STRATEGIES APPLIED BY COMMERCIAL BANKS IN KENYA TO COMBAT FRAUD

BY

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DECLARATION

I declare that this is my original work and has not been submitted for examination in any other University.

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This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This management research paper is dedicated to God for sustaining me throughout its undertaking, and to my family and friends for their love and support. Thank you.

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ABSTRACT

Fraud has become a rampant crime in commercial banks which unless controlled. will continue exposing the financial institutions to massive losses both in terms of financial costs and loss of customers' confidence leading into loss of business. The banks are also facing several challenges with regard to fraud, some of them being development in technology, weak internal controls, lack of investing in employee training, among others. There is therefore need for commercial banks to respond appropriately to these challenges and also prevent fraud.

The objectives of this study were to establish the challenges of fraud faced by commercial banks in Kenya. and to identify the strategies that commercial banks in Kenya use to combat fraud. The research design used was a survey with a population of 44 licensed banks targeted. Primary data was collected by use of questionnaires containing both closed and open ended questions. The target respondents were risk and compliance officers/managers. Secondary data was obtained from Kenya anti-banking fraud unit, which is a unit under the Central bank of Kenya, charged with the responsibility of handling fraud and money laundering cases reported in commercial banks. The data collected was analyzed by use of tables, mean scores, percentages and standard deviation.

In conclusion, it's necessary for a bank to have an anti fraud unit that employs various strategies to curb fraud. Key among the strategies is advancement in technology, banks should invest in advancing their technology in order to prevent fraud. The KYC (Know Your Customer) strategies are also equally important, and if applied together with regular auditing, will be able to curb cases of fraud. The internal controls within the banks should also be looked at keenly to ensure that they are in line with fraud prevention. Limitation encountered during the study was the limited time, otherwise other methods like the interview would have been used to extract more data. The study has focused on the banks perspective and therefore there is need to do more research and look into other stakeholders perspective such as customers and suppliers.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Fraud is an intentional deception made for personal gain to damage another individual. It is a crime and is also a civil law violation. Many hoaxes are fraudulent, although those not made for personal gain are not technically frauds. Defrauding people of money is presumably the most common type of fraud, but there have also been many fraudulent discoveries, in art, archaeology, and science. Bank fraud on the other hand, is the use of fraudulent means to obtain money, assets, or other property owned or held by a financial institution (Glaessner & Mass 1995).

Bank fraud is a crime that has been around for as long as banks have been in operation. Anytime there is a large amount of money floating around, there are going to be people trying to figure out ways of getting it. Fraud can be committed through many methods, including mail, wire, phone, and the internet (computer crime and internet fraud). The difficulty of checking identity and legitimacy online, the ease with which hackers can divert browsers to dishonest sites and steal credit card details, the international dimensions of the web and ease with which users can hide their location, all contribute to making internet fraud the fastest growing area of fraud. Estimates are that just twenty percent of frauds are exposed and made public. The remaining frauds are either undetected or discovered and not made public because of reputation risk (Bartlett and Ballantine, 2002).

Commercial banks in Kenya today are facing a lot of challenges in dealing with both internal and external fraud cases that often come up. As mentioned earlier, development in technology has highly contributed to this. This is affecting the bank's profits and its reputation is also at risk. There is therefore need for commercial banks to respond appropriately to the challenges of fraud; hence this study undertakes to examine the strategies applied by commercial banks in Kenya to combat fraud.

1.1.1 Response Strategies

Strategy refers to a plan of action designed to achieve a particular goal. Strategy is the match between an organization resources and skills and the environmental opportunities it wishes to accomplish. It is important to provide guidance and direction for the activities of the organization. It is the process by which managers set an organization's long term course, develop plans in the light of internal and external circumstances, and undertake appropriate action to reach those goals. The "Action" referred to here are the strategies employed in meeting a firms short and long term objectives (Johnson & Scholes, 2002).

Strategy is about winning. It is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. It is not purely a matter of intuition and experience. Analysis does play a role in the strategy process of a company. Strategy guides organizations to superior performance through establishing competitive advantage. It also acts as a vehicle for communication and coordination within organizations. Successful strategies include objectives that are simple, consistent and long term, good understanding of the competitive environment, and objective understanding of the resources that is, understanding strengths and exploiting them and understanding weaknesses and protecting the organization against them. Understanding the strategic position of an organization and considering the strategic choices upon to it is of little value unless the managers or management wish to follow can be turned into organizational action (Johnson & Scholes, 2002).

Response of any organization can be either operational or strategic. Operational responses are concerned with efficiency of operations while strategic responses are long term in nature and embrace the whole organization and involve large amounts of resources, and decisions relating to them are usually made at corporate and business levels of the organization (Byars, 1991).

Strategic responses are the set of decisions and actions in the formulation and implementation of plans designed to achieve a firm's objective (Pearce and Robinson, 1991). They are part of competitive strategies that organizations develop in defining goals and policies. They are reactions to what is happening in the environment of the organization. The general management should be involved into organization strategic responses, that is, for an organization to implement a strategic response, three components are essential. These are the right climate - will to respond, competence - ability to respond, and capacity - volume of responses (Ansoff, 1999).

Firms can respond to environmental changes by crafting new operational changes which are taken by functional areas of the organization to achieve corporate and business unit objectives by maximizing resource productivity. They note that operational responses are concerned with developing and nurturing a distinctive competence to provide an organization with a competitive advantage. Operational responses include marketing and financial strategies, research and development strategies, human resource strategies, and purchasing strategies (Hunger and Wheelen, 1990).

The first step in managing fraud risk is to understand why it occurs. Fraud can be expressed as a function of circumstances, human behavior, or opportunities. Being educated on past frauds is a stepping stone to combating current ones, as many new frauds are simply old schemes that have returned, sometimes with a twist. Management selects a fraud response strategy for specific frauds identified and analyzed, which may include, avoidance - exiting the activities giving rise to fraud, reduction - taking action to reduce the likelihood or impact related to the fraud, share or insure - transferring or sharing a portion of the fraud, to reduce it, or accept - no action is taken, due to a cost/benefit decision. Another response strategy is having antifraud units. These units could be part of the credit department, a unit related to corporate security, a unit of information technology, or a cross functional team of professionals with an explicit mandate to ensure the fraud controls have been established and are effective (http://en.wikipedia.org/wiki/Enterprise_risk_management).

