

EFFECT OF BANK GROWTH ON OCCUPATIONAL FRAUD RISK IN COMMERCIAL BANKS IN KENYA

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ABSTRACT

Globally statistics indicate that the banking industry has the highest occupational fraud incidence and that a typical organization loses at least 5% of its annual revenues to fraud. Applying this statistic to the Kenyan's consolidated commercial banks revenue for the year 2011, the loss translates to approximately Kshs 13 Billion. Further statistics report that occupational fraud incidence is growing fastest in Africa as a continent and that Kenya has the highest fraud incidence in Africa. Commercial banks in Kenya have experienced a phenomenal growth in the last ten years. The study set to find if commercial banks growth has had an effect on occupational fraud in the commercial banks. A representative sample of 30 banks out of the 43 commercial banks licensed by Central Bank of Kenya by June 30, 2012 was used in this study. Bivariate linear regression was used to test the null hypothesis; there is no relationship between bank growth and occupational fraud risk in commercial banks in Kenya. The findings from this study are the negative and not significant effect of bank growth on occupational fraud risk in commercial banks in Kenya. These results provide important insights on to management on the overall effect of customer base expansion and occupational fraud risk and further provide a pointer to the regulatory authorities as to what their efforts should be in deterring occupational frauds in Kenya.

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