they found demographic traits as having a different influence on fraud in the banking sector in Qatar. KPMG (2002), a well-known audit firm globally, reported several cases of fraud in Qatar as follows: staffs and third party collusion -55%; weak internal control -48%; overridden by management or undue influence of internal control -32%; staffs collusion -30%; absence or weak corporate policy on ethics -14%; directors' inability to control the management -10%; and others - 9%.The Qatar government and central bank have always given much attention to banking fraud through the issuance of rules and regulations to mitigate fraud incidences in the banking sector. Numerous studies have been conducted in this area by experts and specialists, who have tried to find out the fraud causes and methods to mitigate/reduce its happening. In this regard, they attempted to develop corporate governance procedures as postulated in the Fraud Diamond theory.

PricewaterhouseCoopers (2003, 2005, 2007), a consultancy firm,has found that the main challenge confronting companies in Qatar, no matter their size, is fraud. They studied 5,428 organizations in 40 countries, with a view to evaluating the influence of fraud. The results reveal that 43% of the companies examined had issued a report on fraud in the preceding two years. Some methods on how fraud is discovered,include internal audit activity -19%; whistleblowing-8%; accidental discovery -6%; risk management of fraud -4%,; reporting of transactions that are suspicious -4%; and lack of law enforcement -4%. The study shows that 48% of staffs are in the age bracket of between 35-45 years, there are more males than females in the banking sector, with about 75% being national. There are more foreigners (Non-Qatari) with about 64% working in the banking sector, while Qatari nationalsis36%. Senior managers commit more fraud than middle or over-the-counter staffs, with about 55% having working experience. Those with 11-15 years working experience is 46%. As for education, those with MSc is 38%, and the departments suspected of committing fraud the most are operations, retail and corporate services departments.

In Qatar, the Corporate Board plays a significant role in giving support to the banking systems, by ensuring fraud reduction, through its procedures and policies. The approaches of the bank are best principles, standards and practices in the supervision of the banking industry. It looks at other aspects, such as anti-money laundering regulations, corporate governance and quick remedial actions against any identified problem. This is an attempt to mitigate fraud occurrence in the financial institutions in Qatar.

2.3 Corporate Governance

The concept of corporate governance became popular in the literature only during the last two decades (Zingales, 2007). The term, ‘corporate governance’ originates from a Greek word, “Kyberman” meaning to steer, govern or guide. This metamorphosed from Greek to the Latin word, “gubernare” and the French word, “governer”. However, this word has been differently defined by various organizations in line with their own ideological concerns. A further step was taken by the Former World Bank President, Mr. Wolfensohn, who stated that corporate governance needs to be "fair, accountable and transparent" (Wolfensohn, 2001). Furthermore, Dyck (2000) argues that corporate governance is a complex set of socially defined constraints that influences the readiness to make investments in organizations in exchange for promises. Moreover, the argument of Dalton, Daily, Certo, and Roengpitya (2003) is that majority of studies on corporate governance have their theoretical bases in the agency theory. The authors, therefore, recommend the need to look at other theoretical means of investigating the relationship. Consequently, the substitution theory approach, which considers a variety of governance mechanisms, was proposed. Here, the quote of Hakim (2002) needs to be emphasised. He describes corporate governance as involving the nuts and bolts of how organizations should ensure fulfilment of their responsibilities to their owners (shareholders) and other organizational stakeholders. It is a tool by which agency problems of organizational stakeholders, including the management, employees, shareholders, consumers, creditors and the public at large are framed and sought to be resolved. The three important components of corporate governance comprise transparency, accountability and adequate disclosure. Thus, conclusion can be made that corporate governance is a set of mechanisms that helps in dealing with the organizational stakeholders in a fair and just manner and by enhancing accountability and transparency.

In a business environment, good corporate governance has long been regarded as important for stakeholders. Though the objective of corporate governance is different from one organization or country to another, the major interest is to stimulate a good code of mechanisms for organizational upliftment and governance. But with the contemporary pressure from the businesses, the structure of corporate governance is rapidly changing. Globalization and financial innovation are compelling the executives to adopt a serious re-evaluation of the principles of corporate governance. According to Meyer (2004), systematic governance implies adjusting the indicators with a firm such that employees will automatically do what is right, without the need to carry out oversight. In global business, good corporate governance practices have become pertinent, in efforts to strengthen and stabilize the capital markets and protect investors (Darman, 2005).

Numerous studies have linked sound corporate governance and good performance. Evidence from empirical literature indicates that nations which have adopted effective corporate governance mechanisms have witnessed appreciable growth of their organizations and better chances of attracting foreign direct investment (FDI) than those that have not (SECP, 2005). Effective corporate governance assists in closing the interest gap of the organizational stakeholders, by promoting the confidence of investors and reducing the company's cost of capital (Fianna & Grant, 2005). Moreover, good corporate governance assists in ensuring the reputation and the statutory commitments of the company, and promotes a good relationship with stakeholders. Durnev and Han (2002) and Coles *et al.* (2001) find that companies that have good corporate governance have the advantage of higher valuation. But the debate is ongoing on the call for corporate governance to be revisited and revised. Consequent upon this, conclusion can be made that the discussion on good corporate governance issue is still open.

Minimal research has been done on corporate governance,especially on Islamic corporate governance (Okike, 2007, Tsamenyi *et al.*, 2007). Available literature shows that researchers of corporate governance from the Islamic perspective have focussed on the analyses of similarities and differences with international best practices, and only very few research studies on Islamic corporate governance exist. The prominent theories used to study modern corporate governance arethe Agency and Stewardship theories, which attempt to see how corporate governance can moderate fraud in the banking sector.

2.3.1 Corporate Governance Violation

Corporate governance violation issues usually relate to corporate fraud. Corporate fraud concerns governance issues pertaining to abnormal compensation of the executives, insider trading, window-dressing, and shareholders' wealth expropriation by the management and nondisclosure of governance and accounting practices (Bhasa, 2006). In addition, legal complaints, such as obstruction of justice, accounting fraud, document destruction, falsifying an investigation, security fraud, conspiracy, anti-trust in mergers, money laundering, perjury or theft, are offences that are also categorized as corporate fraud (Dorweiller, 2006). Different factors are linked to the violation of governance and corporate fraud, namely economic factors (KPMG, 2003; Lambert & Sponem, 2005); and non-economic factors, such as corporate leader's misbehavior (Marjono, 2005).

KPMG (2009) examined the level of fraud, fraud awareness and fraud prevention measures among senior managers of 168 public listed companies in Kuala Lumpur and 175 companies listed on Bursa Malaysia in 2003 and 2009, respectively. Both surveys show that there is an increase in fraud cases in Malaysia and economic pressure as the primary reason for the increase in fraud in Malaysia,while other major reasons include social value and inadequate punishment. Similarly, Lambert and Sponem (2005) identified economic factors as major factors relating to fraud. They examined the influence of governance mechanisms and profit manipulation of 13 French companies. The study finds that economic pressure leads management to manipulate firm profits. All the above are clear cases of corporate fraud.

Another factor that is considered as important in relation to corporate fraud is corporate leader's behavior. In most cases, corporate leaders' behavior relates to governance violation, such as diversion of attention of the corporate leader from the mission and vision of the corporation (Dorweiller, 2006; Majono, 2005). Marjono (2005) used a case study approach to explore corporate governance implementation and attributes of corporate failures in two major companies (Enron and HIH) in order to find patterns of corporate failure. The study finds that both corporations violated corporate governance principles (accountability, integrity, efficiency and transparency). It is found that attributes of corporate violation include dysfunction of the board of directors, failure to disclose transactions, unfair business dealing and judgment, inappropriate treatment of the business transactions, lack of transparency and misuse of corporate funds by the BoD. The study shows that lack of a sense of responsibility by board members leads to corporate failure.

2.3.2 Western Corporate Governance

Western corporate governance tends to encourage bank fraud, financial instability, bank failure, bank run, high cost of governance, financial losses, liquidity problems and industry smearing (AAOIFI, 2010; Ali, 2003; Elhawary *et al.*, 2004; IDB & IFSB, 2007; Izhar, 2010). Typical examples of Western corporate breach are the cases of WorldCom and Enron in the USA in 2003, Marconi in the UK, Cheavols Conglomerate of South Korea in 1997, Satyam Corporation in India, 1987 and many others in different parts of the world, all related to Western corporate governance weaknesses. Many studies on Western corporate governance have discovered a positive association between corporate governance and the performance of the organization. Otherstudieshave indicated no link between them, like that of Brown and Caylor (2004). They argue that a positive association exists between an efficient board of directors and firm's performance through the reduction of agency cost.

Lee (1992) pointed out that the wealth of the stockholders improves in a management buyout, which outside directors are in command CEOs is the most may leave because of poor performance of the firm when confronted by outside directors (Weisbach, 1988). Additionally, the number of mistakes on the financial statement decreases when the firm has external directors. Some studies on Western corporate governance have produced a negative association between corporate governance and firm performance (Core *et al.*, 1997). Based on the conclusion of Dalton *et al.* (1998), board proportion and CEO duality are not directly related to the performance of an organization. Heracleous (2001) states that there is a failure on the part of the researchers in finding a convincing association between organizational performance and corporate governance best practices in western organizations. Bhagat and Black (2002) observe no relationship between outside directors and firm performance. Similarly, Klein *et al.* (2005) give no concrete evidence to show that organizational performance is enhanced by corporate governance. even the agency theory which postulates on that, do stresses on the maximization of shareholders returns, when explaining the real approach of an association between the board of directors and shareholders. The association between corporate governance and performance has been examined in the previous literature. However, not many studies have been undertakenon corporate governance in banks in the western world. We can sum up western corporate governance and its measures as follows:

Anglo – Saxon Corporate Governance System: The main concern of this system is to maximise shareholders' wealth, as shareholders have the right to vote. Under this system, the board of directors have dual functions as both executives and non-executives. The executive directors are the corporation's managers, while the non-executives are the shareholders' representative to oversee the managers in their daily business activities. The appointment or dismissal of both the executives are done by the shareholders (Denis & Mccouneil, 2003).This system plays a moderating role in mitigating fraud.

German Corporate Governance Systems:-This system deals with the firm as an independent entity, which could be of advantage to the firm's shareholders and other stakeholders. The system uses two board systems,comprising the managing board and the supervisory board. The major functions of the supervisory board are the appointment and dismissal of the managing board members, as well as evaluating management performance. Under this system, the bank is regarded mainly as a source of finance. Hence, it has a great right to vote in shareholders' meeting, and also represent the interests of the shareholders in the supervisory board (Odenius, 2008).

Latin Corporate Governance: This system is considered more flexible than the two systems mentioned above. This system has a selection option of choosing either a board or two boards. In this system, the influence of the shareholders is greater. This implies that the directors can be removed by the shareholders (Angulera & Ermoli, 2005).

Japanese Corporate Governance: Under the Japanese system of corporate governance, the board includes a board of directors, the office of representative directors and an office of auditors. Rarely, the president is the chairman of the vote. In this system, the influence of the banks in managerial decisions is high (Allen & Zhao, 2007).

Looking at the western corporate governance from the context of the Anglo-Saxon model which is widely used in different countries, this model has received sharp criticism, especially after a major accounting scandal which involved many huge companies,like Enron, WorldCom, Global Crossing and Parmalat, among others in early 2000. The fraud took place in the form of misuse of managerial authority and social irresponsibility (Friedman & Miles, 2006). This event triggered the corporate framework which is currently being used to impose transparency, verification and accountability, which eventually gave rise to the US Sarbanes-Oxley Act (2002).

2.4 Objective of *Shari'ah* (*Maqasid al-Shari'ah*)

The concept of *Maqasid Al-Shari'ah* refers to *Shari'ah* laws. It is an essential area of knowledge. This is because when a *Shari'ah* law is studied, one needs to understand the context from which the ruling was made. There are four primary sources of *Shari'ah*: the Holy Qur'an, the Sunnah of the prophet Muhammad (SAW), Ijtihad (based on reasoning by the *Mujtahid/Shari'ah* scholars) and *Qiyas* (analogy based on events that had happened during the life of the Prophet (SAW) (Rice,1999).

The objectives of *Shari'ah* in financial transactions imply the overall meaning and goals that *Shari'ah* intends to achieve from its rulings (Monjur & Elahi, 2010). These *Shari'ah*objectives are not restricted to one category of financial transactions but comprise all parts of financial activities and general human life. These objectives may appear tailored towards finance, and may be regarded as vital goals when their universal objectives are considered.

The objectives do not deal specifically with any type of rulings; rather they are related to virtually all types of business transactions and include all activities of profit making, trading, consumption and spending.

Allah says:

> "There is not a moving (living) creature on earth, nor a bird that flies with its two wings but are communities like you. We have neglected nothing in the Book, then to their Lord, they (all) shall be gathered". (al-An'am 6:38)

Maqasid al-Shari`ah, otherwise known as the objectives of Islamic law, is an integral part of *Shari'ah* (Monjur & Elahi, 2010), and the key element of the SSB of Islamic Financial Institutions.

Shari'ah is generally premised on the benefits of the people and the community. Its laws are made to protect these benefits and promote perfection and improvement of human life conditions on earth. This is usually expressed in the Qur'an when the crucial purpose of the Prophet Hood of Muhammad (peace be on him) is mentioned in such terms as: "We have not sent you but a mercy to the world" (al-Anbiya 21: 107). This is also available in the Qur'an's characterization of itself in that it is "a healing to the (spiritual) ailment of the hearts, guidance and mercy for the believers" (and mankind) (Yunus 10: 57) Another example is when the Qur'an prescribes *Qasas* (retaliation); it speaks of its rationale, that applying retaliation prevents further killing- "There is life for you in *Qasas*" (al-Baqarah 2: 179). Similarly, when the Qur'an prohibits wine, it says that wine is the work of the devil as it causes quarrels and instils hatred and enmity among Muslims - "The devil only wants to excite enmity and hatred between you intoxicants and gamblers and hinder you from remembrance of Allah and from prayer" (al-An'am 6:91).

Dusuki (2007) describes *Maqasid al-Shari'ah* as the objectives and the main rationale behind *Shari'ah*. According to him, it is a careful and comprehensive assessment of the rulings of *Shari'ah*. There is an understanding that *Shari'ah* intends to preserve and protect the interests of the public (*maslahah*) in all spheres of life. Many *Shari'ah* texts clearly mention the rationale behind some rulings in *Shari'ah,* indicating that every *Shari`ah* ruling has its own purpose, which is to the advantage of the*Mukallaf.* A deep understanding of the objectives of *Shari`ah*is essential for analogical deduction and other reasoning of humans and its methodology (Kamali 1999). In fact, *Maqasid al-Sharī'ah* permits creativity, dynamism and flexibility in social policy (Al-Junaid, 2014).

According to Hadith:

> "The objective of the *Sharī'ah* is to promote the well-being of all mankind, which lies in safeguarding their faith (*dīn*), their human self (*nafs*), their intellect *('aql*), their posterity *(nasl*) and their wealth (*māl*). Whatever ensures the safeguard of these five serves the public interest and is desirable" (Imam Al-Ghazāli D; 1111).

Accordingly, Jasser Auda (2008) explains the 'wisdom behind rulings,' such as 'enhancing social cohesion,' which is one of the wisdoms behind charity, greeting people with peace and being good to one's neighbours. Wisdom behind rulings also includes 'developing consciousness of God,' which is one of the rationales behind regular prayers, supplications and fasting.

2.5 Underpinning Theories of Bank Fraud

The general conception held among scholars is that research work should rest on certain theoretical approaches because they postulate solidify and modify (Senra, 1988). The theoretical framework explains the association or relationship between concepts in a meaningful manner. Theory, on the other hand, is a set of propositions that tries to explain interrelationship among events. According to Dambazau (1999), a theory is an organized way of examining a phenomenon. Concepts are abstractions denoting a specific phenomenon or object. Therefore, this sectiondiscusses the underpinning theories on bank fraud and corporate governance. The theories include theory of differential association (Sutherland, 1947); theory of fraud triangle

(Cressey, 1953); fraud scale theory and fraud diamond theory (Albrecht, 2006); and stakeholder theory (Freeman, 1984).

2.5.1 Theory of Differential Association

Edwin Sutherland was the first person to use the concept of "white collar crime" during his speech made to the American Sociological Association in 1939. Many things have changed in relation to white collar crime since 1939. When he delivered his speech in 1939, worldwide web (www) was not in existence and the world was poorer in many ways. The ambition to have higher profit and higher value of stock which could motivate fraudulent actions to be initiated was less than severe than morale was certainly higher fraud (or white collar crime) and the associated issues were possibly strange to many individuals. To some extent, fraud and many abnormal acts have usually been part of the human environment. Whenever problems arise, there is great surprise, but business history records indicate that dozens of major fraud, failures, massive corruptions and other associated social problems each decade. During economic recessions, the big ones knock, thus, searching for a better alternative (Giroux, 2008).

Edwin Sutherland's development of the differential association theory in 1947 marked a turning point in the field of criminology. The sociology perspective was brought to the forefront of criminology through this theory. Sutherland suggestsnine propositions, grouped into three concepts, i.e., normative conflict, differential group organization and differential association. He stresses that these three concepts explain the crime being committed at an individual, group and society level

(Matsumura, 2014). At the level of the society, normative conflict is the root of crime. For Sutherland, societies that are primitive and undifferentiated possess the quality of harmony, consensus and solidarity over basic beliefs and values. Therefore, such societies have little conflict over appropriate behaviors and consequently, little crime. However, due to the industrial revolution, societies developed advanced market economies and division of labour, leading to a breakdown in consensus. These kinds of societies are fragmented into groups that conflict with behavioral patterns, values and interests. The characteristics of these societies include conflict instead of consensus, specialization instead of similarity and coercion instead of harmony. The rate of crime in these societies tends to be high. Sutherland developed a hypothesis that high rate of crime is associated with normative conflict, which Sutherland defines as a society segmented into groups that conflict over the appropriateness of the law. Some have defined law as a set of rules required to be adhered to in all situations. From another perspective, law is a set of rules that is violated under certain circumstances. Therefore, when a society lacks normative conflict, low rate of crime will be recorded. However, when normative conflict is high, crime rate in the society will likewise be high. Based on this, crime is ultimately rooted in normative conflict, according to Sutherland and Donald Cressey (1972).

At the level of the individual, the differential association process, according to Matsumura (2014), gives a social psychological explanation to the way by which normative conflict in society leads to individual criminal acts. Accordingly, criminal behavior is learned in the course of communication in intimate groups. The learning content comprises two vital components: requisite skills and techniques for committing a crime. This ranges from sophisticated, specialized knowledge of computer fraud, insider trading and confidence games, to the simple, readily available skills of assault, drunk driving and purse snatching. These techniques are important but not adequate to produce crime. The second is definitions favorable and unfavorable to crime, which consist of motives, rationalization or verbalization, that make crime unjustified or justified. For instance, definitions favorable to income tax fraud include, "Everyone cheats on their taxes" and "The government has no right to tax its citizens". These definitions favorable to crime assist in justifying and organizing criminal actions in a specific circumstance. They are offset by definitions unfavorable to crime, such as, "Tax fraud deprives Americans of important programs that benefit the commonwealth";and "All fraud and theft is immoral". Sutherland identifies that definitions favorable to crime can be offset by definitions unfavorable to crime. Hence, he came up with a hypothesis that criminal behavior is determined by the ratio of definitions favorable to crime versus unfavorable to crime. Moreover, Sutherland identifies that the definitions are not all the same. Definitions that are presented more frequently, for a longer duration, earlier in one's life, and in more intense relationships, take more weight in the process of producing crime.

The differential association process with favorable and unfavorable definitions to crime is organized by the wider social organization in which individuals are embedded. This comprises the organization and structures of families, labor markets, schools and neighborhoods. Differential social organization captures this organization (Matsumura, 2014).

At the group level, this theory explainsthe way by which normative conflict in society translates into particular group crime rates. According to this level, the rate of crime of a group is evaluated by the degree to which the group is structured for or against crime. In societies that are industrialized, the two categories of organization exist side by side and indeed are sometimes interwoven in a complex manner, such that police obtain bribes and take part in a systematized extortion, or baseball players obtain steroids in full view of teammates. Sutherland hypothesized that the relative strength of the organization in favor of crime versus organization against crime provides an explanation of the rate of crime of any society or group. Hence, when compared to suburban neighborhoods, inner-city neighborhoods are weakly organized against crimes in the street and strongly organized in favor of such crimes. In comparison to other groups, the Mafia is strongly organized in favor of crime and weakly organized against crime. In terms ofcountries, Japan is strongly organized against crime and weakly organized in favor of crime compared to the USA (Matsumura, 2014).

Furthermore, differential social organization process at the group-level is related to the individual-level of differential association process. The highly organized groups in favor of crime show many and intense definitions favorable to crime. Conversely, the strongly organized groups against crime exhibit different and intense definitions unfavorable to crime. Matsumura (2014) suggests that the differential social organization explains group crime rate by influencing the availability of definitions favorable and unfavorable to crime within the group. If groups are highly organized in favor of crime and weakly organized against crime, the group will present an abundance of definitions favorable to crime and few definitions unfavorable to crime. Individuals in such groups are under a high tendency of acquiring the knowledge of an excess of definitions of crime. Whether or not they do is based on their actual learning. Even in high crime communities, some residents are isolated from the abundant criminal definitions and exposed to the few anti-criminal definitions in the community. Those residents will refrain from crime because of an excess of definitions unfavorable to crime. The opposite also holds.

The differential association theory talks about crime against property for personal or organizational gains. This theory talks about white collar crime, elite deviance, economic crime, commercial crime, respectable crime, suite crime, corporate crime or occupational crime. The differential association theory of Sutherland says that fraud is not genetic, but learned from a peer group. He says that fraud is deceitful, it is intentional, it breaches the trust and involves loss. Overall, although the theory is stated as a general theory of all crimes, Sutherland recommends that the Differential Association process could be different for different criminal offences.

2.5.2 Theory of Fraud Triangle

Every action is believed to have a cause. In 1950, a criminologist, Donald Cressey, examined the reason why people perpetrate fraud for the first time. His study focuses on what makes people commit breach of trust. A total of 250 criminals were interviewed for a period of five months. The criminals were selected based on satisfying two criteria: the person must have taken a position of trust in good faith; and the person must have violated the trust. The finding of his study reveals that three factors must be present for a person to violate the trust. He concludes that the motivation for fraud is a triangle of perceived opportunity, perceived pressure and rationalization,as shown in Figure 2.1. Every person who perpetrates fraud is confronted by some kind of pressure. In most cases, pressures are as a result of financial need, although non-financial pressures, like frustration with work, the need to report results better than actual performance, or even a problem to overcome in the system, can likewise motivate fraud. Research has shown that these pressures do not have to be real. They simply have to appear real to the perpetrator. According to Cressey (1953), pressures are categorized into six groups: debts repayment difficulty, problems emanating from personal failure, gaining status (living beyond one's income or means of livelihood), reversals in business success (uncontrollable failures in business, such as recession or inflation), employer-employee relations (unfair treatment by the employer) and physical isolation (isolation of trust violator from people who can assist him or her).

Over the years, the hypothesis of Cressey has become well known as the fraud triangle. The first side of the fraud triangle indicates a pressure to commit the fraud. The second side stands for perceived opportunity, while the third side represents rationalization. Rationalizations that are common are: "It is for the good of the company", "The scheme is only temporary", "We have no other option", "We are not hurting anyone", "It is for a good purpose", and so on (Wells, 2011).

Perceived pressures, perceived opportunities and rationalizations are critical to any fraud that occurs. Whether the fraud directly benefits the perpetrators, such as employee fraud, or one that benefits the organization of the perpetrator, such as financial statement fraud - in all cases, the three elements are still present. For instance, in the case of financial statement fraud, the pressure could be the need to meet analysts' expectations or debt covenants; opportunity could be poor internal controls or a weak audit committee; and rationalization could be,"We are only getting over a temporary slump in business".

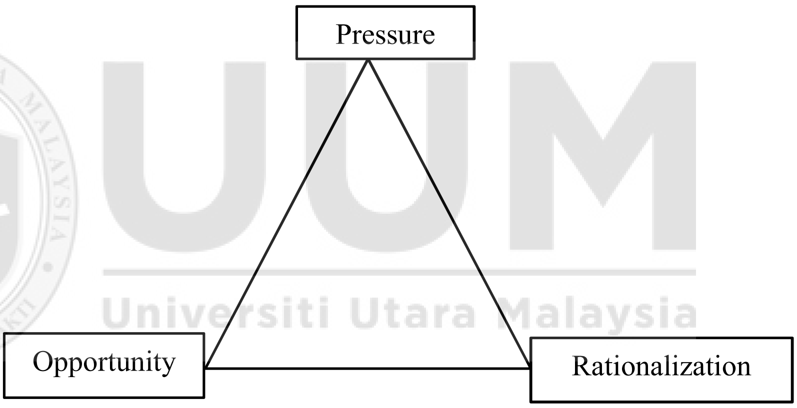

Figure 2.1.Fraud Triangle (Wells, 2011)

In audit literature, researchers have defined the components of the fraud triangle in different ways and have given many examples for each. Lister (2007), for instance, definesthe concept of pressure/motive to commit fraud as "the source of heat for the fire". However, the author stresses that the existence of pressures in the life of a person does not indicate that such person will commit fraud. He further stresses that there are three types of pressure or motivation: personal pressure, employment pressure and external pressure. Personal pressure arises as a result of the need to pay for an individual's lifestyle, while employment pressure emanates as a result of financial interest of the management, or continuous compensation structures. Lastly, external pressure is in the form of financier's covenants, threats to the financial stability of business and market expectation.

The second side of the fraud triangle known as opportunity, is seen by Lister as "the fuel that keeps the fire going" and his belief is that even if a person has an intention or motive to commit fraud, he or she can still not do so without having the opportunity. Some examples of opportunities that can lead to fraud include lack of segregation of duties, high turnover of management in key roles and complex organizational structures or transactions. As for rationalization, which is the third element of the fraud triangle, Lister defines it as "the oxygen that keeps the fire burning". He states that although it may be difficult for the auditors to evaluate the personal value systems of each person in an organization, they can evaluate the corporate culture. Indeed, the fraud theory of Cressey, formally referred to as the fraud triangle theory, is broadly embraced and employed by auditing professionals and the setters of standards as a mechanism for fraud detection (Kassem & Higson, 2012).

Thus, it is essential to examine not only the reasons, motives, opportunities, etc., for fraud, which is best reflected by the fraud triangle. Cressey (as cited by Wells,2011), who was the first to conceptualize the fraud triangle, argues that the pressure to perpetrate fraud can be recognized by the internal motives of an individual, but he emphasizes that the existence of financial predicament does not indicate that people will be motivated to be involved in fraud.

According to Vona (2008), motive to be involved in fraud perpetration is often related to personal pressure or corporate pressure on the individual. The intention to be involved in fraud may be as a result of the influence of pressures on the individual. It may also be as a result of rationalization or sheer opportunity. It is also the view of the author that the position of a person in an organization is instrumental to the opportunity to perpetrate fraud. According to him, a direct relationship exists between the opportunity to perpetrate fraud and the ability to cover up the fraud. Hence, having the knowledge of opportunity for fraud to occur gives room for forensic accountants to recognize the type of fraud schemes that people can commit, and how fraud risks happen if the controls do not work as planned by management.

Also, in the argument of Mudrock (2008), pressure can be in form of financial pressure, non-financial pressure or political and social pressure. Specifically, non-financial pressure can arise as a result of personal indiscipline or other weaknesses, such as drug addiction and gambling. Political and social pressure, on the other hand, are status-based. They happen when individuals assume that they cannot afford to fail simply because of their reputation or status. Pressure, therefore, relates to the motivation of the employee to be involved in fraud as a result of personal financial pressure or greed. Opportunity, on the other hand, refers to a weakness in the system which the employee has the ability or power to exploit, making fraud feasible, while rationalization is the justification of fraudulent behavior as a result of lack of personal integrity of an employee, or other moral reasoning (Rae & Subramaniam, 2008).

Albrecht, Albrecht and Albrecht (2008, 2010), however, state that motive/pressure can be financial or non-financial. The authors give examples of perceived financial pressures that can encourage fraud, like personal financial losses, greed, personal debt, falling sales, living beyond one's means, unexpected financial needs, inability to compete with other companies, poor credit, inability to meet financial forecasts and the need to meet short-term credit crises. From the above, it can be inferred that motives/pressures are differently classified. Some scholars have categorized them as derogatory, external pressure or employment, while others have categorized them as financial and non-financial pressures. Nevertheless, it can be seen that both categories are somehow similar. For example, personal pressure can emanate from both financial and non-financial pressure. A personal financial pressure, in this case, could be sudden financial need or gambling addiction, while greed or personal indiscipline can be peculiar to non-financial pressure. In the same manner, employment pressure and external pressure can emanate from either financial or non-financial pressures. Classifications of motive/pressure are shown in the Table below:

Table 2.1
Classification of Motives/Pressure

Personal pressure	- **Financial:** Gambling, addiction, sudden financial problem, lifestyle. - **Non-financial:** Lack of personal discipline, greed.
Corporate/employment pressure	- **Financial:** Continuous compensation structure, management financial interest, low salaries. - **Non-financial:** Unfair treatment, fear of losing the job, frustration with work, or a challenge to bear in the system.
External pressure	- **Financial:** Threats to business, financial instability, market expectations. - **Non-financial:** Ego, image or reputation, social pressure.

Source: Rasha and Andrew, (2012).

Mackevičius and Giriūnas (2013) proposed transformations to the fraud triangle model that also includes four elements, i.e., motives, conditions, capabilities and fulfilment. Motive is the basic element of the fraud scale. It shows whether an individual intends to act unfairly and the reason for such an act. The motive is often related to greed and some circumstances in life, such as unexpected financial needs, which are caused by debts, drugs, bad credits taken, gambling, alcohol, personal family problems and the like.

Mackevičius and Giriūnas (2013) assert that motives for fraud are many and relative.Various studies have indicated that the most recurrent motives for fraud are to gain, work dissatisfaction, different addictions, health problems and non-satisfactory leadership. Hence, motives for committing fraud can be categorized into two, comprising financial and non-financial pressures. For instance, the major motives of men to commit fraud are economic, different addiction types (gambling, drugs, alcohol, etc.), work,dissatisfaction with leadership and the reputation of being a loser and underestimated. Women, on the other hand, often make a decision to engage in fraud on the basis of their personal emotions and solving their personal problems (household, health, love, etc.). Similarly, women may commit fraud motivated by pride, hatred, seeking to punish the employer, revenge against specific set of people, etc.

The study of situations that improve the risk of fraud is the second component of the fraud scale. In general, the situations or conditions are the circumstances under which something is happening (Well, 2005). The conditions to engage in fraud are specifically favorable in the economic globalization processes. According to Litzky, Eddleston, and Kidder (2006), the free inflow and outflow of capital, labor force and services among different countries and regions, quick changes in all aspects of life, keen competition and an increasing level of uncertainty of the chances of remaining in the market, are the real conditions to perpetrate fraud and likewise give justification for such acts.

Possibility is the third element of the scale of fraud risk. Possibility is the option given to a staffs who intends to commit a fraud. Possibility is determined by position and power of the person in an organization, the access of the person to the accounting records and the assets of the organization. The access is normally related to the internal control system existing in the organization. The more effective the internal control, the lesser the possibilities to make a mistake or to commit any fraud.

Realization is the fourth element of the scale of fraud risk. All scientific literature on the fraud triangle and its elements indicate that this element is rationalization. It is regarded as the way by which workers justify unethical behavior. It would therefore be more appropriate to define realization. This is because it is not the reasons for justification per se, but the personal traits of the employee, such as integrity and honesty, that allow to objectively assess whether the employee is willing to make an error or commit a fraud. Only due to specific personal characteristics, such as dishonesty and lack of integrity, motivation, and then possibility, will an organizational employee be ready to intentionally make errors or any form of fraud (Mackevičius & Giriūnas, 2013). Thus, it becomes essential to emphasize that each of the four elements has the same effect on the scale's result. However, realization has an inverse impact on evaluation. This is because if an employee lacks honesty and has little or no integrity, the chance of perpetrating fraud will be greater.

2.5.3 Fraud Scale Theory

The study Albrecht *et al.* (2008) examines fraud in a corporate entity with a view to deterring fraud. The study classifies fraud motivation into nine categories: living beyond means, high personal debt, feeling challenged to beat the system, overwhelming desire for personal gain, the perception that pay does not commensurate with duties, close relationship with customers, wheeler-dealer attitude, unnecessary peer or family pressure and extra-ordinary gambling habits.

Albrecht *et al.* (2008) find that people who perpetrate large-scale fraud use the takings to buy new houses and extravagant vehicles, go for expensive vacations, buy recreation property, make speculative investments and support extramarital relationships. However, those who commit small-scale fraud utilize their proceeds for more pedestrian ends, such as settling normal monthly bills or paying rent. Poor duties/responsibilities segregation, undue trust of key employees, unattainable goals imposition and operating on a crisis basis,are all pressures or weaknesses related to massive fraud.

The Fraud Scale was developed by Albrecht. The scale ranks situational pressures, perceived opportunities and personal integrity. When situational pressures and perceived opportunities are on the high side and personal integrity is low, there is tendency for occupational fraud to occur than when the reverse is the case. Based on the fraud scale theory postulations.

Situational pressure is described by Albrecht as “the immediate problems individuals experience within their environments,” usually financial losses or high personal debts. Opportunities to perpetrate fraud may be created by ineffective internal controls - those of the company or the employee (Albrecht *et al.*, 2008). Personal integrity refers to the “personal code of ethical behavior each person adopts (Albrecht *et al.*, 2008).

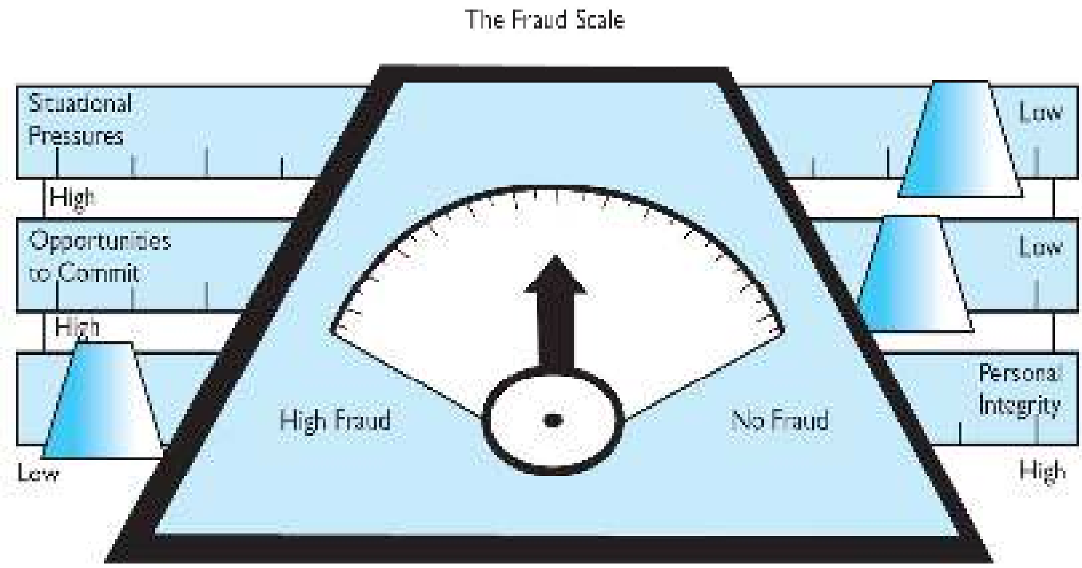

Figure 2.2 Fraud Scale Model
Sources: Albrecht et al.*, 2008*

Nigeria, Africa's most populous nation and the second largest economy in the sub-Saharan Africa, has been rated as one of the 20 poorest nations in the world, with poverty incidence and financial exclusion rate of about 70% (Chandy & Gertz, 2011) and 46.3% (Sanusi, 2011), respectively, among its population of over 160 million. The CBN asserts that since the 1980s, poverty in Nigeria has become a recurrent problem (CBN, 2005). In 2011, it declared that 70% of Nigeria's teeming population is not only unbiased but also live below the poverty line, a trend that contradicts the nation's abundant human and natural resources (International Fund for Agricultural Development, 2010).

Most of the perpetrators of fraud in Nigeria have a financial pressure which is due to "greed". In addition, most of the perpetrators are government officials who are highly placed, who are rich but have the desire to acquire more wealth. For instance, the governor of the Southern part of the country stole billions of naira and banked it abroad. Similarly, an accountant in one of the Northern states and head of the accounting unit of the Nigerian Law School, was accused of bank fraud. In 2005, the Economic and Financial Crime Commission (EFCC) recorded the arrest of over 20 governors out of the 36 states in Nigeria and the same phenomenon is presently happening in Nigeria where ex-governors, ex-ministers and other top political office holders are being investigated by EFCC. The above discussion is clear evidence of greed and corporate fraud as postulated by the Fraud Scale Theory.

The second and third stages of perceived opportunity and rationalization in the case of perpetrators in Nigeria, involve most of the officials, both in public and private sectors, who hold power and positions in many situations, giving opportunities for themselves, because they are at the top level of their respective positions. For instance, recently, the anti-corruption agency found over $700 million cash in the ex-oil minister's house (The Punch, 2015). Over $20 billion oil revenue and over 30 trillion nairas ($50 billion) are missing from the federal ministry of finance (Vanguard, 2015). These cases are still unresolved due to the powerful link between the accused and the then government. Hence, they used power and connection to support their unethical behavior.

2.5.4 Fraud Diamond Theory

It has been argued by Wolfe and Hermanson (2004) that although perceived pressure might work together with an opportunity and rationalization, fraud may still not occur unless capability, which is the fourth element, also exists. Invariably, the person intending to commit fraud must have the ability and skills to perpetrate fraud.

This is the condition of possessing the required skills or traits and ability for the person to perpetrate fraud. It occurs when the fraudster identifies the specific fraud opportunity and has the ability to turn it into reality. According to Wolfe and Hermanson (2004), the complementing elements of capability include intelligence, position, coercion, stress, ego and deceit. However, it is not every individual who has motivation, opportunities and realization,who may perpetrate fraud because of lack of the capability to execute or conceal the fraud (Mackevicius & Giriunas, 2013). This element, in the opinion of Albrecht, Williams, and Wernz (1995), is specifically essential when it involves a long-term or large-scale fraud. The belief of Albrecht *et al.* (2008) is that only an individual who has an extraordinarily high capacity will be able to understand well the organization's existing internal control, to spot out its weaknesses and to use the weaknesses in planning the fraud implementation and execution. Also, Wilson (2004) states that rationalization and capability are inter-woven, and the strength of each element has an impact on the other.