1.1.2 Concept of Fraud

Fraud can be defined as all multifarious means which human ingenuity can devise, and which are resorted to by one individual to get an advantage over another by false suggestions or suppression of the truth. It includes all surprises, tricks, cunning or dissembling, and any unfair way which another is cheated. Under common law, three elements are required to prove fraud: a material false statement made with intent to deceive (scienter), a victim's reliance on the statement and damages.

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception, either for the benefit or detriment of the organization by internal or external persons. In fact it comprises all acts, omissions and concealments involving a breach of a legal or equitable duty and resulting damage to another. Example of fraud actions could be: manipulation, falsification or alteration of records or documents; suppression of information, transactions or documents; recording of transactions without substance; and misapplication of accounting principles (Bartlett and Ballantine, 2002).

Frauds are perpetrated by individuals and organizations to obtain money, property, or services, to avoid payment or loss of services, or to secure personal or business advantage. The difference between errors and fraud is that frauds are intentional, while errors are unintentional. Every organization has or should have objectives that fit into the big picture of the strategic and business plan. Of course, these objectives include the effective and efficient use of resources of the organization, accurate and timely reporting of information, and compliance with legislation, internal policies and the public's expectations. There are a lot of risks that can affect the organization's ability to fully achieve these objectives, and of course fraud is one of them.

1.1.3 Commercial Banks in Kenya

A commercial bank is a type of financial intermediary and a type of bank. Commercial banking is also known as business banking. It is a bank that provides checking accounts, savings account, and money market accounts and that accepts time deposits. It raises funds by collecting deposits from businesses and consumers via checkable deposits, savings deposits, and time (or term) deposits. It makes loans to businesses and consumers. It also buys corporate bonds and government bonds. Commercial banks' primary liabilities are deposits, and the primary assets are loans and bonds (http://wikipedia.org/wiki/Commercial_banks).

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members (Central Bank of Kenya, 2006).

There are forty-four banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally-owned. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally-owned. Six of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA) which serves as a lobby for the banks' interests and also addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. Kenya's banking industry goes back to 1896 when the national bank of India opened a branch in this East African country. Most certainly Kenya's banking sector has improved tremendously over last ten years, not just in size and profitability but also in terms of product offerings and service quality (http://www.centralbank.go.ke).

The most important observation though is that Kenyan banks are more stable today than they were ten years ago. While many of the banks collapsed in the late 90s were as a result of poor management of credit risks, recent bank closure that is Charter House Bank of Kenya was more of an operational issue. The Central Bank of Kenya deserves credit for improvement in the regulatory processes that have resulted in Kenyans having more faith in their banks, even the smaller banks that have been victims of closures. Total assets in the banking sector have grown and so is the profitability, but the key question is; how has this growth been reflected in the overall development of the country, socially, economically and politically. Socially, the incidence of poverty is still as bad as it was ten years ago. More than fifty percent of Kenyans are poor.

A successful bank will have to first meet and address several challenges that the industry currently faces. It will have to be nimble and agile enough to respond to a market that is seeing growth driven primarily by new products and services. This includes opportunities in the retail front such as credit cards, consumer finance, wealth management, private banking and on the whole sale banking front through. fee based income, investment banking and advisory services. This will call for completely new skills set both in terms of new knowledge as well as ability in marketing, areas where the traditional banker has a long way to go.

1.2 Statement of the Problem

Strategy refers to a plan of action designed to achieve a particular goal. It can also be defined as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the need of markets and fulfill stockholder's expectations. The formulation of appropriate strategy forces organizations to prepare for change rather than to wait passively until market forces compel it. Strategy is therefore important for responding to challenges and the more appropriate the strategy, the better it is (Johnson & Scholes, 2002).

The level of fraud cases in the banking industry has been on the rise. The banking sector has been losing a lot of money through fraudulent activities, a situation which has had a negative impact on their profitability. Bankers though still insist that the real damage is on increased operational costs, a build up of bad debt, erosion of customer confidence and a steep drop in revenues as they are forced to invest in new technology to protect customer information. The global economic meltdown occasioned by credit crunch has worsened the situation by limiting access to funds, and many unscrupulous people have resorted to fraudulent activities to bridge the gap (http://www.sfdevinfo.com).

Some of the challenges that Commercial Banks in Kenya are facing, with regard to fraud, are as follows: Development in technology which has attributed to bank fraud, for instance, most frauds are done via the internet. Fraudsters are taking advantage of technology to find new ways of robbing the bank. Bank staff complicity and collusion with third parties is also another challenge. This is made possible by weak internal controls within some banks, which can easily be overridden and a lax staff unwilling to adhere to the controls in place. Lack of skilled managers or fraud officers, making risk assessment ineffective. Lack of investing in employee training on what fraud is and how to be involved in preventing fraud, and poor vetting of new staff recruited, are also some of the challenges faced. Reluctance of banks to share information is one of the biggest obstacles facing the fight against fraud in the industry. There is need for commercial banks to respond appropriately to the challenges of fraud; hence this study undertakes to examine the strategies applied by commercial banks in Kenya to combat fraud. (http://www.marsgroupkenya.org/multimedia/).

The banking industry has been studied intensively with regard to fraud. A study by Mbwayo (2005) focused on strategies applied by commercial banks in anti-money laundering compliance program; Muia (2008) looked at perceived effects of money laundering on international business; Njagi (2009) looked at the effectiveness of know your customer policies adopted by commercial banks in Kenya in reducing money laundering and fraud incidences, while Muchiti (2009) looked at risk management strategies adopted by commercial banks in lending to small medium enterprises. None of these researchers paid attention to the strategies that commercial banks apply in combating the various types of fraud that they face. With the research gap and the continuous changing environment in which commercial banks are operating in Kenya, two questions that warrant the need to research into anti fraud strategies do arise: What are the challenges of fraud faced by commercial banks in Kenya? And what strategies are commercial banks in Kenya using to combat fraud?

1.3 The Research Objectives

The following are the two objectives that this research aims to achieve:

i. To establish the challenges of fraud faced by commercial banks in Kenya.
ii. To identify the strategies that commercial banks in Kenya, use to combat fraud.

1.4 Justification of the Study

This strategy will shade some light on how commercial banks can combat frauds that occur within their organizations. The study will be of relevance to the following:
It will aid managers of various institutions in determining strategies that they can use to fight different frauds that occur.

The study will also be of importance to the policy makers. They will be able to obtain knowledge of the strategies adopted by the banking industry in Kenya, and therefore obtain guidance from the study, in designing appropriate policies that will regulate the banking industry.

