

**EFFECTS OF FRAUD MANAGEMENT STRATEGIES ON THE PERFORMANCE OF
SELECTED MICRO-FINANCE INSTITUTIONS IN NAIROBI, KENYA**

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ABSTRACT

The rise and growth of fraud in MFI's has been observed and can be explained through a

model, which consists of three key factors: availability of opportunities, personal pressure, and the rationalization of the act. However, most micro finance institutions in Kenya face one problem; fraud. Locally, a number of studies have been carried out on fraud but most have concentrated on macro financial institutions and not Micro-finance institutions. The general objective was to evaluate the effect of fraud management strategies on performance of selected MFIs in Nairobi, Kenya. The research adopted a descriptive research design. The target population therefore comprised of 406 management employees of the MFIs. A sample population of 197 is arrived at by calculating the target population of 406 with a 95% confidence level and an error of 0.05.

Stratified random sampling is unbiased sampling method of grouping heterogeneous population into homogenous subsets then making a selection within the individual subset to ensure representativeness.

Descriptive statistics such as frequencies, percentages, mean score and standard deviation were estimated for all the quantitative variables and information presented in form of tables and graphs. Inferential data analysis was done using Pearson correlation coefficient and regression analysis (multiple regression analysis). Multiple regression analysis was used to establish the relations between the independent and dependent variables. The finding showed that anti-fraud strategy affects the performance of selected micro finance institution in Kenya to a great extent. According to the findings internal control influences performance of selected MFIs in Kenya to a great extent. The findings further indicated that fraud detection influences performance of selected MFIs in Kenya to a very great extent. The findings also noted that corporate governance influences performance of selected MFIs in Kenya to a very great extent. Based on the research findings the study concludes that anti-fraud strategy affects the performance of selected micro finance institution in Kenya. The study also concludes that internal control influences performance of selected MFIs in Kenya. Study concludes that fraud detection influences performance of selected MFIs in Kenya. Finally, concludes that corporate governance influences performance of selected MFIs. Based on the research findings and conclusions the study recommends that management team of Micro finance institution in Kenya should adopt anti-fraud policies strategy in their organizations.

Keywords: *Anti-fraud policies, Corporate governance, Internal controls, Fraud detection, Performance of selected micro finance institutions in Kenya*

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