Finally, looking at the underpinning theories discussed above, we can vividly see that the theories are quite applicable to the current Nigerian situation where fraud committed by the lower classes are highly penalised. These fraud cases sometimes attract heavy sentences, like imprisonment without fine or even the death penalty. Sadly, high profile crimes which involve the elites stealing billions of dollars (USD) of public funds remain unpunished. Instead, the perpetrator of those crimes is rewarded with even more lucrative appointment, such as governorship, ministerial and ambassadorial positions. Moreover, these individuals who had been known publically to have stolen public money, thus corruptly enriching themselves, are awarded honorary degrees and traditional titles by higher institutions and traditional rulers. The message that is sent to the younger generation is that one can be celebrated as long as the individual has wealth, irrespective of how such wealth is acquired (Ozo-Eson, 2010). So, all the variables under both the Fraud Triangle and Fraud Diamond theories are manifested in Nigeria, as an agent of fraud in the banking sector.

The banking sector is no exception to this kind of high-level fraudulent activities. For instance, a top official of a local bank, who was convicted of stealing billions of naira from the bank, was only sentenced to six months imprisonment while the same judge sentenceda common man who stole a goat for more than six months imprisonment with or without fine. A former National Security Adviser to the president was accused of defrauding the federal government to the tune of USD 30 trillion for the purchase of arms to fight Boko Haram insurgency in Nigeria.

The same Nigerian legal system sentenced two security guards who stole 150 litres of generator diesel to one month's imprisonment without the option of fine (Karofi, 2007). The lower class sometimes turns to violent action in showing their bitter feeling to the government. This analysis brings us to the question of what is a financial crime. What causes the financial crime, and how can adoption of Islamic corporate governance cure financial crime in the banking sector of Nigeria.

The issue of governance arises because of the increase in competitive pressure between owners and management (Davies, 2006). To solve this problem, a control mechanism has been established followed later by different corporate governance models. Weimer and Pipe (1999) came up with corporate governance alternative systems: (i) Market oriented; and (ii) Network oriented. The models are the unitary board model practiced mostly in the UK and Malaysia; while the two-tier board model is practiced mostly in Germany, Holland andFrance. The business network model is practiced mostly in Japan.

Studies (like Mckinsey & Company, 2000; Mackenzie, 2002; Picouand Rubach, 2006; Liew, 2007) have shown that corporate governance is an investment for wealth creation, increases share price and reduces the impact of any future crisis. Based on the results of empirical cases of failed companies, like Enron (USA) and HIH Insurance (Australia), it is clear that good governance practices guide corporations towards sustainability (Marjono, 2005).

Corporate governance is a multidisciplinary subject with its genesis in accounting, management, economy, finance and law (Cook & Deakin, 1999, as cited in Najam, 2006). Many of the problems concerning governance are associated with accounting issues and this justifies its dominance in these fields (Najam, 2006). Many studies on the relationship between board structure and performance have been undertaken (Aguilera, 2008; Van Berghe & Carchon, 2002; Bender & Moir, 2006; Heracleous, 2001; Kamardin & Haron, 2009a; Kota & Tomar, 2010; Laing & Weir, 1999; Lambret & Sponem, 2005; Marjono, 2005; Marnett, 2005; Mohd & Ghazali, 2010; Yatim, Kent & Clarkson, 2006).

Generally, the focus areas of governance structure includesboard structure, board role, board performance, board composition, remuneration, and gender. The results have been mixed; a few studies (Kota & Tomar, 2010) have revealed a positive association between corporate structure and performance. In contrast, Mohd & Ghazali (2010) examined corporate performance among 87 Malaysian companies, and found no relationship between the two variables. Remuneration is another area of the governance structure. Bender and Moir (2006) conducted a study in the UK on how to determine the remuneration of board directors. The study finds that despite the different means employed to determine remuneration which could lead to good behavior, there is also the chance that it may affect the interest of shareholders.

However, Cools (2005) conducted a study among 25 fraud and no-fraud corporations in the US, and the finding shows the contrasting effect of compliance and practices. The corporations included were Enron, Qwest, Health South and Xerox. Although these corporations may comply with all the governance codes, the actual situation is far from reality, and their practices may be a good distance away from the prescribed codes.

2.5.5 Relationship between the Stakeholder Theory and Islamic Corporate Governance

The stakeholder theory was incorporated into the management discipline in 1970 and developed gradually by Freeman (1984), including corporate accountability, to a wide variety of stakeholders. The stakeholder theory, according to Wheeler *et al.* (2002), is a derivation from the combination of the organizational and sociological disciplines. In fact, the stakeholder theory is more of a broad research tradition and less of a formal unified theory incorporating ethics, philosophy, economics, political theory, organizational science and law.

The stakeholder theory is described as any individual or group who is affected or can affect the achievement of the objectives of an organization. Unlike the agency theory in which the managers are serving andworking for the stakeholders, stakeholder theorists recommend that managers in companieshave a relationship network to serve. This consists of the employees, suppliers and business partners.It is also argued that this group of the network is crucial besides owner-manager-employee relationship as attainable under the agency theory (Freeman, 1999). Sundaram and Inkpen (2004), on the other hand, contend that the stakeholder theory tries to address the group of stakeholders requiring and deserving the attention of the management; while, Donaldson and Preston (1995) claim that it involves all groups in abusiness to get gains. However, Clarkson (1995) recommends that an organization is a system, wherestakeholders exist and the aim of the organization is the creation of stakeholders' wealth.

Freeman (1984) contends that the network of relationships with different stakeholders can influence the process of making decision because the stakeholder theory concentrates on the nature of these relationships in relation to both processes and outcomes for the organization and the stakeholders. The argument of Donaldson and Preston (1995) is that this theory concentrates on managerial decision-making and interests of all stakeholders have intrinsic value, and no set of interests is presumed to be a dominant over the others.

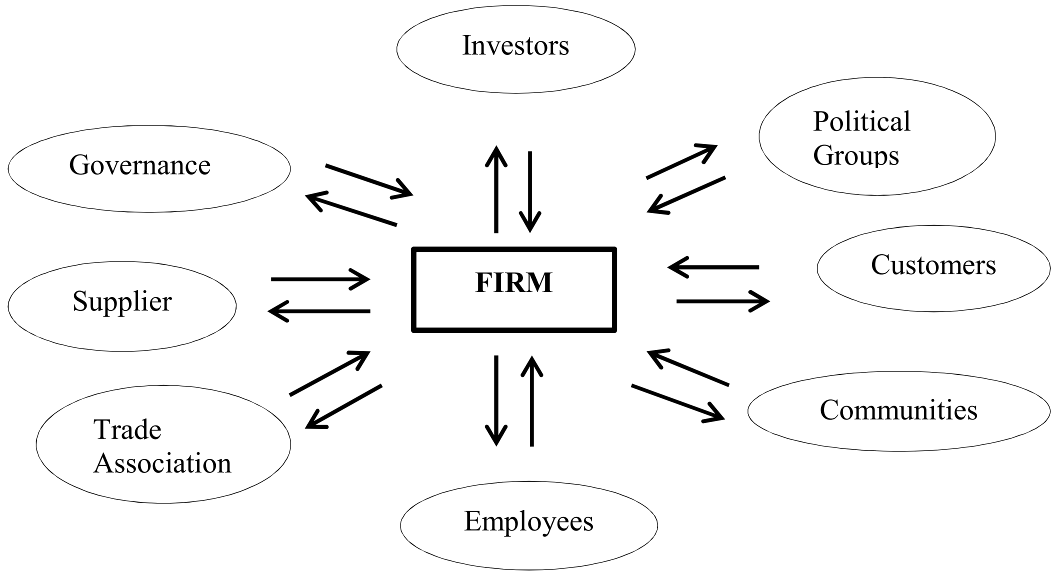

Figure 2.3 The Stakeholder Model (Donaldson and Preston, 1995)

Besides, in Islam, private and society or state ownership is recognized. This shows the identification of individual ownership in an entity as shareholders and at the same time, *Shari'ah* rules give guidelines to the individual, organizations and the state on how to handle the property's owner. In a nutshell, in Islam, the concept of property rights is premised on these fundamental principles. This implies that the rights on the property are subjected to *Shari'ah*; the enjoyment of rights to property is balanced with the rights of society and the state; every person, society and the state are stakeholders; and the identification/recognition of rights of stakeholders is by Islamic law (Iqbal and Mirakhor, 2004).

2.6 Summary of the Chapter

It is highly essential to emphasize the difference between corporate governance in conventional and Islamic banks. Islamic banking has unique features in the structure and liquidity management process. In Islamic banks, the issue of

*Shari'ah*compliance and good corporate governance are of fundamental importance and need special attention. Ensuring *Shari'ah* compliance is important in order to uphold the principles of Islamic banking. Since customers are commonly drawn to Islamic banks because of its underlying principles, having their confidence is crucial to the sustainability of Islamic banksas non-compliance with *Shari'ah*can shake customers' confidence.

It is made very clear in Islam that *Shari'ah* implementation will ensure the realization of *maqasid al-Shari'ah*,thereby the well-being of people in the world and the hereafter is safeguarded. As an Islamic sub-system, the implementation of *Shari'ah* in banking and finance should eventually reach the *maqasid al-Shari'ah* as far as their activities comply with the rules and regulations in *Shari'ah*. Hence, matters arising should be seriously noted. Appropriate actions should be taken to overcome any loopholes. Otherwise, the true concept of Islamic banking and finance may not be realized and *Maqasid al-Shari'ah* may not materialize.

CHAPTER THREE

ISLAM AND CORPORATE GOVERNANCE

3.0 Introduction

Modern corporate governance is about managing the corporation efficiently by increasing its beneficiaries' value and reducing agency costs. The corporate governance culture of any society reflects the ideological foundation of that society. In modern states, corporate governance principles would be found in legislation (binding rules) or in ethical codes observed by that society (non-binding norms). This categorization of sources fits perfectly with corporate governance principles in secular states. In such systems, ethics are generally considered to be non-binding standards, merely containing a moral obligation recognized by the society. In other words, ethics have no legal obligation that could be enforced directly in the court of law (Siddiqui, 2007).

Conversely, Islam is a holistic system that does not differentiate between legal and ethical non-binding morals (Lewis, 2005). He further notes that the New Testament philosophy is "to give unto Caesar those things that belong to Caesar, and unto God those things that belong to God", has led to a divergence in the west between sacred and secular that is anathema to Islam.

Moreover, ethics in secular systems are extracted from "human reason" and practice, and disregard "the role of faith," while "religious ethics draws its resources from revelation (Siddiqui, 2007).

Therefore, Muslims are obligated to integrate Islam into their holistic life (Lewis, 2005). Hence, Islam "contains a number of basic principles that may be applicable to the conduct of corporate affairs" (Abdul Rahman, 2002) and interacts with modern corporate governance.

3.1 Principles of Corporate Governance in Islam

3.1.1 Islamic Perspective on Social Responsibility (*Mas'uliat Ammah)*

Muslims believe in the unity of God under which

> *"There is no God but Allah" (*Translated Surah *Al-Ikhlas, 112; 1–4).*

> *Allah created the universe including our planet and all living creatures.*
>
> (Translated Surah *Yunus, 10; 3*).

Allah is the true owner of everything in this world as the Qur'an notes:

> *Say: Unto whom belongeth whatsoever is in the heavens and the earth? Say: Unto Allah*
>
> *(*Translated Surah *Al-An'am 6:12).*

At the end of the world, Allah will be the final inheritor of everything on this planet as noted in the Qur'an:

> *Lo! We Only, We inherit the earth and all who are thereon, and unto Us, they are returned*
>
> *(*Translated Surah *Maryam 19: 40).*

As viceroys, people are entrusted with the stewardship of the earth. Abdul Rahim (2002) says, "People as stewards are not only entitled to the natural resources of the earth but also obliged to develop them".

Islam adores a working and wealthy generation and recognizes its impact on people and the society. Prophet Muhammad said:

> *"Work for your worldly life as if you were going to live forever, but work for the life to come as if you was going to die tomorrow"*
>
> (Ibn Abi El-Dunya: 48, Translation by Maktabat Al-Qur'an n.d.).

Businesses thus should not be driven simply by profit or gains, but act also for societal benefit (Abdul Rahman, 2002),such as the conservation of natural resources and sustainability.

Islam also recognizes two mechanisms for redistribution of wealth (Rodney 2010).

> *"The first one, zakat (alms), is a mandatorily imposed taxation on every Muslim, taken from the rich to the poor"*
>
> (Buhari: 1395, Voll II, Pg. 130, translation by M. Muhsin Khan n.d.).

Zakat spending channels are strictlyprescribed in the Qur'an, which reflects a strong advocacy for social welfare promotion in Islam.

The second mechanism is *sadagah* which refers to voluntarily charitable contributions. Islamic texts are full of encouragement for Muslims to contribute to others. The Qur'an reminds people of their stewardship function over the wealth of God which He has deposited under their custody. Hence, people shall not hesitate to give part of Allah's money to the less advantaged persons in society. Allah condemns greedy people who are excessively attached to wealth accumulation and spare nothing for needy persons in the society.

However, one should bear in mind that Islam encourages moderate behavior in every aspect of life (al-Baqara, 2; 243). A Muslim has to pursue balanced behavior that neither greedily runs after wealth accumulation nor is excessively extravagant, even if such profligacy is for charitable reasons. This ideal model is depicted in the Quran:

> *And let not thy hand be chained to thy neck nor open it with a complete opening, lest thou sit down rebuked, denuded.*
>
> (Translated Surah Al-Isra17; 29)

3.1.2 The Socially Responsible Company

As illustrated, Islam strongly supports a modern corporate notion of social responsibility which advocates the implementation of sustainable and charitable practices by corporations. Linking modern social responsibility principles to their Islamic counterparts will promote incorporation of social responsibility principles into corporate governance systems in Islamic states on the one hand, and persuade Islamicallyaware corporations to implement socially responsible governance policies on the other. A well-governed Islamic corporation should have balanced policies that may ensure financial gains to the corporation and socially benefit the society (Rice, 1999). A socially responsible corporation has to implement environmentally-friendly policies and assign segments of its financial and non-financial resources to increase social welfare of the community.

3.1.3 Fairness and Justice (*Adl)*

The Arabic word, "*Adl"* conveys two interlinked meanings: fairness and justice. *Adl*is one of the pillars of the Islamic legal and ethical system. All Muslims are under obligation to adhere to this principle when dealing with other people.

The Islamic economic system is one of the key sectors of society that has been heavily influenced by the *Adl* principle. *Adl* defines Islamic economic theory, which coincides greatly with the modern market economy e.g.,

> *Prohibition of government pricing of goods*
>
> (Al-Tirmidhi: 1314, Translation by Abu Khaliyl n.d.)

And free movement of goods crossing borders e.g.

> "*Customs duties prohibition*"
>
> (Sahih Muslim: 6823, Translation by Abd-al-Hamid Siddiqu n.d.).

Islam's pro-"free economy" principles might be justified under the principle of Adel because, for instance, mandatory pricing of commodities by the state or customs duties levying would constitute a prejudicial action against merchants. Also, Adel has an important function in justifying some limitations imposed on the Islamic economic model. For instance,

> "*Islam rejects unfair trade practices, such as monopolies*"
>
> (Sahih Muslim: 4206, Translation by Abd-al-Hamid Siddiqu n.d.).

Selling below market prices, uncertain contracts and usury (interest) (Wilson, 2010) Hence, the *Adl* principle has an influential role in framing the Islamic economic system.

The concept of *Adl* in Islam interacts with modern corporate governance principles and promotes the corporate governance thesis on several fronts. Firstly, a corporate governance system has to guarantee fair and just treatment of the company's stakeholders. For instance, the company's employees have to receive "fair" compensation for their contribution to the company (Lewis, 2001). Also, shareholders have to receive fair returns for their investment in the firm (i.e., dividends or capital gains). Secondly, the BoD and executive officers have to implement a fair decision-making framework in running the company's affairs. For example, monetary compensation for the company management has to be reasonable and determined by a fair process, like a well-structured and governed compensation committee. Thirdly, majority shareholders have an obligation towards the minority shareholders, especially during the time of fundamental changes in the company's structure, such as buy-out acquisitions. In this event, the majority shareholders are obliged to refrain from approving any unjust transactions against minority shareholders or other stakeholders.

3.1.4 Trustworthiness

3.1.4.1 Trustworthiness (*Al-amin*)

In the pre-Islamic era, Arabic culture prized the values of honesty and trustworthiness (Bhala, 2011). In addition, the people of Mecca used to call the

Prophet Muhammad before his prophecy "*al-amin"* (the trustworthy) (Safi Al-Rahaman Al, 2007). Later, Prophet Muhammad indicated that Islam recognizes the good pre-Islamic values being observed in the Arab peninsula, noting:

> "*I was sent to perfect good character*"
>
> (Imam Malik: Vol 2, 1609, translation by A'isha `Abdarahman at-Tarjumana and Ya`qub Johnson n.d.).

In fact, these two values "are universal among the three religions [Judaism, Christianity and Islam], and indeed, among most moral codes. Such long-standing Arabian and Islamic heritages of recognition and admiration of these values would greatly promote modern corporate governance ideology and practice.

Prophet Muhammad also ordered

> "*Muslims to be trustworthy"*
>
> (Sahih Bukhari: 6094, Vol 8, translation by M. Muhsin Khan n.d.).

A trustworthy person should respect his or her contractual relations, as the Qur'an provides:

> *O ye who believe! Fulfill your undertakings*
>
> (Translated Surah *Al-Ma'idah 5*: 1)

Moreover, an entrusted person has to conserve and develop the assets positioned in his or her control for the benefit of the asset's beneficiary. For instance, the custodian of orphans' wealth has to perform his or her duties with extraordinary integrity and care in accordance with Allah's command: "Come not near the wealth of the orphan save with that which is better till he comes to strength; and keep the covenant.

Lo! Of the covenant it will be asked

(Translated Surah *Al-Isra*, 17:34).

Also, Islam obligates every Muslim to uphold a trust placed upon him or her even if the other parties fail to keep their obligation towards him or her, as the Prophet instructed:

"*Pay the deposit to him who deposited it with you, and do not betray him who betrays you*"

(Abu Dawud, Vol 3, No. 3536, translation by Yaser Qadhi n.d.)

Trustworthiness is regarded as a prerequisite for recruiting employees. Two practical incidents reported in the Qur'an show a link between trustworthiness and suitability for employment. In the first one, Prophet Joseph emphasized his notorious trustworthiness to the King of Egypt when Joseph petitioned to be appointed by the king and said: Set me over the storehouses of the land.

"Lo! I am a skilled custodian."

(Translated Surah *Yusuf* 12: 55).

In another incident, some young women urged their father to hire Prophet Moses due to his famed trustworthiness by saying:

"O my father! Hire him! For the best (man) that thou canst hire is strong, the trustworthy"

(Translated Surah *Al-Qasas*, 28; 26).

Clearly, the value of being trustworthy in Islam overlaps with modern corporate governance principles, contributing to achieving good governance in different ways. First, the corporation's BoD and other officers have to preserve the corporation's assets and spend such assets efficiently for the benefit of the corporation and its shareholders. Also, they have to maintain their loyalty to the corporation by avoiding any conflict of interest in transactions.

Accordingly, the BoD and executive officers should not use the corporation's assets for their own interests but to the best interests of the corporation. Secondly, every member of the corporation has to look after the corporation's assets placed under his or her trust. This duty of care is so wide that it includes every person working for the company. Preserving the company's assets requires that the BoD and top executive officers receive reasonable compensation. Wasting the company's resources on unnecessary matters violates the duty of trust imposed on these entrusted persons. Thirdly, the BoD and other high-ranking management officers are obligated to hire the most qualified persons in the company. Fourthly, the company has to respect all contractual agreements with its stakeholders. Finally, the company has to observe trust placed in it by workers; they must pay workers' salaries on time and protect their retirement plan and take into account their position whenever a fundamental change in the company's legal structure arises (e.g., restructuring or dissolution). However, the corporation's employees have no right to violate their duty of trust to the company even if the company has not fulfilled its promises to them. The same applies to the corporation if there is a betrayal by an employee. For these events, pursuing a legal remedy is the only available option to the injured party.

3.1.4.2 Honesty (*Al-Amanah*)

Honesty is another pivotal principle in the Islamic ethical system. Honesty commonly goes hand-in-hand with trustworthiness. In the Qur'an, Allah commanded Muslims to be endowed with honesty, saying: "O ye who believe! Be careful of your duty to Allah, and be with the truthful" (al-Tawba, 9; 119).

> "*Prophet Muhammad encourages this good behaviour by advising his companions to be honest to attain Allah's satisfaction*"
>
> (Sahih Muslim: Vol 8, 6805, translation by Abd-al-Hamid Siddiqu n.d.).

Transparency represents an integral component of honesty in Islam. A merchant has to allow a buyer to accurately determine the condition of goods he or she presents for sale. In addition, a disclosure system in Islam imposes an obligation on the seller to reveal all information related to the goods, especially if there is any defect in them. In a business transaction, the two parties involved have the right to cancel the transaction as long as both have not separated; and if they uphold truth and operate transparently in their transaction, they will be blessed. However,

> *"the blessing on the transaction will be blotted out if they are not truthful in their dealings"*
>
> (Sahih Muslim: Vol 5, No. 3937, translation by Abd-al-Hamid Siddiqu n.d.).

The sellers are prohibited from employing deceptive marketing and advertising strategies.

Islam's strong support for honesty and transparency promotes sound corporate governance objectives, especially with regards to a disclosure framework. Publicly traded corporations are obliged to disclose all material information to investors. Disclosures compatible with Islamic values should "include the attribute of 'truth'-fair and accurate disclosure of the matters at hand" (Lewis, 2005). Merely disclosing all information does not satisfy the Islamic disclosure requirements under which the corporation is obliged to signal important information and risk factors to investors. Dumping a great deal of unnecessary information on investors in hopes of burying material information does not fulfil Islamic disclosure requirements.

Disclosed information must include all information investors would deem necessary to determine the compatibility of the corporate operations and finance structure with Islamic teachings (Lewis 2005). For instance, any interest-based finance has to be disclosed to investors (http://www.alifta.net). The corporation's line of business should also be disclosed to investors to enable them to make accountable investment decisions, especially with regards to investment in corporations that engage in a prohibited business,

"*Such as intoxicant production or selling*"

(Sahih Bukhari: Vol, 3, No. 2237, 2238 translation by M. Muhsin Khan n.d.)

Moreover, the disclosure framework must communicate to investors the corporation's social responsibilities, such as its policies towards the environment, charitable contributions and *zakat* (alms) payment and calculations (Lewis, 2005). The external auditor of the corporation is under an obligation to signal any violation of Islamic corporate governance principles (Rahman, 2002). The corporation's accountant and internal auditor have to ensure a sound recording of the corporation's financial statement, especially with regards to the corporation's liabilities, as instructed by the Qur'an (al-Baqara 2; 282).

> *"A sound transparency model should indicate the way a corporation acquires its assets and the legality of the means of acquisition"*
>
> *(*Translated Surah *Al-Baqara 2: 188).*

Accordingly, Muslim investors are required to avoid investing in a corporation which acquires its assets illegally (e.g., intellectual property infringements). In this regard, Prophet Muhammad noted:

> *"He who buys something stolen, while being aware that it is stolen, shares in the sin and shame of stealing"*
>
> (Sahih Muslim: 209, 210 translation by Abd-al-Hamid Siddiqu n.d.)

The Islamic perception of disclosure and scope of transparency seem wider than the modern disclosure framework.

3.1.5 Consultation (*Shura)*

3.1.5.1 *Shuratic* Decision-making Process in Islam

The Arabian Peninsula tribes have been observing the process of consultation in their decision-making even before the advent of Islam (Hitti, 2002).

Generally speaking, in such a decision-making model, the "tribe's" seniors from an "informal" Congress discuss and advise the tribe leader (Lewis, 2005).*Quraysh*, the Prophet Muhammad's tribe, for instance, had a designated council house, *Dar al-Nadwa*, for deliberating and deciding on the tribe's affairs (Ibrahim A. Al-Marzouqi, 2009). Later, Islam appraised the value of consultation and formally incorporated it into the new religion.

Unequivocally, Islam encourages people to consult before commencing any project or making important decisions in any matter. Nonetheless, the need for consultation seems more crucial when the subject matter is related to a group of people's affairs (Al-Mawdudi, 2013). For centuries Islamic scholars have not yet concurred on whether performing consultation by the leader is a mandatory or optional matter. Although the merit of the debate emerged in a constitutional context with regards to ruler-subject relations, nothing in the literature suggests excluding other organizational models from that debate perspective or insights (Tawfik Al-Shawi, 2002).

Whether *Shura*is obligatory or optional does not matter; what really matters is that a form of *Shuratic* decision-making process framework is implemented in both cases.

Disregarding *Shura* value at any decision-making level represents "a grave immorality which Islam does not permit" (Shaik al-Mawdudi, 2013). The leader has to furnish suitable ambience for consultees to provide their insights (Mahmoud Shaltut, 2001).

The minority's voice has to be heard and taken into account because "justice demands that all those whose interests are involved in a matter be consulted" (Shaik al-Mawdudi, 2013). The interests of the whole group are the ultimate goal of the Islamic *shuristic* decision-making model; therefore, the leader initially has to devote immense exertion to form a consensus over the decision and not resort to a majority opinion unless forming a consensus is impossible. For instance, Indonesian people who are a Muslim majoritydisregarded the country's formal constitutional setting which adopted the western model of the ruling majority (Kiochi 2011), and upheld their long-standing consultation and consensus seeking decision-making model.

On the other hand, consultation about special or technical matters (an expert opinion) should be directed to the most qualified person for advice. For instance, the eminent Islamic ruler and close companion of Prophet Muhammad, Umar Ibn al-Khattab, consulted a woman about the time soldiers' wives could wait for their husbands to come back from the front lines of war. In another event, Umar referred an alleged satirical poem to a famous poet to determine the true nature of that artistic work. Needless to say, a consultant in Islam is obliged to deliver advice based on his or her best knowledge and judgment (Al-Mawdudi, 2013, as noted by Prophet Muhammad):

"One who is consulted is entrusted"

(Ibn Majah: Vol 2, No.3745, translation by Nasiruddeen Al-Khattab n.d.)

3.1.5.2 Relationship between *Shura*and Corporate Governance

The Islamic compatible corporate governance model has to observe a *Shuratic* decision-making process in corporations. The Islamic framework suggests that all members of the organization should be permitted to take part in the process of decision-making (Safi Al-Rahman, 2007).

Therefore, the corporation has to set policies and procedures to guarantee that no decision would be taken in the absence of preliminary consultations and consensus-seeking over that decision. For example, the BoD and shareholders should not make any decisions within their realm of authority without conducting extensive deliberation and devoting a great deal of effort to build consensus on the pending matter. Besides conducting the mentioned horizontal consultations, a vertical consultation has to be observed between the BoD and the company's top executive officers, and those top officers with the rest of the employees. Allowing all workers to take part in the process of decision-making will increase their loyalty to the company and improve their productivity (Khalid, 2009). Any minority group – whether on the BoD or at shareholders' meetings – has to be consulted and permitted to take part in the process of decision-making of the corporation. The opinion of the majority shall not be imposed before a candid, consensus-seeking effort is conducted. The company has to support its decisions with the best available experts' opinion. For instance, the financial administrative structure and marketing strategies of the company have to be established and evaluated by experts.

The division among Islamic scholars over the obligatory nature of *Shura*would allow for the emergence of several varieties of *Shuratic* decision-making models. For instance, informal incorporations of *Shura*in a company's decision-making process as in the Indonesian example, would satisfy the Islamic requirement of a *Shuratic* model; or a formal form of a *Shuratic* decision-making process might be imposed mandatorily on companies in a way similar to the German corporate governance model which requires workers' participation in a company's decision-making process (Mark, 2011). Implementing any form of a *Shuratic* decision-making process reflects an inclination to the stakeholder model of corporate governance which strongly advocates the stakeholders', especially the employees'involvement in the company's decision-making process (Iqbal and Mirakhor, 2007).

3.1.6 Accountability (*Mas'uliyyat*)

3.1.6.1 Fear of Allah

As in Judaism and Christianity (Lewis, 2005)

> *Islam holds that every individual will be held accountable for his or her action in life on the Day of Judgment*
>
> (Translated Surah *Al-Zalzala*, 99; 7-8).

People's actions, whether veiled or concealed, are known to *Allah*, as the Qur'an provides:

say, (O Muhammad): Whether ye hide that which is in your breasts or reveal it, Allah knoweth it.

(Translated Surah *Ali 'Imran* 2; 29)

Wrongdoers may escape accountability in this life, but ultimately, they will be held accountable by *Allah* (Rahman, 2002). Therefore, abidance to Islamic rules and guidance exceeds complying with the rules enacted by the legislature (Lewis, 2005). In a secular system, for instance, taking advantage of a loophole in the legal system would not matter, but it would matter greatly in a religion-based system which considers such an action a violation of God's will (i.e., a sin). In addition, the permissibility of a specific activity or action by positive laws does not confer automatic legitimacy to that activity or action in Islam. For instance, national bank operations in Saudi Arabia encompass interest (usury), which is strongly forbidden by Islam.

Hence, many well-qualified Saudis tend to refuse to work in the banking sector (Fatwa, 2013) Not only that, many of them have quit their jobs in that sector for inferior-status jobs or those which pay less (Fatwa,2013) Until recently, the insurance sector had faced the same negative attitude from Saudis (Fatawa, 2012). Thus, the belief of the inescapable destiny of accountability may enhance Muslims' internal surveillance system and encourage every Muslim to self-enforce Islamic principles beyond the limits of a secular system.

3.1.6.2 Encouraging Good and Discouraging Evil

The Islamic accountability framework is not limited to the hereafter under which every member of a Muslim society must stand against any non-Islamic actions that occur in the society. Not only that, a true believer must also try to persuade other fellow Muslims to observe Islamic values. This obligation is called "encouraging good and discouraging evil," which is noted in the Qur'an.

In the eighth century, the Islamic state institutionalized *hisbah* (Lewis, 2005). Since that time, most of *hisbah* functions were assigned to public officers (singular- *muhtasab*, plural *muhtasabun)*, especially with regards to matters requiring a forceful adherence to Islamic guidance (Taymiya, 2005). Historically, the Islamic state entrusted the *hisbah* institution with a wide range of functions related to judiciary, policing (Al-Mawdudi, 2013) and religion. For instance, the *muhtasab* prosecutes and disciplines merchants and shoppers. Moreover, *hisbah* plays a crucial role in preserving the integrity of markets by combating fraudulent acts (Taymiya, 2005), eliminating prohibited commodities (e.g., spirit beverages) and commanding shoppers and traders to conduct prayers (Taymiya, 2005).

3.1.6.3 Relationship between Accountability and Corporate Governance

The accountability theory in Islam furnishes a solid foundation for a modern corporate governance premise. A belief of inevitable accountability on the Day of Judgment should encourage the companies' stakeholders to observe Islamic principles that are intertwined with corporate governance principles, such as social responsibility, honesty, trustworthiness and fairness (Abdussalam, 2009). The ethical framework of these principles may fill any gap existing in the mandatory corporate governance structure, as God's happiness and satisfaction are what matters in Islam. As the Qur'an articulates regarding the ultimate objective for every Muslim's action:

> *Say: Lo! My worship and my sacrifice and my living and my dying are for Allah, Lord of the Worlds.*
>
> (Translated Surah *Al-An'am* 6: 162).

The fear of accountability and the desire of attaining Allah's satisfaction would impose a self-motivated behavior to implement Islamic guidance related to corporate governance.

The obligation of "commanding good and forbidding evil," may promote the enforcement of corporate governance (Lewis, 2005). For instance, every stakeholder ought to stand against actions which are inconsistent with Islamic norms, including corporate governance violations. Stakeholders are under an obligation to encourage the company to adopt sustainable and fair governance standards. In Islam, there is no place for apathetic shareholders, because any shareholder – no matter how small his or her holding will be held accountable for non-Islamic practices taking place in the corporation (Lewis, 2005). The idea of a firm spate from its shareholders does not eliminate the obligation" to the shareholders in Islam (Lewis, 2005).

Therefore, shareholders shall not stand passively with regards to the activities taking place in the company. They could sell and leave for another investment opportunity, but putting sincere effort to correct the company's bad behavior would be a better cause of attaining Allah's satisfaction. For instance, shareholders' proposals could represent an ideal mechanism to signal rejection of any non-Islamic practices taking place in the company. In addition, shareholder suits (direct and derivative) would actualize the *hisbah* objectives.

Members of the business society may also play a great role in promoting and enforcing corporate governance principles. In the last few years, for example, periodical reviews on listed companies' compliance with Islamic guidance have been issued by several Islamic scholars, especially with regards to the company's line of business and finance. This practice has forced several companies' management to observe such concerns and impose pressure on their managements to lean towards more Islamically-accepted governance practices. For example, the Saudi giant oil company, ARAMCO, issued Islamically-compliant finance securities, *sukuk*, to finance one of its major projects to increase the marketability of *sukuk* (Saudi Stock Exchange, 2007). Also, several public companies have established special committees to supervise the compatibility of those companies' operations with Islamic rules. For instance, the Islamic Supervisory Committee (Unit) in Al Rajhi Bank (a Saudi listed company) intends to: "ensure that the bank conducts its business in harmony with the precepts of Islamic *Sharia*" (Al Rajhi Bank, 2013). Capital market authorities and other public company regulators (i.e., the Ministry of Commerce and Industry and the Saudi Organization Certified Public Accountants, "SOCPA") represent a modern implementation of the Islamic concept of *hisbah*. Responsible members in such institutions have to realize the religious dimensions of the job which require diligent effort on their institution's behalf to maintain capital market integrity and prevent harm to shareholders and other stakeholders. For instance, those institutions are obliged to inspect and rectify actions that violate Islamic principles of equity (e.g., minority exploitation by controlling shareholders) and honesty (e.g., fraud or deception). The enforcement of corporate governance principles has to be applied on a non-discriminatory basis.

"*Prophet Muhammad has emphasized the importance of this norm*"

(Sahih *Muslim*: Vol 1, No264, 265, translation by Abd-al-Hamid Siddiqui n.d.)

All in all, application of the *hisbah* notion is very wide and not limited to the aforementioned examples and may accommodate countless existing and future commendable corporate governance inspection and enforcement mechanisms.

3.2 *Shari'ah* Compliance in Banking

3.2.1 Relationship between *Shari'ah* and Bank Fraud

The *Shari'ah* compliance concerns have metamorphosed into a new governance dimension which falls under the framework of corporate governance. This is special to the system of financial management in Islam (Hasan, 2012). Ensuring that the operations and the activities of Islamic finance are conducted in accordance with *Shari'ah* and that the rights of the parties involved are not violated, are the essential functions of *Shari'ah* governance.

The Islamic finance concept has its rootsin *Shari'ah* and it is compulsory for the activities of Islamic finance to comply with it (Laldin, 2008). According to Grais and Pellegrini (2006), the stakeholders' interest should be considered and the shareholders should be fairly treated. "*Shari'ah* principles are the foundation for the practice of Islamic finance through the observance of the tenets, conditions and principles espoused by *Shari'ah*. Comprehensive compliance with *Shari'ah* would bring confidence to the general public and the financial markets on the credibility of the Islamic finance operations".

Shari`ah* compliance is important in case of banking mainly because of avoiding interest. As per Islamic *Shari`ah, interest is to be avoided due to *Shari`ah* compliance for the following reasons:

i. Allah forbade interest in *Surah Baqarah*, stating that

> *Allah declared trading as Halal and interest as Haram*
>
> (Traslated Surah *Al-Baqarah* 2:275)

> *O you who believe! Eat not usury doubled and multiplied, but fear Allah that you may be successful*
>
> (Translated Suarh *Ali 'Imran* 3:130)

ii. Interest is destroyable in *Surah Baqarah*. Allah said:

> *He will destroy interest and will increase for Sadaqat (deeds of charity)*
>
> (Translated Surah *Al-Baqarah* 2:276)

Moududi (2007) stated a Hadith referring to Sahih Bukhari, where

> "*Allah's Messenger (pbuh) said that though the interest amount may be greater now but it is bound to reduce at last*"
>
> (Sahih Bukhari: Vol. 4, No. 2766, translation by *M. Muhsin Khan n.d.)*
>
> "*Allah's Messenger (pbuh) instructed to protect us from seven destructive issues which include usury*"
>
> (Abu Daud: Vol. 3 No. 2876, translation by Yaser Qadhi n.d.)

iii. Avoiding interest is a sign of Belief (*Iman*) in Allah.In Surah Baqarah, Allah (SWT) said,

> *O you who believe, Be afraid of Allah and give up what remains (due to you) from usury (from now onwards), if you are really in believers.*
>
> (Translated Surah *Al-Baqarah* 2:278)

iv. Avoiding interest is a sign of *Taqwa* (Allah fearing). Allah said,

> *O you who believe, Be afraid of Allah and give up what remains (due to you) from usury (from now onwards)*
>
> (Translated Surah *Al-Baqarah*, 2:278)

v. All parties relating to interest equally cursed Jabir Bin Abdullah and said that

> "*Allah's Messenger (pbuh) cursed those who accept, pay, record and witness interest as they are all equal*"
>
> (Abu Daud: 3300, translation by Yaser Qadhi n.d.)

vi. Taking interest is a reason for Allah's anger. Abdullah Ibn Masud quoted a Hadith of

"*Allah's Messenger (pbuh) as saying: Whenever adultery and usury become rampant in a community, it is inevitable that wrath of Allah will befall upon them*"

(Al-Hakim Al-Tirmidhi: Vol 2, No. 2261, translation by Abu Khaliyi n.d.)

3.3 Islamic Corporate Governance System

Modern corporate governance principles are mainly concerned with decision-making processes and control of publicly traded corporations. Normally, any corporate governance model contains principles intended to reduce agency costs and promote fairness and transparency and make the company and its management accountable to its stakeholders, including the society at large (social responsibility). In a holistic system like the Islamic system, religious teachings regulate both the private and public lives of every person, which includes the social and economic interactions in the community, such as corporate governance matters. This chapter sheds light on the Islamic view of corporate governance by investigating the Islamic roots of modern corporate governance and assessing its application and contribution to modern corporate governance framework. The Islamic principles of *adl* (fairness), honesty, trustworthiness, accountability, social responsibility, *Shura* (consultation) are the cornerstones of the Islamic corporate governance model. The essences of Islamic principles are clearly reflected in the following subjects of modern corporate governance (Abdussalam M., 2009).

3.3.1 The Protection of Minority Shareholders

The Islamic model of corporate governance provides a solid foundation for the protection of shareholders. Islamic principles reject any form of oppression towards minority shareholders.

Discriminatory treatment or exploitation by the controlling shareholders in relation to minority shareholders is prohibited. The minority shareholders have to be treated the same as majority shareholders, especially in the event of a buy-out or any other fundamental change in the company structure. Islamic principles also guarantee shareholders especially the minority group the right to express their voice effectively to the board of directors or at the shareholders' meeting (Lewis,2015).