Researchers will develop a better understanding of fraud, and how to apply appropriate strategies to fight fraud occurrence. This will expand their knowledge on fraud in the banking industry and identify areas of further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

Strategy, a word of military origin, refers to a plan of action designed to achieve a particular goal. It is the match between an organization resources and skills and the environmental opportunities it wishes to accomplish. Strategy is more, though, than laying out the plan—long-term or short—of what we are going to do. Once strategy is determined, second tier or operational decisions can be made in the proper context. By definition, operational decisions are those that pertain to the broad execution of strategy. After operational decisions come tactical decisions, those third-tier decisions made "in the heat of battle." Military tactical decisions are made on the ground during battle when, inevitably, things do not go as planned, and officers and soldiers must improvise as they adjust to changing circumstances. Tactical decisions must be aligned with strategic and operational decisions. Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat (Johnson & Scholes, 2002).

Strategy guides organizations to superior performance through establishing competitive advantage. It also acts as a vehicle for communication and coordination within organizations. Successful strategies include objectives that are simple, consistent and long term, good understanding of the competitive environment, and objective understanding of the resources that is, understanding strengths and exploiting them and understanding weaknesses and protecting the organization against them. Understanding the strategic position of an organization and considering the strategic choices upon to it is of little value unless the managers or management wish to follow can be turned into organizational action (Johnson & Scholes, 2002).

Mintzberg (1990) distinguishes between intended, realized and emergent strategy. Intended strategy is strategy as covered by management. Emergent strategy is strategy that becomes apparent through passage of time, that is, after the events it governs. Realized strategy is the strategy that is observed. It is influenced by both intended and emergent strategy. Strategic management on the other hand, is the set of decisions and actions that results in the formulation and implementation of plans to achieve a company's objectives. Organization whether profit or non profit, private or public, have found it necessary in the recent years to engage in strategic management in order to achieve corporate goals. They are required to think strategic as never before, need to translate their insight into effective strategies to cope with their changed circumstances, and lastly to develop rationale necessary to lay ground work for adopting and implementing strategies in this ever changing environment (Pearce and Robinson, 1997).

2.2 Response Strategies

Organizations depend on the environment for their survival and they have to scan it in an effort of building trends and conditions that could eventually affect the industry and adapt to them. Response of any organization can be either operational or strategic. Operational responses are concerned with efficiency of operations while strategic responses are long term in nature and embrace the whole organization and involve large amounts of resources, and decisions relating to them are usually made at corporate and business levels of the organization (Thompson and Stickland, 1993).

Strategic responses are the set of decisions and actions in the formulation and implementation of plans designed to achieve a firm's objective, Pearce and Robinson (1991). They are part of competitive strategies that organizations develop in defining goals and policies. They are reactions to what is happening in the environment of the organization. The general management should be involved into organization strategic responses. For an organization to implement a strategic response, three components are essential, these are, the will to respond, ability to respond, and the volume of responses (Ansoff, 1999).

Strategic responses involve changes to the organizational behavior. Such responses may take form depending on the organizations capability and the environment in which it operates. The overall responsibility for the effective responses belongs to the general management of the firm. Firms can respond to environmental changes by crafting new operational changes which are taken by functional areas of the organization to achieve corporate and business unit objectives by maximizing resource productivity. They note that operational responses are concerned with developing and nurturing a distinctive competence to provide an organization with a competitive advantage. Operational responses include marketing and financial strategies (Ansoff and MacDonnell, 1990).

Human resource strategy is concerned with determining the human resources that the organization needs to achieve its objectives as it could to use low skilled or skilled employees. Research and development strategies are an effective way to safeguard the organization against product or production process obsolescence. Purchasing strategy deals with the obtaining of raw materials, parts and supplies needed to perform operational functions. The nature and tasks undertaken by the operating core of an organization has an important influence on the various aspects of organization design and control. Operations are the core functions of the organization and continuously manage the flow of resources through it. In many organizations, operations count for eighty percent of employees and hence most of their added value and output of an operation system is the bundle of goods and services, which is consumed in society (Johnson &Scholes, 2002).

There are three genre strategies; these strategies are overall cost leadership, differentiation, and focus. Differentiation is used as a response technique to increased competition by many firms. To differentiate is to make one unique and distinctive. Differentiation involves differentiating the product or service offering of the firm and creating something that is perceived industry wise as being unique. Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service, sales force, and advertising. The focus strategy aims at narrow market segments, product category of certain buyers. The strategy is about identification of a particular customer segment, geographical market and coming up with products suitable for that segment. This strategy rests on the premise that the firm is thus able to serve its narrow strategic target more effective or efficient than competitors who are competing more broadly (Porter, 1980).

When fraud comes to light, the actions taken in the first few hours, days, or weeks will be key in limiting the damage that is done to the company. Those dealing with fraud should then receive proper training and guidance on what to do once the fraud has been reported, and should always be contactable at any particular time as a fraud can come to light at anytime. The group will have to take action to: suspend or dismiss the person involved, prevent further losses, recovery of any losses incurred, and pursue criminal action.

2.3 Concept of Fraud

In the broadest sense, fraud is an intentional deception made for personal gain or to damage another individual. The specific legal definition varies by legal jurisdiction. Fraud is a crime, and is also a civil law violation. Many hoaxes are fraudulent, although those not made for personal gain are technically not frauds. Defrauding people of money is presumably the most common type of fraud, but there have also been many fraudulent discoveries in art, archaeology, and science. A hoax also involves deception, but without the intention of gain, or of damaging or depriving the victim, the intention is often humorous (http://www.dreamessays.com).

Fraud can be committed through many methods, including mail, wire, phone, and the internet (computer crime and internet fraud). The difficulty of checking identity and legitimacy online, and the ease with which hackers can divert browsers to dishonest sites and steal credit card details, the international dimensions of the web and ease with which users can hide their location, all contribute to making internet fraud the fastest growing area of fraud. Common law fraud has nine elements: A representation of an existing fact, its materiality, its falsity, the speaker's knowledge of its falsity, the speaker's intent that it shall be acted upon by the plaintiff, plaintiff's ignorance of its falsity, plaintiff's reliance on the truth of the representation, plaintiff's right to rely upon it, and consequent damages suffered by plaintiff (Bartlett and Ballantine, 2002).

Many fraud cases involve complicated financial transactions conducted by 'white collar criminals', business professionals with specialized knowledge and criminal intent. An unscrupulous investment broker may present clients with an opportunity to purchase shares in precious metal repositories, for example. His status as a professional investor gives him credibility, which can lead to a justified believability among potential clients. Those who believe the opportunity to be legitimate contribute substantial amounts of cash and receive authentic-looking bonds in return. If the investment broker knew that no such repositories existed and still received payments for worthless bonds, then victims may sue him for fraud (http://www.marsgroupkenya.org/multimedia).

2.4 Challenges of Fraud

One of the biggest challenges for the fraud examiner is to persuade management that the risks of fraud cannot be underestimated. Those who have not suffered from fraud previously will be unaware of the risks and costs. Management may simply think in terms of the direct financial costs but need to be encouraged to look further.

At first look, the suggestion that communication aspects should be emphasized in the implementation process seems to be a simple one. Even though studies point out that communication is a key success factor within strategy implementation. Communication with employees regarding issues related to the strategy implementation on fraud prevention is frequently delayed until the changes have already crystallized. In this context it is recommendable an organization institute a two way communication program that permits and solicits questions from employees about issues regarding the formulated strategy (Miniace and Falter, 1996).

Another challenge of fraud is vagueness in the assignment of responsibilities. In addition, these responsibilities are diffused through numerous organization units. Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are involved, however, the profitability for realizing a smooth targeted and accepted strategy implementation process on fraud prevention increases substantially. Other challenges of fraud include: lack of investment in training for internal employees- Employees need to be trained on fraud, that is, on what fraud is, how to combat fraud and ways in which they can prevent fraud occurrence. This in return will reduce fraud occurrences (Grundy,1998).

Another challenge is the increase in technology. There is increase in technology know how and a bigger percentage of frauds occur via the internet. Tracing the fraud occurrences becomes difficult due to the much software that is in place. Also lack of good infrastructure is another challenge of fraud. Most institutions lack equipments that they can use to prevent fraud. For example, the presence of surveillance cameras prevents frauds from taking place, but institutions are not able to afford this. The inherent vulnerabilities of the banking and finance system provide a conduit for fraudulent activities, coupled with an accelerated pace of financial development and an emphasis on realizing short term returns, frauds are likely to increase.

2.5 Combating Fraud

Private companies, particularly whose stock-in-trade is liquid cash, invest heavily in anti-fraud risk assessment models and programmes that can effectively identify the gaps that can be used by fraudsters to swindle the business of its hard-earn cash. In Kenya, virtually all commercial banks have set up fraud and security departments that work closely with risk management functions to ensure fraud risk is sufficiently mitigated. Once the risks are identified, a gap analysis can be completed and improvements recommended mitigating the fraud risks. Subsequent monitoring should ensue. It is prudent to adopt the best practices in combating corruption and fraud risks in work places if Kenya has to develop. To find fraud, one has to know what it looks like. To stop fraud, one has to know what causes it (Bartlett and Ballantine, 2002).

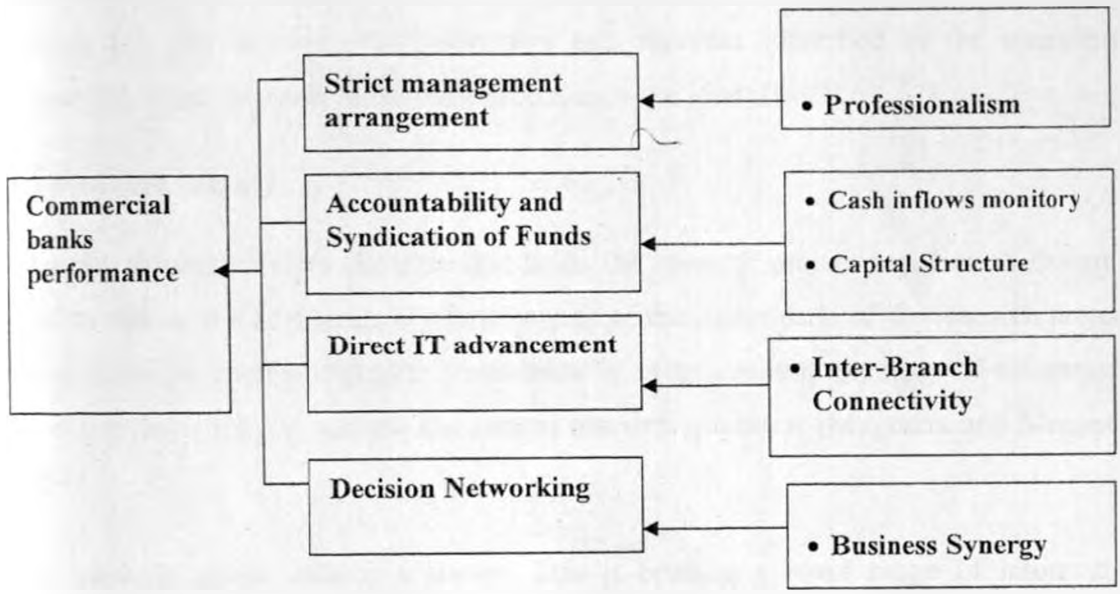
Avenues to report such cases should be available; for instance telephone hotlines and special email lines to encourage whistle blowing. Perpetrators must be punished to ensure there is a paradigm shift in terms of the culture. We must always get prepared. This is possible in both the private and government institutions.

Before a company opens its doors to new employees, managers should stop and ask themselves "Do I really know this person well enough to trust them with my money, confidential information, and above all my reputation?" Many employers are just as lax when it comes to recruitment of senior staff, including directors. There is a presumption that a previous employer must have carried out appropriate checks. This should not be assumed. Vetting is not only for new employees. It should be an on-going process across the whole workforce.

It is important that a company set out in black and white exactly what is acceptable and what is not acceptable. It is only when companies do this that staff will be put on notice that certain behavior is unacceptable. The aim of a corporate policy is to demonstrate to both employees and the outside world that the company is taking the threat of dishonesty, fraud, and theft seriously. By issuing a detailed policy, it clearly sets out what is considered to be dishonest and warns any potential wrongdoers that the consequences of being caught will be serious. The effect therefore will be to deter any potential wrongdoers thus resulting in reduced losses from any wrongdoing and reduced costs in respect of investigating any wrongdoing.