3.3.2 The Duty of Company's Management

The company's BoD, top executives and other management officers are obliged to observe Islamic governance principles. Islam imposes a trust duty on every custodian of the company's assets. That implies a wide scope of the fiduciary duty of care in an Islamic governance system, including every employee of the company. On the other hand, the decision-making structure of the company has to observe the Islamic *Shuratic* decision-making process.

Hence, a constructive environment of deliberation and consultation before undertaking decisions, or at least the important ones, within the organization, has to be observed. The voices of all participants in the company should receive prompt attention from the decision-makers, especially those weak parties, such as minority shareholders and employees. Decision-making goals must focus on the company's interest, as reflected in the stakeholder primacy theory of governance (Freeman, 2004).

3.3.3 Transparency and the Disclosure Framework

An Islamic model of governance encourages a transparent corporate governance framework.

Generally, the disclosure system endorsed by modern corporate governance coincides greatly with Islamic principles. Nonetheless, the Islamic disclosure system has a wider scope than the modern disclosure system. The disclosure system in Islam has its own characteristics which require disclosing information that concerns Muslim investors and stakeholders, especially employees and consumers. Investors and the other stakeholders have the right to acquire detailed information about the company's financial structure and business activities. That is not to assess the company's financial position or future prospect but to instead ensure the company is not engaged in activities contradicting Islam, such as interest (usury), or the selling or provision of prohibited products or services (i.e., wine production or selling). The Islamic system obliges companies to be transparent with regards to their social responsibility obligations (zakat payment) and policies (sustainability) (Lewis, 2005).

3.3.4 God-Fearing *(Taqwa)*

Taqwa plays a greater role to influence resources to be dynamic and capable for capacity building. *Taqwa* provides inner capability in terms of hope for opportunities and fear for threats and weaknesses. According to Bhatti, Alkahtani, Hassan and Sula*Iman* (2015), *taqwa* provides the inner good faith and piety to work with sincerity, and trustworthiness. In the context of the organization, *taqwa* serves as an endogenous construct to enable justice in the workplace.

The presence of *taqwa* is not just an enabler, but as a moderator and catalyst for companies to sustain distinctive resources, capabilities and competitiveness. *Taqwa* allows organizations to have good work ethics and a globalized workplace. Alam and Talib (2015) contend that *taqwa* enables companies to be consistent and steadfast with good efforts for better performance. Indeed, the essence of *taqwa* is the manifestation of the teachings of Islam in terms of integrity, trustworthiness, fairness and mercy to all mankind. Mohammad, Ibrahim, Salam, Jamil and Quoquab (2015) argue that *taqwa* facilitates managers to develop good leadership to enable good performance.

The strength of capacity building lies in the unique function of *taqwa*. Kamil, SulaIman, Osman-Gani and Ahmad (2010) contend that *taqwa* has direct implications to unique capability to outcompete competitors with good corporate governance as distinctive capability. The hope, fear and righteousness of Allah contribute to inner consciousness and fear of one's duty and accountability. In a broader scope, Hamid (2003) argues that *taqwa* is essentially about inner strength which is contradictory to *quwwah*, which refers to material strength. In terms of operationalization in life, believers have been reminded to maintain, retain and sustain *taqwa* with value added contribution to the society for the ultimate success of the society. Indeed, Abdullah and Majid (2003) contend that *taqwa* is powerful to make people religious and able to save more income. In short, *taqwa* requires three core elements, namely, *taqwa* (God-consciousness), *quwwah* (capacity) and *ukhuwwah* (togetherness). Figure 3 illustrates the operationalization of *taqwa*'s core elements (*taqwa*, *quwwah* and *ukhuwwah*) for success (*al Falah*).

3.3.5 Morality

Moral intensity, according to Harvey (2007), refers to the ethical characteristics that force those who make decisions to apply ethical reasoning. Part of the fundamental morals, like assisting others, giving unbiased treatment to people, etc., are incorporated in terms of sound practices of corporate governance. The code of ethics also indicates social responsibility (Stevens, 1994). Morals are regarded as the underpinning basis of ethics which can be used in organizations.

3.3.6 Integrity

Integrity refers to the characteristic of being honest and possessing sound moral principles. According to Eisenberger *et al.* (1987), integrity is an aspect of personality resulting from an individual's self-regulation, which is the determinant of the individual's dedication, loyalty, effort and initiative with respect to the organization; it enhances the goals implementation of an organization.

In Islamic finance, customers who deposit their money into the banks are allowed to share the risks associated with choosing the right investment and how successful the investment would be with banks. The banks releasing funds share risk with the receivers of the funds, including traders, producers, and the like. According to

Aggarwal and Yousef (2000), Islamic finance that has sound corporate governance, gives room for depositors to have some impact on the decisions of the banks regarding investment and permits banks a share in the process of decision-making, by being on the BoD of the organization receiving the funds.

Therefore, it can be observed that risk, together with decision-making, is largely and widely spread over a variety of concerned individuals. Risk sharing is established through decision-making sharing.

This provides an opportunity for broader participation of people in economic activities, such that they will ultimately feel they are not spectators, but partners (Aggarwal & Yousef, 2000). With this, the advantage of wider involvement is far beyond the ordinary feeling of involvement. It enhances the banks' stability. Hence, the deposit investment holders share both the profits and losses with the banks.

In a situation where a bank is confronted with an unfortunate event of an overall loss of the placement of its investment pool, its depositors should likewise bear their own share of the loss in a proportionate manner. With this approach, there is low tendency of individual banks and even the entire banking system, to break down (Ahmad, 1995).

3.3.7 Relationship between Accountability and Islamic Corporate Governance

An Islamic perspective of accountability provides the foundation of two important corporate subjects. Accountability, in the first instance, is intertwined with the belief of Muslims in the unity of the God (*Allah*), human stewardship and the Day of

Judgment (Khilafah or vice-regency) over the earth. There are two important implications accruable from this belief of corporate governance. First, organizations are expected to peruse policies that are responsible socially. Based on the advocate of Freeman (2004), a corporation that is publicly traded is not just a wealth generating mechanism for its shareholders but rather a juridical entity with social responsibilities and functions. Therefore, the Islamic perspective of social responsibility agrees with the contemporary corporate “socially- responsible” standards, such as charitable contribution to the community and conservation of natural resources.

Secondly, the view of accountability, based on Islamic perspective, provides the basis for the implementation framework of the principles of corporate governance. The Islamic implementation framework generally comprises two major parts. The first part deals with afterlife accountability by *Allah* to His human creatures. Thus, each individual will be held responsible for his or her deeds in life on the Day of Judgment. A strong belief of this kind of inescapable and unavoidable accountability may promote the principles of Islamic corporate governance. This includes the ones intertwined with the teachings of Islam, such as transparency, social responsibility, trustworthiness and fairness. The second part deals with the implementation of the principles of corporate governance in this life. The duty of *hisbah*, or “encouraging good and discouraging wrong,” offers the basis of today’s model of corporate governance principles. This model consists of a tri-layer structure: self-enforcement by individual believers; civil society’s enforcement by a group of believers; and sanctioned enforcement by the government. The first two layers represent a self-enforcing mechanism of corporate governance principles. For instance, an individual stakeholder or a group of stakeholders is required to carry out the *hisbah*duty by encouraging the company to pursue sound corporate governance principles and discouraging any violation of the principles of corporate governance. The last layer is related to enforcement of corporate governance by the government.

Besides performing their legal responsibilities, government institutions are required to fulfil their *hisbah*role as a representative of society. Defaulting on the enforcement of laws and regulations assigned to government institutions will make the whole society sinful for not performing their duty of *hisbah*. Because the ultimate obligation of enforcement rests on society, self-enforcing *hisbah* may complement any weaknesses in the government's enforcement framework, especially in developing countries where an enforcement framework is normally not efficient. In this regard, Majid Khadduri (1953) says: "if the state failed to enforce the law …, the believer still remained under the obligation to observe the law even in the absence of anyone to enforce it." The government (serving as the representative of people) and the society at large needs to ensure the use of the principles of corporate governance on the basis of equality. This is because Islam strongly forbids any selective application of its standards or rules.

Besides, the corporate governance implementation standard might be enhanced if an obvious link between the principles of corporate governance in Islam and their modern counterparts are seriously noted. It is expected that such kind of move will raise the extent of acceptance of corporate governance principles by Islamic societies, particularly in countries, such as Saudi Arabia, that has citizens who are religiously conservative. However, Saudi Corporate Governance Rules (SCGRs) have neglected the importance of such a link by not integrating its rules with the teaching of Islam. For example, *Shura* principle is not incorporated in the SCGRs, and at the same time, SCGRs do not lay emphasize on the essence of disclosing material information to Muslim stakeholders and investors (Saudi Capital Market, 2012).

Based on this, the Saudi Capital Market Authority (SCMA) may need to recheck its current implementation strategy of corporate governance in a nation that just concentrates on the compliance with the international best practices and standards in attaining a balanced method that takes cognizance of domestic factors. This kind of step, if taken, would enhance sound corporate governance goals in Saudi Arabia and motivate individuals to uphold the principles of corporate governance as an integral part of their religious responsibilities (Saudi Capital Market, 2012).

3.4 Relationship between Islamic Corporate Governance and Bank Fraud

Islamic law has been very consistent right from its beginning. The Holy Qur'an and the Sunnah are primarily the source of Islamic law and also the first point of reference for Muslims when it comes to legal matters. However, there are issues that may not be within the jurisdiction of these two as they may not be directly stated in the two sources. In this situation, the Jurists will refer to *Ijma* (legal consensus) or *Qiyas* (anology). Other sources that are secondary, such as "*Maslahah*" and "*Istihsan*" can also be referred to. Therefore, the Islamic law evolution has a great influence on how the affairs of Muslims should be governed. Hence, the relationshipbetween Islamic corporate governance and bank fraud helps in mitigating bank fraud.

The original Islamic corporate governance dimension is based on the fundamental principles of *Tawhid* (The oneness of Allah), the process of *Shurah* (consultation) and property rights and contractual obligations (Travers, 2010). Aqal & Mirakhor, (2004) argue that *Shari'ah* governance covers overall governance issues, protection of stakeholders' rights and compliance with divine rules guided by *Shari'ah*, which broaden the area of governance issues from merely stakeholder perspectives. In the recent past, *Shari'ah* governance has received considerable attention from not only academia but also practitioners, and much research has been conducted in countries where Islamic finance plays a great role in the economy. In order to develop a comprehensive governance system, it is necessary to ensure active involvement of *Shari'ah* scholars, with the industry practitioners and regulators. A sound and viable governance framework will provide a credible future, and also ensure transparency, trust, ethical behavior, credibility, underlying faith and belief and ethics (Thomas, 2005, cited in Nathan and Riberi, 2007); help protect the stakeholders' rights and fulfil the broad principles of *Maqasid al-Shari'ah* (Foundational goals of *Shari'ah*).

However, there aredeficiencies or gaps in current *Shari'ah* governance, especially in the area of the overall view to *Shari'ah* governance, the internal framework of *Shari'ah* governance, the qualities of *Shari'ah* board in terms of transparency, confidentiality, competence, operational procedures, independence and *Shari'ah* board evaluation. Absence of duties of independence and accountability in making decisionscan lead to ineffective practices of Islamic corporate governance (Magalhes & Al-Saad, 2013).

3.5 Summary of the Chapter

This chapter highlights several Islamic principles that have a connection to the principles of corporate governance. The principles of Islamic corporate governance are founded mainly upon nine principles: social responsibility, *Adel*, trustworthiness, honesty, *Shura*, accountability, transparency, shari'ah compliance and competency. The analysis of the essence of these principles reveals a great overlap between the Islamic view of corporate governance and the modern corporate governance thesis. Both systems support efficiency, sustainability, fairness, transparency and accountability. Nonetheless, the Islamic corporate governance model contains a few exceptional principles that require the adoption of a *Shuratic* decision-making process within the company and the expansion of the scope of a disclosure system to include matters concerning Muslim investors, especially regarding the company's line of business, financial structure and *Zakat* payment. There is an obvious disparity between the Islamic corporate governance framework in theory as articulated in this chapter and the Muslim communities' actual respect of corporate governance values(Rice G., 1999). Islamic countries, regrettably, suffer from common third world governance problems, mainly corruption (Transparency International 2012) and weak contract enforcement. When the gap between business ethical standards and practices was slim several centuries ago, Muslim merchants surprised other non-Muslim business communities by their high moral standards and caused a huge number of those societies to convert to Islam (Rice, 1999). A notable example is

Indonesia, today's largest Islamic state, which became an Islamic country through the interaction of ethically-abiding Muslim merchants. At the end, Islamic corporate governance leans toward the stakeholders' theory, which promotes the consideration of the interests of non-shareholder constituents when governing the company.

CHAPTER FOUR
RESEARCH METHODOLOGY

4.0 Introduction

In this chapter, this study's research methodology is demonstrated. The chapter shows the theoretical framework employed for identifying the elements of fraud triangle theory. It discusses the variables employed to measure and reduce bank fraud in the Nigerian banking sector. It also handles the formulation of the hypotheses that are subjected to test by this study. This chapter gives an explanation of the research framework and methodology employed for data collection, analysis and interpretation in order to achieve this study's objectives. The chapter consists of five sections.

4.1 Research Design

Having a clear understanding of the appropriate research design to be used in a study is a crucial step towards the achievement of the research objectives. According to Yin (1989), research design is an action plan for reaching from here to there, where 'here' can be described as the preliminary set of questions to be answered, and 'there' is some set of conclusions (answers) about this question. Zikmud (2010) classifies research design into three forms:

i. Survey/non-experimental design, consisting of questionnaires and interviews

ii. Historical research design which explores the use of secondary information and observation

iii. Experimental design carried out in a laboratory.

In this study, non-experimental design is used. With this, researchers do not have influence on the independent (predicting) variables that determine their effects on the dependent variable. The only thing the researcher can do is to influence the study's measurement, withoutinterfering with the setting of the research.

A research design according to Lion (2009), is a master plan giving explanation of the procedure and method for acquiring and analysing the required data and information. Particularly, quantitative method using descriptive research is the most suitable approach to achieve the said objectives. This approach tallies with the suggestion of Taneja, Taneja, and Gupta (2011) who recommend using quantitative research method as against qualitative research method which has broadly been applied in earlier studies.

A quantitative study is regarded as an examination of common or human inquiries based on theories which comprise constructs, numbers and use of statistical tools. The outcome will enable us to know whether the theory works in the context of a study (Creswell, 1994). Similarly, Fowler (1988) states that survey designs can also provide a quantitative or numeric explanation of some portion of the populace (sample) through the process of data collection, such as by asking people. This study also used a similar approach as it best suited for addressing the objectives of this research.

This study's overall objectives are twofold: to investigate the perception of senior staffs on the prevalence of bank fraud in the banking industry in Nigeria; and to investigate the role of Islamic corporate governance in preventing bank fraud. In order to explain the future of the concerned variables in a given circumstance (Sekaran & Bougie, 2010), given that this study focuses on bank fraud, the survey method will be more appropriate to realise the goal. Therefore, descriptive research using a cross-sectional research design was adopted by this study. The self-administered survey was employed to obtain data from senior staffs and other stakeholders in Kano, Nigeria. A pilot study was done to verify the uniformity, validity and consistency of the constructs employed in the instruments, the style of language used, the fieldwork timing and the research design test.

The questionnaire was distributed to 350 respondents. The research used exploratory factor analysis and principal component analysis to analyse the data. Descriptive research was done with the aim of describing the useful aspects of the phenomenon of interest from a person, organization, industry or another's point of view. Data obtained from descriptive study can give useful information about the qualities of the group and also about the relationship between the qualities (Sekaran, 2003). Two basic descriptive research designs exist:

(i) Cross-sectional – this involves collecting data at one point in time to be able to meet the research objectives (Cavana, Dalahaye & Sekaran, 2001; Bichi, 2004). The benefit of cross-sectional design is that it is cost effective and saves a lot of time (Sekaran, 2000; Wilson, 2010).

(ii) Longitudinal - This design has to do with collection of data at several periods in time (Churchill & Lacobucci, 2002).

4.2 Conceptual Framework

The primary objective of an Islamic bank in the short-term is how the bank can satisfy its customers effectively by reducing the rate of fraudulent activities in the banking sector. However, the long-term objective includes increasing market share and profit to all stakeholders (Porter, 1996). On this basis, the conceptual framework of this study examines the relationship between the fraud triangle theory and the elements of pressure, opportunity rationalization and capability in relation to fraud, and role of Islamic banks in curtailing such fraudulent activities in Kano (Muslim & Zaidi, 2008). Under Islamic banking corporate governance, four key factors are considered always, these are the e.g. zakat. Islamic financial activities have social responsibilities to all the stakeholders and customers.The governance structure requires the establishment of a SSB. With these elements/factors under Islamic corporate governance, the issue of fraud in banking will be reduced if not completely stamped out.

The conceptual framework for this study, therefore, measures the role of the independent variables (IVs) under Islamic corporate governance, vis-à-vis the motivating factors to commit fraud in the banking business in Kano, using the four elements/factors that trigger fraud commitment as proposed by the fraud triangle theory and the fraud diamond theory.

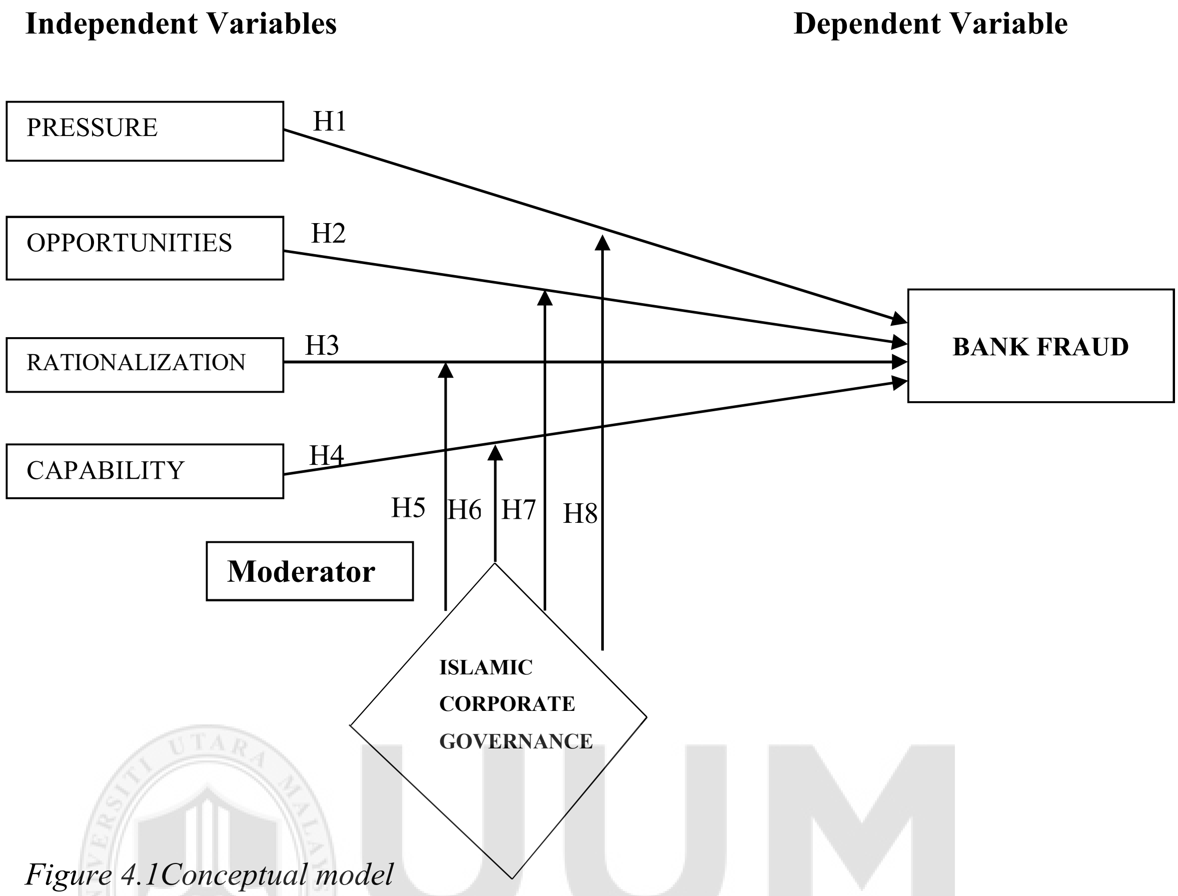

Figure 4.1Conceptual model

4.3 Hypothesis Development

4.3.1 Relationship between Pressure and Bank Fraud

The term 'pressure' is defined as "the source of the heat for the fire" (Lister, 2007 p.63). The author adds that three types of pressure or motivation exist. The first type is the personal pressure. This kind of pressure includes the pressure to pay for life style, employment pressure emanating from management's financial interest and external pressure like threat to the business, financier covenants, market expectation and financial stability. Albrecht *et al.* (2008, 2010) define motive/pressure as financial or nonfinancial motives. The scholars have given examples of perceived financial pressure that can encourage fraud, such as living above one's means, personal financial losses, greed, declining sales, personal debt, ability to favorably compete with other organizations, poor credit, the need to meet short-term credit crisis, urgent financial needs and inability to meet financial forecast. Non-financial pressures, according to them, include work frustration, the need to report results higher than the real performance or a challenge to beat the system.

Cressey (1987) examined what makes people to be involved in trust violation. Through interviews, the researcher gathered information from 250 criminals for a period of five months based on two behavioral criteria: the criminal must have accepted, in good faith, a position of trust; and the trust must have been violated. The finding of the study reveals that three things must exist before a person can violate trust. The study concludes that the motivations or intentions to commit fraud are a triangle of perceived pressure, opportunity and rationalization, which are the three factors. He argues that every individual who commits fraud is confronted with one kind of pressure or the other. Majority of pressures involve financial need, though non-financial pressure like work frustration, the need to report results higher than real performance or even a challenge to beat the system can also encourage fraud. Studies have indicated that these kinds of pressures need not be real; they merely have to appear real to the fraud perpetrators. Therefore, the traditional fraud model specifies that pressure, whether real or perceived, enhances the chances that an individual will perpetrate fraud. Conditions for such comprise personal and corporate position, external expectations and compensation plans. For example, the financial position of an organization is large because of its performance and the growth level it is aspiring to attain. Majority of the organizations that engage in financial statement fraud in the past few years have had a large amount of debt and leverage. This imposed a serious financial pressure on the management not only to have higher earnings in order to offset interest costs, but also to report earnings with a view to meeting debt and other obligations. In year 2000, derivatives-related liability of Enron moved up from $1.8bn to $10.5bn (Albrecht *et al.,* 2007).,

Desperate people involve in things that are desperate. Pressure has many forms both financial and non-financial. People can have personal financial problems due to rents and medical bills that may compel them to commit fraud. For some, it is simply the desire for a life style they could not afford otherwise. Pressure can also be due to unrealistic goals and deadlines and this provides incentives for people to commit fraud or financial reporting fraud, as in the case of Enron and WorldCom (2002). Enron was one of the US giant companies that engaged in bank fraud (Caliyurt, 2010). As such, there is a correlation between pressure and bank fraud. The Enron case in the US emphasized above has obviously shown to the corporate world that the impact of not being transparent on the matter of internally inflicted fraud is liquidation followed by a series of undesirable events, not the least the adverse effect on the long list of innocent stakeholders. Enron's have price rose to about USD 90 USD when things were not part of fact, in order, only to decrease to a level of lower than USD 1. Enron misled the market and the general public by showing good performance when in actual fact, the reverse was the case. Accountants and auditors should be sensitive to the business environment by putting in place control mechanisms that will prevent or detect fraud, without impeding business activities.

There are different views on the concept of pressure. Some scholars have viewed pressure as the absence of alternative behavior. Others have defined pressure as what causes one to commit fraud, which mostly comes from a significant financial need/approach. There is a possibility for an individual to commit fraud under financial pressure. Financial pressure, according to Rasha and Andrew (2012), is a situation when people become violators of trust when they consider themselves as having incurred a financial obligation, which is regarded as non-socially sustainable and which thereafter must be fulfilled in private or secret ways.

Significant pressure can also be felt by the managers if the personal financial status of people is at risk. For instance, people may think that their employment status is in danger if the performance reduces beyond a specific stage. The anxiety of forfeiting their job because of poor financial performance may contribute to different kinds of fraud. The CEO or any other officer may feel significant pressure when the success of the organization has a direct bearing with his or her compensation plan. In fact, most of the fraud cases in recent timeshave shown signs of misplaced incentives of the executive. Executives of many fraudulent organizations were blessed with hundreds of millions of dollars in share options and/or restricted shares that made it far more essential to keep the stock price moving up than to report the financial result as it is (Albrecht *et al.,* 2007). Therefore, based on the arguments put forward, the study formulates the hypothesis that:

H_1:- There is a significant relationship between pressure and bank fraud in the Nigerian Banking Sector.

4.3.2 Relationship between Opportunities and Bank Fraud

The ability to perpetrate fraud is referred to as opportunity. People have the opportunity when they have unrestricted access to the organizational assets and the information to allow them to hide their fraudulent acts. Perpetrating fraud through the influence of one's position occurs when the organizational internal controls are low or not existing or there is poor oversight of management. Fraudsters always look for an opportunity to engage in their fraudulent activities. Perceived opportunity according to Cressey (1987,) cited in Gbegi and Adebesi,2013), arises when fraudsters see away to use their position of trust to resolve their financial problems. This is one element over which owners of business have the most control.Limiting the opportunity for fraud is one means by which a firm can decrease it. The opportunity to perpetrate fraud is feasible when workers have free access to assets, and at the same time, the information required for them to commit and conceal the fraud is also available. People are allowed access to recordsand variables in order to ordinary do their works. Regrettably, the access given permits the users to perpetrate fraud. Access should be restricted to only those systems, assets and information that arereally needed for employees to do their jobs (Ratley,J., 2010). Based on the aforementioned, the study hypothesizes that:

H_2:- There is a significant relationship between opportunity and bank fraud in the Nigerian Banking Sector.

4.3.3 Relationship between Rationalization and Bank Fraud

Rationalization could be defined as a person's justifications why he/she commits fraud or does wrong or behaves unethically. This occurs when employees justify why they commit fraud. Employees can rationalize their behavior by ascertaining that perpetrating fraud is normal for many reasons. It is perhaps convenient to rationalize a fraud for those who are dishonest (they need to prove themselves that fraud is normal with "excuses" for their act) but those with high moral standards might find it difficult to commit fraud.

Cressey (1987) finds that most of the fraudsters in the interview he conducted are first-timeoffenders with no criminal record and they tend to believe that they are honest individuals, who are caught in an unwarranted circumstance. This perception of theirs creates room for them to cover themselves, justify their actions and make it acceptable (Gbegi & Adebisi, 2013). Even recently in Nigeria, the former head of state justified corruption "as a small stealing". Rationalization is a justification of fraudulent act because of the absence of personal integrity of employees or other moral reasons. Therefore, the study hypothesizes that:

H_3: - There is a significant relationship between rationalization and bank fraud in the Nigerian Banking Sector.

4.3.4 Relationship between Capability and Bank Fraud

This is the condition of possessing the required characteristics or skills and abilities for an individual to perpetrate fraud. It is where the perpetrator has identified the specific opportunity of fraud and has the ability to make it real. Intelligence, stress, deceit, ego, position and coercion are the complementary capability elements (Wolfe & Hermanson, 2004). Based on the suggestion of Mackevicius and Giriunas (2013), it is not every individual who has motivation, opportunities and realization who may perpetrate fraud because of the absence of the capability to execute or conceal it. As opined by Albrecht, Williams, and Wernz (1995), this component is essential when it involves a long-term or large-scale fraud. Moreover, the belief of Albrecht *et al.* (2005) is that only an individual who possesses an extra-ordinarily high capacity will be able to know well the internal control existing in the organization, to recognize its lapses and to apply the weaknesses in planning and executing fraud . In the same manner, Wilson (2004) points out that capability and rationalization are all inter-woven and the weight of one component affects the others. Therefore, the study formulates the following hypothesis:

H_4: - There is a significant relationship between capability and bank fraud in the Nigerian Banking Sector.

4.3.5 Relationship between Islamic Corporate Governance and Bank Fraud

The literature review has shown thatstudies on Islamic corporate governance are scant, and like studies on conventional banks, tend to be concentrated on particular issues. Some address the accounting and auditing aspects (Gambling & Karim, 1991); others look at the function of the SSB in the practice of the Islamic banks (Lewis &Algaoud, 2001); or make a comparison between the behavior of customers of Islamic banks with the customers of conventional banks (Erol *et al.*, 1990). Other empirical studies on Islamic bank corporate governance have been conducted in

South Asia (Bangladesh);the Gulf region (Bahrain) and Africa (Sudan). The results show that Islamic corporate governance's performance is moderately good. However, there is room for improvement although a few Islamic banks have scored very well in specific aspects of corporate governance. Appreciable development in corporate governance of Islamic banks requires improvement in both external and internal factors. The regulators and the government are responsible for implementation of external governance environment while Islamic banks can influence the internal aspect. Specifically, the result indicates the need to enhance the rights of the management and the stockholders of the bank (Nabhan & Hindi, 2009).

The above mentioned studies from the three countries reveal that customers will sanction their banks if they are not rewarded with a rate of return commensurate with the market rate. If Islamic banks fail to do their transactions in line with *Shari'ah*principles, poor performance may result into withdrawals. These findings indicate that customers can implement good corporate governance in banks, through the mechanism of market discipline. In short, Islamic corporate governance can curtail fraud in Islamic banks (Algaud & Lewis, 1999).

Ruin (2009) conducted a study on Islamic bank corporate governance soundness to see how effective corporate governance in the banks is between two countries, i.e., Malaysia and Bahrain. A *Shari'ah* internal control checklist was designed and adopted in the two Islamic banks, namely Bahrain Islamic Bank (BIB) and Bank Islam Malaysia Berhad (BIMB). In terms of general score, BIB scored 69.8% whereas BIMB scored 97.6%. The lower score earned by BIB does not indicate that the corporate governance of BIB is deficient; it was in fact due to non-disclosure of information to stockholders. So, increased level of information disclosure will maintain the integrity, transparency and governance of Islamic banks. A more comprehensive research in Malaysia to identify the issue of sound corporate governance was conducted by Abdulrahim (2010), where he argues that enhanced*Shari'ah* compliance in all Islamic banks and in all transactions is required to support the current governance mechanisms of the Islamic Banking Service Industry.

As noticed earlier in some other studies, before on sound corporate governance in enhancing or mitigating fraud in banks. Majid (2010) argues that despite measures adopted in Islamic banks to curb fraud, fraudulent activities persist, e.g., thefailure of the South African Islamic Bank, *Ihlas* Finance House of Turkey and Dubai Islamic Finance Bank,due to fraud. All raised some questions on the effectiveness and quality of the existing corporate governance mechanisms in the Islamic banks. On this basis of various studies on Islamic corporate governance, the study therefore hypothesizes that:

H_5 Implementation of Islamic corporate governance by Islamic banks in Nigeria moderatesbank fraud despite bankers' pressure to be involved in fraud.

H_6 Implementation of Islamic corporate governance by Islamic banks in Nigeria moderatesbank fraud despite bankers' opportunity to commit fraud.

H_7 Implementation of Islamic corporate governance by Islamic banks in Nigeria moderatesbank fraud despite bankers' rationalization issues to commit fraud.

H_8 Implementation of Islamic corporate governance by Islamic banks in Nigeria moderatesbank fraud despite bankers' capability issues to commit fraud.

4.4 Defining the Target Population

A population is made up of a collection of data whose properties are accessed in a given research situation (Sekaran & Bougie, 2010). Sekaran (2003) defines population as a group of all possible individuals, phenomenon or measurement of interest. Based on this, this study's population comprises the employees of Islamic banks operating in Kano, Nigeria. Kano is specifically selected because it has the highest population of Muslims and the most bank activity in Nigeria (Census, 2006). Also, Kano is the center of commerce and terminus of trade for centuries in the African region and the Arab world. Moreover, the business operations of the city attract people of various ethnic and religious backgrounds. Thus, based on this, the sample of this study is relatively homogeneous. Therefore, the homogeneity of the subjects making up the population makes it easy to relax the strict generalization procedure (Babie, 1990). This study employed inferential statistics to assess the data gathered from the Islamic banks' employees and stakeholders in Kano (Hair *et al*., 2010). The usual objective of a survey-based study is to obtain data that represent the population under investigation (Cavana *et al.,*2001; Krejcie & Morgan, 1970). Thus, many scholars have employed information obtained from many surveys to generalize the conclusion drawn from the sample of the population, particularly within the range of a specific random error (Bartlett, Kortrlik & Higins, 2001; Cavana *et al.*, 2001). The target population is 4,000 employees from junior level officers, middle-level officers and top management officers. The population of the study comes from

Ja'iz Bank, Sterling Bank, Stanbic IBTC Bank, Guaranty Trust Bank (GTB) and Fidelity Bank in Kano State, Nigeria.

Table 4.1
Calculation of sample from the Population of Senior Managers in Five selected Banks in Kano

No.	Banks	Population Number	Samples	Percentage
1.	GTB	1,000	120	34%
2.	Sterling	950	70	20%
3.	Stanbic IBTC	700	65	19%
4.	Fidelity	580	41	11%
5	Ja'iz	770	55	16%
Total		4000	351	100%

N: 4,000, S:351
Krejice & Morgan (1970)

Hair and Anderson (2010) posit that in a reported research under interdependence techniques, the sample size is expected to be 100 or higher. The study has a population of 4,000 from all the five banks. As shown in Table 4.1, GTB has 1,000 representing 34% ;Sterling Bank has 950 (20%); Stanbic IBTC has 700 constituting 19%; Ja'iz has 770 equal to 16%; and Fidelity has 580 constituting 11%. Also, based on the recommendation of Krejcie and Morgan (1970) as contained in their Table, a sample size of 350 is quite appropriate for the population size of 4,000.

4.5 Sample and Sampling Method

A sample is a part or portion of a population (Burton, 2006). In order to reduce the potential random error in the process of sampling, it is necessary to take into consideration the suitable sampling method and the study sample size (Dillman, 2000).In an empirical study, it is extremely difficult to obtain information from the whole population particularly if it is up to several hundred or thousand. If it were even feasible to reach all, then it would incur high cost, human resources. time and others (Sekaran & Bougie, 2010). Therefore, researchers need to seriously examine the determination of sample size and other matters relating to non-response bias as important conditions in any survey design in quantitative research (Bartlett *et al.*, 2001).

Sampling refers to the process of choosing sufficient number of the right elements from the population for convenient generalization of the population element. Sampling starts with defining the target population of the study, as both the study's objective and scope play a significant role in the definition of the target population (Creswell, 2012). More so, the sampling frame is the representation of all physical components in the population. A sample is the subject or subgroup of the population. By examining the sample, it becomes easy for the researcher to draw conclusions that can be generalized on the population.

The application of sampling in collecting data from the whole population is self-evident. As it is well observed in research, examination requiring several hundred components will be very difficult to obtain data from every component or test every component. Where this is even feasible, it will be exorbitant in terms of cost, time, human resources and energy. The study of a sample rather than the entire population has a tendency of producing more dependable results. Two types of sampling methods are the probability and non-probability sampling methods. According to Henry (1990), these two sampling methods are associated with the validity, reliability and suitability of sample size. If probability sampling is carefully planned and employed, it generates a better reliability and validity (Henry, 1990). It is premised on the concept of randomization, which has an assumption that each component of the population is determined with a non-zero chance of choice (Mohammed, 2010).

There are five important techniques for selecting a sample using probability sampling method. These include simple random sampling; stratified sampling; systematic sampling; multistage sampling; and cluster sampling (Sekaran & Bougie, 2010; Henry, 1990). Non-probability method, on the other hand, is non-random and subjective. In this respect, each unit of the population has no equal chance of being selected (Cooper & Schindler, 2003). Moreover, in some situations, non-probability sampling may be chosen by researchers for many reasons. Primarily, non-probability is appropriate and requires lower cost against probability (Cooper & Schindler, 2003; Sekaran & Bougie, 2010). Just like its counterpart, non-probability sampling may produce a reliable feedback if properly implemented (Cooper & Schindler, 2003). It is possible that the only choice is non-probability sampling. The sample frame or the population list might not be readily available or accessible. There are two types of non-probability sampling. These consist of purposive sampling and convenience sampling (Cooper & Schindler, 2003; Sekaran & Bougie, 2010).

The sample size of the employees can be estimated through the application of the statistical method. The aim of this statistical approach is not to identify individual cases but to concentrate instead on classes, percentages, averages, a measure of dispersions and more complex statistical procedures. The sampling method used in this research work is stratified random sampling (probability sampling technique). The systematic sampling technique is considered suitable due to the fact that it has been used in similar prior studies (Weiss, 1984; Awairitefe, 2005; Zabidi, Ibrahim, and Ismail, 2007; Harriette, Spall & Torers, 2007; Quee, Shahrim, Othman & AdZaham, Ramachandran, 2010; Vafee, Narimani & Tahamasepour, 2011; Mbah, 2013; Asghaqrnezhad, Akbarlou & Karkaj, 2013; Albueku & Ogbouma, 2013; Ghambarali, Alibaygi, Rose Kchi, Pezeshki, Ghasemi & Akbari, 2013; Sour, Arzan, Feizizadeh, Tavili & Allizadeh, 2014; Zakeri, jafari, Tavili, Songooni & Soltian, 2013; Kheng, June & Mahmmud, 2013; Shehu & Mahmmud, 2014a). The implication of this is that the sample is selected at random and has a known non-zero chance of selection. Thus, the homogeneous class of employees will be classified together to form strata. The elements in each stratum will be sampled at random. Thus, this gives the elements an equal chance of being chosen. Therefore, the researcher cautiously selected this study's population sample, noting the numerous interpretations and recommendations of prior researchers. The sample size for a given population of 4,000 of this study is 350 respondents based on Krejcie &Morgan's table of sample size (Krejcie & Morgan, 1970). This is to ensure that the sample size is sufficient to address this study's objectives.

The sample size of 350 respondents was derived by using the equation=(Z score)2x stdDev*(1=stdDev)/(margin of error)2, assuming 95% confidence level, standard deviation of 0.5 and the margin of error (confidence interval) of +5% (Scott and Gerald, 2010).The sample size of 350 is within Roscoe's rule of thumb for determining sample size greater than 30 and lower than 500 as appropriate for most research.

This research employed probability sampling technique (Sekaran, 2003). The benefit derivable from this sampling method is that the researcher can choose one or the other, and this is necessary for its high generalizability (Cavana *et al.*, 2001). Moreover, the intention of the study is to draw a sample from the five selected banks, among the senior managers of the various banks in Kano. Thus, simple random sampling was applied to ensure an equal and independent representation of the chosen data. Also, as stated earlier, the objective of this technique is to give a fair representation of the sub-group. The population is broken into strata elements, and each stratum shares similar characteristics.Then, within each stratum, the list of sampling units is picked randomly (Borges *et al.,* 2017).