Fraud examiners have a wealth of experience that has been obtained through investigation. One of the positive steps that they can take is to pass this experience back to company management and staff through an education process. The methods that the fraud examiner can take to increase awareness of the risks faced by companies include: lectures to management and staff on general fraud awareness, presentation of case studies, use of the company intranet, and articles in company magazines. Once a fraud examiner has carried out the above steps, he will then be in a position to implement specific controls to prevent fraud. If the right candidates have been recruited, the company has an effective code of conduct and whistle blowing process, the need for effective controls will be less urgent. People commit frauds, but as technology plays an increasingly important role in business life, the fraudster often leaves warning signals of his activity in an organization's systems. Each transaction will leave a trail (http://www.targetmarketingmag.com/article/how-combat-fraud).

Operationalization can also be used. which involves the determining and identification of key indicators used to combat fraud and the independent variables. In this section. the researcher presents the parameters and variables to be investigated in the study as presented in figure below as the operationalization framework.



Source (Author, 2010)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. The research design. the research method tools and instruments that were used to collect the data required, the parameters and statistics identified in the operational framework from the basis of the data collection. were identified.

3.2 Research Design

Research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the research project. the samples or groups, measures, treatments or programs, and methods of assignment. work together to try to address the central research questions (Mugenda and Mugenda. 1999).

The research design used is a survey. This is because a broad range of information regarding anti fraud strategies adopted by commercial banks in Kenya. was required for this study. Surveys are flexible in the sense that a wider range of information can be collected and since they are standardized, they are relatively free from several types of errors. A survey provides the kind and nature of information that is useful for comparison and generalization across banks with different demographics. It is also good for making comparisons and also useful in describing the characteristics of a large population (Mugenda and Mugenda, 1999).

3.3 Population of Study

The research population consists of all commercial banks licensed by the Central Bank of Kenya to carry out business in Kenya, but not under statutory management. This is because banks under statutory management do not carry out their operations normally. The banks that fit this category are 44banks, according to the list provided by Central Bank of Kenya (http://www.centralbank.go.ke/bank). See appendix III attached.

3.4 Data Collection

Both primary and secondary data were used. Primary data was collected by way of questionnaire containing both closed and open ended questions, see appendix II attached. The questionnaire was divided into three sections with section A looking into the demographic information, section B looking into the challenges of fraud, while section C looking into the strategies of combating fraud.

The target respondents were risk and compliance managers. Drop and pick method was used to administer the questionnaire. This is a variation to the usual mail questionnaire method where by the researcher would mail the questionnaire to the respondents who are expected to fill and send it back to the researcher by post or by email. The disadvantages of the mail questionnaire are that the response rate is low and any doubts the respondents might have may not be clarified. Therefore drop and pick method is more reliable.

Secondary data was obtained from Kenya anti-banking fraud unit, which is a unit under the Central Bank of Kenya, charged with the responsibility of handling fraud and money laundering cases reported in commercial banks. The information included the kind of frauds that commercial banks face and the ones that are more prevalent. It also gave suggestions of what the banks would or should do to prevent these frauds.

3.5 Data Analysis

On receiving the questionnaires from the respondents, the data was checked to ensure completeness, consistency, accuracy, and uniformity. The data was then coded and tabulated to facilitate data analysis. Descriptive statistic such as mean scores, standard deviation, percentages, and cumulative frequency were used to transform obtained data from the banks into standard form for relative comparison.

Both descriptive and analytical approaches were utilized in data analysis. Analysis software such as Microsoft Excel and SPSS (Statistical Package for Social Sciences) were used. The data collected from questionnaires was used to analyze the research questions. A central measure of impact levels, involvement levels of managers and challenge levels of the fraud vice was calculated. Content analysis was done to capture the challenges being faced by the commercial banks, and to identify the strategies they use to combat fraud.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter presents a detailed report on the analysis of the data collected from the questionnaires, presentation and interpretations of these findings. The reporting in this chapter will follow a consistent format in relation to the research objectives which are:- To establish the challenges of fraud faced by commercial banks in Kenya, and to identify the strategies used to combat fraud. A total of forty four completed and useable questionnaires were obtained from the listed commercial banks. This represents 100% response rate. The chapter is divided into four sections: Section 4.2 gives the demographic information, section 4.3 gives the types and causes of fraud, section 4.4 gives the challenges of fraud, and section 4.5 gives the strategies used for combating fraud.

4.2 Demographic Information

In order to correctly collect, analyze and understand the data used in this study, it is important to have a clear understanding of the socio-demographic characteristics of the sample used.

4.2.1 Gender of the Respondents

Table 4.2.1 Gender of the Respondents

Gender	Frequency	Percent
Female	20	45.5
Male	24	54.5
Total	**44**	**100**

Source: Research data

As indicated in Table 4.2.1, majority of the respondents were male employees. The percentage of the male respondents is 54.5%, while that of the female respondents is 45.5%. This indicates that most banks have employed male employees specifically in the departments that deal with fraud. More than half of the employees are male employees.

4.2.2 Age Bracket of the Respondent

Table 4.2.2 Age Bracket of the Respondent

Age Bracket	Frequency	Percent
30 years and below	24	54.5
31-40 years	13	29.5
41-50 years	4	9.1
51 years and above	3	6.8
Total	**44**	**100**

Source: Research data

More than half of the respondents (54.5%) are 30years and below, as indicated in Table 4.2.2. This presents a theoretical chance of their possible adeptness and familiarity with new-age technology within which modern fraud is exercised. The next largest group of respondents ranges between 31 and 40 years of age (29.5%). This age group presents this theoretical chance as well.

The banks tend to have younger employees in these departments who are well versed with modern technology and thus bring a relevant approach in management of fraud in the banks. The respondent's information can therefore be relied on.

4.2.3 Years Respondent has held in the Respective Position

Table 4.2.3.1 Number of years in current position

Years	Frequency	Percent
1 to 5 years	37	84.1
6years and above	7	15.9
Total	**44**	**100**

Source: Research data

Table 4.2.3.2 Position of the Respondents

Position	Frequency	Percent
Managerial	11	25.0
Risk Compliance Officer	8	18.2
Training Advisor	1	2.3
Fraud Investigator	2	4.5
Officers	22	50
Total	**44**	**100**

Source: Research data

Here, the experience of the respondents' in their current roles is highlighted. Overall, the majority of the respondents (84.1%) have worked at the bank within the time period of 1 to 5 years and the rest (15.9%) for 6 years and above. Notably, half of the respondents are officers who have hands-on experience with fraud cases and execute the related strategies.

A further 18.2% were Risk compliance officers while 25% hold managerial positions. The fraud investigators (4.5%) also enhance the quality of the data. With the high credibility of the respondents above, the data collected is therefore considered to be highly accurate and solid as far as the research topic is concerned.

4.2.4 Duration of the Bank and Number of employees

Table 4.2.4.1 Duration of the Bank in the Kenyan Market

Years	Frequency	Percent
Less than 10 years	8	18
10 to 25 years	10	23
26 to 50 years	14	32
More than 50 years	12	27
Total	**44**	**100**

Source: Research data

Table 4.2.4.2 Number of Employees

Number of Employees	Frequency	Percent
1-500 employees	7	16
501-1000 employees	14	32
Above 1000 employees	23	52
Total	**44**	**100**

Source: Research data

The respondents were to indicate how long their respective banks have been operating in the Kenyan market. The results presented in Table 4.2.4.1 shows that the number of years of operation varies from a period of less than 10years to more than 50 years.18% of the respondents banks have been in operation for less than 10 years, 23% have been operating for a period of between 10 to 25 years, 32% have operated for a period of between 26 to years, and 27% have operated for more than 50 years.

Majority of the banks have been operating in the Kenyan market for more than 10 years, thus there is a high level of understanding of Kenyan banking industry. With the technological advances and rapidly evolving nature of the banking industry, these extensive periods of operation have certainly exposed the banks to new and diverse forms of fraud. Hence, the strategies to counter fraud have equally evolved.

52% of the banks have more than 1000 employees and 32% with 501-1000 employees as shown in Table 4.2.4.2. The higher the number of employees the more challenging it is to strengthen and even efficiently execute internal control strategies which makes the banks vulnerable.

4.2.5 Ownership of the Bank

According to Table 4.2.5, majority of the banks are private owned. 52% of the banks are private owned, 41% foreign owned, while 7% are state owned. Foreign owned banks have a wider exposure and therefore are also able to implement the latest technology to combat fraud. On the other hand, private owned banks have an advantage at decision making, in that they settle at a decision quickly because the channels followed are not long. This helps in urgently putting in place strategies to combat fraud.

Table 4.2.5 Ownership of the bank

Ownership	Frequency	Percent
Foreign	18	41
Private	23	52
State	3	7
Total	**44**	**100**

Source: Research data

4.3 Types and Causes of Fraud

This section looks at the various types of fraud that occur in commercial banks, and the causes of these frauds.

4.3.1 Types of Fraud

Table 4.3.1 Types of fraud

Type of Fraud	Mean Score	Standard Deviation
Cheque fraud	3.52	1.118
Forgery (Cheating)	3.54	1.432
Credit card fraud	2.86	1.185
Transfers	3.25	1.346
Computer fraud	2.63	1.243
Counterfeiting	2.72	1.226
Identity theft	3.82	1.119
Theft by directors	1.25	1.142
Forex fraud	3.75	1.163
Embezzlement	1.62	1.134
Loan fraud	2.98	1.145
Grand Mean	**2.90**	**1.204**

Source: Research data

Table 4.3.1 shows the types of fraud that exist in commercial banks in Kenya. Notable is the fact that identity theft (mean score 3.82) ranks highly as the type of fraud that exists in comparison to the other types of fraud. This is closely followed by forex fraud (mean score 3.75), forgery (mean score 3.54). cheque fraud (mean score 3.52). and transfers (mean score 3.25) respectively. On the other hand. theft by directors (mean score 1.25) seems to have the lowest mean. This shows that it rarely occurs in banks and if so, to a little extent. Embezzlement has a mean score of 1.62, which is also low. Therefore its also one of the rare causes of fraud within commercial banks.

4.3.2 Causes of Fraud in Commercial Banks

As can be observed in Table 4.3.2, majority of fraud is caused due to advancement in technology, which is ranked the highest at 52%. Poor vetting of recruited staff ranks the least with 11%. Poor training of staff is ranked at 16% while poor internal controls are ranked 21%.

Table 4.3.2 Causes of fraud

Cause	Frequency	Percent
Advancement in Technology	23	52
Poor training of staff	7	16
Poor vetting of recruited staff	5	11
Poor internal controls	9	21
Total	**44**	**100**

Source: Research data

It reveals that a little over half (52.3%) of the causes of fraud is related to advanced technology. As technology advances, fraudsters also look for avenues to defraud the bank and also come up with new software to do this. Poor internal control and poor training (20.5% and 15.9% respectively) follow closely.

This underscores the banks' inability to first, address technological advances with a view to remain plugged in to the advances through adopting or adjusting to them. Secondly, these technological advances are comprehensive in the sense that they also aid internal controls. As we can see from this data, poor internal controls contribute the second largest cause of fraud. Therefore, failure in speedy adoption new advances in this respect further reduces the opportunities for strengthening internal controls. Lastly, by failing to properly prepare their personnel through trainings they expose the banks to fraud through weakened internal controls.

4.4 Challenges of Fraud

Table 4.4 Challenges of Fraud

CHALLENGE	MEAN SCORE	STANDARD DEVIATION
Authentication of account documents	3.66	1.119
All staff not trained on fraud and antifraud measures	3.27	1.149
Monitoring of transactions on new and existing accounts	3.41	1.085
Irregular/unusual transactions monitoring and reporting	3.75	1.164
Management gives exemption for account opening	2.61	1.185
Accounts can be opened online	1.82	1.147
Customers can transact online	2.39	1.243
Customers are allowed to give instructions on phone	2.02	1.023
Adequate background check not performed on new employees	3.34	1.346
Ineffective whistle blowing policies	3.41	1.226
Application of corporate policy or code of conduct	3.57	1.189
Lack of skilled managers or fraud officers	2.39	1.243
Advancement in technology	3.68	1.118
Weak internal controls	2.55	0.999
GRAND MEAN	**2.938**	**1.163**

Source: Research data

To consolidate and also give a reliable presentation of the data, statistical functions of mean and standard deviation have been utilized. The mean represents the average rating of all the respondents to the particular practice while the corresponding standard deviation shows the spread of the ratings (how far or the range within which the individual ratings are from the mean rating).

The first objective of this study was to establish the challenges of fraud faced by commercial banks in Kenya. To establish these, data was collected using a five point scale whereby 5= a very great extent and 1= not at all. The data was then analyzed using mean and standard deviation. The scores of very great extent and great extent have been taken to present a variable which had an impact to a large extent (L.E), and equivalent to mean score of 3.5 to 5.0 on the continuous Likert Scale ($3.5<L.E<5$). The scores of moderate extent have been taken to represent a variable that had an impact to a moderate extent (M.E) equivalent to a mean score of 2.5 to 3.4, on the continuous Likert Scale ($2.5<M.E<3.4$). The score of both little extent and not at all have been taken to represent a variable which had an impact to a small extent (S.E) equivalent to a mean score of 0 to 2.5 on a continuous Likert Scale (0<S.E<2.5).