In order to achieve a prompt return of the completed questionnaires, hand delivery and collection method were chosen. This method led to an appreciable response rate of 64%. Delivery and collection by hand is an efficient technique in an environment, like Nigeria, where research culture is not adequately developed. For example, literature has indicated that the rate of return of mailed questionnaires in Nigeria is between the range of 3 to 4% (Asika, 1999).

4.6 Unit of Analysis

Unit of analysis representsthe what or who in a given research. Social sciences research has the following types of unit of analysis: organization, individual and groups (Cresswell, 2012; Kumir, Abdultahib & Ramayah, 2013). The unit of analysis of this study is the organisation, the banks and the senior managers of the banks in Kano state. Past studies which have used organisational unit of analysis, include Idar & Mahmood (2011); Junaidu (2012); Suliyantu & Rahab (2012); Fatoki (2012); Mahmood & Abdulwahid (2012); and Al-Swidi, Mahmood (2012).

4.7 Data Collection Techniques

Method of data collection or procedure is an important part of research design (Sekaran, 2009).The procedures of collection can be categorized into two, namely primary and secondary methods of data collection. The details of the procedures are discussed below:

Secondary data: - Collecting of secondary data regarding the topic of interest is the first step in a research process. These data that are not used directly for research in mind are termed secondary source (Hair *et al.*, 2007). The source could be from the published documents, such as magazines, conference proceedings, periodicals, newspapers, textbooks, journal articles and government white papers, as well as many other sources that include databases, goggle, yahoo and libraries (Sekaran, 2009).

The second source of data collection is primary data, which is usedfor collecting data through observation or questionnaire from the unit of analysis. This study used one-to-one questionnaire technique. The choice of this approach is to allow the researcher to obtain all finished responses from a large number of individuals or groups within a short time (Hair *et al.*, 2007). Also, the researcher, with the help of research assistants, could explain vague statements in the questionnaire. Finally, the researcher can motivate the respondents on how to give honest opinion (Sekaran, 2009).

Despite many ways of collecting data, this study used questionnaire distribution to collect data from the banks' respondents. The researcher used this method because it allows a wide range of information to be gathered at one point in time. Moreover, precautions were taken to minimize the response error. Additionally, hand delivery was used as it gives good response rate. Hand delivery and collection are efficient in a society, like Nigeria, were research culture is not well established. This is supported by Asikhia (1999) who found the rate of response of other methods to be between 3% - 4%.

4.8 Research Instrument

To reduce the chances of biases that may come up during the study, a structured questionnaire, that contains closed-ended and less open-ended type of questions was used in this study. One of the important stages of any research under quantitative method is questionnaire design. Sekaran and Bougie (2010) report two main objectives of designing a questionnaire: firstly, questionnaire design allows the researcher to cover the population; and secondly, it assists in reducing the error of measurement by sequential arrangement of questions in such a way that it can easily be captured by respondents.

The use of questionnaire gives the researcher an avenue to run proper statistical test in appraising the empirical outcome of the study. It also motivates respondents under the study to respond. It allows consistency and uniformity in all the data collection procedures (Sekaran, 2003). To develop a questionnaire, the study reviewed many studies and other questionnaire constructsin the same area of study, such as the work of Kabir (2014), that studied customers' perception of bank fraud in Kano state.

The aim was to see if a relationship exists between the work objectives and the information collected, if the questionnaire for this study could be formulated in the same format and whether it is correlated with the previous studies. Additionally, many exploratory surveys, working papers, conferences and journal articles on customers' perception of bank fraud were reviewed in order to develop an effective questionnaire.

The development of the instrument took into consideration suggestions proposed by research gurus and experts, such as Sekaran and Bougie (2010), Frankfort-Nachmias & Nachmias (1996), Churchill &Lacobucci (2002) and Burns & Bush (2000).Advice was also obtained from Prof. Dr. Abdullah bin Haji Abdul Ghani from IBS UUM, Prof. Aminu Kado Kurfi from BUK, Prof. Garba Bala from BUK, Prof. Cika Umar Aliyu from Sokoto University and Prof. Suleiman A. Karwai from ABU Zaria. All of them are professors in Islamic banking, Islamic finance and research methodology. The questionnaire covered so many issues to examine the understanding of the respondentsof bank fraud, and the role of Islamic corporate governance in mitigating such evil acts in the study area. The instrument followed the scientific method of validation as suggested (Heir &Tabachnick, 2007) through face validity, content validity and validity of constructs.

4.8.1 Operationalization and Measurement of Variables

Operationalization is defined as a process of specification on how a researcher intends to define and measure all the variables under study.These variables is distinct to the study area (Creswell, 2012). Variable measurements adapted from previous studies are discussed in the following sub-sections:

4.8.1.1 Perceived Pressure

Perceived pressure is seen here as having an incentive/motive to commit fraud and how pressure influences the committing of fraud. Pressure with 17 items was adapted from the work of Albrecht *et al*. (2008) and Lokanan (2015). The items include:

1. Perception of being treated unfairly by organization leads to fraud.
2. High personal debts and significant personal losses lead to committing fraud.
3. Inadequate income and living beyond one's means lead to committing fraud.
4. Close association with suppliers and other key people can trigger fraud.
5. Peer-group pressures within the company lead to fraud.
6. Resentment of superiors can lead to fraud.
7. Familiarity with operations can cause fraud.
8. Extreme family or social expectations to succeed lead to fraud.
9. High family responsibilities can trigger someone to commit fraud.
10. Failure to meet family expectations can lead to fraud.
11. Family ownership can influence fraud.
12. Insatiable desire for self-enrichment or personal gain can trigger fraud.
13. Fear of financial losses and progressive deterioration in quality of earnings can lead to fraud.
14. The need to gloss over temporarily bad situations can in some cases lead to fraud.
15. Heavy investment losses and high amount of debt can lead to fraud.
16. Existence of revocable or imperiled licenses can lead to fraud.
17. Political instability can lead to fraud in the banking sector.

Albrecht *et al*. (2008) and Lokanan (2015) conducted an empirical study using Structural Equation Modelling – they found composite reliability to be 0.76.

4.8.1.2 Perceived Opportunity

Perceived opportunity is seen here as having weak control as well as other factors that provide chances or opportunities to commit fraud. Opportunity which has 11 items was adapted from the work of Albrecht *et al*. (2008) and Lokanan (2015). The items include:

1. Rapid turnover of key employees can trigger fraud
2. Weak remunerations package of employees can trigger fraud
3. Inadequate checks and balances lead to fraud.
4. Absence of accurate personnel records on disciplinary cases can lead to fraud.
5. Lack of adequate executive disclosures can lead to fraud.
6. Dishonest or unethical management can lead to fraud.
7. Inadequate staffing in the accounting department can trigger fraud.
8. Inadequate disclosure of questionable or unusual accounting practices harbors fraud.
9. Ineffective or non-existent internal auditing staffs can lead to fraud.
10. Absence of mandatory vacations can lead to fraud.
11. Absence of periodic rotations or transfers of employees can lead to fraud.

Albrecht *et al*. (2008) and Lokanan (2015), conducted a quantitative study using Structural Equation Modelling – they found composite reliability to be 0.986.

4.8.1.3 Perceived Rationalization

Perceived rationalisation is seen here as having to rationalize the fraudulent behavior (attitude). Rationalization has five items.

1. Greed and lack of contentment among the profile executives can lead to fraud.
2. Failure to inform employees about rules and disciplines breed’s fraud perpetrators can engender fraud.
3. Lack of fraud prevention training and knowledge sharing can lead to fraud.
4. Cultural influence in the system can lead to fraud.

5. Moral decadence in the society encourages fraud.

Lokanan (2015) conducted an empirical study using regression analysis. He found Cronbach's Alpha to be 0.796.

4.8.1.4 Capability

Capability is operationalized as having strong personal skills and capability to allow fraud to occur, over and above the presence of pressure, opportunity and rationalization. Capability meansusing one's position or function to perpetrate fraud. Capability with the five items was adopted from David T. Wolfe and Dana R. Hermanson (2004). The items include:

1. Incapability of doing the right things in the office causes fraud.
2. I can turn any opportunity to my personal advantage.
3. A deep understanding of the internal control system can trigger fraud.
4. An identification of the weaknesses of internal control system can trigger fraud.
5. Seeking and exploiting opportunities to one's advantage can lead to fraud.

Wolfe and Dana R. Hermanson (2004) conducted an empirical study using regression analysis. They found the internal consistency of capability to be 0.856.

4.8.1.5 Bank Fraud

Bank fraud is operationlized as the ability to cheat, deceive and manipulate figures, all in an attempt to get financial gain. The fraud scale which measures the extent of bank fraud was adapted from the work of Kiragu, Gikiri and Iminza (2015) and Ogola *et al*. (2016). It has five items which include:

1. Any intentional act of deception for financial gain can be termed as fraud.
2. Bank fraud covers fraudulent acts to obtain illegal assets, property or moneyof the bank.
3. Lack of strict implementation of codes paves the way for fraud.
4. Collusion between bank staffs and outside parties is made to defraud the banks.
5. Failure to pass the integrity test by a corporation is an indication of the presence of fraudulent acts.

Kiragu, Gikiri and Iminza (2015) conducted empirical study using Structural Equation Modelling – they found composite reliability of fraud to be 0.970 while Ogola *et al*. (2016) obtained 0.891.

4.8.1.6 Islamic Corporate Governance

Islamic Corporate Governance (ICG) is distinct from the conventional corporate governance standards. ICG is *Shari'ah*-based, which is rooted in the divine rules, the Qur'an and Sunnah. The ICG with 10 items was adapted from the work of Abdul Rahman (2013). Empirical evidence has shown that the previous study of Hassan and Christopher (2005) and Kabiru Jingiri, Ringim (2012) have all usedthe ICG construct as unidimentional. Below are the items used to measure ICG as a moderator:

1. A well-governed Islamic Corporation should have balanced policies that would ensure financial gains and social benefits to the corporation.
2. The concept of "*Adl*" (fairness and justice) in Islam interacts with modern corporate principles and promotes the corporate governance.
3. Integrity as one of the elements of Islamic Corporate principles will promote sound and ethical banking corporations.
4. Trustworthiness and honesty are values entrenched in Islamic Corporate Governance that will greatly promote modern corporate governance ideologies and practices in the banking industry.
5. Consultation (*Shura*) leads to efficient and optimal decisions that will enhance transparent corporate governance in the banking sector.
6. "Accountability" is one of the principles of Islamic Corporate Governance that limits chances of fraudulent activities in banking operations.
7. *Shari'ah* compliance can significantly promote adherence to modern corporate governance.
8. Higher sense of morality as a principle being preached in Islamic Corporate Governance can induce ethical consideration in banking operations.
9. Higher presence of "*taqwa*" among the staffs can reduce the possibility of fraudulent and unethical activities in the banking industry.
10. Transparency in said to be more importantthan accountability in Islamic corporate governance in the banking industry.

Abdul Rahman (2013) conducted an empirical study using regression analysis; he found the internal consistency of ICG to be 0.972.

The questionnaire is regarded as one of the appropriate methods of data collection procedure under survey research (Asikhia,1999). The IVs of this study are: opportunity, rationalization, capability and pressure and bank fraud is the dependent variable(DV), while Islamic corporate governance is the moderator. Section A of the questionnaire contains demographic data, section B is about Bank Fraud which is the DV. Then, sections C, D, E and F contain the IVs while section G is on the moderator. The constructs were adapted from the work of Rabiu and Ringim (2014).

A five-point Likert scale was used to measure responses.It has been proventhat a Likert scale of between 5-7 pointsis more reliable and valid than a short or large scale (Krosnick, 1999).The SPSS software modelling (20) was used to analyse the data.

4.8.2 Respondents' Format

Items in the adapted questionnaires were elicited by using a five-point Likert scale. The reason for using the five-point Likert scale is because it is an appropriate method which ensures reliability, as opposed to the use of a seven-point to nine-point Likert scale, which tends to confuse the respondents due to large number of points in the questionnaire. For these reasons, the use of the five-Likert scale was considered suitable for this study.

4.9 Pilot Study

A pilot test is seen as a trial process on a small-scale study prior to a full-scale study. A pilot test was conducted in this study to test both the validity and reliability of the instrument, and also to obtain some insightsinto the real conditions before actual full-scale study. After using SPSS version 20 windows to run the data, it was discovered that all the measures possess reliability standards ranging from 0.72 – 0.882 (see Table 4.2). This is in accordance with the standard that any instrument with coefficient of 0.60 is seen to have a reliability which is within the accepted range (Hair *et al*., 2006; Nunnally, 1967; Nunnaly, 1998; Sekaran & Bougie, 2010).

A pilot test is considered as the preparation in which a smallsample of the study is tested prior to testing the whole sample (Gorondutse & Hilman, 2012b; Gay, Mills & Airasian, 2006). Thus, this study carried out a pilot test to: (i) assess the internal consistency and validity of the instrument; and (ii) find out real conditions of the main study, thereby enabling the researcher to predict and cater to potential issues during full-scale research. Validity refers to the degree to which the instrument measures what it is meant to measure, while reliability measures the degree to which an instrument is free from error, and as such, stable and consistent across time and various items under the scale (Sekaran & Bougie, 2010).

The sample size of a pilot study is normally small in nature, ranging from 15-30 respondents although it could be increased significantly if the test involves a number of levels (Malhorta, 2008). An attempt was made to conduct factor analysis but due to the nature of cases/samples, it was not possible to conduct factor analysis. This has been stated in the previous literature that factor analysis is responsive to the number of cases/samples and hence, with a few samples, the correlation coefficient among the variables is less reliable and tends to vary. Researchers have different views with regards to the sample size that is sufficient for factor analysis. They agree that a larger sample is better.

Tabachinik and Fidell (2007), based on the rule of thumb, suggest that a sample size of at least 300 is required, while others suggest a sample size based on the measure of subject to items. Nunnally (1978) suggests that 10 cases for each item is enough for factor analysis. In line with the above information, this study only tested for validity and reliability of the instrument. In any case, it is expected that having a reliable and valid instrument can lead to minimization of error in measurement to some extent.

4.9.1 Validity of the Instrument

Validity refers to the extent to which an instrument is measuring what it is supposed to measure. According to Huck (2004), two major ways of accessing validity are: firstly, is the content validity where experts' opinions are sought to judge the standard of the intended items chosen to measure the construct; and secondly, construct validity, which involves exploratory factor analysis (EFA) using principal component analysis to ascertain the construct's validity. Factor analysis is a set of methods for studying the interrelationship among variables. It is used to verify items loading on the correct factors as discovered by previous researchers (Venkatranan, 1989). It also reduces a large set of variables into meaningful, manageable and interpretable set of factors (Cavana *et al*., 2001).

Hair *et al*. (2010) and Tabachnick and Fidell (2014) recommend that factor loading above 0.3 is considered as meetingthe minimum level, the loading of 0.4 is regarded as more important and 0.5 and above is considered as practically significant. Based on this guideline, a loading of 0.3 and above was considered a significant factor loading for this study.

In this section, a number of questions were re-phrased in order to measure the appropriate variables as well to be reasonable to the potential respondents. Hence, the process of face validity of looking for expert opinion was completed within two weeks. Following the guidelines of using the scales laid down by the developers, a minor modification was made in order to suit the location of this research and also to suit the sector as well. Based on the foregoing, more especially considering the fact that the instrument was verified by a number of fairly educated people who are well-known in the area of the study, it could be said that the instrument is appropriate for the context of the study. Therefore, subsequent to obtaining opinions and the observations of the specialists, the researcher developed a revised version of the questionnaire, which was later administered for the pilot test (Gorondutse & Hilman, 2012). A total of 70 questionnaires were circulated and 62 were returned and measured for pilot test analysis (Gorondutse &Hilman, 2012). Completed questionnairesreceived after the cut-off deadlinewere not incorporated in the trial test analysis. A high response rate of about 88.6% was achieved perhaps because of distributing and collecting the questionnaire personally. Some friends of the researcher assisted in the distribution and collection of questionnaires. This process was completed within four weeks. It should be noted that the pilot study was done in the month of May, 2017 to June, 2017.

4.9.2 Reliability of the Instrument

Reliability of measures represents the degree to which a measuring instrument is error- free, stable and consistent across different times and various items in the scale (Sekaran and Bougie, 2010). The most used inter-item consistency test of reliability is Cronbach's alpha coefficientwhich isused to test the internal consistency of the instrument.

There are different types of reliability tests; the popular and widely used technique in many types of research is internal consistency reliability (Litwin, 1995). The Cronbach's alpha coefficient test was carried out to measure the internal consistency reliability. A pilot test was conducted with the respondents to test the reliability of the instruments. A total 30 respondents participated in the pilot study, but only 26 were returned and analysed. The following table shows the summary of the reliability results:

Table 4.2
Result of Reliability Analysis for Pilot Study

S/N	**Variable**	**Variable Scale Statistics**			**N of Items**	**Cronbach's Alpha**
		Means	**Variances**	**Std. Deviation**		
1.	Pressure (P)	55.80	124.836	11.173	17	.850
2.	Opportunity (OP)	41.05	63.828	7.989	11	.867
3.	Rationalization (RT)	18.59	15.469	3.933	5	.760
4.	Capability (CAP)	16.64	18.143	4.260	5	.720
5.	Islamic Corporate Governance (ICG)	40.4823	44.935	6.70338	10	.882
6.	Fraud (FRD)	20.27	13.938	3.733	5	.756

The above results of the pilot test in Table 4.2 indicate a higher and acceptable level of Cronbach's alpha for the variables under examination as all are above 0.70. Therefore, based on the recognized standard of 0.70, all the variables have internal consistency reliability and consequently, there was no need to remove any item. Further reliability analysis under factor analysis was performed in the actual study, based on larger samples size (see chapter 5).

4.10 Data Analysis

After completion of data collection, combinations of both *descriptive* and *inferential statistics* were employed as methods of data analysis. The SPSS approach was used in the analysis of the data collected for this study. Specifically, one approach of SPSS software application was used. In addition, many software programs were used to conduct data analysis, SPSS inclusive. The study employed the use of SPSS due to its completeness and simplicity (Sekaran, 2003). To attain internal consistency reliability in data analysis and hypotheses testing, the study made use of several statistical tools from version 17 of SPSS software to conduct a test of non-response bias, data screening and preliminary analyses for missing data, outliers and normality. Others are factor and reliability analyses to access the goodness of model, validity and reliability of measures descriptive statistics to support the features of the respondents and relationship analysis to help in explaining the association that exists between bank fraud and other constructs.

4.10.1 Hypothesis Testing and Data Analysis

After the collection of sufficient data that matched the minimum sample size requirements, the researcher coded, summarized and analysed the data with SPSS and factor analysis. Below are detailed explanations on the instruments that were employed.

4.10.2 Descriptive Analysis

Descriptive statistics are used to summarize data, and to describe phenomena of interest (Sekaran & Bougie, 2010). The main descriptive statistical methods are the mode, range, mean, variance, median and standard deviation (Sekaran & Bougie, 2010; Tabachnick & Fidell, 2001). The mode is the highest repeated score in data distribution. The range is the difference between the lowest and highest scores in data distribution. Mean refers to total scores in a data distribution divided by the number of scores. Variance is the mean of the squared deviation scores for the mean of a data distribution. Median is the centre point in data distribution. Standard deviation is the square root of the variance (Ticehurst & Veal, 2000). Pearson correlation coefficient is the most frequently applied measurement for inferential statistics. Pearson correlation coefficient can make final statements about a population on the basis of samples (Sekaran & Bougie, 2010; Sekaran, 2003).

4.10.3 Factor Analysis

Factor analysis as a statistical modeling approach was first developed and used by an English psychologist, Charles Spearman, in studying unobservable hypothetically existing variables (Raykov & Marcoulides, 2006). Like the path analysis, available literature has shown that factor analysis also has a relatively long history in business research (Hair *et al.*, 2010; Hau & Marsh, 2004). Raykov & Marcoulides (2006) argue that Spearman (1904) proposed the known individual's ability scores which are the manifestations of the general ability now called the general intelligence and several other similar abilities, such as the numerical or verbal abilities.

These general and specific factors were both combined to produce the currently known ability performance, an idea that was later labelled as the two-factor theory in human abilities. Very important is that as more and more researchers became interested in this factor approach, the theory was later extended to accommodate many factors and its corresponding analytic approach resulted in what is now called factor analysis. Generally, factor analysis could be explained as a modelling approach that is used in studying hypothetical constructs through various indicators or observable proxies that can be measured directly (Byrne, 2010; Hair *et al.*, 2010; Raykov & Marcoulides, 2006). Factor analysis is regarded as explanatory factor analysis (EFA) if the topic of interest is concerned with knowing how many latent constructs or factors are needed to efficiently explain the associations that exist among a set of observed measures (Hair *et al.*, 2010; Hu and Bentler, 1995).

4.10.4 SPSS Technique

SPSS method is called second generation structural equation modelling (Wold, 1982). In addition, SPSS is a relatively new technique that contains latent variables and a sequence of cause-and-effect relationships (Hair *et al.*, 2011; Hair *et al.*,2013; Gustafsson& Johnson, 2004). Furthermore, SPSS approach has gained increasing popularity in a variety of disciplines, such as management information systems (Rapp, Tainor & Agnihotri, 2010; Ringle *et al.*, 2012); international marketing (Henseler *et al.*, 2009); marketing (Hair *et al.*, 2012c; Okazaki & Taylor, 2008); strategic management (Hair *et al.*, 2012b; Hulland, 1999); accounting (Lee *et al.*, 2011); and operations management (Peng & Lai, 2012). It is a high-quality and elastic instrument for statistical model structure and prediction (Ringle, Wende, & Will, 2010; Ringle, Sarstedt, Scglittgen & Taylor, 2013).

Specifically, the SPSS method is used due to the following reasons: Firstly, SPSS has been established to be a better model to carry out estimations than regression models for assessing mediation (Brown, 1997; Iacobucci, Saldanha, & Deng, 2007; Mattanah, Hancock, & Brand 2004; Preacher & Hayes, 2004). In line with this, it has been revealed that SPSS can account for measurement error and can present more precise calculations of moderating effects (Chin, 1998a). Additionally, SPSS is becoming more suitable for world applications and beneficial to use when models are complex (Hulland, 1999). The current study examined relationships among five variables (i.e., perceived pressure, opportunity, rationalization, capability, Islamic corporate governance and bank fraud). Hence, employing the use of SPSS techniques is suitable for better prediction.

Furthermore, it has been found in previous studies that data is likely to have normality problem (Osborne, 2010). SPSS necessarily requires data to be normal (Chin, 1998a). However, recently, Hair *et al.* (2013) suggest reporting skewness and kurtosis of data which is associated with normality. Thus, this study reported normality (skewness and kurtosis) in line with Hair *et al.* (2013). In addition, SPSS often shows significant and valid results, if compared to other statistical analysis tools (Bollen, 1989).

4.11 Ethical Considerations

Ethical considerations are used to defend the rights of participants. Ethics is considered as very significant in planning of research (Bryman & Bell, 2003). Ethical considerations are behavioral principles that guide our ethical choices, and are guided by the norms established by the public and a list of codes of behavior applicable to the social situation (Zikmund, 2000).

In addition, participants have the right to choose, quit, keep their results secret or refuse data permission. The researcher must enlighten the participants on the privacy, purpose, risks, benefits and procedure that concern the participants (Neuman, 2000). The researcher must preserve research value to make sure the research findings and principles are right (Zikmund, 2003). Therefore, ethical considerations reduce the unresponsivenessof the participants (Ticehurst & Veal, 2000). Finally, this study addressed the issue of ethics as it affects both the researcher and respondents.

4.12 Summary of the Chapter

This chapter discusses the research framework and methodology as well as summary of hypotheses. A framework is proposed as the mechanism to test the effect of pressure, opportunity rationalization and capability and bank fraud. In line with the literature, hypotheses are developed to investigate the causal relationship between pressure, opportunity rationalization and capability and bank fraud. Other sections in this chapter include research plan, sampling, data compilation and technique of examination and measurement of instruments. As explained earlier, most of the measurements were adapted from previous researches, and they have adequate reliability and validity.

CHAPTER FIVE
RESEARCH FINDINGS

5.0 Introduction

This chapter explains the analysis conducted and presents the empirical results of the research hypotheses testing. It covers survey responses, issues of non-response bias and data cleaning which fundamentally concerns missing values and outliers. The chapter also tests the basic assumptions of multiple regressions analysis of the goodness of measures, such as factor analysis, reliability test and the descriptive statistics, i.e., profile of respondents, standard deviation and mean. Additionally, it presents the correlation test, regression analysis for hypothesis testing as well as hierarchical regression analysis for testing moderation.

5.1 Survey Responses

The sample size was drawn from the table of sample size determination by Krejcie and Morgan (1970). Based on this table, 351 staffs and stakeholders of Islamic Banks in Kano State were selected. In order to take care of non-response bias and minimize error in sampling as suggested by Hair, Wolfinbarger and Ortinal (2008), a total of 351 questionnaires was distributed to the staffs and stakeholders of Islamic Banks in Kano, in the north-western part of Nigeria. The respondents were selected on the basis of the random sampling technique. Hence, the sample interval was picked by dividing the population with the sample size (population/sample). After respondents' identification through their lists, a total of 351 questionnaires were personally administered with the help of six research assistants. Some of the respondents answered the questionnaire instantly, others after a few weeks, while some took some time before their responses were returned. Hence, nine questionnaires were returned late.

The researcher made follow-up mainly through personal visitation of respondents and phone calls during the data collection period, whilethe research assistants retrieved the questionnaires distributed from some categories of respondents. The selected banks wereJaiz Bank, Stanbic IBTC, Fidelity Bank and Guarantee Trust Bank. The data collection period took about four months, which was between the middle of May to the middle of September 2016. A total of 226 questionnaires was duly completed and returned representing a 64.6% response rate as depicted in Table 5.1. A total of nine responses were excluded from the analysis due to issues of both univariate and multivariate outliers. Exonerating a number of questionnaires is essential due to the fact that they do not represent the sample (Hair *et al.*, 1998).

Table 5.1
Response Rate of the Respondents

Questionnaire Distribution and Retention Item	**Frequency**	**Percentage (%)**
Distributed Questionnaires	350	100
Returned Questionnaires	226	64.6
Unreturned Questionnaires	124	35.4
Rejected Questionnaires (Univariate & Multivariate)	9	2.57
Retained Questionnaires	226	62.0

Source: The Research

A total of 226 respondents constituted the sample for this research which shows a good response rate of 63.4% that covers the entire staffs and stakeholdersof selected banks in Kano, Nigeria. This rate is considered sufficient based on Sekaran's (2003) argument that a 50% response rate is considered sufficient for a survey. Similarly, the current response rate is regarded as adequate as per the suggestion that a sample size should be five to 10 times the actual number of study variables for a regression type of analysis to be carried out (Hair *et al.,* 2010; Pallant, 2001). Given the number of study variablesis six, a sample of 60 is considered adequate for data analysis. Hence, 226 usable responses or 64.6% satisfied the required sample size for multiple regression analysis. SPSS (version 20) was used for data analysis.

5.2 Non-Response Bias

Non-response bias is described as the most common mistake a researcher makes in estimating the characteristics of the sample because some category of respondents are underrepresented due to non-response (Berg, 2002). Singer (2006) asserts that there is no minimum response rate to show a survey is biased, and no response rate above or high enough to show itsnot biased. However, no matter how small a non-response is, there is the possibility of bias which needs to be investigated (Pearl & Fairly, 1985; Sheikh, 1985). In order to test non-response bias, extrapolation procedure was conducted as suggested by Armstrong and Overton (1977). Respondents were grouped into two samples based on their response to the survey questionnaire with regards to the six major study variables (Pressure [P], Opportunities [OP], Rationalization [RT], Capability [CAP], Islamic Corporate Governance [ICG] and Bank Fraud [FRD] in Banks).

One of the ways used to test for non-response bias is to compare the responses of respondents to the instrument (questionnaire) distributed early (July, 2016)and those who responded to the questionnaire after July, 2016 (Armstrong & Overton, 1977;

Lin & Schaeffer, 1995). However, the late responses were analysed together before coming up with final data analysis of 217 early respondents with ninelate responses, which gave 226 as the retained questionnaires used in running the analysis.

5.3 Data Cleaning

Data cleaning is very vital in running any multivariate analysis. This is due to the fact that the standard and the meaningfulness results of the analysis depend on data cleansing and editing (Pallant, 2001). Hence, missing data and outliers were thoroughly checked and treated.

5.3.1 Detection of Missing Data

Missing data refer to the unavailability of suitable value on one or more variables for data analysis (Hair, Black, Babin & Anderson, 2010). In view of the negative consequence of missing data in the analysis, the researcher took precautionary measures in ensuring that no missing value was received from any duly completed questionnaire, through instant check of the questionnaire received by the researcher and his assistants to ensure that every question was appropriately answered. In case of respondent's inability to answer a given question, respondent's attention was immediately drawn to kindly and appropriately complete the question.

Additionally, the research followed the data entry step by step, with cushion and curiosity. As soon as a missing value was noted, the researcher referred back to the questionnaire and traced it. This went a long way in significantly ensuring that no missing value was undetected. A preliminary descriptive statistics was run to see if there is missing data or not. The descriptive statistics result shows that there was a missing value recorded in capability (CAP). Hair *et al.* (2010) assert that any case with more than 50% missing value should be removed if the sample is adequate. The case need not be deleted since the percentageof the missing value of 0.4% is not up to or more than 50% as shown in Table 5.2. Similarly, Tabachnick and Fidell (2007) and Babbie (2005) recommend that the method of treating missing data is to merely drop the case. Hence, in this study, a missing value recorded in capability (CAP) was not dropped.

Table 5.2
Missing Value Analysis (MVA) Result

Variable Item	**N**	**Mean**	**Std. Deviation**	**Missing**		**No. of Extremes**	
				Count	**Percent**	**Low**	**High**
CAP02	226	3.11	1.319	1	.4	0	0

5.3.2 Outliers

Byrne (2010) describes outliers as those items whose scores are not very similar to others in a presented data. Tabachnick and Fidell (2007) suggest tracing of univariate outliers through Z-score observation. The Z-score for each item should be in the range of ±3.29 (0.001 sig. level). According to the suggestions, any value exceeding ±3.29 is due to mistake in data entry procedures. Nine cases were found to be univariate outliers (≥3.29).

Table 5.3
Univariate Outliers

S/N	Variable Item	N	Minimum	Maximum	Mean	Std. Deviation
1.	FRD01	226	1	5	4.25	1.051
2.	ICG08	226	1	5	4.19	.951
3.	ICG01	226	1	5	4.19	1.026
4.	FRD02	226	1	5	4.18	.991
5.	ICG07	226	1	5	4.14	.881
6.	ICG02	226	1	5	4.13	.975
7.	ICG05	226	1	5	4.12	.942
8.	ICG10	226	1.00	5.00	4.1106	.95274
9.	OP03	226	1	5	4.10	1.066
10.	OP06	226	1	5	4.08	1.082
11.	RT01	226	1	5	4.08	1.076
12.	OP09	226	1	5	4.01	1.097
13.	FRD03	226	1	5	4.00	1.004
14.	FRD04	226	1	5	3.97	1.054
15.	P12	226	1	5	3.95	1.205
16.	ICG03	226	1	5	3.94	.957
17.	ICG09	226	1.00	5.00	3.9336	1.01106
18.	ICG04	226	1	5	3.90	.977
19.	FRD05	226	1	5	3.87	1.139
20.	RT03	226	1	5	3.86	1.021
21.	P03	226	1	5	3.86	1.199
22.	ICG06	226	1	5	3.82	.950
23.	OP08	226	1	5	3.80	1.020
24.	OP11	226	1	5	3.78	1.120
25.	OP04	226	1	5	3.77	1.091
26.	RT05	226	1	5	3.74	1.118
27.	RT02	226	1	5	3.72	1.099
28.	OP02	226	1	5	3.67	1.131
29.	CAP03	226	1	5	3.62	1.099
30.	OP10	226	1	5	3.60	1.072
31.	OP05	226	1	5	3.58	1.082
32.	OP07	226	1	5	3.52	1.178
33.	P09	226	1	5	3.48	1.230
34.	P02	226	1	5	3.46	1.189
35.	CAP01	226	1	5	3.46	1.226
36.	P14	226	1	5	3.42	1.213
37.	P05	226	1	5	3.36	1.132
38.	CAP04	226	1	5	3.36	1.170
39.	P08	226	1	5	3.32	1.267

A total of nine items of univariate outliers were recorded.In addition, Mahalanobis distances exceeding 71 at a degree of freedom of 0.001 were removed. For FRD05, only one item was removed (05); Pressure, five items were removed; Rationalization, one item was removed; Capability, two items were removed because they were above the critical value of 113.56.Mahalanobis. Distance was conducted and it was found that there were no more outliers in the data set. The remaining 226 cases were considered for further analysis.

5.4 Descriptive Statistics of the Respondents

Table 5.4.1 below denotes the demographic profile of respondents. The respondents were asked to provide some of their demographic information, like gender, age, religion, education, working experience and affiliation. This study shows that males are the dominant gender in Kano Islamic banksat 81.9%. This is an indication that the sector is dominated by males with only 18.1% females. Regarding educational attainment, those with secondary education constituted two respondents representing 0.9%, followed by Degree/HND holders with 117 respondents (51.8%), Diploma/NCE certificates with 28 respondents (12.4%),and Master's degree with 78 respondents (34.5%).

This clearly shows that the majority of Islamic bank staffsare Degree/HND holders followed by Masters, whereas those with SSCE are few (0.9%) which is insignificant. As for the age of the respondents, 116 respondents are above 25-35 years which is equivalent to 51.3%, 77 respondents (34.1%) are 35-45 years, followed by 17 respondents below 25 years (7.5%), 15 respondents aged above 45 – 55 years with 6.6% and only one respondent is above 56years. Meanwhile, with regards to marital status, 75 respondents (33.2%) are single, 24 respondents (10.6%) are married, 36 respondents (15.9%) are divorced, 30 respondents (13.3%) are widowed and 61 respondents (27.0%) are separated.

Lastly, the majority of respondents (77%)are Muslims and only 22.6% are Christians,and others at 0.4%. Table 5.4 shows the summary of the demography of the respondents.

Table 5.4
Summary of the Respondents' Demography

S/N	Items	Frequency	Percentage (%)
1.	**Gender**		
	Male	185	81.9
	Female	41	18.1
2.	**Age**		
	Below 25 years	17	7.5
	Above 25-35 years	116	51.3
	35-45 years	77	34.1
	45-55 years	15	6.6
	56 years and above	1	0.4
3.	**Religion**		
	Islam	174	77
	Christianity	51	22.6
	Others	1	0.4
4.	**Education**		
	SSCE	2	0.9
	Diploma/NCE	28	12.4
	Degree/HND	117	51.8
	Postgraduate Studies	78	34.5
	Others	1	0.4
5.	**Working Experience**		
	Less than 1 year	106	46.9
	1-5 years	106	46.9
	6-10 years	5	2.2
	11-15 years	4	1.8
	16 and above	5	2.2
6.	**Marital Status**		
	Single	75	33.2
	Married	24	10.6
	Divorce	36	15.9
	Widowed	30	13.3
	Separated	61	27.0

Source: The Researcher

5.4.1 Mean and Standard Deviation of the Study Variables

Mean is the most frequently used measure of central tendency, which refers to the average value of the data set (Sekaran & Bougie, 2010). Standard deviation is a measure of spread or dispersion, which provides an index of variability in the data set and it is the square root of variance. Both standard deviation and mean are fundamental in descriptive statistics for ratio and interval scale. This study used a five-point Likert scale and Nik, Jantan & Taib's (2010) interpretation of the level of score was adapted. They recommend that a score of less than 2.33 is low level,2.33 – 3.67 is moderate level and 3.67 and above is regarded as higher level. Table 5.11 presents the standard deviation and mean of all the variables used in this study. ICG has the highest mean (M= 3.97, SD=3.80) while capability has the lowest mean (M=2.95, SD=1.60). Conclusively, all the meansare in the range of higher level.

Table 5.5
Mean and Standard Deviation of the Study Variables

Variables	Mean	Std. Deviation	N of Items
Pressure (P)	3.76	4.19	17
Opportunity (OP)	3.37	2.69	11
Rationalization (RT)	3.20	2.44	5
Capability (CAP)	2.95	1.60	5
Islamic Corporate Governance (ICG)	3.97	3.80	10
Fraud (FRD)	3.24	2.02	5

5.5 Goodness of Measures - Factor Analysis

Factor analysis is a data reduction device which is used for summarizing the variable structure in a given set of data. Before the conduct of factor analysis, certain conditionsmust be met. Hair *et al.* (1998, 2010) and Cokes and Stead (2003) assert that the general rule of thumb for factor analysis to be carried is that there should be a minimum of five respondents per variable under study. Comfrey and Lee (1992) state that a sample size of 50 is very poor, 100 is poor, 200 is fair, 300 is good, 500 is very good and 1,000 is excellent. Therefore, with a good data of 226 respondents and six variables, the study meetsthese conditions. A sample size of more than 350 requires a factor loading of 0.30 to assess statistical significance (Hair *et al.*, 2010, Tabachnick& Fidell, 2014).

The principal component analysis (PCA) was employed in this study to extract factors based on eigenvalue greater than or equal to 1. According to Pallant (2007) and Hair *et al.* (2010), factor analysis is considered as appropriate when most of the items' correlation coefficients are at least 0.3 and above. Bartlett's test of the sphericity needs to be significant at ($p<0.05$). The Kaiser-Meyer-Olkin (KMO) and the overall measure of sampling adequacy (MSA) should be at least 0.6 and above for good factor analysis; if the value is lower than 0.6, this indicates the need for collecting additional data or additional variablesto be introduced (Field, 2009). Hutcheson and Sofroniou (1999) have the following classifications of KMO as values between 0.5 and 0.7 are considered average, 0.7 and 0.8 are good, 0.8 and 0.9 are very good, and any value above 0.9 is excellent.

According to Hair *et al.* (2010), one of the characteristics of EFA is that the component may come from the statistical result, not from the theory. EFA is conducted without knowing how many components really exist and which items belong to which constructs.

Hair *et al.* (2010) assert that the value of the MSA must exceed 0.5 for the overall test as well as individual variables. Item loadings lower than 0.5 must be removed, although a loading of 0.3 is considered as a minimum (Tabachnick & Fidell, 2014). In determining the number of components (factors) to extract, there is a need for considering other vital outputs (KMO, total variance explained). The naming of the factor is solely on the item with higher loading. Item loading and cross-loading of 0.5 and above on one factor are considered in this study due to its statistical and practical significance (Hair *et al.*, 2010; Tabachnick & Fidell, 2014). The above mentioned decision rules were used as a basis for conducting PCA in this study. The factor analysis for dependent, independent and moderating variables are as follows:

5.5.1 Dependent variable – Bank Fraud

Table 5.6 shows the result of factor analysis of the DV (Fraud). Initially, the DV was measured with five items in one dimension, which was subjected to PCA using SPSS version 20. The factor loading of the items ranges from 0.376 to 0.653 with only one item/component extracted and low communality items removed. The deleted items were the ones that failed to match other items in the component. Deleting this item with communality problem adds to the value of total variance explained. Inspection of correlation matrix reveals that all the coefficients have values of 0.3 and above.