From the findings in Table 4.4, the higher the mean, the greater the challenge. Therefore the greatest challenge in regard to fraud within the commercial banks is the irregular/unusual transactions are not monitored and reported. This has a mean score of 3.75, which is the highest. Advancement in technology (mean score of 3.68), Authenticity of account documents being verified (mean score of 3.66) and application of cooperate policy or code of conduct (mean score of 3.57), are also among the major challenges.

Fraud can be committed through many methods, including mail, wire, phone, and the internet (computer crime and internet fraud). The difficulty of checking identity and legitimacy online, and the ease with which hackers can divert browsers to dishonest sites and steal credit card details, ease with which users can hide their location, all contribute to making internet fraud the fastest growing area of fraud. Development in technology has attributed to bank fraud, for instance, most frauds are done via the internet. Fraudsters are taking advantage of technology to find new ways of robbing the banks (Bartlett and Ballantine, 2002).

The challenges that are to a moderate extent are: Background check being done on all employees (mean score of 3.34), Staff being trained on fraud and antifraud measures (mean score of 3.27), Management giving exception to account opening (mean score of 2.61), and weak internal controls (mean score of 2.55). There is a low variation on the respondents' opinion across banks concerning the challenge of weak internal controls (Std. deviation of 0.999). This could be attributed to the fact that controls are the license to doing business within the bank. Hence most banks invest in making sure that they have strong internal controls, to prevent the occurrence of fraud.

The least challenges faced are: Lack of skilled managers or fraud officers (mean score of 2.39), customers being allowed to give instructions on phone (mean score of 2.02), and Customers transacting online (mean score of 1.82). Irregular/unusual transactions monitoring and reporting presents the greatest challenge. New technologies assist banks in monitoring and reporting of irregular and unusual transactions. It is therefore imperative for the banks to be updated in this respect to counter this challenge. Authentication of documents presents the next most noted challenge. Technological advances and stronger internal controls can effectively counter this challenge as well. Application of corporate policy or code of conduct presents the third most noted challenge. Proper training of staff should counter this challenge.

4.5 Strategies for Combating Fraud

Strategic responses are the set of decisions and actions in the formulation and implementation of plans designed to achieve a firm's objective. They are part of competitive strategies that organizations develop in defining goals and policies. They are reactions to what is happening in the environment of the organization (Ansoff, 1999).

Table 4.5 Strategies for Combating Fraud

Strategies	**Mean score**	**Standard Deviation**
Identification (Know Your Customer- KYC)	4.14	0.936
Use of Address verification system	3.32	0.824
No use of free emails	2.82	1.264
Real time fraud detection solutions	2.54	1.242
Technology advancement	4.13	1.136
Proper vetting of new employees	3.15	0.824
Periodic training of employees	3.16	0.947
Regular auditing	4.12	0.817
Use of Avenues to report fraud (whistle blowing)	3.23	0.963
Application of Strong Internal Controls	3.10	1.361
GRAND MEAN	3.37	1.0314

The second objective of this study was to identify the strategies that commercial banks in Kenya use to combat fraud. To establish these, data was collected using a five point scale whereby 5= a very great extent and 1= not at all. The data was then analyzed using mean and standard deviation.

Table 4.5 shows the strategies employed to combat fraud in banks. Identification - Know Your Customer 4.14 mean rating. This is the most commonly employed strategy across the banks. It is the simplest but very effective because it relates to the first contacts of the banks with potential fraudsters. Njagi (2009) looked at the effectiveness of Know Your Customer policies adopted by commercial banks in Kenya in reducing money laundering and fraud incidences. In his findings, banks that fully complied with the policies reported few cases of fraud. Technology advancement follows with a 4.13 mean rating. This shows that the banks have made considerable effort to keep up with the technological advances in combating fraud. Regular auditing (4.12 mean rating) is also exercised in the banks. This is both internal and external auditing which helps strengthen internal controls. These three main strategies help counter the challenges of authentication of account documents and irregular/unusual transactions monitoring and reporting.

Others include use of address verification, no use of free emails, real-time fraud detection, proper vetting of new employees, periodic training of employees, whistle blowing, and application of strong internal controls.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter tends to draw conclusions that will seek to address the research objectives outlined in chapter one.

5.2 Summary

The first objective of this study was to establish the challenges of fraud faced by commercial banks in Kenya. This study revealed five key challenges that the banks face: Irregular/unusual transaction monitoring and reporting, advancement in technology, authentication of account documents, Application of corporate policy or code of conduct, and adequate background check not performed on new employees

The second objective of the study was to identify the strategies that commercial banks in Kenya use to combat fraud. The study revealed the following strategies: Identification-Know your customer, regular auditing, technology advancement, use of address verification, no use of free emails, real-time fraud detection, proper vetting of new employees, periodic training of employees, whistle blowing, and application of strong internal controls.

5.3 Conclusions

Banks tend to face the greatest challenges in monitoring and reporting Irregular/unusual transactions, authentication of account documents, and application of corporate policy or code of conduct. These challenges further expose them to fraud. However, lack of skilled managers and fraud officers, customers being allowed to give instructions on phone, accounts opened online, and weak internal controls, were rated as some of the least challenges faced. This is because majority of the banks have invested in technology to strengthen their internal controls, and they also discourage accounts to be opened online. When a customer is opening an account or issuing instructions, he/she has to be there in person. This reduces the level of fraud occurrences.

The major strategies that the banks use to combat fraud are: Identification (Know your customer), advancement in technology, and regular auditing. The other strategies employed include: Use of address verification, no use of free emails, real-time fraud detection, proper vetting of new employees, periodic training of employees, whistle blowing, and application of strong internal controls. Due to different causes and challenges of fraud, banks employ more than one strategy to combat the frauds.

5.4 Limitations of the study

Other methods could have been used, for example interviews which could have extracted more data from the respondents but a much longer time would have been required. The limited time also reduced the methods available.

The study focused on the banks perspective. It would have been of value to obtain the views of other stakeholders such as customers and suppliers.

5.5 Suggestions for further Research

This study concentrated on the strategies that commercial banks in Kenya apply to combat fraud. The study therefore focused on the banks perspective. There is need to do more research and look into other stakeholders perspective such as customers and suppliers. Further research could be done on stakeholders' (customers/suppliers) role in fraud management.

A second suggestion could be a research into recent technological advances that could further assist in combating fraud. Technology is advancing at a very high rate, and as it advances, fraudsters look for avenues to defraud the bank. Therefore new technology that that has been employed to prevent fraud could be looked at.

5.6 Recommendations for Policy and Practice

Majority of the causes of fraud are related to advanced technology, which is also a challenge. As technology advances, fraudsters also look for avenues to defraud the bank. They come up with new software to aid them in committing fraud. Irregular/unusual transaction monitoring, authentication of account documents, application of corporate policy or code of conduct, and adequate background check not performed on new employees are also some of the major challenges faced.

Banks should ensure that they employ the latest technology as this will strengthen their internal controls hence reduce fraud. Employees also should be properly trained on fraud issues and ways in which they can prevent fraudulent occurrences. The banks should put in place solid and consistent whistle blowing policies that would significantly reduce the number of fraud cases related to their own employees. Due to the different causes and challenges of fraud, banks should put in place more than one strategy as this will ensure that they counter the challenges they face.

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APPENDICES

Appendix I – Introduction Letter

Date.......................................

University of Nairobi,

School of Business,

P.O. Box. 30197,

Nairobi, Kenya.

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a postgraduate student undertaking Master of Business Administration (MBA) degree at the University of Nairobi. I am currently carrying out research on strategies applied by commercial banks in Kenya to combat fraud.

Your bank is among those selected for the study. I kindly request you to fill the attached questionnaire to the best of your knowledge. Your response and or contribution will be treated with utmost confidentiality, and the information provided will be used purely for academic purposes, and specifically for this study.

Your assistance and cooperation is highly appreciated.

Yours faithfully,

Margaret Wanemba	Dr. Martin Ogutu
MBA student, UON	Supervisor
Mobile: 0722925979	School of Business, UON

Appendix II – Questionnaire

This questionnaire seeks to collect information on response by commercial banks in Kenya; on the strategies they apply to combat fraud. Please provide the information frankly and honestly. All information received will be treated confidentially and used for academic purposes only.

Section A: Demographic Information

1. Name of the bank...
2. Please indicate your gender, Male [ ] Female [ ]
3. Please tick the age bracket in which you fall

   30 years and below [ ]   31 - 40 years [ ]

   41 – 50 years [ ]   51 years and above [ ]

4. Current position held...
5. Number of years in current position..
6. How long has the bank been in the (Kenyan) market? ....
7. How many branches does the bank have in Kenya? ....
8. State whether your bank is foreign owned, state owned, or private

   ....
9. How many employees are there in your bank? ....
10. What is your bank's country of origin? ....

Section B: Challenges of fraud

11. Does fraud occur in your bank? Yes [ ] No [ ]

If yes in the question above, then kindly respond to the following questions:

12. The following are types of fraud. Indicate the extent to which they occur in your bank:

Type of Fraud	Not at all (1)	Little Extent (2)	Moderate Extent (3)	Great Extent (4)	Very Great Extent (5)
Cheque fraud					
Forgery (Cheating)					
Credit card fraud					
Transfers					
Computer fraud					
Counterfeiting					
Identity Theft					
Theft by Directors					
Forex Fraud					
Embezzlement					
Loan fraud					
Others (Please specify)..................					

13. From your experience. what are some of the causes of fraud in your bank?

(a) Advancement in Technology [ ]

(b) Poor training of staff [ ]

(c) Poor vetting of recruited staff [ ]

(d) Poor internal controls [ ]

(e) Lack of skilled staff or fraud officers [ ]

(f) Others (Please specify) ....

....

14. Banks do experience serious fraud challenges that hinder its growth and kills customer's loyalty. What is your level of agreement with the statement?

(a) Strongly Agree [ ]
(b) Agree [ ]
(c) Neutral [ ]
(d) Disagree [ ]
(e) Strongly Disagree [ ]

15. To what extent does your bank encounter each of the following challenges of fraud?

Key

5 = To a Very Great Extent 4 = To a Great Extent

3 = Moderate Extent 2 = Little Extent

1 = Not at all

Statement	1	2	3	4	5
Authentication of account documents					
All staff not trained on fraud and antifraud measures					
Monitoring of transactions on new and existing accounts					
Irregular/unusual transactions monitoring and reporting					
Management gives exemption for account opening					
Accounts can be opened online					
Customers can transact online					
Customers are allowed to give instructions on phone					
Adequate background check not performed on new employees					
Ineffective whistle blowing policy					
Application of the cooperate policy or code of conduct					
Lack of skilled managers or fraud officers					
Weak internal controls					

Section C: Strategies for Combating fraud

16. Does your bank have in place outlined strategies of management ability to combat fraud? Yes [ ] No [ ]

17. If yes in the above response, would you briefly highlight the employed style /model of strategy implementation at your bank? ....

....

....

18. To what extent does your bank employ the following strategies to combat fraud?

Key

5 = To a Very Great Extent   4 = To a Great Extent

3 = Moderate Extent   2 = Little Extent

1 = Not at all

Statement	**1**	**2**	**3**	**4**	**5**
Use of identification information through the use of identification documents for every transaction					
Use of address verification system					
Signatures on delivery					
No use of free emails like yahoo, from customers, requesting for transactions					
Real time fraud detection solutions					
Application of Know Your Customer					
Proper vetting of new staff					
Periodic training of tellers and other employees					
Regular auditing of transactions by internal and external auditors					
Advancement in technology					
Use of avenues to report fraud cases like hotlines or special emails					
Application of strong internal controls					
Other (please specify)					

19. Give recommendations on what can be done to reduce the occurrence of fraud within your bank.

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

Appendix III – List of Commercial Banks in Kenya

1. African Corporation Bank
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CFC Stanbic Bank
7. Chase Bank
8. Citibank
9. City Finance Bank
10. Commercial Bank of Africa
11. Consolidated Bank
12. Co-operative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank
17. Ecobank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank
22. Fina Bank
23. First Community Bank
24. Giro Commercial Bank
25. Guardian Commercial Bank
26. Gulf African Bank
27. Habib A.G. Zurich
28. Habib Bank Ltd
29. HFCK
30. I&M Bank
31. Imperial Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank
40. Prime Capital & Credit
41. Southern Credit Bank
42. Standard Chartered Bank
43. Trans- National Bank
44. Victoria Commercial Bank