Prior to the conduct of factor analysis (Table 5.6.1.1), KMO-MSA was performed and indicated a value of 0.768, which is above the benchmark of 0.60, thus showing that the sample size is adequate for the conduct of factor analysis. Similarly, Bartlett's test of sphericity is statistically significant which supports the factorability of the correlation matrix as the p-value stands at 0.000.

Table 5.6
Result of Factor Analysis for Bank Fraud

Eigenvalue	**2.570**
Percentage (%) Variance	51.718
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.768
Bartlett's Test of Sphericity	270.161
Significance	0.000

Variable Item Code	Statement/Item Extracted	Communalities
FRD02	Bank fraud covers fraudulent means to obtain illegal money, assets or other properties.	.653

Source: Researcher

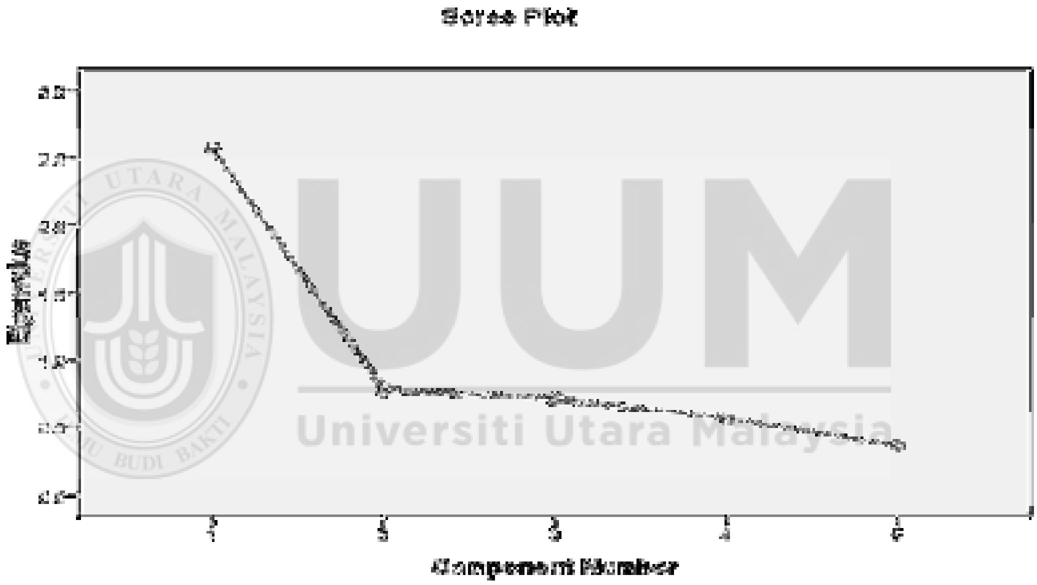

Figure 5.1 Scree Plot (PCA)

PCA showed the presence of only one component with eigenvalue exceeding 1, i.e., FRD02 in Bank Fraud with eigenvalue 2.570. The percentage of the variance is 51.718%.

5.5.2 Independent and Moderating variables

The IVs of this study are rationalization, opportunity, capability and pressure, and Islamic Corporate Governance is the moderating variable. All were measured as unidimensional. Pressure (P) has 17 items, opportunity (OP) 11 items, rationalization (RT) five items, capability (CAP) five items and Islamic Corporate Governance (ICG) 10 items. The total items measuring all the four independent and moderating variables are 48 items.

Before the conduct of factor analysis (**Table** 5.6), KMO-MSA was performed with the value of 0.865, which is above the minimum value of 0.6 for a good factor analysis (Hutcheson & Sofroniou, 1999). The Bartlett's test of sphericity is 5201.972 and significant at $p<0.000$ which strongly supports the factorability of the correlation matrix.

Table 5.7
Result of the Factor Analysis for Pressure (P), Opportunity (OP), Rationalization (RT), Capability (CAP) and Islamic Corporate Governance (ICG)

	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Eigenvalue	12.017	3.877	2.268	2.120	1.933	1.620	1.524	1.387	1.299	1.169	1.071	1.063
% Variance	25.035	8.078	4.724	4.418	4.027	3.376	3.174	2.889	2.705	2.436	2.231	2.215
KMO	0.865											
Bartlett's T	5201.972											
Significa	0.000											

Source: Researcher

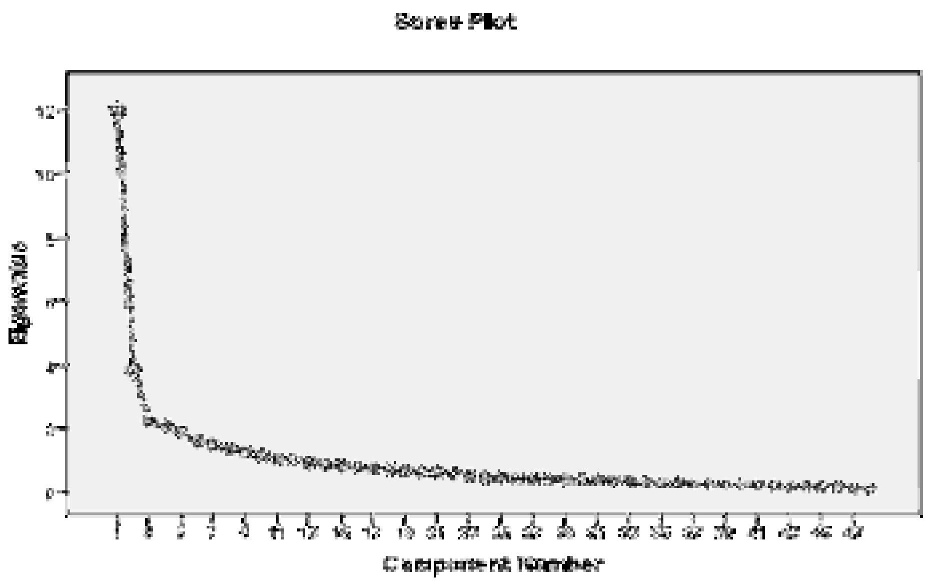

Figure 5.2 Scree Plot

Table 5.7 shows the outcome of the factor analysis for the IVs (Pressure, Opportunity, Rationalization and Capability) and the moderating variable - Islamic Corporate Governance. Inspection of the correlation matrix was conducted and it shows that most item coefficients are 0.3 and above, as indicated in Table 5.7.PCA extracted 12 components for those with eigenvalue exceeding 1, but rotation converged in 11 iterations. Based on the factor analysis results of each study variable, items that loaded on Pressure (P) are four items, Opportunity (OP),two items, Rationalization (RT),one item, Capability (CAP),two items and Islamic Corporate Governance (ICG),two items, as shown in Table 5.7 The percentage variance of the 12 components extracted as in Table 5.7 ranges from 2.215 to 25.035. The factor loading value for the independent and moderating variables as indicated in Table 5.7 is in the range of 0.662 to 0.891, which isabove the minimum value of 0.6 for good factor analysis.

Table 5.8
Result of Factor Analysis of Each Independent and Moderating Variable

	(P)				(OP)		(RT)	(CAP)		(ICG)	
Eigenvalue	1	2	3	4	1	2	1	1	2	1	2
	5.094	1.683	1.477	1.267	4.840	1.125	2.563	2.364	1.012	5.339	1.031
% of Var.	29.963	9.898	8.690	7.450	43.999	10.224	51.254	47.280	20.243	53.386	10.312
KMO	0.816				0.891		0.776	0.662		0.880	
B.T.	1182.677				879.405		254.9320	248.598		1227.277	
Sig.	0.000				0.000		0.000	0.000		0.000	

Table 5.9
Communalities

Variable Item Code	Statement/Item Extracted	Communalities
P10	Failure to meet family expectations can lead to fraud.	.758
P09	High family responsibilities can trigger someone to commit fraud.	.712
P15	The need to gloss over temporarily bad situations can in some cases lead to fraud.	.674
P06	Resentment of superiors can lead to fraud.	.650
OP09	Ineffective or non-existent internal auditing staffs can lead to fraud.	.639
OP03	Inadequate check and balances resultin fraud.	.607
RT03	Lack of fraud prevention training and knowledge sharing can lead to fraud.	.577
CAP03	A deep understanding of the internal control system can trigger fraud.	.788
CAP05	Seeking and exploiting opportunities to one's advantage can lead to fraud.	.781
ICG10	Transparency is said to be more important than accountability in Islamic Corporate Governance in the banking industry.	.933
ICG02	The concept of "*Adl*" (fairness and justice) in Islam interacts with modern corporate principles and promotes the corporate governance.	.681

Source: Researcher

5.6 Correlation Test

Correlation analysis is used to explain the direction and strength of a linear relationship between two variables (Pallant, 2011). Pearson correlation was employed to assess the interrelationship between study variables. Table 5.10 below shows the interrelations among Bank Fraud (FRD), Pressure (P), Opportunity (OP), Rationalization (RT) and Capability (CAP) as well as Islamic Corporate Governance (ICG). Pallant (2011) asserts that a correlation of 0 indicates no relationship at all, a correlation of 1.0 is an indication of positive correlation and a value of -1 is a pointer of a perfect negative correlation. Cohen (1988) suggests the following guidelines: r = 0.10 to 0.29 small; r = 0.30 to 0.49 medium; and r = 0.5 to 1.0 large.

Table 5.10
Pearson Correlation between the Constructs

	P10	P09	P15	P06	OP09	OP03	RT03	CAP03	CAP05	ICG10	ICG02	FRD02
P10	1											
P09	.705**	1										
P15	.186**	.192**	1									
P06	.143*	.101	.380**	1								
OP09	.240**	.249**	.061	.159*	1							
OP03	.209**	.327**	.049	.027	.519**	1						
RT03	.225**	.222**	.214**	.111	.370**	.396**	1					
CAP03	.317**	.268**	.222**	-.022	.218**	.233**	.285**	1				
CAP05	.138*	.132*	.172**	.176**	.175**	.136*	.044	.204**	1			
ICG10	.091	.080	.026	-.051	-.014	.016	.107	.096	.043	1		
ICG02	.120	.240**	.140**	.045	.297**	.372**	.335**	.226**	.037	-.121	1	
FRD02	.224**	.164*	.004	-.043	.329**	.366**	.336**	.263**	.117	-.040	.422**	1

Table 5.10 above signifies that the variables are significantly correlated and there is no variable with a value of 0.9 which indicates that there is no problem of multicollinearity (Hair *et al.,* 2010).

5.7 Assumptions of Multiple Regressions

The variables were checked for homoscedasticity, multicollinearity, linearity and normality, to satisfy the basic underlying assumptions of the multiple regression analysis in line with the suggestion by Hair *et al.* (2010) and Pallant (2001).

5.7.1 Normality

Tabachnick and Fidell (2007) assert that one of the basic assumptions of regression analysis is that variable items and linear groupings are normally distributed. Normality is evaluated either graphically or statistically. The basic mechanisms of statistical normality are through skewness and kurtosis. When a distribution is normal, the value of both skewness and kurtosis should be close to zero. In graphical level, normality is usually determined through histogramresidual plots. This shows the shape of data normality to a variable correlation to normal distribution. If the standard set is obtained, the residuals appear normally and independently plotted (Tabachnick & Fidell, 2007). The result of the histogram shows that the normality assumption has been achieved since all the barsof the histogram are close to the normal curve.

In this study, the normality assumption was diagnosed by checking skewness and kurtosis and histogram residual plots. Based on the analysis, the residual appears to be normal and the values of skewness and kurtosis are close to zero. Therefore, the normality assumption is upheld (Afifi & Clark, 1998). Figure 5.3 shows the summary of the histogram of normality.

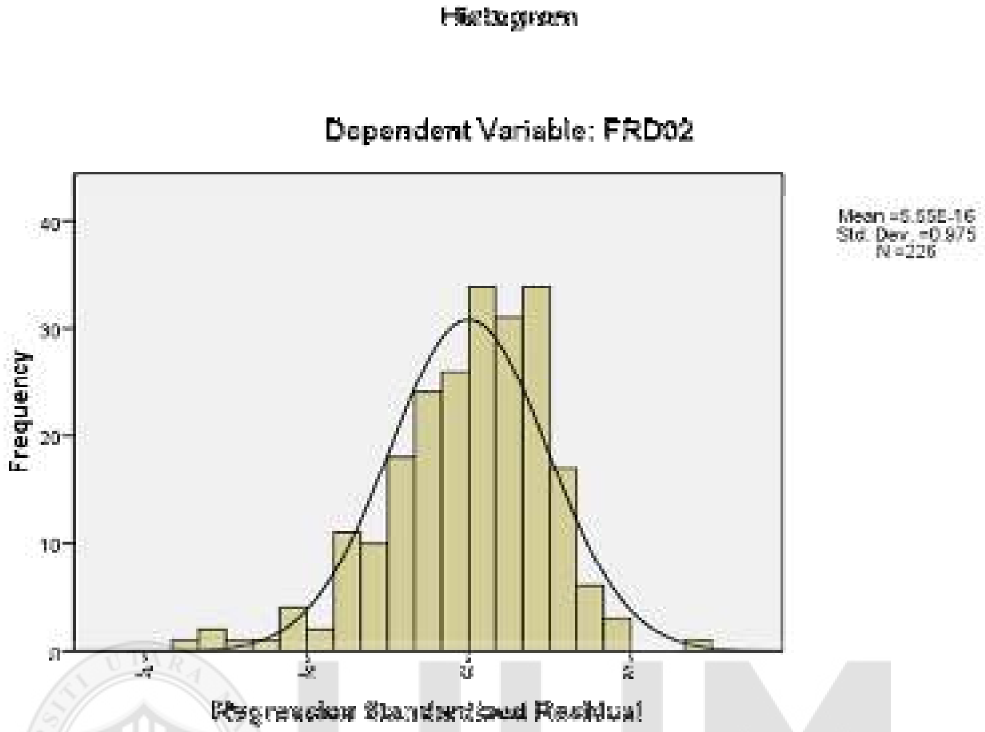

Figure 5.3 Histogram

5.7.2 Linearity

Linearity is an important aspect under regression analysis; it is among the underlying techniques that show if the relationship between the DV and IVs is linear. However, correlation is one that shows the linear link among variables. So, if it appears a non-linear link exists, it will be rejected in the analysis, which usually underscores the real strength of the link (Tabachnick & Fidell, 2007). The study used residual scatter plot, where the residualsshould scatter around 0 and most of the scores should concentrate at zero point (Flury & Riedwyl, 1998; Ringim, 2012). The assumption is not violated as the plot shows that residual scores converge at the centre along the zero point, hence showing evidence that the linearity standard is fulfilled.

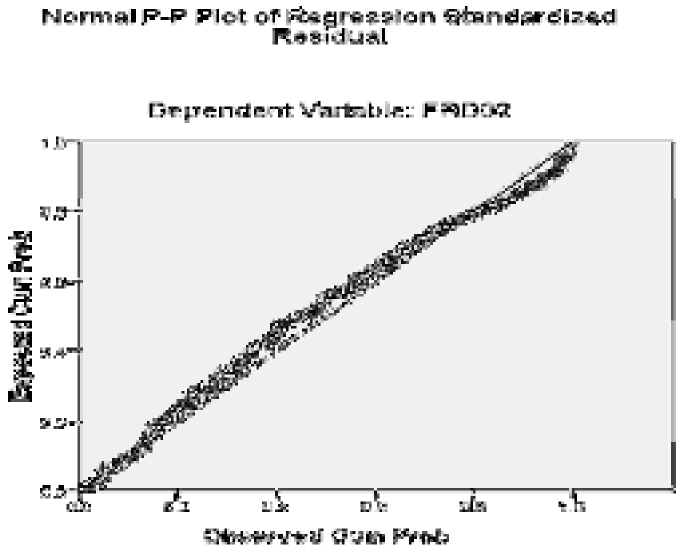

Figure 5.4 P-P Plot

5.7.3 Multicollinearity

Sekaran and Bougie (2010) describe multicollinearity as a setting where two or more IVs under multiple regressions are extremely associated. The multiple regression procedure assumes both independent and explanatory variableshave a strong linear relationship with each other (Tabachnick & Fidell, 2007). The simplest way of detecting multicollinearity is to check the correlation matrix of the IVs. Most people consider correlation of 0.7 and above as high (Sekaran and Bougie, 2010), while to the others, intercorrelation greater than 0.8 is considered to be evidence of high multicollinearity (Berry& Feldman, 1985). According to Hair *et al.* (2010), the value of IVs is highly correlated among themselves at 0.9. In an effort to identify multicollinearity problem, a bivariate correlation of all the IVs was conducted using Pearson correlation. The Pearson correlation reveals no multicollinearity problem as values are not even close to 0.7. Another device for finding multicollinearity is to look at the Variance Inflation Factor (VIF) and tolerance value. Hair *et al.* (2010) advise that any VIF exceeding 10 and tolerance value lower than .10 indicates a problem of multicollinearity. Table 5.11 below shows the VIF and the tolerance value of the IVs.

Table 5.11
Tolerance and VIF Values

Model	**Collinearity Statistics**	
	Tolerance	**VIF**
1 (Constant)		
P10	.464	2.155
P09	.454	2.201
P15	.763	1.311
P06	.788	1.269
OP09	.589	1.697
OP03	.553	1.807
RT03	.713	1.402
CAP03	.770	1.300
CAP05	.896	1.117
ICG10	.940	1.064
ICG02	.759	1.317

The result in the Table 5.11 above shows the absence of multicollinearity among the IVs due to the fact that the VIF values are less than 10 while the tolerance values are more than .10. An examination of these results indicates that multicollinearity is not a problem.

5.7.4 Homoscedasticity

The basic standard of homoscedasticity is variance of the DV is also the same at different levels with independent or exploratory variables (Hair *et al.,* 2010). In short, the error term in a regression model has permanent variance. Homoscedasticity is normally assessed by visual inspection of the scatter plot of the regression residuals. Homoscedasticity appears to be indicated when the width of the band of the residuals is approximately the same at dissimilar levels of the DV and scatter plots show a pattern of residuals normally distributed around the mean (Berry & Feildman, 1985).

Standard of homoscedasticity can be assessed with the SPSS method. A close look at residual plots for all the IVs shows that the assumption of homoscedasticity is not violated.

Figure 5.5 Scatter Plot (Residual Plots-Pressure, Opportunity, Rationalization, Capability, Islamic Corporate Governance and Fraud)

5.8 Multiple Regressions and Hypotheses Test

Multiple regression analysis provides an avenue of neutrally evaluating the extent of the relationship between the DV and IVs (Sekararan & Bougie, 2012; Hair, Money, Samovel & Page, 2007; Field, 2009). The regression coefficient shows how important each IV is in predicting the DV. When IVs are combined to regress against the DV to explain the variance in it, the regression co-efficient will show the influence of each unit upon the other (Sekaran & Bougie, 2010; Zikmund, Babin, Carr & Griffin, 2010).

Regression analysis was used to test the hypothesis in this study, i.e.,to investigate the relationship between predicting as well as the criterion variables, respectively. For the conduct of regression analysis, a large sample is required and considered appropriate and also the underlying assumptions of multiple regressions mustbe fulfilled (Hair *et al.,* 2010). This assumption includes normality, linearity, multicollinearity and homoscedasticity, which are normally examined through the scatter residual plots and the normality probability plot in the regression standardized residuals.

The fundamental assumption above was carefully examined and found that none of the standardsis violated in this study, thus, making the conduct of multiple regression analysis suitable.

5.8.1 Direct: Multiple Regression Analysis and Hypotheses Testing between Pressure, Opportunity, Rationalization andCapability and Fraud.

Multiple regression analysis was conducted to determine the relationship between Rationalization, Opportunity, Capability and Pressure and Fraud. The results as indicated in ***Table 5.9.6.1*** with predictors are significant at R = .556, R^2 = .309, Adjusted R^2 = .274 and F Change = 8.712. The multiple correlation coefficients between the predictors and the criterion variable is.556; and the predictor accounts for 30.9% of the variance in Bank Fraud. Cohen (1988) classifies R^2 into three: a) 0.02 as weak; b) 0.13 as moderate; and c) 0.26 as substantial. Based on the Cohen and Cohen (1983) and Cohen (1988) classifications, the value of R^2 is substantial. The generalizability of this model in the population is .274. The F-test shows that the relationship (8.712, $p< 0.000$) signifies the overall significant prediction of IVs to the DV, but does not explain the relative contribution of each IV to the DV (Green & Salkind, 2008).

Among the five independent predicting variables, Islamic Corporate Governance, ICG02, is the variable that best predicts the criterion with the following values (β = .306, t=4.623, $p< .000$). The next vital predictor in order of importance is Pressure, P10 (β = .174, t=2.599, $p< .010$) and also Rationalization, RT03 (β = .139, t= 2.131, $p< .034$). However, Capability, CAP03 (β = .078, t=1.329, $p<.185$), and Opportunity, OP03 (β = .125, t= 1.757, $p< .081$) are not significantly related to Bank Fraud, FRD02. Three out of five independent variables impact on the directional hypothesis.

Therefore, Hypothesis **H_5**that*"There is a significant relationship between Islamic Corporate Governance (ICG) and the Bank Fraud (FRD) or Adoption of Islamic Corporate Governance (ICG) moderates Bank Fraud FRD",***H_1**that *"There is significant relationship between Pressure (P) and Bank Fraud (FRD)"* and **H_3** that *"There is a significant relationship between Rationalization (RT) and Financial Pressure (FRD)"* are ***supported***, whereas Hypothesis **H_4**that *"There is a significant relationship between Capability (CAP) and Bank Fraud (FRD)"* and **H_2**that *"There is a significant relationship between Opportunity (OP) and Bank Fraud (FRD)",* are ***rejected***.

Table 5.12
Multiple Regression Result between Pressure, Opportunity, Rationalization and Capability and Fraud

Model Summary[b]

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.556[a]	.309	.274	.844	.309	8.712	11	214	.000

a. Predictors: (Constant), ICG02, CAP05, ICG10, P06, P10, OP09, CAP03, P15, RT03, OP03, P09

b. Dependent Variable: FRD02

Coefficienta

Model	Unstandardised Coefficients B	Std. Error	Standardised Coefficients Beta	T-value	Sig.
(Constant)	1.617	.430		3.758	.000
P10	.174	.067	.217	2.599	.010
P09	-.130	.068	-.161	-1.915	.057
P15	-.075	.055	-.089	-1.362	.175
P06	-.073	.056	-.083	-1.297	.196
OP09	.074	.067	.081	1.101	.272
OP03	.125	.071	.134	1.755	.081
RT03	.139	.065	.143	2.131	.034
CAP03	.078	.058	.086	1.329	.185
CAP05	.052	.043	.073	1.216	.225
ICG10	-.041	.061	-.039	-.674	.501
ICG02	.306	.066	.301	4.623	.000

a Dependent Variable: FRD02

1. 5.7.7 Hierarchical Regression and Hypotheses Testing

Hierarchical regression, as the name suggests, is a statistical device used for predicting criterion variables with one or more IV in the sequential entry of predictors based on theoretical and logical considerations (Tabachnick & Fidell, 2007). This type of regression is also called moderator or sequential regression, which is recommended by scholars as a tool for analyzing moderating results (Baron & Kenny, 1986; Frazier, Baron & Tix, 2004).

5.8.2 Moderation Test

In order to test whether Islamic Corporate Governance moderates the relationship between Capability, Opportunity, Rationalization and Pressure, the three-step hierarchical regression by Baron and Kenny (1986) was conducted in determining the variance of a given variable as explained by the other variables (Cramer, 2003).

In the first step, the direct effect of the IVs was entered, and in the second step, the moderating variable was entered to assess whether the moderator (Islamic corporate governance) has a significantly direct effect on the DV (Bank Fraud). Finally, in the third step, the interaction terms (which are the product of the IVs and the moderator variable) were entered to find out any additional variance explained.

Table 5.13
Hierarchical Regression Result: The Moderating Effect of Islamic Corporate Governance on the Relationship between the Independent Variables: Pressure, Opportunity, Rationalization, Capability and the Dependent Variable: Bank Fraud

Model Summary[c]

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.483[a]	.233	.201	.886	.233	7.291	9	216	.000
2	.556[b]	.309	.274	.844	.076	11.820	2	214	.000

a. Predictors: (Constant), CAP05, RT03, P06, P09, CAP03, OP09, P15, OP03, P10

b. Predictors: (Constant), CAP05, RT03, P06, P09, CAP03, OP09, P15, OP03, P10, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.14
ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51.474	9	5.719	7.291	.000[a]
	Residual	169.447	216	.784		
	Total	220.920	225			
2	Regression	68.330	11	6.212	8.712	.000[b]
	Residual	152.591	214	.713		
	Total	220.920	225			

a. Predictors: (Constant), CAP05, RT03, P06, P09, CAP03, OP09, P15, OP03, P10

b. Predictors: (Constant), CAP05, RT03, P06, P09, CAP03, OP09, P15, OP03, P10, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.15
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1.(Constant)	2.051	.343		5.980	.000
P10	.136	.070	.169	1.947	.053
P09	-.086	.070	-.107	-1.219	.224
P15	-.058	.057	-.068	-1.005	.316
P06	-.072	.059	-.082	-1.220	.224
OP09	.099	.070	.110	1.423	.156
OP03	.182	.073	.196	2.484	.014
RT03	.186	.067	.191	2.776	.006
CAP03	.104	.061	.115	1.711	.089
CAP05	.041	.045	.056	.898	.370
2.(Constant)	1.617	.430		3.758	.000
P10	.174	.067	.217	2.599	.010
P09	-.130	.068	-.161	-1.915	.057
P15	-.075	.055	-.089	-1.362	.175
P06	-.073	.056	-.083	-1.297	.196
OP09	.074	.067	.081	1.101	.272
OP03	.125	.071	.134	1.755	.081
RT03	.139	.065	.143	2.131	.034
CAP03	.078	.058	.086	1.329	.185
CAP05	.052	.043	.073	1.216	.225
ICG10	-.041	.061	-.039	-.674	.501
ICG02	.306	.066	.301	4.623	.000

a. Dependent Variable: FRD02

In Table 5.13, the IVs first entered, which appear in model 1 of the model summary,explain 23.3% of the variance. After entering Islamic Corporate Governance (ICG) as the moderator, the total variance as explained by model 2 is 30.9%. However, the F Change from model 1 to 2 ($p \leq 0.000$) is significant. This shows that Islamic Corporate Governance (ICG) does moderate the relationship between the IVs: Pressure, Opportunity, Rationalization and Capability and DV, Fraud. Hence, **H_5, H_6, H_7** and **H_8** are all ***supported.***

Table 5.16
Hierarchical Regression Result: The Moderating Effect of Islamic Corporate governance on the Relationship between Pressure and Bank Fraud

Model Summary[c]

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.237[a]	.056	.039	.971	.056	3.297	4	221	.012
2	.475[b]	.226	.204	.884	.169	23.952	2	219	.000

a. Predictors: (Constant), P06, P09, P15, P10

b. Predictors: (Constant), P06, P09, P15, P10, ICG10, ICG02

a. Dependent Variable: FRD02

Table 5.17
ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.441	4	3.110	3.297	.012[a]
	Residual	208.480	221	.943		
	Total	220.920	225			
2	Regression	49.859	6	8.310	10.639	.000[b]
	Residual	171.061	219	.781		
	Total	220.920	225			

a. Predictors: (Constant), P06, P09, P15, P10

b. Predictors: (Constant), P06, P09, P15, P10, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.18
Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.757	.264		14.242	.000
P10	.184	.074	.228	2.464	.014
P09	.010	.075	.013	.136	.892
P15	-.011	.060	-.013	-.188	.851
P06	-.063	.062	-.072	-1.011	.313
(Constant)	2.331	.424		5.501	.000
P10	.220	.068	.274	3.237	.001
P09	-.091	.069	-.113	-1.310	.191
P15	-.049	.055	-.059	-.894	.372
P06	-.060	.057	-.068	-1.051	.294
ICG10	-.006	.063	-.006	-.095	.924
ICG02	.433	.063	.426	6.834	.000

a. Dependent Variable: FRD02

Table 5.14indicates hierarchical regression result of the moderating effect of Islamic Corporate Governance (ICG) on the relationship between Pressure (P) and Bank Fraud (FRD). In model 1, R^2 = .056 and R^2 = .056 are the same (as is the associated F-Test, 3.297), but moving to model 2, R^2 increases (.226) as R^2 Change increases (.169). However, R^2 is significant at $p \leq .000$ and substantial at .226. This shows that Islamic Corporate Governance (ICG) moderates the relationship between Pressure (P) and Bank Fraud (FRD). So, **H_5** is ***supported***.

Table 5.19
Hierarchical Regression Result: The Moderating Effect of Islamic Corporate governance on the Relationship between Opportunity and Bank Fraud

Model Summary[c]

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.392[a]	.154	.146	.916	.154	20.235	2	223	.000
2	.490[b]	.240	.227	.871	.087	12.628	2	221	.000

a. Predictors: (Constant), OP03, OP09

b. Predictors: (Constant), OP03, OP09, ICG10, ICG02

a. Dependent Variable: FRD02

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	33.934	2	16.967	20.235	.000[a]
	Residual	186.986	223	.839		
	Total	220.920	225			
2	Regression	53.111	4	13.278	17.486	.000[b]
	Residual	167.809	221	.759		
	Total	220.920	225			

a. Predictors: (Constant), OP03, OP09

b. Predictors: (Constant), OP03, OP09, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.20
Coefficients[a]

Model	Unstandardised Coefficients		Standardised Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.545	.264		9.639	.000
OP09	.155	.069	.173	2.259	.025
OP03	.246	.071	.264	3.450	.001
2(Constant)	1.718	.408		4.210	.000
OP09	.122	.066	.135	1.842	.067
OP03	.155	.070	.168	2.232	.027
ICG10	-.002	.062	-.002	-.030	.976
ICG02	.324	.065	.319	4.976	.000

a. Dependent Variable: FRD02

Table 5.15 indicates hierarchical regression result of the moderating effect of Islamic Corporate Governance (ICG) on the relationship between Opportunity (OP) and Bank Fraud (FRD). In model 1, R^2 = .154 and R^2 = .154 are the same (as is the associated F-Test 20.235); moving to model 2, R^2 increases (.240) as R^2 Change decreases (.087). However, R^2 is significant at $p \leq .000$ and substantial at .240. This shows that Islamic Corporate Governance (ICG) moderates the relationship between Opportunity (OP) and Bank Fraud (FRD). Therefore, **H_6** is ***supported***.

Table 5.21
Hierarchical Regression Result: The Moderating Effect of Islamic Corporate governance on the Relationship between Rationalization and Bank Fraud

Model Summary[c]

					Change Statistics				
Model	**R**	**R^2**	**Adj. R^2**	**S. E**	**R^2 Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.336[a]	.113	.109	.935	.113	28.482	1	224	.000
2	.470[b]	.221	.210	.881	.108	15.402	2	222	.000

a. Predictors: (Constant), RT03

b. Predictors: (Constant), RT03, ICG10, ICG02

Table 5.22
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	**Std. Error**	**Beta**		
(Constant)	2.918	.244		11.965	.000
RT03	.326	.061	.336	5.337	.000
(Constant)	1.989	.397		5.013	.000
RT03	.215	.062	.223	3.499	.001
ICG10	-.023	.063	-.022	-.361	.719
ICG02	.350	.055	.344	5.400	.000

Dependent Variable: FRD02

Table 5.22 indicates hierarchical regression result of the moderating effect of Islamic Corporate Governance (ICG) on the relationship between Rationalization (RT) and Bank Fraud (FRD). In model 1, R^2 = .113 and R^2 = .113 are the same (as is the associated F-Test 28.482); moving to model 2, R^2 increases (.221) as R^2 Change decreases (.108). However, R^2 is significant at $p \leq .000$ and substantial at .221. This shows that Islamic Corporate Governance (ICG) moderates the relationship between Rationalization (RT) and Bank Fraud (FRD). **H_7** is therefore ***supported***.

Table 5.23
Hierarchical Regression Result: The Moderating Effect of Islamic Corporate governance on the Relationship between Capability and Bank Fraud

Model Summary[c]

Model	R	R^2	Adj. R^2	S. E	Change Statistics: R^2 Change	F Change	df1	df2	Sig. F Change
1	.271[a]	.073	.065	.958	.073	8.831	2	223	.000
2	.461[b]	.212	.198	.887	.139	19.484	2	221	.000

a. Predictors: (Constant), CAP05, CAP03

b. Predictors: (Constant), CAP05, CAP03, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.24
ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.214	2	8.107	8.831	.000[a]
	Residual	204.706	223	.918		
	Total	220.920	225			
2	Regression	46.899	4	11.725	14.890	.000[b]
	Residual	174.022	221	.787		
	Total	220.920	225			

a. Predictors: (Constant), CAP05, CAP03

b. Predictors: (Constant), CAP05, CAP03, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.25
Model Summaryc

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics: R^2 Change	F Change	df1	df2	Sig. F Change
1	.271[a]	.073	.065	.958	.073	8.831	2	223	.000
2	.461[b]	.212	.198	.887	.139	19.484	2	221	.000

a. Predictors: (Constant), CAP05, CAP03

b. Predictors: (Constant), CAP05, CAP03, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.26
ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.214	2	8.107	8.831	.000[a]
	Residual	204.706	223	.918		
	Total	220.920	225			
2	Regression	46.899	4	11.725	14.890	.000[b]
	Residual	174.022	221	.787		
	Total	220.920	225			

a. Predictors: (Constant), CAP05, CAP03

b. Predictors: (Constant), CAP05, CAP03, ICG10, ICG02

c. Dependent Variable: FRD02

Table 5.27
Coefficients[a]

Model	Unstandardised Coefficients		Standardised Coefficients	T	Sig.
	B	**Std. Error**	**Beta**		
(Constant)	3.126	.243		13.260	.000
CAP03	.225	.059	.249	3.787	.000
CAP05	.048	.047	.067	1.012	.313
(Constant)	1.941	.411		4.726	.000
CAP03	.148	.057	.164	2.596	.010
CAP05	.051	.044	.071	1.159	.248
ICG10	-.013	.063	-.012	-.203	.840
ICG02	.387	.063	.381	6.141	.000

a. Dependent Variable: FRD02

Table 5.27 indicates hierarchical regression result of the moderating effect of Islamic Corporate Governance (ICG) on the relationship between Capability (CAP) and Bank Fraud (FRD). In model 1, R^2 = .073 and R^2 = .073 are the same (as is the associated F-Test 8.831); moving to model 2, R^2 increases (.212) as R^2 Change increases (.139). However, R^2 is significant at $p \leq .000$ and substantial at .212. This shows that Islamic Corporate Governance (ICG) moderates the relationship between Capability (CAP) and Bank Fraud (FRD). **H_8** is ***supported***.

Table 5.28
Summary of Hypotheses Test (Pressure, Opportunity, Rationalization and Capability, Islamic Corporate Governance and Bank Fraud)

Hypothesis Symbol	Statement	Result
H_1	There is significant relationship between Pressure and Bank Fraud.	Supported
H_2	There is significant relationship between Opportunity and Bank Fraud.	Rejected
H_3	There is significant relationship between Rationalization and Bank Fraud.	Supported
H_4	There is significant relationship between Capability and Bank Fraud.	Rejected
H_5	Adoption of Islamic Corporate Governance by Islamic Banks in Nigeria moderates Bank Fraud despite bankers' Pressure tobe involved in fraud.	Supported
H_6	Adoption of Islamic Corporate Governance by Islamic Banks in Nigeria moderates Bank Fraud despite bankers' Opportunity to commit fraud.	Supported
H_7	Adoption of Islamic Corporate Governance by Islamic Banks in Nigeria moderates Bank Fraud despite bankers' Rationalization issues to commit fraud.	Supported
H_8	Adoption of Islamic Corporate Governance by Islamic Banks in Nigeria moderates Bank Fraud despite bankers' Capability issues to commit fraud.	Supported

5.9 Summary of the Chapter

The chapter is about the findings and the interpretation of the empirical results from the study. The chapter starts with the process of data collection and response and non-response bias, where it is found that there are not many differences between early and late respondents using independent t-test analysis. Data cleansing was run for missing data and outliers. Both multivariate (Mahanalobis) and univariate (Z-score) outlier treatments were conducted to obtain good data. Descriptive analysis was conducted on respondents' information that cut-across all five selected banks in Kano State, Nigeria. The demographic information about respondentsincludededucational background, gender, number of employees, working experience,etc. All the principles and assumptions of multiple regression analysis were followed and normality, linearity, multicollinearity and homoscedasticity assumptions were not violated, which allowed theconduct of the regression analysis.

Factor analyses were carried out on all constructs and MSAKMO-MSAwas statistically established to be adequate for further analysis. Construct reliability and validity have good Cronbach's alpha for internal consistency of 0.7 and above. Pearson (r) bivariate correlation was performed and all the variables are significantly correlated. Multiple regression analysis of the constructs was conducted. Pressure and Rationalization and Islamic Corporate Governance are significantly related to Bank Fraud, while Opportunity and Capability are not significantly related to Bank Fraud. Hierarchical multiple regression results of moderation are that Pressure, Opportunity, Rationalization and Capability are all moderated by Islamic Corporate Governance.

CHAPTER SIX
DISCUSSIONS AND CONCLUSIONS

6.0 Introduction

The chapter provides discussion on the findings with a conclusion of the whole study. It explains practical, theoretical and other implications of the study; recommendations, and limitations are also discussed.

6.1 Recapitalization of the Study

The present research was conducted to determine the relationship between Opportunity, Capability, Rationalization and Pressure and Bank Fraud among banking staffs in Kano state Nigeria. Islamic Corporate Governance was used to moderate the relationship between Opportunity, Capability, Rationalization and Pressureand Bank Fraud.

A survey was conducted to collect data and the questionnaire was adapted from previous studies. The self-administered questionnaire method was used where the researcher had face-to-face contact with the respondents. A total of 351 questionnaires were administered to the Kano Islamic and conventional banks senior staffs, out of which 226 questionnaires were returned as completed and valid. The data were run using SPSS, and the analysis started by checking for missing values and outliers. There was a missing value in the data set, upon all the researcher's curiosity right from the field in ensuring that all items are duly responded by respondents, and at the same time the researcher's ability to key in any questionnaire collected within the shortest possible time. A total of nine responses were excluded from the analysis due to issues of both univariate and multivariate outliers. PCA was conducted to enable the assessment of the factor validity of the instrument.

A reliability test was also conducted for the purpose of evaluating the internal consistency of the measures through Cronbach's alpha. Multiple linear regression was used to test the direct relationship of all hypotheses and the hierarchical regression analyses were used to test the indirect relationship (moderator).The result of factor analysis of bank fraud as the DVindicates that the construct is measured with one component. Pressure, Opportunity, Rationalization, Capability and Islamic Corporate Governance were all measured as one-dimensional, and their respective reliability coefficient is above 0.6, which is the least standard.

With regards to hypotheses testing for direct relationship using multiple regression analysis, the result shows that some of the developed hypotheses are rejected, while others accepted/supported. Hypotheses H1 and H3 are accepted/supported due to the fact that the result shows that pressure and rationalization are significantly related to bank fraud; while hypotheses H2 and H4 are not accepted/supported because the result of the direct relationship indicates that opportunity and capability are not significantly and positively related to bank fraud.

The result of hierarchical multiple regressions indicatesthat Islamic corporate governance is a moderator between Pressure, Opportunity, Rationalization and Capability as all the four interactionsare significant. Islamic corporate governance moderates the relationship between Rationalization, Opportunity, Pressure and

Capability and Bank Fraud among the bank staffs in Kano State. The following subsection is on the detailed discussion.

6.2 Discussion

The discussion of the study principally focuses on three objectives and three research questions as stated in chapter one of this study. The Research questions were derived from the research objectivesas follows:

(i) Is there a significant relationship between Pressure and Bank Fraud?

(ii) Is there a significant relationship between Opportunity and Bank Fraud?

(iii) Is there a significant relationship between Rationalization and Bank Fraud?

(iv) Is there a significant relationship between Capability and Bank Fraud?

(v) Is there a significant relationship between Islamic Corporate Governance and Bank Fraud?

(vi) Does Islamic corporate governances moderate the relationship between Rationalization, Opportunity, Pressure and Capability and Bank Fraud?

6.2.1 Pressure and Bank Fraud

The first research question of the study is if there is a significant relationship between pressure and bank fraud. The aim of the question is to assess whether pressure can be a good predictor of bank fraud in the Kano state banking sector. This also represents the first research hypothesis (H_1) that there is a significant relationship between pressure and bank fraud. Multiple linear regressions were conducted to test this hypothesis. The result indicates that the six predicting variables are able to explain 30.9% of the model ($R2 = .309$, F – Change = 8.712, $P < .000$). The multiple regressions results show that among the five predicting variables, pressure is one of the variables found to predict bank fraud with the following values ($\beta = .174$, $t = 2.599$, $p < .010$). This result shows that pressure is a predictor of bank fraud in the Nigerian banking sector. This result supports$\mathbf{H_1}$**.**

The findings of this study on the relationship between pressure and bank fraud are in line with previous studies. Johnson *et al.* (2003) find that pressure has a great association with those companies with fraud history. Also, Denis *et al*. (2005) and Hernandez and Groot (2007) find some relationship between fraud risk and use of pressure systems. Precisely, they studied auditors' perspective on pressure that increases the likelihood to commit fraud. They identified top management's unethical attitude, use of pressure systems and dishonest communications as vital indicators of the propensity to commit fraud. Efendi *et al.* (2007) came out with the result that the likelihood of misstating financial statement increases when the CEO has a substantial interest on stock preferences and when firms are constrained by debt covenants. Other evidence for pressure/incentive-related fraud includes Burns and Kedia (2006) and Lie (2005). In contrast, Erickson *et al.* (2000) examined the relationship between accounting fraud and equity incentives. This followed the investigation conducted on those firms accused of fraud between 1996-2003. The report finds no link between accounting fraud and equity incentives. This research suggests that not all compensation systems could motivate managers to commit fraudulent acts. So, for these reasons, there is urgent need in the future to identify those incentives that can motivate managers to commit fraudulent acts and those that do not motivate.

Ziegeufuss (1996) did a research to find out the types of fraud happening in both state and local branches of the banks in India. The study finds the most frequent types of fraud cases are: false invoices, false representation, theft and misappropriation of assets at all levels. All these are caused by poor governance structure, weakened society values, economic pressure, people allowed to go unpunished and lack of proper training of staffs responsible for fraud detection and prevention. The most repeatedly reported red-flags are inventory loss, ignoring audit reports, internal control weakness and not paying attention to employees' rewards.

6.2.2 Opportunity and Bank Fraud

The fourth research question of the study is whether there is a significant relationship between opportunity and bank fraud. The aim of the question is to examine whether opportunity can be a good predictor of bank fraud in the Kano state banking sector. This also represents the fourth research hypothesis that, *there is a significant relationship between opportunity and bank fraud*.Multiple linear regressions were conducted to test this hypothesis. The result indicates that the seven predicting variables are able to explain 30.9% of the model ($R^2 = .309$, F – Change = 8.712, $P< .000$). The multiple regressions results show that among the seven predicting variables, opportunity does not predict bank fraud with the following values (β = .127, t= 1.757, p< .081). This result shows that opportunity is not a predictor of bank fraud in the Nigerian banking sector. This result does not support $\mathbf{H_2}$.

Some reasons could be advance as to the factors that warrant non-predicting opportunity as variables not as a predictor of bank fraud in Nigerian banks, one of such factor is greediness, lots of Nigerians are greedy in whatever they embarked upon, nobody seems to be a brother's keeper, everybody is battling on his own. Hence, Nigerians are always looking for the slightest opportunity to cheat and deceive, and as such, opportunity will never be a predictor of bank fraud in the Nigerian banking sector.

Also, related to the above factor is higher level of corruption, which has gone deep into the whole spares of Nigerians, from top to the bottom, men and women, old and young, who are always looking for the chance to be involved in corrupt practices. Corruption is everywhere among the politicians, business tycoons, business executives, judges, legislators and even ordinary people on the street who are looking for such opportunities. The age bracket of between or above 25 – 35 years, tends to be the largest percentage of bank employees with about 51.3%. The younger respondents are found to be tempted for corruption due to opportunity (OP6 and OP7 of this questionnaire). This is another contribution of the study.

The findings of this study on the relationship between opportunity and bank fraud do not concur with previous studies. Calderon and Green (1994) analysed 114 cases of financial fraud, and report that 60% of the fraud cases are due to inadequate control, false documentation and limited separation of duties, while 45% of the cases are due to employees' incompetence. Hangen and Selin (1999), identified value of internal control system, such as safeguarding of assets, accurate accounting,efficient firm operations and compliance issues.

Ziegeufuss (1996) performed a study to find out the types of fraud happening in both state and local branches of the banks in India. Also, Ventura and Daniel (2000) did a study on how opportunity causes fraud and embezzlement in religious organizations; they found some elements of opportunity, rationalization and incentives for fraud within the Christian churches. However, whetherthese elements cause fraud more commonly in churches than any other organization has still not been investigated. However, the study discovered the element of opportunity as a predictor of fraud is rampant in churches.

Furthermore, Smith (1995) offers an explanation that individuals who embezzleare opportunists who quietly detect the internal control weaknesses and seize the opportunity to use it for their own benefit. Wilson (2006) examined the causes that led to the breakdown of Barnug bank in India; he found it was due to failure of management, especially its supervisory role both in financial and operational controls. Jefford, (1992) evaluated 910 cases of fraud submitted to internal auditors (between 1981-1989) to ascertain the specific risk factors; 63% of 910 cases were under internal control risk. Bhasin (2007) examined the reasons behind cheque fraud, and discovered that CEOs should be held responsible for non-adherence to prescribed rules and procedures.

Sharma and Brahma (2000) stressed on bankers' responsibility for fraud; they found that fraud in all spheres of bank dealings, such as purchase bills, cheques, deposit accounts, loans, hypothecation, inter-branch accounts and foreign exchange transactions,are the main causes as well as negligence in observance of laid down rules and procedures by the supervising staffs. Finally, according to Tuan (2016), the signs of poor internal control could increase the likelihood of fraud, such as poor documentation and records, poor control environment, poor physical safeguards, poor independence in checks-and-balances, lack of proper authorization, lack of segregation of duties and poor accounting system. Al-Zwyalif (2015) reveals environmental factors increase fraud, such as inadequate rewards and inadequate internal control.

6.2.3 Rationalization and Bank Fraud

The aim of the third question is to examine whether rationalization can be a good predictor of bank fraud in the Kano state banking sector. This also represents the third research hypothesis (**H_3**), that *there is a significant relationship between rationalization and bank fraud*. Multiple linear regressions were conducted to test this hypothesis. The result indicates that the seven predicting variables are able to explain 30.9% of the model (R^2 = .309, F – Change = 8.712, P< .000). The multiple regressions results indicate that among the five predicting variables, rationalization predicts bank fraud with the following values (β = .139, t= 2.131, p< .034). This result shows that rationalization is a predictor of bank fraud in the Nigerian banking sector. This result supports**H_3**.

The findings of this study on the relationship between rationalization and bank fraud do not concur with previous studies. Florenz, (2012) concludes that a gap between opportunity and pressure is found, once an individual can rationalize the fraudulent act. Furthermore, Rae and Subramanian (2008) state that rationalization is a justifiable excuse, due to employees' lack of personal and moral integrity.

Mackevicious and Giriunas (2013) state that it is quite important to note each element has similar impact, but rationalization has the opposite impact. If an employee has low integrity and honesty, the chances of committing fraud is likely to be high. Finally, Hooper and Pornelli, (2010) explain it is not possible to know the mind of fraudsters. Individualswho commit fraud have a mind-set to commit the act, hence justify their reasons for the fraudulent act.

6.2.4 Capability and Bank Fraud

The fourth research question of the study is whether or not there is a significant relationship between capability and bank fraud. The aim of the question is to assess whether capability can be a good predictor of bank fraud in the Kano state banking sector. This is also represents the fourth research hypothesis **H_4**, that *there is a significant relationship between capability and bank fraud.* Multiple linear regressions were conducted to test this hypothesis. The result indicates that the seven predicting variables can explain 30.9% of the model (R^2 = .309, F – Change = 8.712, P< .000). The multiple regressions results show that among the five predicting variables, capability is another variable that predicts bank fraud with the following values (β = .078, t= 1.329, p< .185). This result shows that capability is a predictor of bank fraud in the Nigerian banking sector. This result does not support **H_4**.

Some of the reasons for non-support of the hypothesis is the issue of capability. One needs to be skillful with the right traits and abilities to have financial gain. Nigerians can easily turn any fraud opportunity into reality. Other traits shown by Nigerians to perpetrate fraud is using one's position, where many fraud offenses were found to have been committed by top level executives of banks. About 70% of the public sector/companies' accounting fraud came from CEOs with capability (CAP 02, 04 and 05). All are showing criterians to facilitate capability not to be a predictor of bank fraud in Nigeria. This is another contribution of the study based on capability.

The findings of this study on the relationship between capability and bank fraud are in line with previous studies. The research study is supported by Wolfe and Hermanson (2004). The study reveals that fraud cannot take place unless the element of capability is also present, i.e., the fraudsters must have the required ability and skills to commit fraud. Williams and Wernz (1995) state that capability is important when it concerns a long-term or large-scale fraud. Albercht *et al.* (2008) believe that only those with high capacity will notice the existence of weak internal control in the system.

Overall, the findings support the underpinning theories by Cressey (1950) and Albrecht *et al* (1984) on bank fraud. The research conducted by Cressey Donald, a criminologist in 1950,is about what drives people to violate trust. A total of 250 criminals were interviewed over a period of five months whose behavior met two criteria: the person must have accepted a position of trust in good faith; and he or she must have violated the trust (Rasha and Andrew, 2012). He also finds that three factors must be present for a person to violate trust and concludes that: "trust violators when they conceive of themselves as having a financial problem which is non-sharable, have knowledge or awareness that this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as users of the entrusted funds or property" (Rasha and Andrew, 2012).

The three factors are rationalization, opportunity and pressure for a trust violator to commit fraud (Cressey, 1987). To further strengthen Cressey's (1987) theory, Albrecht *et al.* (1984), in the early 1980s, carried out a research of 212 fraud cases to investigate the relationship of the perpetrators'personal pressure and fraud. The preliminary information on fraud was administered to 212 internal auditors of companies through questionnaire and motivation to commit bank fraud was classified intonine types: undue family or peer pressure, an overwhelming need for personal gain, gambling habits, a close association with customers, high personal debt, being under-paid, a wheeler-dealer attitude and living beyond their means.

6.2.5 Islamic Corporate Governance and Bank Fraud

The fifth research question of the study is whether there is a significant relationship between Islamic corporate governance and bank fraud. The aim of the question is to assess whether Islamic corporate governance can be a good predictor of bank fraud in the Kano state banking sector. This also represents the seventh research hypothesis as to whether there is a significant relationship between Islamic corporate governance and bank fraud.Multiple linear regressions were conducted to test this hypothesis. The result indicates that the seven predicting variables can explain 30.9% of the model ($R2 = .309$, F – Change = 8.712, $P< .000$). The multiple regressions results show that among the five predicting variables, capability is the fourth variable that predictsbank fraud with the following values ($\beta = .306$, $t=4.623$, $p< .000$). This result shows that Islamic corporate governance is a strong predictor of bank fraud in the Nigerian banking sector. This result supports H5.

The findings of this study on the relationship between Islamic corporate governance and bank fraud support previous studies. The study by Rashidah Abdul-Rahman Irda, (2014) indicates that there is fraud even in Malaysian Islamic banks. A financial scandal involved BIMB where the bank declared a loss of RM456 million, with a gross non-performing loan (NPL) portfolio of RM2.2billion for the year ending 30/6/2005 (Abdul-Rahman & Salim, 2010). The reason for this was provisioning a sum of RM774million as a result of bad loan and investments incurred from its operations in Malaysia's offshore financial center in Labuan (Netto, 2005). However, the losses were not due to a failure of Islamic banking principles, but due to negligence by some officers as mentioned by the second finance minister(Netto,2005).BIMB tried to find out whether the losses and NPLs were due to non-compliance of the normal banking operations or misconduct (Ahmad 2009).

6.2.6 The Moderating Effect of Islamic Corporate Governance

The sixth research question of the study is does adoption of Islamic corporate governance moderate the relationship between Capability, Pressure, Rationalization and Opportunity and Bank Fraud? The aim of the question is to know whether Islamic corporate governance can minimize the effects of Pressure, Opportunity, Rationalization and Capability on bank fraud of Kano State banking staffs in Nigeria. This represents research hypothesis $\mathbf{H_5}$ to research hypothesis $\mathbf{H_8}$, that *the adoption of Islamic corporate governance moderates the relationship between Pressure, Opportunity, Rationalization and Capability and Bank Fraud.* Hierarchical multiple linear regressions were conducted to test these hypotheses. The result of the moderation test for the Islamic corporate governance on the relationship between Capability, Rationalization, Opportunity and Pressure and Bank Fraud indicates that the variable explains 23.3% of the variance in model 1. After entering Islamic Corporate Governance (ICG) as the moderator, the total variance as explained by the model 2 is 30.9%. However, the significant F Change in models 1 to 2 ($p \leq 0.000$) issignificant. This shows that Islamic Corporate Governance (ICG) moderates the relationship between the IVs: Pressure, Opportunity, Rationalization and Capability and the DV: bank Fraud. Hence, $\mathbf{H_5}$, $\mathbf{H_6}$, $\mathbf{H_7}$ and $\mathbf{H_8}$ are all ***supported.***

The findings of this study on the moderating effect of Islamic corporate governance on the relationship between Rationalization, Opportunity, Pressure and Capability and Bank Fraud indicate that Islamic corporate governance moderates the relationship between the IVs and the DV - bank fraud. The findings highlight that implementation/adoption of effective Islamic corporate governance by Islamic banks can minimize fraud. These findings are substantiated by previous studies on the lack of effective Islamic corporate governance in Islamic banks.

According to a survey carried out by Nabhan and Hindi (2009) in 16 banks in Qatar, demographic factors have different impacts on banking fraud in Qatar (explain further on their findings). KPMG (2002), a well-known audit firm globally, has reported several causes of fraud in Qatar, as follows: collusion between third party and employees (55%), collusion among employees (30%), management overridingor undue influence of internal control (32%), poor internal control(48%), lack of control over management by BoD (10%), poor or non-existence of corporate ethics policy (14%) and others (9%). PriceWaterhouseCoopers(2003,2005,2007),a consultant firm found that fraud is one of the major challenges faced by companies irrespective of the size of the company in Qatar. They also studied 5,428 companies in 40 countries to evaluate the influence of fraud. The results show 43% of the companies has reported fraud in the last two years. Some methods on how fraud is discovered, include: internal audit (19%), whistleblowing (8%), by law enforcement (4%), fraud risk management (4%), suspicious transaction reporting (4%) and by accident (6%). In the study conducted in Qatar, fraud is common among those in age bracket between 35-45 years, among males (48%) and expatriates (64%), while Qatari nationals' involvement rate is 36%.

The study further revealsthat senior managers commit more fraud, than middle or over-the-counter staffs. About 55% of fraud is committed by the senior staffs with working experience of more than 15 years; 46% with 11-15 years' working experience and 38% are those with high qualifications. Last but not least, the most suspicious departments in committing fraud are operations, retail and corporate departments (references).

However, the Qatar Central Bank plays an important role in supporting the banking systems, by reducing fraud through its procedures and policies. It adopts the best practices, standards and principles in supervision of financial institutions. It looks at, among other aspects, anti-money laundering regulations, corporate governance and immediate corrective measures against problems.

6.3 Implications of the Study

The current study has some theoretical, practical and academic implications which are discussed in the following sub-sections. This study offers further understanding on the concept of bank fraud. The findings of the current study have significant implications for theory, methodology and management or practice in the area of bank fraud which are presented below.

During the conduct of the study, it was discovered that some factors, such as government interference, economic reasons, influence of technology, political stability and regulatory influences,have negatively impacted on having a robust sound Islamic corporate governance in the banking sector in Kano, Nigeria. Other justifiable reasons for non-moderating relationship of the moderator to the predictors are: Demographic issues, Cultural issues and non-implementation of Islamic corporate governance norms even in the Islamic banks, a case in point being the fraud allegations in Islamic banks in Malaysia (Rash and Abdullah).

As pointed out above, in the present study, the main reasons the moderator non-moderating has both cultural and demographic reasons, especially relation with predictors and bank fraud in the course of the researcher conduct or administering the questionnaires, some of the respondents kept mute on mere seeing a section on Islamic corporate governance, especially those from the conventional banks, as in Nigeria issue of religion is very sensitive, hence the Issue of Islamophobia in the eyes of non-Muslims, so, anything Islamic they look at it with suspension. Culture also plays a great role in Kano State, Nigeria, as the state is culturally Islamic, that being the reason non-Muslims in Kano are very careful with cultural issues.

6.3.1 Theoretical Implications

Previous studies have shown how pressure, opportunity, rationalization, capability and Islamic corporate governance relate to bank fraud (Rasha and Andrew, 2012; Florenz, 2012; Hooper and Pornelli, 2010; Kelly and Hartly: 2010; Albrecht *et al*, 2008; Lewis, 2006; Iqbal, 2004; Wolfe and Hermanson, 2004; Wilson, 2004; Hakim, 2002; Dyck, 2000).

The present study contributes to the methodology, The instrument took into consideration suggestions proposed by research experts or gurus, such as Burns and Bush (2000), Churchill and Lacobucci (2002), Frankfort-Nachmias and Nachmias (1996), and Sekara (2003) and many others.Another theoretical contribution is Islamic corporate governance has little impact during normal times, but has a stronger or positive influence during financial crises, as evidenced during the Asian financial crisis of 2007-2008.Several theories have been used to explain the relationship between the variables of fraud and banking fraud. In the current research, four theories are used, Fraud Triangle, Diamond, Fraud scale and Differential Association theories..

6.3.2 Contribution to the Body of Knowledge

The study developed a model to examine the role of Islamic corporate governance in moderating the relationship between rationalization, opportunity, pressure and capability and bank fraud in both conventional and Islamic banks in Kano state, Nigeria. Very few studies have previously examined such relationships.

The study further developed a research instrument that was tested to see if the developed model can mitigate problems of bank fraud in Kano state, Nigeria. It was tested to arrive at the outcome of the present research findings. As far as the researcher is aware, only a handful of studies hasexamined the moderating role or impact of Islamic corporate governance in banks as a system. The types of indicators representing bank fraud have also caused inconsistency in findings regarding the relationship between Islamic corporate governance and bank fraud. The instrument has never been developed before, and hence, is the contribution of the research to research methodology.

6.3.3 Academic contribution

The findings of this current study could be useful to researchers around the world who study fraud and ways to mitigate it in financial institutions .The study provides insightsinto how Islamic corporate governance could play an important role in explaining other related variables that influence banking fraud. Therefore, the current study can be useful in setting a foundation for investigating the indirect role of Islamic corporate governance strength, instead of a simple relationship between fraud variables and banking fraud. Thus, this result can encourage other academic researchers to explore other relationships in the future. This study provides evidence that Islamic corporate governance as a system can influence several factors in the banking environment.

6.3.4 Managerial and Policy Implications

The findings of this study empirically prove the significantly positive relationship between some determinants of bank fraud in selected banks in Kano state, Nigeria. These findings reveal pressure, rationalization and Islamic corporate governance are positively related to bank fraud, whereas opportunity and capability are found not to predict the causes of bank fraud in the Nigerian banking sector. It also proves that the Islamic corporate governance moderates the relationship between the DV and all the IVs.

The finding of this study would be of importance to policy-makers, such as the Code of Conduct Bureau (CCB), ICAN and ANAN, in designing future programs for prevention and detection of bank fraud in the country. As the predictors are vital issues, some concepts used in the study can be considered in curriculum design and other training programs. The CBN would equally benefit from the outcome of the present study, as it will serve as a guide in resource allocation and assist managers and other stakeholders. The finding is also relevant to various government agencies, local, state and federal, in having information regarding bank fraud for them to develop different policy initiatives for improving the prevention and detection of bank fraud in their respective domains. It can help managers to enhance their bank's performance through good Islamic corporate governance, and make individuals and institutional investors aware abouttheir bank's performance. It can provide ideas not only to managers, but to other related parties on the usefulness of good Islamic corporate governance. It could also provide feedback to legislative authorities and other interested parties.

The findings would help bank managers by giving them an empirically tested outcome on some determinants of bank fraud for them to better understand the effects of variables under study to improve bank performance. The findings would also serve as a framework of future academicians, students and other stakeholders and help in making relevant recommendations.

6.4 Limitations of the Study

The present study has some limitations. The first limitation is that even though there are so many variables that can measure bank fraud, this study is limited to pressure, opportunity, rationalization, capability and Islamic corporate governance. One other shortcoming of this study is that data were collected from only Kano State in Nigeria, which might not be generalizable.

Similarly, this study is cross-sectional in nature. It involves data collection over three months, which can be considered as a short period due to limited resources and time. Sekaran (2003) asserted that one of the shortcomings of cross-sectional study is the inability to prove cause-and-effect association among variables. The framework of this study only provides a relationship between the variables, and does not provide a deep understanding of the cause-and-effect of such a relationship.

The present study relies on the perception of managers of the selected banks regarding bank fraud. This is quite common with social science research, but the response of managers may not necessarily be a precise reflection of reality. There is the likely tendency that the data collected may reflect some degree of confidence of the respondents who might have their own perceptual biases and cognitive shortcomings in assessing their firms.

Despite these shortcomings, the present study is a good effort to investigate the relationship between rationalization, opportunity, pressure and capability and bank fraud in the selected banks in Kano state Nigeria, with the moderating effect of Islamic corporate governance. To the best of the researcher’s knowledge, this study is the first of its kind, and findings indicate some level of significant and positive relationship between the constructs under study. Extension to the current study may also be possible in the following areas:

i. The study examines four independent variables in relation to fraud motivators.Future studies could include more variables that affect fraud in banks.

ii. With respect to Islamic corporate governance theory (S.E.T.),other studies could employ other Islamic corporate governance theories or paradigms, such as the Tauhidic paradigm, which could give more insightsinto its ability to mitigate fraud in banks.

6.5 Suggestions for Future Research

To overcome the limitations mentioned above, this study recommends that future studies be conducted on other variables, such as ethics, management support, communication skills, dynamic competence, and so on, to study bank fraud relationship in the Nigerian banking sector. The low R^2 on the direct relationship suggests that other constructs may have a stronger and positive relationship with the criterion variables.

This study is cross-sectional in nature; therefore, future studies should consider collecting data over a longer period of time, in order to have ample time for data collection. Future studies should investigate in more detail the nature of the relationship, by considering the cause-and-effect relationship of fraud in the banking sector. The present study uses managers and staffs of the selected banks in the north-west region of Nigeria as respondents; future studies should also consider shareholders/owners and customers as respondents.

This study employs quantitative research design; future research may employ a mixed/triangulation design. For instance, qualitative interview with participants may give a better understanding of the relationship between the constructs under study. The present study suggests a comparative study between Nigeria and another developing economy, which may give insights and enable the comparative countries to assess areas of strengths and weaknesses. Finally, this study recommends the use of smart partial least squares (PLS) and structural equation modeling (SEM) for data analysis in future studies.

6.6 Research Contribution

The researcher was able to develop a framework for examining the moderating role of Islamic Corporate Governance in mitigating fraud in both Islamic and conventional banks in Kano State, Nigeria.

6.7 Conclusion

The researcher was able to develop a framework for examining the moderating role of Islamic Corporate Governance in mitigating fraud in both Islamic and conventional banks in Kano State, Nigeria, unlike previous studies that have examined the direct relationship between causes of fraud in banks. This study examines the effect of Islamic corporate governance as moderator in mitigating fraud in both Islamic and conventional banks. This study indicates that personal pressure and capability are important as they serve as predictors of bank fraud in the study area. It also shows that Islamic corporate governance can indirectly improve the relationship between the study variables and bank fraud.

The study assesses the extent to which Islamic corporate governance has an influence in mitigating fraud in banks in Kano Nigeria. The interaction of Islamic corporate governance with pressure, opportunity, rationalization and capability, provide insight to especially the bank managers, regulators and anti-fraud agencies, into the effectiveness of Islamic corporate governance in monitoring such evil practices of fraud in the banking sector. Finally, the result shows that more research needs to be done in the area of Islamic corporate governance in both Islamic and conventional banks, as many banks have failed to comply with corporate governance guidelines; even Islamic banks have failed to comply with *Shari'ah* rules or codes. Therefore, the output of the current research will be useful to bank regulators, such as NDIC, CBN and SSB, to review the current practices of corporate governance in banks as the failure of banks to comply with the corporate governance best practices, resulted in bank failure in the Nigerian banking sector in early 1994. The result also calls on future researchers to explore the interaction effect of bank fraud with other variables, such as ethics, morality and integrity, that might influence the mitigating of fraud in both Islamic and conventional banks in Kano State, Nigeria.

From the finding of this study, it can be concluded that the first research objective is to examine the level of bank fraud in Nigeria. The result of multiple regression analysis shows that the relationship between pressure and bank fraud is supported. Hence, the need for bank managers to put more effort in preventing/minimizing fraud as the factors that are causing fraud and their performances have been pointed out which ultimately will help them in assessing their strengths and weaknesses in the banking sector.

The second research objective is to examine the relationship between rationalization, capability, opportunity and pressure and bank fraud in Nigeria. The finding of this relationship is not supported. This indicates that pressure is a good predictor of bank fraud in Nigeria. Therefore, issues regarding knowledge storage, knowledge utilization and application, knowledge sharing and transfer, as well as knowledge acquisition, should be given further emphasis by the bank managers and all other staffs. The adherence to the above factors will guarantee success and hence, the possibility of gaining competitive advantage.

The third research objective is to investigate the extent to which the adoption of Islamic cooperate governance would moderate the relationship between rationalization, opportunity, pressure and capability and bank fraud in Nigeria. Based on the foregoing research findings, the relationship with bank fraud among Nigerian banking staffsis not supported. The ability of owners/managers to be innovative, risk taking and proactively react to enterprise activities is a good pointer of success, and can give such a firm an edge over and above rivals, hence, the tendency of remaining relevant in its immediate environment.

The relationship between opportunity and bank fraud, based on the foregoing research findings, is not supported. The ability of owners/managers to be innovative, risk taking and proactively react to enterprise activities is a good pointer of success, and can give such a firm an edge over and above rivals, hence, the tendency of remaining relevant in its immediate environment.

The relationship between rationalization and bank fraud, based on the foregoing research findings, is not supported. The ability of owner/managers to be innovative, risk taking and proactively react to enterprise activities is a good pointer of success, and can give such a firm an edge over and above rivals, hence, the tendency of remaining relevant in its immediate environment.

The relationship between capability and bank fraud,is supported. Hence, there is a need for bank managers to enhance their understanding and knowledge of the causes of fraud within the Nigerian banking sector, i.e., the knowledge on the overall outcome of the examination of fraud and its implications.

The relationship between Islamic corporate governance and bank fraudis supported. Hence, bank managers and staffs should act according to Islamic corporate governance and adhere to the teachings of Islam. Islamic banksmust establish a strong internal control and a SSBto support them. Running through corporate governance in Islam are the concepts of sincerity, integrity, confidentiality, accountability, trustworthiness and transparency (Grais and Pellegrini, 2006; Er, 2008). This also shows the extent to which the adoption of Islamic corporate governance moderates the relationship between the seven IVs and bank fraud in Kano state banking industry.

With regards to the moderating effect Islamic corporate governance on the relationship between rationalization, opportunity, pressure and capability and bank fraud, based on the findings, it is reported that Islamic corporate governance is a moderator of pressure, opportunity, rationalization and capability. Other factors, include government interference, economic condition, and influence of technology, political factors and other regulatory measures.

Similarly, the theoretical framework of this study was designed based on the literature review. The variables covered in the study include rationalization, opportunity, pressure, capability and Islamic corporate governance. Based on the findings of this study, a conclusion can be made that all the research questions and research objectives are answered. The theoretical framework is in line with the underpinning theories which were used to explain the framework of this study.

The merit of the study lies in developing a framework that examines the moderating role of Islamic corporate governance in mitigating fraud in Islamic and conventional banks in Nigeria. Also, two major elements of Islamic corporate governance, i.e., transparency/accountability and *Adl* show high communalities in mitigating fraud in the banking sector in Kano State, Nigeria.

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Appendix A

ACADEMIC RESEARCH QUESTIONNAIRE

Dear Respondents

I am currently a PhD student in the School of Islamic and Business Finance, University Utara Malaysia (UUM) and conducting a research work titled "**Moderating Role of Islamic Corporate Governance between Pressure, Opportunity, Rationalization, Capability and Banking Fraud in Selected Banks in Nigeria",** I would appreciate it so much if you will assist by providing **objective** and sincere answers to all the questions. Please, note that there is no right or wrong answer. Be assured that all the information given will be treated as confidential and it will be used only for the purpose of this study. Please, accept my appreciation while anticipating your positive response.

Thank you very much for your time and cooperation.

Yours faithfully,

Ali D Yusuf

PhD Candidate

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Email: aliyusufdanladi@gmail.com

SECTION A:

Demographic Characteristic of the respondent

(Please ***tick*** as appropriate)

Gender: **(a)** Male ☐ (b) Female ☐

Age: (a) Below 25 years ☐ (b) Above 25 -35 years ☐

(c) 35-45 years ☐ 5-55 years ☐

(e) 56 yrs and above ☐

Religion: (a) Islam ☐ (b) Christianity ☐

(c) Others (Please specify).................

Highest Educational Qualification:

(a) SSCE ☐ (b) Diploma/NCE ☐ (c) Degree/HND ☐

(d)Postgraduate Studies ☐ (e) Others (Please specify).................

Working Experience:

(a) Less than 1 year ☐ (b) 1-5 years ☐ (c) 6 – 10 years \ ☐

(d) 11 – 15 years ☐

(e) 16 and above ☐

Marital Status:

(a) Single ☐ (b) Married ☐ (c) Divorced ☐

(d) Widowed ☐ (f) Separated ☐

SECTION B

Please indicate your own perception on the Bank Fraud in banks on the below statement from strongly Disagree to strongly Agree.

		Strongly Disagree				**Strongly Agree**
FRD01	Fraud is an intentional deception made for personal gain	**1**	**2**	**3**	**4**	**5**
FRD02	Bank fraud covers fraudulent means to obtain illegal money, assets, or other property	1	2	3	4	5
FRD03	Failure on the part of bank to strictly implement laid down rules pave way to fraud	1	2	3	4	5
FRD04	Collision between bank staffs and outside parties is made to defraud the banks		2	3	4	5
FRD05	Failure to pass the integrity test by a corporation is an indication of the presence fraudulent act.	1	2	3	4	5

SECTION C

Please indicate your own perception on the pressure as an element that cause fraud in banks on the below statement from 1=strongly Disagree, 2= Disagree, 3= Undecided, 4=Agree, 5= strongly Agree.

		Strongly Disagree				Strongly Agree
P01	Perception of being treated unfairly by organization leads to fraud.	1	2	3	4	5
P02	High personal debts and significant person losses lead to commit fraud	1	2	3	4	5
P03	Inadequate income and living beyond one's means lead to commit fraud	1	2	3	4	5
P04	Close association with suppliers and other key people can trigger fraud	1	2	3	4	5
P05	Peer-group pressures within the company leads to fraud	1	2	3	4	5
P06	Resentment of superiors can lead to fraud.	1	2	3	4	5
P07	Familiarity with operations can cause fraud	1	2	3	4	5
P08	Extreme family or social expectations to succeed lead to fraud	1	2	3	4	5
P09	High family responsibilities can trigger someone to commit fraud	1	2	3	4	5
P10	Failure to meet family expectations can lead to fraud	1	2	3	4	5
P11	Family ownership can influence fraud	1	2	3	4	5
P12	Insatiable desire for self-enrichment or personal gain can trigger fraud.	1	2	3	4	5
P13	Fear of financial losses and progressive deterioration in quality of earnings can lead	1	2	3	4	5

	to fraud.					
P14	Heavy investment losses and high amount of debt can lead to fraud.	1	2	3	4	5
P15	The need to gloss over temporarily bad situations can in some cases lead to fraud.	1	2	3	4	5
P16	Existence of revocable or imperilled licenses can lead to fraud	1	2	3	4	5
P17	Political instability can result to fraud in the banking sector.	1	2	3	4	5

SECTION D
Please indicate your own perception on the issues of Opportunity (Weakness in the Internal Control System)

		Strongly Disagree				**Strongly Agree**
OP01	Rapid turnover of key employees can trigger fraud	**1**	**2**	**3**	**4**	**5**
OP02	Weak remunerations package of employee can trigger fraud	1	2	3	4	5
OP03	Inadequate check and balances results to fraud.	1	2	3	4	5
OP04	Failure to maintain accurate personnel records for disciplinary actions can lead to fraud.	1	2	3	4	5
OP05	Lack of adequate executive disclosures can lead to fraud.	1	2	3	4	5
OP06	Dishonest or unethical management can lead to fraud.	1	2	3	4	5
OP07	Inadequate staffsing in the accounting department can trigger fraud.	1	2	3	4	5
OP08	Inadequate disclosure of questionable or unusual accounting practices harbors fraud.	1	2	3	4	5
OP09	Ineffective or non-existent internal auditing staffs can lead to fraud.	1	2	3	4	5

OP10	Absence of mandatory vacations can lead to fraud.	1	2	3	4	5
OP11	Absence of periodic rotations or transfers of employees can lead to fraud.	1	2	3	4	5

SECTION E
Please indicate your own perception on the issues of Rationalization of fraud by some staffs.

		Strongly Disagree				Strongly Agree
RT01	Greediness and lack of contentment among the profile executives can lead to fraud.	**1**	**2**	**3**	**4**	**5**
RT02	Failure to inform employees about rules and disciplines breed's fraud perpetrators can engender fraud.	1	2	3	4	5
RT03	Lack of fraud prevention training and knowledge sharing can lead to fraud.	1	2	3	4	5
RT04	Cultural influence in the system can lead to fraud	1	2	3	4	5
RT05	Moral decadence in the society encourages fraud.	1	2	3	4	5

SECTION F
Please indicate your own perception on capability as a factor that causes Fraud.

		Strongly Disagree				Strongly Agree
CAP01	Incapability of doing the right things or in the office causes fraud.	**1**	**2**	**3**	**4**	**5**
CAP02	I can turn any opportunity to my personal advantage	1	2	3	4	5
CAP03	A deep understanding of the internal control system can trigger fraud	1	2	3	4	5
CAP04	An identification of the weaknesses of internal control system can trigger fraud.	1	2	3	4	5
CAP05	Seeking and exploiting opportunities to ones advantage can lead to fraud.	1	2	3	4	5

SECTION G

Please indicate your own perception of these elements on Islamic Corporate Governance towards mitigating banking fraud in Nigeria Banks.

		Strongly Disagree				Strongly Agree
ICG01	A well-governed Islamic Corporation should have a balance policies that would ensure financial gains to the corporation and social benefits.	1	2	3	4	5
ICG02	The concept of "*Adl*" (fairness and justice) in Islam interacts with modern corporate principles and promote the corporate governance thesis.	1	2	3	4	5
ICG03	Integrity as one of the elements of Islamic Corporate principles will promote sound and ethical banking corporation.	1	2	3	4	5
ICG04	Trustworthiness and honesty are values inherent in Islamic Corporate Governance that will greatly promote modern corporate governance ideologies and practice in the banking industries.	1	2	3	4	5
ICG05	Consultation (*Shura*) leads to efficient and optimal decision that will enhance transparent corporate governance in the banking industry.	1	2	3	4	5
ICG06	"Accountability" is one of the principles of Islamic Corporate Governance that limits chances of fraudulent activities in banking operation.	1	2	3	4	5
ICG07	Shari'ah compliance can significantly promote adherence to the modern corporate governance.	1	2	3	4	5
ICG08	Higher sense of morality as a principle being preached in Islamic Corporate Governance can induce ethical consideration in the banking operation	1	2	3	4	5
ICG09	Higher presence of "*taqwa*" among the staffs can reduce the possibility of fraudulent and unethical activities in the banking industry.	1	2	3	4	5
ICG10	Transparency in said to be more importance, then accountability in islamic corporate governance in the banking industry.	1	2	3	4	5

Appendix B
FACTOR ANALYSIS

FREQUENCIES VARIABLES=Gender Age Religion Education Experience Status /STATISTICS=MINIMUM MAXIMUM SKEWNESS SESKEW KURTOSIS SEKURT /ORDER=ANALYSIS.

Frequencies

Notes

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Statistics

		Gender	Age	Religion	Education	Working Experience	Marital Status
N	Valid	226	226	226	226	226	226
	Missing	0	0	0	0	0	0
Skewness		1.664	.405	1.424	-.390	1.953	.071
Std. Error of Skewness		.162	.162	.162	.162	.162	.162
Kurtosis		.777	.234	.498	-.080	5.572	-1.594
Std. Error of Kurtosis		.322	.322	.322	.322	.322	.322
Minimum		1	1	1	1	1	1
Maximum		2	5	3	5	5	5

Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	185	81.9	81.9	81.9
	female	41	18.1	18.1	100.0
	Total	226	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25 yrs	17	7.5	7.5	7.5
	Above 25-35 years	116	51.3	51.3	58.8
	35-45 years	77	34.1	34.1	92.9
	45-55 years	15	6.6	6.6	99.6
	56 years and above	1	.4	.4	100.0
	Total	226	100.0	100.0	

Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Islam	174	77.0	77.0	77.0
	Christianity	51	22.6	22.6	99.6
	Others	1	.4	.4	100.0
	Total	226	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSCE	2	.9	.9	.9
	Diploma/NCE	28	12.4	12.4	13.3
	Degree/HND	117	51.8	51.8	65.0
	Postgraduate Studies	78	34.5	34.5	99.6
	Others	1	.4	.4	100.0
	Total	226	100.0	100.0	

Working Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	106	46.9	46.9	46.9
	1-5 years	106	46.9	46.9	93.8
	6-10 years	5	2.2	2.2	96.0
	11-15 years	4	1.8	1.8	97.8
	16 and above	5	2.2	2.2	100.0
	Total	226	100.0	100.0	

Marital Status

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Single	75	33.2	33.2	33.2
Married	24	10.6	10.6	43.8
Divorced	36	15.9	15.9	59.7
Widowed	30	13.3	13.3	73.0
Separated	61	27.0	27.0	100.0
Total	226	100.0	100.0	

MVA VARIABLES=P01 P02 P03 P04 P05 P06 P07 P08 P09 P10 P11 P12 P13 P14 P15 P16 P17 OP01 OP02 OP03 OP04 OP05 OP06 OP07 OP08 OP09 OP10 OP11 RT01 RT02 RT03 RT04 RT05 CAP01 CAP02 CAP03 CAP04 CAP05 ICG01 ICG02 ICG03 ICG04 ICG05 ICG06 ICG07 ICG08 ICG09 ICG10 FRD01 FRD02 FRD03 FRD04 FRD05.

MVA

DESCRIPTIVES VARIABLES=P01 P02 P03 P04 P05 P06 P07 P08 P09 P10 P11 P12 P13 P14 P15 P16 P17 OP01 OP02 OP03 OP04 OP05 OP06 OP07 OP08 OP09 OP10 OP11 RT01 RT02 RT03 RT04 RT05 CAP01 CAP02 CAP03 CAP04 CAP05 ICG01 ICG02 ICG03 ICG04 ICG05 ICG06 ICG07 ICG08 ICG09 ICG10 FRD01 FRD02 FRD03 FRD04 FRD05 /SAVE /STATISTICS=MEAN STDDEV MIN MAX /SORT=MEAN (D).

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FRD01	226	1	5	4.25	1.051
ICG08	226	1	5	4.19	.951
ICG01	226	1	5	4.19	1.026
FRD02	226	1	5	4.18	.991
ICG07	226	1	5	4.14	.881
ICG02	226	1	5	4.13	.975
ICG05	226	1	5	4.12	.942
ICG10	226	1.00	5.00	4.1106	.95274
OP03	226	1	5	4.10	1.066
OP06	226	1	5	4.08	1.082
RT01	226	1	5	4.08	1.076
OP09	226	1	5	4.01	1.097
FRD03	226	1	5	4.00	1.004
FRD04	226	1	5	3.97	1.054
P12	226	1	5	3.95	1.205
ICG03	226	1	5	3.94	.957
ICG09	226	1.00	5.00	3.9336	1.01106
ICG04	226	1	5	3.90	.977
FRD05	226	1	5	3.87	1.139
RT03	226	1	5	3.86	1.021
P03	226	1	5	3.86	1.199
ICG06	226	1	5	3.82	.950
OP08	226	1	5	3.80	1.020
OP11	226	1	5	3.78	1.120
OP04	226	1	5	3.77	1.091
RT05	226	1	5	3.74	1.118
RT02	226	1	5	3.72	1.099
OP02	226	1	5	3.67	1.131
CAP03	226	1	5	3.62	1.099

OP10	226	1	5	3.60	1.072
OP05	226	1	5	3.58	1.082
OP07	226	1	5	3.52	1.178
P09	226	1	5	3.48	1.230
P02	226	1	5	3.46	1.189
CAP01	226	1	5	3.46	1.226
P14	226	1	5	3.42	1.213
P05	226	1	5	3.36	1.132
CAP04	226	1	5	3.36	1.170
P08	226	1	5	3.32	1.267
P10	226	1	5	3.28	1.233
P13	226	1	5	3.20	1.174
RT04	226	1	5	3.19	1.187
P07	226	1	5	3.19	1.291
P04	226	1	5	3.18	1.158
OP01	226	1	5	3.14	1.238
CAP02	225	1	5	3.11	1.319
P01	226	1	5	3.10	1.301
CAP05	226	1	5	3.10	1.379
P15	226	1	5	3.10	1.177
P17	226	1	5	3.06	1.315
P16	226	1	5	2.98	1.172
P11	226	1	5	2.96	1.232
P06	226	1	5	2.90	1.117
Valid N (listwise)	225				

RELIABILITY /VARIABLES=P01 P02 P03 P04 P05 P06 P07 P08 P09 P10 P11 P12 P13 P14 P15 P16 P17 /SCALE('Pressure (P)') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR COV ANOVA /SUMMARY=TOTAL MEANS VARIANCE COV CORR /ICC=MODEL(MIXED) TYPE(CONSISTENCY) CIN=95 TESTVAL=0.

Reliability

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Scale: Pressure (P)

Case Processing Summary

		N	%
Cases	Valid	226	100.0
	Excluded[a]	0	.0
	Total	226	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.850	.850	17

Item Statistics

	Mean	Std. Deviation	N

P01	3.10	1.301	226
P02	3.46	1.189	226
P03	3.86	1.199	226
P04	3.18	1.158	226
P05	3.36	1.132	226
P06	2.90	1.117	226
P07	3.19	1.291	226
P08	3.32	1.267	226
P09	3.48	1.230	226
P10	3.28	1.233	226
P11	2.96	1.232	226
P12	3.95	1.205	226
P13	3.20	1.174	226
P14	3.42	1.213	226
P15	3.10	1.177	226
P16	2.98	1.172	226
P17	3.06	1.315	226

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.282	2.898	3.951	1.053	1.363	.085	17
Item Variances	1.472	1.247	1.729	.482	1.386	.019	17
Inter-Item Covariances	.367	.083	1.069	.985	12.827	.028	17
Inter-Item Correlations	.250	.056	.705	.649	12.667	.013	17

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
P01	52.70	112.389	.390	.275	.845
P02	52.34	113.790	.380	.312	.845
P03	51.94	112.606	.424	.388	.843
P04	52.62	112.797	.435	.314	.843
P05	52.44	112.638	.454	.323	.842
P06	52.90	113.519	.423	.395	.843
P07	52.61	112.817	.378	.293	.846
P08	52.48	106.997	.619	.522	.833
P09	52.32	108.984	.558	.585	.837
P10	52.52	108.224	.588	.624	.835
P11	52.85	110.549	.493	.363	.840
P12	51.85	111.897	.451	.390	.842
P13	52.60	111.103	.499	.402	.840
P14	52.38	111.365	.469	.359	.841
P15	52.70	112.476	.439	.426	.843
P16	52.82	111.853	.468	.374	.841
P17	52.74	113.554	.341	.289	.848

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
55.80	124.836	11.173	17

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		1652.238	225	7.343		
Within People	Between Items	308.542	16	19.284	17.452	.000
	Residual	3977.811	3600	1.105		
	Total	4286.353	3616	1.185		
Total		5938.591	3841	1.546		

Grand Mean = 3.28

Intraclass Correlation Coefficient

	Intraclass Correlation[a]	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.249[b]	.211	.295	6.646	225	3600	.000
Average Measures	.850[c]	.819	.877	6.646	225	3600	.000

Two-way mixed effects model where people effects are random and measures effects are fixed.

a. Type C intraclass correlation coefficients using a consistency definition-the between-measure variance is excluded from the denominator variance.

b. The estimator is the same, whether the interaction effect is present or not.

c. This estimate is computed assuming the interaction effect is absent, because it is not estimable otherwise.

Scale: Opportunity (OP)

Case Processing Summary

		N	%
Cases	Valid	226	100.0
	Excluded[a]	0	.0
	Total	226	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.867	.869	11

Item Statistics

	Mean	Std. Deviation	N
OP01	3.14	1.238	226
OP02	3.67	1.131	226
OP03	4.10	1.066	226
OP04	3.77	1.091	226
OP05	3.58	1.082	226
OP06	4.08	1.082	226
OP07	3.52	1.178	226
OP08	3.80	1.020	226
OP09	4.01	1.097	226
OP10	3.60	1.072	226
OP11	3.78	1.120	226

Inter-Item Correlation Matrix

	OP01	OP02	OP03	OP04	OP05	OP06	OP07	OP08	OP09	OP10	OP11
OP01	1.000	.483	.215	.208	.319	.303	.198	.377	.224	.310	.204
OP02	.483	1.000	.432	.284	.318	.466	.309	.425	.340	.338	.337
OP03	.215	.432	1.000	.458	.448	.567	.338	.525	.591	.260	.379
OP04	.208	.284	.458	1.000	.444	.483	.422	.410	.485	.217	.264
OP05	.319	.318	.448	.444	1.000	.448	.339	.467	.402	.258	.434
OP06	.303	.466	.567	.483	.448	1.000	.363	.507	.557	.294	.371
OP07	.198	.309	.338	.422	.339	.363	1.000	.401	.421	.217	.329
OP08	.377	.425	.525	.410	.467	.507	.401	1.000	.590	.414	.402
OP09	.224	.340	.591	.485	.402	.557	.421	.590	1.000	.337	.357
OP10	.310	.338	.260	.217	.258	.294	.217	.414	.337	1.000	.456
OP11	.204	.337	.379	.264	.434	.371	.329	.402	.357	.456	1.000

Inter-Item Covariance Matrix

	OP01	OP02	OP03	OP04	OP05	OP06	OP07	OP08	OP09	OP10	OP11
OP01	1.532	.676	.284	.281	.427	.406	.288	.476	.305	.411	.283
OP02	.676	1.279	.521	.351	.389	.570	.412	.490	.422	.410	.426
OP03	.284	.521	1.137	.534	.517	.654	.425	.571	.692	.297	.452
OP04	.281	.351	.534	1.191	.524	.571	.543	.456	.581	.254	.323
OP05	.427	.389	.517	.524	1.170	.525	.432	.515	.477	.299	.525
OP06	.406	.570	.654	.571	.525	1.171	.463	.559	.661	.341	.449
OP07	.288	.412	.425	.543	.432	.463	1.388	.482	.544	.273	.434
OP08	.476	.490	.571	.456	.515	.559	.482	1.040	.660	.453	.459
OP09	.305	.422	.692	.581	.477	.661	.544	.660	1.204	.396	.438
OP10	.411	.410	.297	.254	.299	.341	.273	.453	.396	1.148	.548
OP11	.283	.426	.452	.323	.525	.449	.434	.459	.438	.548	1.255

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.732	3.137	4.097	.960	1.306	.079	11
Item Variances	1.229	1.040	1.532	.492	1.473	.018	11
Inter-Item Covariances	.457	.254	.692	.438	2.729	.012	11
Inter-Item Correlations	.377	.198	.591	.394	2.994	.011	11

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
OP01	37.92	54.620	.420	.309	.867
OP02	37.38	53.215	.566	.405	.856
OP03	36.96	52.798	.638	.498	.851
OP04	37.28	53.804	.552	.382	.857
OP05	37.48	53.397	.586	.390	.854
OP06	36.97	52.261	.665	.486	.849
OP07	37.53	53.850	.497	.289	.861

OP08	37.25	52.545	.693	.507	.847
OP09	37.04	52.270	.653	.523	.849
OP10	37.46	55.316	.462	.309	.863
OP11	37.27	53.896	.528	.363	.858

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
41.05	63.828	7.989	11

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		1305.578	225	5.803		
Within People	Between Items	178.419	10	17.842	23.130	.000
	Residual	1735.581	2250	.771		
	Total	1914.000	2260	.847		
Total		3219.578	2485	1.296		

Grand Mean = 3.73

Intraclass Correlation Coefficient

		95% Confidence Interval		F Test with True Value 0			
	Intraclass Correlation[a]	Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.372[b]	.323	.427	7.522	225	2250	.000
Average Measures	.867[c]	.840	.891	7.522	225	2250	.000

Two-way mixed effects model where people effects are random and measures effects are fixed.

a. Type C intraclass correlation coefficients using a consistency definition-the between-measure variance is excluded from the denominator variance.

b. The estimator is the same, whether the interaction effect is present or not.

c. This estimate is computed assuming the interaction effect is absent, because it is not estimable otherwise.

RELIABILITY /VARIABLES=RT01 RT02 RT03 RT04 RT05 /SCALE('Rationalization (OP)') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR COV ANOVA

/SUMMARY=TOTAL MEANS VARIANCE COV CORR
/ICC=MODEL(MIXED) TYPE(CONSISTENCY) CIN=95 TESTVAL=0.

Scale: Rationalization (OP)

Case Processing Summary

		N	%
Cases	Valid	226	100.0
	Excluded[a]	0	.0
	Total	226	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.760	.762	5

Item Statistics

	Mean	Std. Deviation	N
RT01	4.08	1.076	226
RT02	3.72	1.099	226
RT03	3.86	1.021	226
RT04	3.19	1.187	226
RT05	3.74	1.118	226

Inter-Item Correlation Matrix

	RT01	RT02	RT03	RT04	RT05
RT01	1.000	.391	.487	.256	.313
RT02	.391	1.000	.413	.403	.371
RT03	.487	.413	1.000	.337	.448
RT04	.256	.403	.337	1.000	.479
RT05	.313	.371	.448	.479	1.000

Inter-Item Covariance Matrix

	RT01	RT02	RT03	RT04	RT05
RT01	1.158	.463	.535	.327	.376

RT02	.463	1.208	.463	.525	.456
RT03	.535	.463	1.043	.408	.511
RT04	.327	.525	.408	1.408	.636
RT05	.376	.456	.511	.636	1.249

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.719	3.190	4.080	.889	1.279	.108	5
Item Variances	1.213	1.043	1.408	.365	1.350	.018	5
Inter-Item Covariances	.470	.327	.636	.309	1.944	.007	5
Inter-Item Correlations	.390	.256	.487	.231	1.902	.005	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
RT01	14.51	10.909	.479	.285	.733
RT02	14.88	10.447	.537	.292	.713
RT03	14.73	10.589	.577	.363	.701
RT04	15.40	10.268	.499	.293	.728
RT05	14.85	10.262	.553	.335	.707

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
18.59	15.469	3.933	5

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		696.110	225	3.094		
Within People	Between Items	97.386	4	24.346	32.752	.000
	Residual	669.014	900	.743		

Total	766.400	904	.848		
Total	1462.510	1129	1.295		

Grand Mean = 3.72

Intraclass Correlation Coefficient

	Intraclass Correlation[a]	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.387[b]	.325	.454	4.162	225	900	.000
Average Measures	.760[c]	.706	.806	4.162	225	900	.000

Two-way mixed effects model where people effects are random and measures effects are fixed.

a. Type C intraclass correlation coefficients using a consistency definition-the between-measure variance is excluded from the denominator variance.

b. The estimator is the same, whether the interaction effect is present or not.

c. This estimate is computed assuming the interaction effect is absent, because it is not estimable otherwise.

Scale: Capability (CAP)

Case Processing Summary

		N	%
Cases	Valid	225	99.6
	Excluded[a]	1	.4
	Total	226	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.720	.719	5

Item Statistics

	Mean	Std. Deviation	N
CAP01	3.45	1.224	225
CAP02	3.11	1.319	225
CAP03	3.61	1.097	225
CAP04	3.37	1.162	225

Item Statistics

	Mean	Std. Deviation	N
CAP01	3.45	1.224	225
CAP02	3.11	1.319	225
CAP03	3.61	1.097	225
CAP04	3.37	1.162	225
CAP05	3.10	1.380	225

Inter-Item Correlation Matrix

	CAP01	CAP02	CAP03	CAP04	CAP05
CAP01	1.000	.338	.407	.200	.248
CAP02	.338	1.000	.189	.368	.602
CAP03	.407	.189	1.000	.408	.209
CAP04	.200	.368	.408	1.000	.411
CAP05	.248	.602	.209	.411	1.000

Inter-Item Covariance Matrix

	CAP01	CAP02	CAP03	CAP04	CAP05
CAP01	1.498	.546	.547	.285	.418
CAP02	.546	1.739	.274	.563	1.096
CAP03	.547	.274	1.203	.520	.317
CAP04	.285	.563	.520	1.350	.659
CAP05	.418	1.096	.317	.659	1.905

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.327	3.102	3.609	.507	1.163	.049	5
Item Variances	1.539	1.203	1.905	.701	1.583	.081	5
Inter-Item Covariances	.522	.274	1.096	.822	4.000	.055	5
Inter-Item Correlations	.338	.189	.602	.413	3.180	.016	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CAP01	13.19	13.054	.406	.240	.700
CAP02	13.53	11.447	.556	.416	.639
CAP03	13.03	13.624	.409	.280	.698
CAP04	13.27	12.741	.489	.295	.669
CAP05	13.53	11.259	.538	.405	.648

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
16.64	18.143	4.260	5

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		812.823	224	3.629		
Within People	Between Items	43.908	4	10.977	10.797	.000
	Residual	910.892	896	1.017		
	Total	954.800	900	1.061		
Total		1767.623	1124	1.573		

Grand Mean = 3.33

Intraclass Correlation Coefficient

	Intraclass Correlation[a]	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.339[b]	.277	.406	3.569	224	896	.000
Average Measures	.720[c]	.657	.774	3.569	224	896	.000

Two-way mixed effects model where people effects are random and measures effects are fixed.

a. Type C intraclass correlation coefficients using a consistency definition-the between-measure variance is excluded from the denominator variance.

b. The estimator is the same, whether the interaction effect is present or not.

Intraclass Correlation Coefficient

	Intraclass Correlation[a]	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.339[b]	.277	.406	3.569	224	896	.000
Average Measures	.720[c]	.657	.774	3.569	224	896	.000

Two-way mixed effects model where people effects are random and measures effects are fixed.

a. Type C intraclass correlation coefficients using a consistency definition-the between-measure variance is excluded from the denominator variance.

b. The estimator is the same, whether the interaction effect is present or not.

c. This estimate is computed assuming the interaction effect is absent, because it is not estimable otherwise.

Scale: Islamic Corporate Governance (ICG)

Case Processing Summary

		N	%
Cases	Valid	226	100.0
	Excluded[a]	0	.0
	Total	226	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.882	.881	10

Item Statistics

	Mean	Std. Deviation	N
ICG01	4.1903	1.02593	226
ICG02	4.1327	.97529	226
ICG03	3.9425	.95743	226
ICG04	3.8982	.97675	226
ICG05	4.1195	.94228	226
ICG06	3.8230	.94967	226
ICG07	4.1372	.88128	226
ICG08	4.1947	.95087	226
ICG09	3.9336	1.01106	226
ICG10	4.1106	.95274	226

Inter-Item Correlation Matrix

	ICG01	ICG02	ICG03	ICG04	ICG05	ICG06	ICG07	ICG08	ICG09	ICG10
ICG01	1.000	.734	.518	.534	.597	.395	.531	.545	.569	-.072
ICG02	.734	1.000	.560	.495	.568	.477	.485	.643	.563	-.121
ICG03	.518	.560	1.000	.564	.584	.541	.426	.520	.786	-.037
ICG04	.534	.495	.564	1.000	.515	.575	.429	.462	.677	-.017
ICG05	.597	.568	.584	.515	1.000	.476	.628	.539	.540	-.005
ICG06	.395	.477	.541	.575	.476	1.000	.475	.452	.529	.012
ICG07	.531	.485	.426	.429	.628	.475	1.000	.583	.419	-.008
ICG08	.545	.643	.520	.462	.539	.452	.583	1.000	.527	-.024

ICG09	.569	.563	.786	.677	.540	.529	.419	.527	1.000	-.029
ICG10	-.072	-.121	-.037	-.017	-.005	.012	-.008	-.024	-.029	1.000

Inter-Item Covariance Matrix

	ICG01	ICG02	ICG03	ICG04	ICG05	ICG06	ICG07	ICG08	ICG09	ICG10
ICG01	1.053	.735	.509	.535	.577	.385	.480	.532	.590	-.070
ICG02	.735	.951	.523	.471	.522	.441	.417	.596	.556	-.113
ICG03	.509	.523	.917	.527	.527	.492	.359	.473	.761	-.034
ICG04	.535	.471	.527	.954	.474	.533	.370	.429	.669	-.015
ICG05	.577	.522	.527	.474	.888	.426	.521	.483	.515	-.004
ICG06	.385	.441	.492	.533	.426	.902	.398	.408	.508	.011
ICG07	.480	.417	.359	.370	.521	.398	.777	.489	.374	-.006
ICG08	.532	.596	.473	.429	.483	.408	.489	.904	.506	-.022
ICG09	.590	.556	.761	.669	.515	.508	.374	.506	1.022	-.028
ICG10	-.070	-.113	-.034	-.015	-.004	.011	-.006	-.022	-.028	.908

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	4.048	3.823	4.195	.372	1.097	.018	10
Item Variances	.927	.777	1.053	.276	1.355	.006	10
Inter-Item Covariances	.396	-.113	.761	.873	-6.759	.053	10
Inter-Item Correlations	.426	-.121	.786	.907	-6.488	.059	10

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
ICG01	36.2920	35.337	.701	.628	.863
ICG02	36.3496	35.686	.712	.654	.863
ICG03	36.5398	35.743	.723	.671	.862
ICG04	36.5841	35.995	.681	.551	.865
ICG05	36.3628	35.966	.715	.565	.863
ICG06	36.6593	36.830	.625	.456	.869

ICG07	36.3451	37.356	.631	.514	.869
ICG08	36.2876	36.241	.680	.534	.865
ICG09	36.5487	35.013	.744	.711	.860
ICG10	36.3717	44.590	-.044	.026	.914

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
40.4823	44.935	6.70338	10

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		1011.043	225	4.494		
Within People	Between Items	36.880	9	4.098	7.713	.000
	Residual	1075.820	2025	.531		
	Total	1112.700	2034	.547		
Total		2123.743	2259	.940		

Grand Mean = 4.0482

Intraclass Correlation Coefficient

	Intraclass Correlation[a]	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.427[b]	.375	.483	8.458	225	2025	.000
Average Measures	.882[c]	.857	.903	8.458	225	2025	.000

Two-way mixed effects model where people effects are random and measures effects are fixed.

a. Type C intraclass correlation coefficients using a consistency definition-the between-measure variance is excluded from the denominator variance.

b. The estimator is the same, whether the interaction effect is present or not.

c. This estimate is computed assuming the interaction effect is absent, because it is not estimable otherwise.

Scale: Fraud (FRD)

Case Processing Summary

		N	%
Cases	Valid	226	100.0
	Excluded[a]	0	.0
	Total	226	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.756	.760	5

Item Statistics

	Mean	Std. Deviation	N
FRD01	4.25	1.051	226
FRD02	4.18	.991	226
FRD03	4.00	1.004	226
FRD04	3.97	1.054	226
FRD05	3.87	1.139	226

Inter-Item Correlation Matrix

	FRD01	FRD02	FRD03	FRD04	FRD05
FRD01	1.000	.623	.401	.343	.351
FRD02	.623	1.000	.461	.392	.328
FRD03	.401	.461	1.000	.277	.419
FRD04	.343	.392	.277	1.000	.278
FRD05	.351	.328	.419	.278	1.000

Inter-Item Covariance Matrix

	FRD01	FRD02	FRD03	FRD04	FRD05
FRD01	1.105	.648	.423	.380	.420
FRD02	.648	.982	.459	.409	.370
FRD03	.423	.459	1.009	.293	.479
FRD04	.380	.409	.293	1.110	.334
FRD05	.420	.370	.479	.334	1.298

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	4.053	3.867	4.252	.385	1.100	.025	5
Item Variances	1.101	.982	1.298	.316	1.322	.015	5
Inter-Item Covariances	.422	.293	.648	.355	2.212	.009	5
Inter-Item Correlations	.387	.277	.623	.346	2.247	.010	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
FRD01	16.01	9.089	.591	.425	.688
FRD02	16.09	9.183	.628	.465	.677
FRD03	16.27	9.620	.531	.303	.710
FRD04	16.29	9.994	.425	.191	.747
FRD05	16.40	9.432	.459	.231	.739

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
20.27	13.938	3.733	5

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		627.214	225	2.788		
Within People	Between Items	22.416	4	5.604	8.252	.000
	Residual	611.184	900	.679		
	Total	633.600	904	.701		
Total		1260.814	1129	1.117		

Grand Mean = 4.05

Intraclass Correlation Coefficient

	Intraclass Correlation[a]	95% Confidence Interval	F Test with True Value 0

		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.383[b]	.321	.449	4.105	225	900	.000
Average Measures	.756[c]	.702	.803	4.105	225	900	.000

Two-way mixed effects model where people effects are random and measures effects are fixed.

a. Type C intraclass correlation coefficients using a consistency definition-the between-measure variance is excluded from the denominator variance.

b. The estimator is the same, whether the interaction effect is present or not.

c. This estimate is computed assuming the interaction effect is absent, because it is not estimable otherwise.

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KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.768
Bartlett's Test of Sphericity	Approx. Chi-Square	270.161
	df	10
	Sig.	.000

Anti-image Matrices

		FRD01	FRD02	FRD03	FRD04	FRD05
Anti-image Covariance	FRD01	.575	-.271	-.065	-.069	-.094
	FRD02	-.271	.535	-.150	-.132	-.021
	FRD03	-.065	-.150	.697	-.042	-.210
	FRD04	-.069	-.132	-.042	.809	-.100
	FRD05	-.094	-.021	-.210	-.100	.769
Anti-image Correlation	FRD01	.739[a]	-.488	-.102	-.101	-.141
	FRD02	-.488	.717[a]	-.246	-.201	-.033
	FRD03	-.102	-.246	.800[a]	-.057	-.287
	FRD04	-.101	-.201	-.057	.859[a]	-.127
	FRD05	-.141	-.033	-.287	-.127	.802[a]

a. Measures of Sampling Adequacy(MSA)

Communalities

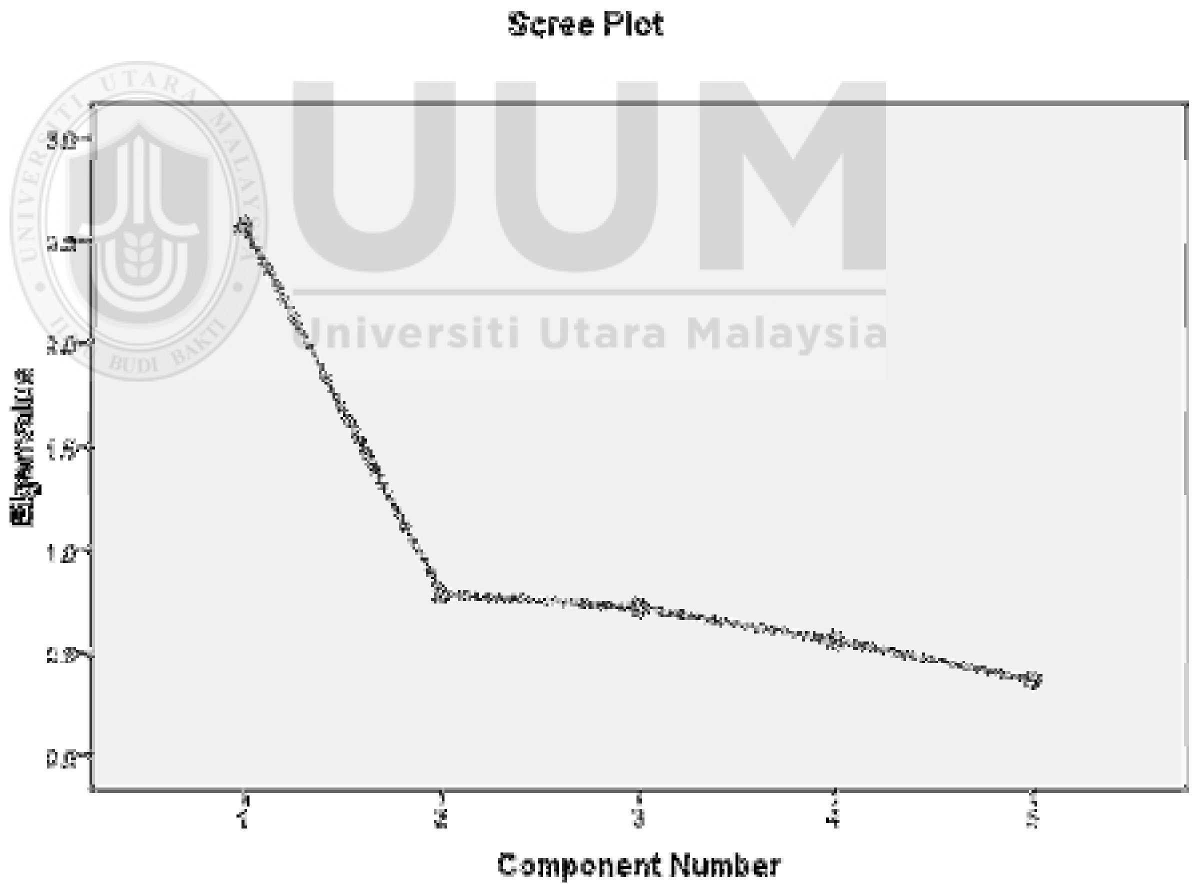
	Initial	Extraction
FRD01	1.000	.611
FRD02	1.000	.653
FRD03	1.000	.514
FRD04	1.000	.376
FRD05	1.000	.415

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.570	51.394	51.394	2.570	51.394	51.394
2	.786	15.718	67.111			
3	.717	14.346	81.458			
4	.563	11.261	92.719			
5	.364	7.281	100.000			

Extraction Method: Principal Component Analysis.



Component Matrix[a]

	Component
	1
FRD01	.782
FRD02	.808
FRD03	.717
FRD04	.613
FRD05	.644

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Component Score Coefficient Matrix

	Component
	1
FRD01	.304
FRD02	.315
FRD03	.279
FRD04	.239
FRD05	.251

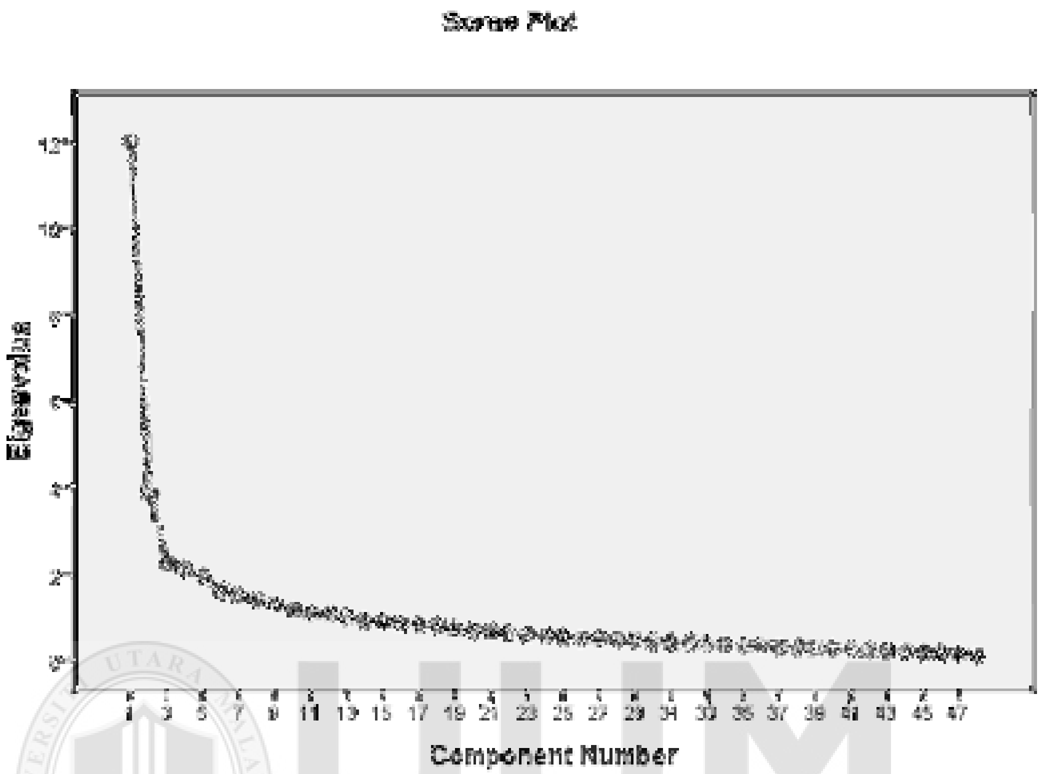
Extraction Method: Principal Component Analysis.

Component Score Covariance Matrix

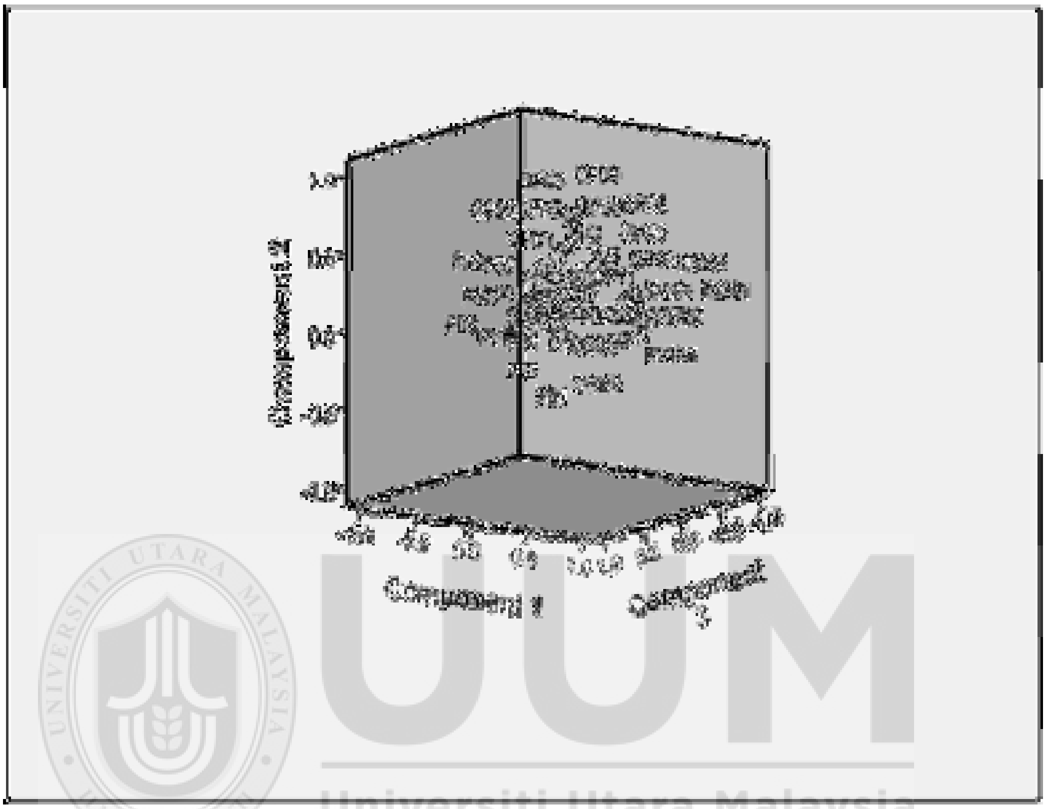
Component	1
1	1.000

Extraction Method: Principal Component Analysis.

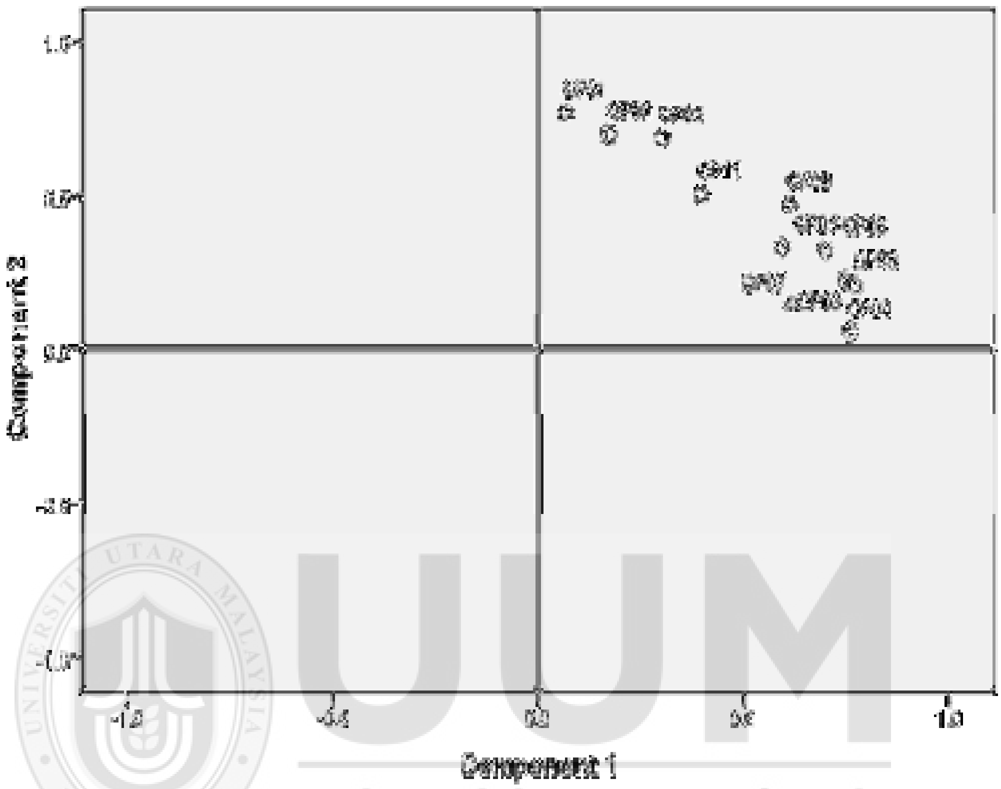
FACTOR /VARIABLES P01 P02 P03 P04 P05 P06 P07 P08 P09 P10 P11 P12 P13 P14 P15 P16 P17 OP01 OP02 OP03 OP04 OP05 OP06 OP07 OP08 OP09 OP10 OP11 RT01 RT02 RT03 RT04 RT05 CAP01 CAP02 CAP03 CAP04 CAP05 ICG01 ICG02 ICG03 ICG04 ICG05 ICG06 ICG07 ICG08 ICG09 ICG10 /MISSING LISTWISE /ANALYSIS P01 P02 P03 P04 P05 P06 P07 P08 P09 P10 P11 P12 P13 P14 P15 P16 P17 OP01 OP02 OP03 OP04 OP05 OP06 OP07 OP08 OP09 OP10 OP11 RT01 RT02 RT03 RT04 RT05 CAP01 CAP02 CAP03 CAP04 CAP05 ICG01 ICG02 ICG03 ICG04 ICG05 ICG06 ICG07 ICG08 ICG09 ICG10 /PRINT UNIVARIATE INITIAL CORRELATION SIG DET KMO AIC ROTATION FSCORE /PLOT EIGEN ROTATION /CRITERIA MINEIGEN(1) ITERATE(25) /EXTRACTION PC /CRITERIA ITERATE(25) /ROTATION VARIMAX /METHOD=CORRELATION.


Scree Plot
Eigenvalue
Component Number

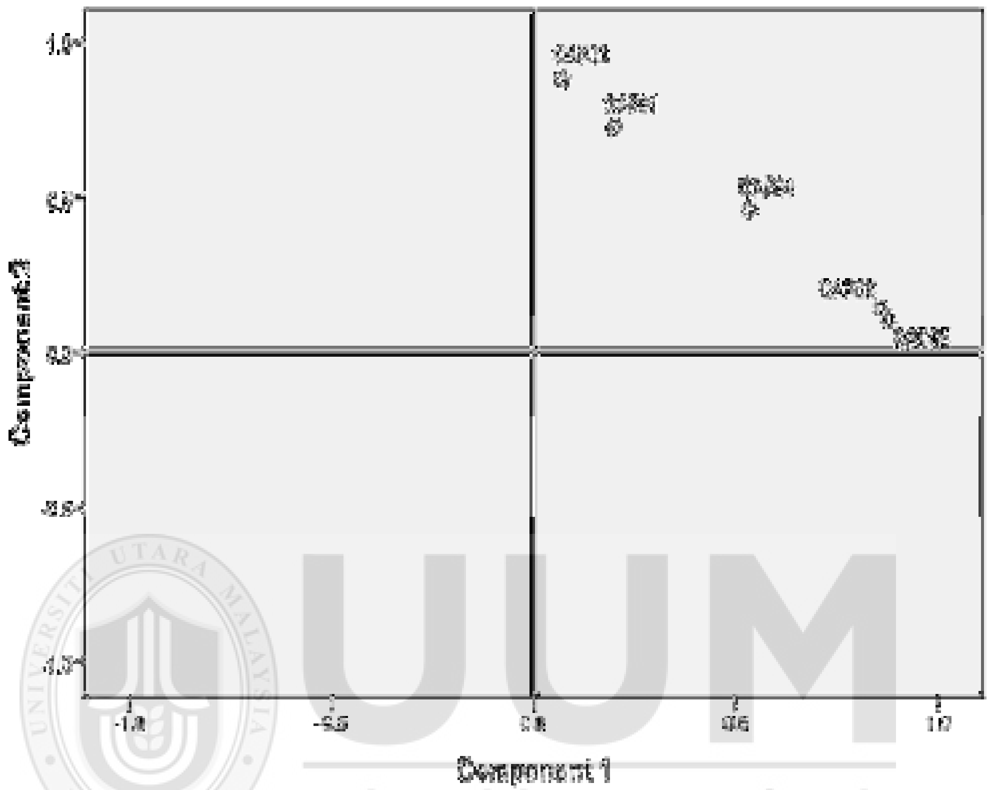
Component Plot in Rotated Space



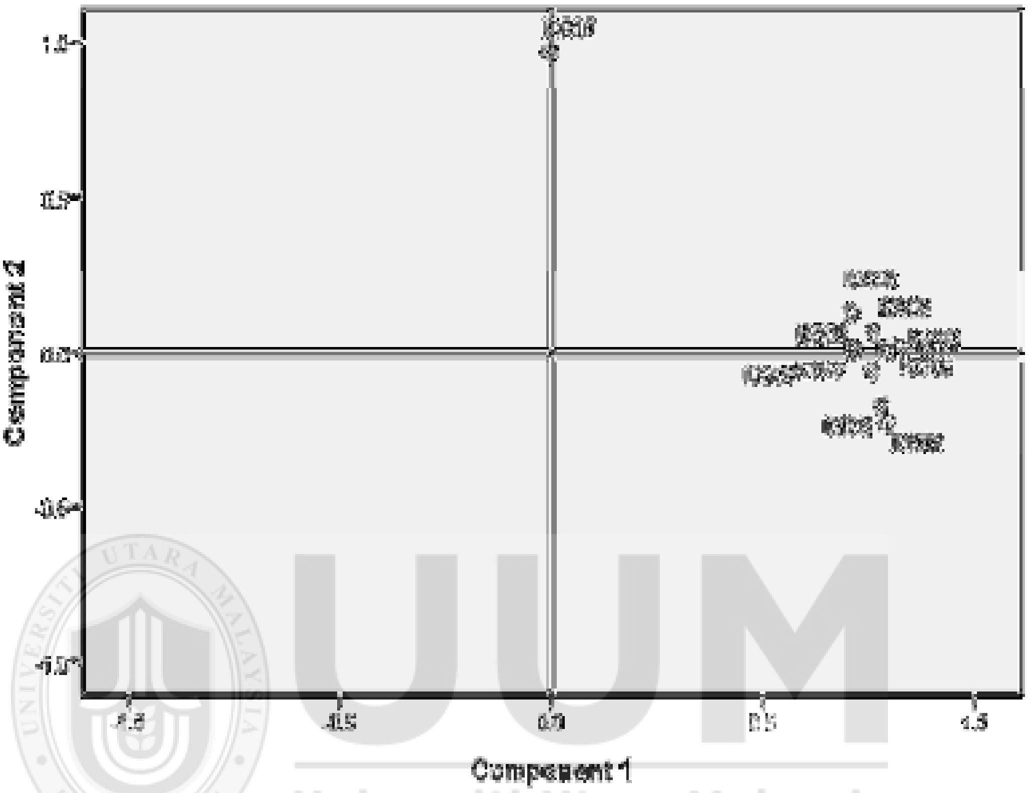
Component Plot in Rotated Space



Component Plot in Rotated Space



Component Plot in Rotated Space



Appendix C

REGRESSION /DESCRIPTIVES

REGRESSION /DESCRIPTIVES MEAN STDDEV CORR SIG N /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA COLLIN TOL CHANGE /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT FRD02 /METHOD=ENTER P10 P09 P15 P06 OP09 OP03 RT03 CAP03 CAP05 ICG10 ICG02 /RESIDUALS HIST(ZRESID) NORM(ZRESID) /SAVE PRED COOK LEVER SRESID SDRESID.

Regression

Descriptive Statistics

	Mean	Std. Deviation	N
FRD02	4.18	.991	226
P10	3.28	1.233	226
P09	3.48	1.230	226
P15	3.10	1.177	226
P06	2.89	1.126	226
OP09	4.01	1.097	226
OP03	4.10	1.066	226
RT03	3.86	1.021	226
CAP03	3.62	1.099	226
CAP05	3.10	1.379	226
ICG10	4.1106	.95274	226
ICG02	4.13	.975	226

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	ICG02, CAP05, ICG10, P06, P10, OP09, CAP03, P15, RT03, OP03, P09[a]	.	Enter

a. All requested variables entered.

Model Summary[b]

Model	R	R	Adjusted	Std.	Change Statistics

		Square	R Square	Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.556[a]	.309	.274	.844	.309	8.712	11	214	.000

a. Predictors: (Constant), ICG02, CAP05, ICG10, P06, P10, OP09, CAP03, P15, RT03, OP03, P09

b. Dependent Variable: FRD02

ANOVA[b]

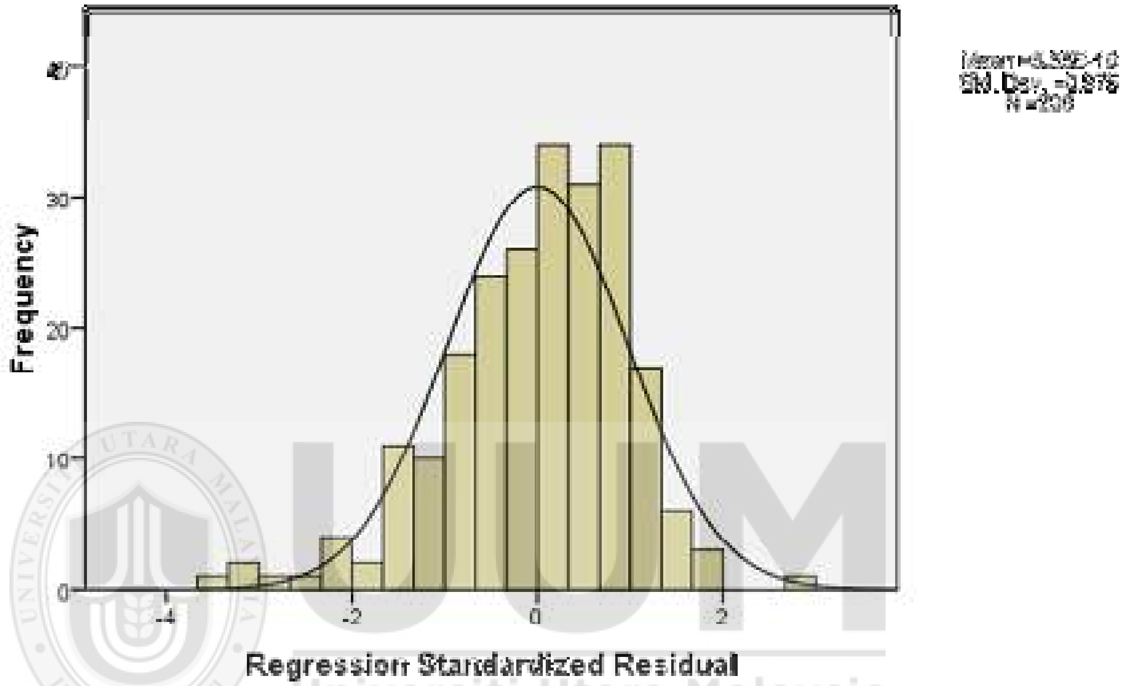
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.330	11	6.212	8.712	.000[a]
	Residual	152.591	214	.713		
	Total	220.920	225			

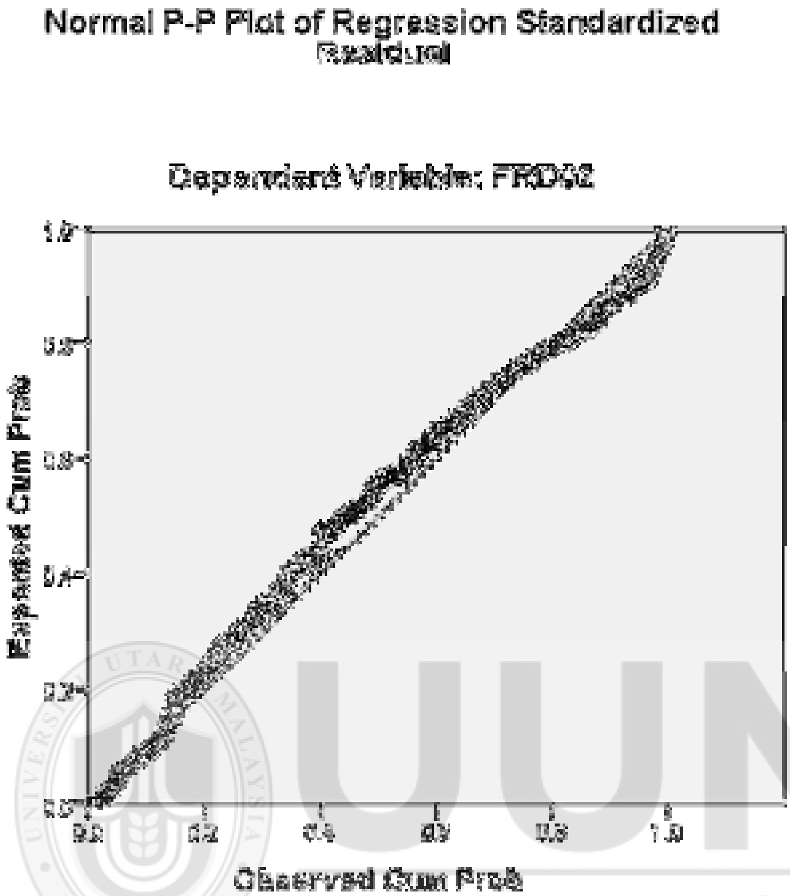
a. Predictors: (Constant), ICG02, CAP05, ICG10, P06, P10, OP09, CAP03, P15, RT03, OP03, P09

b. Dependent Variable: FRD02

Histogram

Dependent Variable: FRD02




Normal P-P Plot of Regression Standardized Residual
Dependent Variable: FRD32
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0

Model Summary[f]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.237[a]	.056	.039	.971	.056	3.297	4	221	.012
2	.431[b]	.186	.163	.906	.129	17.378	2	219	.000
3	.467[c]	.218	.193	.890	.032	8.936	1	218	.003
4	.483[d]	.233	.201	.886	.015	2.163	2	216	.117
5	.556[e]	.309	.274	.844	.076	11.820	2	214	.000

a. Predictors: (Constant), P06, P09, P15, P10

b. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03

c. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03, RT03

d. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03, RT03, CAP05, CAP03

e. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03, RT03, CAP05, CAP03, ICG10, ICG02

f. Dependent Variable: FRD02

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	P06, P09, P15, P10[a]	.	Enter
2	OP09, OP03[a]	.	Enter
3	RT03[a]	.	Enter
4	CAP05, CAP03[a]	.	Enter
5	ICG10, ICG02[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: FRD02

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	RT03	ICG10	ICG02
1	1	1.967	1.000	.02	.02		
	2	.033	7.710	.98	.98		
2	1	3.883	1.000	.00	.00	.00	.00
	2	.061	7.952	.00	.11	.46	.21
	3	.040	9.821	.03	.87	.00	.37
	4	.015	15.868	.97	.01	.53	.42

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	RT03	ICG10	ICG02
1	1	1.967	1.000	.02	.02		
	2	.033	7.710	.98	.98		
2	1	3.883	1.000	.00	.00	.00	.00
	2	.061	7.952	.00	.11	.46	.21
	3	.040	9.821	.03	.87	.00	.37
	4	.015	15.868	.97	.01	.53	.42

a. Dependent Variable: FRD02

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.44	4.77	4.18	.466	226
Std. Predicted Value	-3.725	1.282	.000	1.000	226
Standard Error of Predicted Value	.061	.230	.110	.039	226
Adjusted Predicted Value	2.47	4.78	4.18	.463	226
Residual	-2.969	2.185	.000	.875	226
Std. Residual	-3.372	2.482	.000	.993	226
Stud. Residual	-3.394	2.543	.000	1.004	226
Deleted Residual	-3.008	2.294	-.001	.893	226
Stud. Deleted Residual	-3.478	2.575	-.002	1.011	226
Mahal. Distance	.082	14.395	2.987	3.124	226
Cook's Distance	.000	.080	.005	.011	226
Centered Leverage Value	.000	.064	.013	.014	226

a. Dependent Variable: FRD02

REGRESSION /MISSING LISTWISE /STATISTICS COEFF OUTS CI(95) R ANOVA COLLIN TOL CHANGE /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT FRD02 /METHOD=ENTER CAP03 CAP05 /METHOD=ENTER ICG10 ICG02 /SAVE PRED COOK LEVER SRESID SDRESID.

Regression

Notes

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	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION /MISSING LISTWISE /STATISTICS COEFF OUTS CI(95) R ANOVA COLLIN TOL CHANGE /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT FRD02 /METHOD=ENTER CAP03 CAP05 /METHOD=ENTER ICG10 ICG02 /SAVE PRED COOK LEVER SRESID SDRESID.
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	SRE_5	Studentized Residual
	SDR_5	Studentized Deleted Residual

COO_5	Cook's Distance
LEV_5	Centered Leverage Value

[DataSet1] C:\Users\Omole GO\Documents\Ali Kano 3 SPSS Data Updated.sav

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	CAP05, CAP03[a]	.	Enter
2	ICG10, ICG02[a]	.	Enter

a. All requested variables entered.

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.271[a]	.073	.065	.958	.073	8.831	2	223	.000
2	.461[b]	.212	.198	.887	.139	19.484	2	221	.000

a. Predictors: (Constant), CAP05, CAP03

b. Predictors: (Constant), CAP05, CAP03, ICG10, ICG02

c. Dependent Variable: FRD02

ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.214	2	8.107	8.831	.000[a]
	Residual	204.706	223	.918		
	Total	220.920	225			
2	Regression	46.899	4	11.725	14.890	.000[b]
	Residual	174.022	221	.787		
	Total	220.920	225			

a. Predictors: (Constant), CAP05, CAP03

b. Predictors: (Constant), CAP05, CAP03, ICG10, ICG02

c. Dependent Variable: FRD02

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	Collinearity Statistics

	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	3.216	.243		13.260	.000	2.738	3.693		
CAP03	.225	.059	.249	3.787	.000	.108	.342	.958	1.043
CAP05	.048	.047	.067	1.012	.313	-.045	.141	.958	1.043
2 (Constant)	1.941	.411		4.726	.000	1.132	2.750		
CAP03	.148	.057	.164	2.596	.010	.036	.260	.897	1.115
CAP05	.051	.044	.071	1.159	.248	-.036	.137	.958	1.044
ICG10	-.013	.063	-.012	-.203	.840	-.137	.112	.969	1.032
ICG02	.387	.063	.381	6.141	.000	.263	.511	.928	1.077

a. Dependent Variable: FRD02

Excluded Variables[b]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	ICG10	-.067[a]	-1.036	.301	-.069	.990	1.010	.951
	ICG02	.382[a]	6.253	.000	.387	.949	1.054	.911

a. Predictors in the Model: (Constant), CAP05, CAP03

b. Dependent Variable: FRD02

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	CAP03	CAP05	ICG10	ICG02
1	1	2.847	1.000	.01	.01	.02		
	2	.112	5.050	.06	.17	.94		
	3	.042	8.247	.93	.82	.04		
2	1	4.734	1.000	.00	.00	.01	.00	.00
	2	.133	5.964	.01	.01	.95	.02	.03

3	.064	8.576	.01	.56	.00	.34	.03
4	.054	9.376	.01	.42	.01	.13	.49
5	.015	17.806	.98	.01	.03	.51	.45

a. Dependent Variable: FRD02

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.46	4.84	4.18	.457	226
Std. Predicted Value	-3.757	1.453	.000	1.000	226
Standard Error of Predicted Value	.065	.243	.127	.036	226
Adjusted Predicted Value	2.57	4.85	4.18	.454	226
Residual	-3.212	1.806	.000	.879	226
Std. Residual	-3.620	2.035	.000	.991	226
Stud. Residual	-3.675	2.066	.000	1.004	226
Deleted Residual	-3.311	1.862	.000	.902	226
Stud. Deleted Residual	-3.784	2.082	-.002	1.010	226
Mahal. Distance	.226	15.816	3.982	2.986	226
Cook's Distance	.000	.083	.005	.010	226
Centered Leverage Value	.001	.070	.018	.013	226

a. Dependent Variable: FRD02

REGRESSION /MISSING LISTWISE /STATISTICS COEFF OUTS CI(95) R ANOVA COLLIN TOL CHANGE /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT FRD02 /METHOD=ENTER P10 P09 P15 P06 /METHOD=ENTER OP09 OP03 /METHOD=ENTER RT03 /METHOD=ENTER CAP03 CAP05 /METHOD=ENTER ICG10 ICG02 /SCATTERPLOT=(FRD02 ,*ZPRED) /RESIDUALS HIST(ZRESID) NORM(ZRESID) /SAVE PRED COOK LEVER SRESID SDRESID.

Regression

Notes

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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 CI(95) R ANOVA COLLIN TOL CHANGE /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT FRD02 /METHOD=ENTER P10 P09 P15 P06 /METHOD=ENTER OP09 OP03 /METHOD=ENTER RT03 /METHOD=ENTER CAP03 CAP05 /METHOD=ENTER ICG10 ICG02 /SCATTERPLOT=(FRD02 ,*ZPRED) /RESIDUALS HIST(ZRESID) NORM(ZRESID) /SAVE PRED COOK LEVER SRESID SDRESID.
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Variables Created or Modified	PRE_1	Unstandardized Predicted Value
	SRE_1	Studentized Residual

SDR_1	Studentized Deleted Residual
COO_1	Cook's Distance
LEV_1	Centered Leverage Value

[DataSet1] C:\Users\Omole GO\Documents\Ali Kano 3 SPSS Data Updated.sav

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	P06, P09, P15, P10[a]	.	Enter
2	OP09, OP03[a]	.	Enter
3	RT03[a]	.	Enter
4	CAP05, CAP03[a]	.	Enter
5	ICG10, ICG02[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: FRD02

Model Summary[f]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.237[a]	.056	.039	.971	.056	3.297	4	221	.012
2	.431[b]	.186	.163	.906	.129	17.378	2	219	.000
3	.467[c]	.218	.193	.890	.032	8.936	1	218	.003
4	.483[d]	.233	.201	.886	.015	2.163	2	216	.117
5	.556[e]	.309	.274	.844	.076	11.820	2	214	.000

a. Predictors: (Constant), P06, P09, P15, P10

b. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03

c. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03, RT03

d. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03, RT03, CAP05, CAP03

e. Predictors: (Constant), P06, P09, P15, P10, OP09, OP03, RT03, CAP05, CAP03, ICG10, ICG02

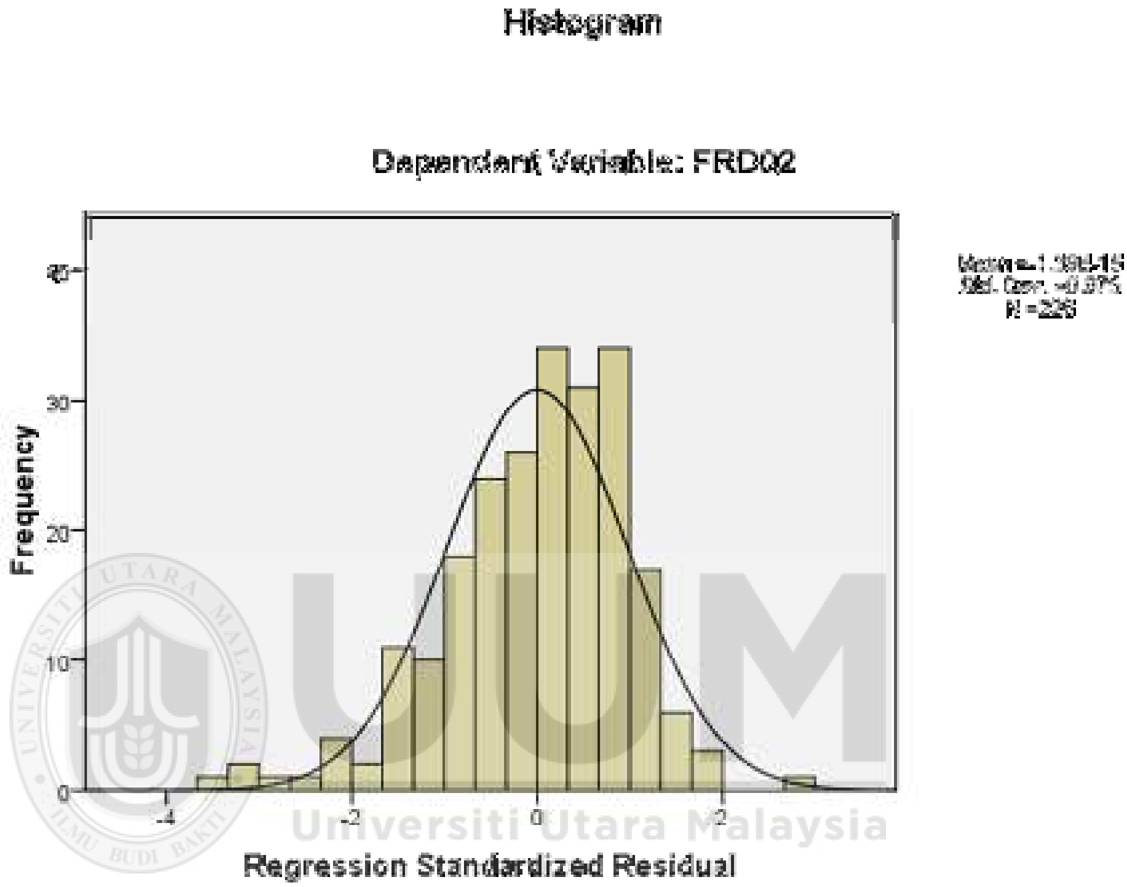
Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N

Predicted Value	2.13	5.39	4.18	.551	226
Std. Predicted Value	-3.707	2.207	.000	1.000	226
Standard Error of Predicted Value	.091	.360	.188	.050	226
Adjusted Predicted Value	2.25	5.42	4.18	.551	226
Residual	-2.873	2.407	.000	.824	226
Std. Residual	-3.402	2.851	.000	.975	226
Stud. Residual	-3.493	2.985	.000	1.006	226
Deleted Residual	-3.027	2.640	.000	.877	226
Stud. Deleted Residual	-3.588	3.042	-.002	1.013	226
Mahal. Distance	1.596	39.933	10.951	6.381	226
Cook's Distance	.000	.072	.005	.010	226
Centered Leverage Value	.007	.177	.049	.028	226

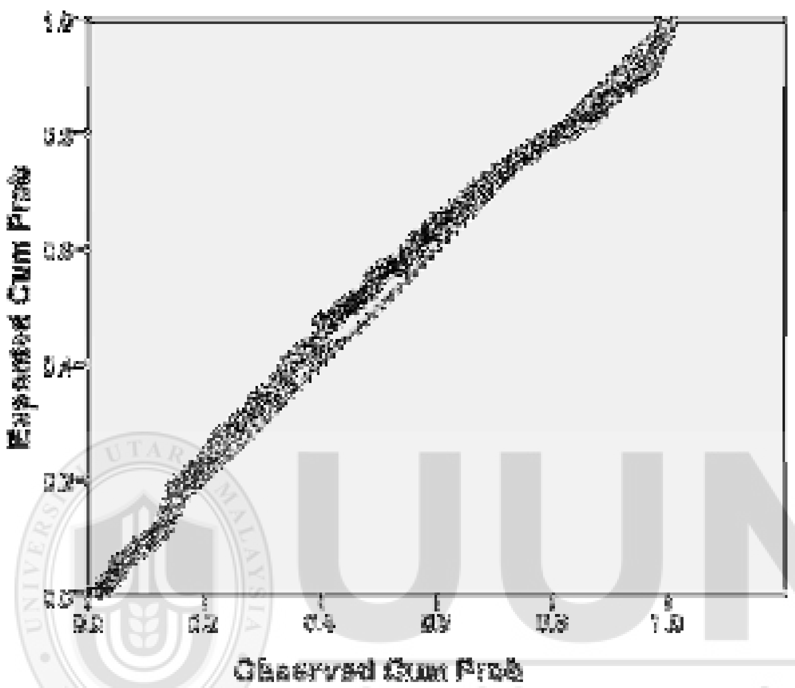
a. Dependent Variable: FRD02

Charts

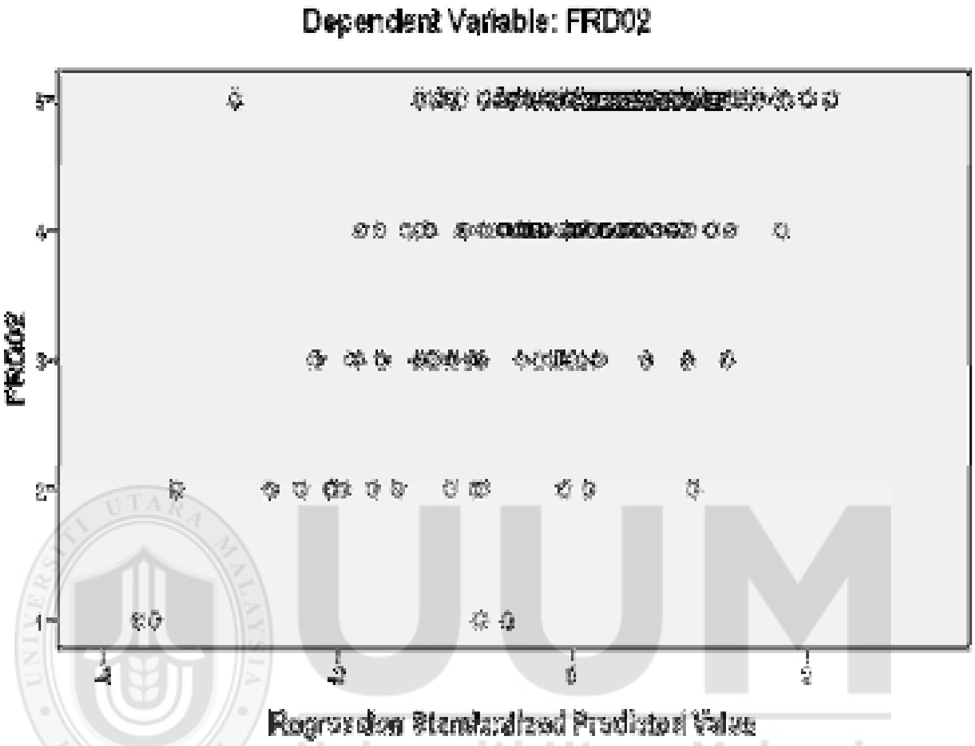

Histogram
Dependent Variable: FRD02
Frequency
Regression Standardized Residual
-4
-2
0
2
10
20
30

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: FRD32



Scatterplot



Appendix D

RECOMMENDATION LETTERS FOR DATA COLLECTION FROM THE BANKS

Sterling Bank

The one-customer bank.

NIB

13th September, 2016

The Dean,
Othman Yeop Abdullah,
Graduate School of Business,
Universiti Utara Malaysia,
Kedah Darul Aman,
Malaysia.

Dear Sir,

Re: LETTER OF RECOMMENDATION FOR DATA COLLECTION AND RESEARCH WORK

We refer to you letter ref UUM/OYAGSB/R-4/4/1 dated 20th July, 2016, in respect of your PhD candidate **Ali D. Yusuf (Matric No.:95620)**. He has conducted his survey in our Bank and questionnaires were distributed to staff of the Islamic Banking window (North West Region) and were all filled as requested and return back to him.

Please note, that all the data gathered herein should be treated as strictly confidential and without any responsibility on the part of the Bank or its employees.

Thank you.

Yours Faithfully,

Nazir Aliyu
NIB BRANCH MANAGER

Bashir Shehu
NIB REGIONAL MANAGER

Jaiz Bank

JAIZ BANK PLC
Kano House, 73 Ralph Shodeinde Street
Central Business District, Abuja
PMB 31, Abuja, Nigeria
Tel: +234 9 [illegible]
E-mail: info@jaizbankplc.com
Website: www.jaizbankplc.com

September 01 2016

The Dean
Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman
Malaysia.

Dear Sir,

RE: LETTER OF RECOMMENDATION FOR DATA COLLECTION AND RESEARCH WORK

We are in receipt of your letter with reference No. UUM/OYAGSB/R-4/4/1 dated 20th July, 2016 introducing your student, **Ali D. Yusuf (Matric No: 95620)** who is pursuing his Doctor of Philosophy (PhD) and conducting a research entitled **"The Moderating Role of Islamic Corporate Governance Between Pressure, Opportunity, Rationalization, Capacity and Banking Fraud"**

The subject student has submitted his research questionnaires to us which have been responded to by our staff to enable him gather the required information to successfully complete his research.

The information herein is given in strict confidence and carries no liability or responsibility on the part of the bank and/or any of its employees.

Yours faithfully,
For: JAIZ BANK PLC.

Mustahu Kabara
Relationship Manager

Naimatu Abdullahi
Branch Manager

Guaranty Trust Bank plc
[illegible]
Plot [illegible] Way,
Kano, Kano State, Nigeria.
[illegible]
www.gtbank.com

GTBank

September 1, 2016

The Dean
Othman Yeop Abdullah
Graduate School of Business
University Utara Malaysia

Dear Sir,

RE: LETTER OF RECOMMENDATION FOR DATA COLLECTION AND RESEARCH WORK

We hereby write to confirm that **Ali D. Yusuf (Matric N: 95620)** presented his questionnaire for the purpose of data collection to some of the staff of the bank and questionnaires were duly filled as requested.

The information contained herein is given in the strictest confidence and without any guarantee or responsibility on the part of the Bank or any of its employees.

Yours faithfully,
For: **GUARANTY TRUST BANK PLC**

ISHAQ UMAR
Account Officer

SHEHU BASHIR
Relationship Manager

Appendix E

OYA LETTER OF INTRODUCTION FOR DATA COLLECTION

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KEDAH AMAN MAKMUR • BERSAMA MEMACU TRANSFORMASI

UUM/OYAGSB/R-4/4/1
20 July 2016

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

LETTER OF RECOMMENDATION FOR DATA COLLECTION AND RESEARCH WORK

This is to certify that **Ali. b. Yusuf (Matric No: 95620)** is a student at Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia persuing his Doctor of Philosophy (PhD). He is conducting a research entitled "***The Moderating Role of Islamic Corporate Governance Between Pressure, Opportunity, Rationalization, Capacity and Banking Fraud***" under the supervision of Dr. Umar Ahmad and Dr. Mohd Shahril Bin Ahmad Razimi.

In this regard, we hope that you could kindly provide assistance and cooperation for him to successfully complete the research. All the information gathered will be strictly used for academic purposes only.

Your cooperation and assistance is very much appreciated.

Thank you.

"KNOWLEDGE, VIRTUE, SERVICE"

Yours faithfully,

ROZITA BINTI RAMLI
Assistant Registrar
for Dean
Othman Yeop Abdullah Graduate School of Business

cc - Supervisor
Student's File (95620)

Universiti Pengurusan Terkemuka
The Eminent Management University

Appendix F
DESCRIPTIVE ANALYSIS

General Perception of Banks staffs and Stakeholders on pressure (P), Opportunity (OP), Rationalization (RT), Capability (CAP), Islamic Corporate Governance (ICG) and Fraud (FRD)

Pressure (P)

S/N	Items	SD %	D %	N %	A %	SA %	Mean	Std. D
1.	P01	15	19	22.1	28.3	15.5	3.10	1.301
2.	P02	9.3	11.5	21.7	38.9	18.6	3.46	1.189
3.	P03	6.2	8.4	17.3	29.6	38.5	3.86	1.199
4.	P04	9.3	21.2	21.7	37.6	10.2	3.18	1.158
5.	P05	8.0	13.7	27.0	36.7	14.6	3.36	1.132
6.	P06	15.0	17.7	34.5	27.9	4.9	2.90	1.117
7.	P07	14.2	15.5	24.8	28.3	17.3	3.19	1.291
8.	P08	13.7	11.5	20.4	38.1	16.4	3.32	1.267
9.	P09	11.1	10.6	16.8	42.5	19.0	3.48	1.230
10.	P10	11.9	15.0	20.4	38.1	14.6	3.28	1.233
11.	P11	15.0	21.7	27.0	25.2	11.1	2.96	1.232
12.	P12	6.2	8.0	13.7	28.8	43.4	3.95	1.205
13.	P13	9.3	19.5	26.5	31.4	13.3	3.20	1.174
14.	P14	8.4	16.8	17.7	38.1	19.0	3.42	1.213
15.	P15	10.6	21.7	26.1	30.5	11.1	3.10	1.177
16.	P16	11.9	22.6	32.3	22.1	11.1	2.98	1.172
17.	P17	16.8	18.1	21.7	28.8	14.6	3.06	1.315

Opportunity (OP)

S/N	Items	SD %	D %	N %	A %	SA %	Mean	Std. D
1.	OP01	11.1	23.5	19.9	31.9	13.7	3.14	1.238
2.	OP02	5.8	11.5	16.4	42.5	23.9	3.67	1.131
3.	OP03	4.9	4.0	11.1	36.7	43.4	4.10	1.066

4.	OP04	3.5	11.5	17.7	38.9	28.3	3.77	1.091
5.	OP05	4.0	12.8	26.1	35.8	21.2	3.58	1.082
6.	OP06	4.0	5.8	13.3	31.9	45.1	4.08	1.082
7.	OP07	7.1	12.8	23.5	34.1	22.6	3.52	1.178
8.	OP08	3.1	8.8	18.6	43.8	25.7	3.80	1.020
9.	OP09	5.3	5.3	11.5	38.5	39.4	4.01	1.097
10	OP10	2.7	15.5	23.0	37.2	21.7	3.60	1.072
11	OP11	5.3	7.5	21.2	35.4	30.5	3.78	1.120

Rationlization (RT)

S/N	Items	SD %	D %	N %	A %	SA %	Mean	Std. D
1.	RT01	5.8	3.1	10.2	39.4	41.6	4.08	1.076
2.	RT02	3.5	13.7	15.9	41.2	25.7	3.72	1.099
3.	RT03	3.5	7.1	17.3	43.8	28.3	3.86	1.021
4.	RT04	11.1	16.4	27.9	31.9	12.8	3.19	1.187
5.	RT05	5.3	8.8	19.9	38.1	27.9	3.74	1.118

Capability (CAP)

S/N	Items	SD %	D %	N %	A %	SA %	Mean	Std. D
1.	CAP01	9.3	12.4	23.9	32.3	22.1	3.46	1.226
2.	CAP02	15.9	16.8	24.3	25.7	16.8	3.11	1.319
3.	CAP03	5.3	9.7	25.7	36.7	22.6	3.62	1.099
4.	CAP04	8.8	11.5	33.2	27.9	18.6	3.36	1.170
5.	CAP05	19.0	15.0	21.2	26.5	18.1	3.10	1.379

Islamic Corporate Governance (ICG)

S/N	Items	SD %	D %	N %	A %	SA %	Mean	Std. D
1.	ICG01	4.0	4.0	8.8	35.4	47.8	4.19	1.026
2.	ICG02	1.8	7.1	9.7	38.9	42.5	4.13	.975
3.	ICG03	2.7	5.3	16.8	45.6	29.6	3.94	.957
4.	ICG04	3.5	4.0	19.9	44.2	28.3	3.90	.977
5.	ICG05	1.8	4.9	13.7	38.9	40.7	4.12	.942
6.	ICG06	2.2	5.8	24.8	42.0	25.2	3.82	.950
7.	ICG07	0.9	4.0	15.5	39.8	39.8	4.14	.881
8.	ICG08	2.2	4.4	10.6	37.2	45.6	4.19	.951
9.	ICG09	3.1	5.8	18.6	39.8	32.7	3.9336	1.01106
10	ICG10	1.8	5.3	13.7	38.5	40.7	4.1106	.95274

Fraud (FRD)

S/N	Items	SD %	D %	N %	A %	SA %	Mean	Std. D
1.	FRD01	2.7	7.5	7.1	27.4	55.5	4.25	1.051
2.	FRD02	1.8	6.2	12.4	31.9	47.8	4.18	.991
3.	FRD03	2.2	6.2	18.6	35.8	37.2	4.00	1.004
4.	FRD04	3.5	7.5	12.8	40.3	35.8	3.97	1.054
5.	FRD05	4.4	8.8	19.0	31.0	36.7	3.87	1.139