

**Review Article**

Exterminating Corruption in Nigeria: *The Cressey's Approach*

Sixtus Cyprian Onyekwere^{1, *}, Thomas Audu Ayim², Hassan Usman³¹Department of Economics, Aduvie Pre University College, Abuja, Nigeria²Department of Accounting, Aduvie Pre University College, Abuja, Nigeria³Department of Accounting with Finance, Portsmouth University, Portsmouth, United Kingdom**Email address:**

sixtusonyekwere@gmail.com (S. C. Onyekwere)

*Corresponding author

To cite this article:Sixtus Cyprian Onyekwere, Thomas Audu Ayim, Hassan Usman. Exterminating Corruption in Nigeria: *The Cressey's Approach*. *Journal of Finance and Accounting*. Vol. 8, No. 6, 2020, pp. 246-256. doi: 10.11648/j.jfa.20200806.11**Received:** September 22, 2020; **Accepted:** October 12, 2020; **Published:** November 11, 2020

Abstract: The two objectives set for this research were to assess how well, Cressey's hypothesis, also known as fraud triangle theory, can explain the reasons behind corruption in Nigerian institutions, and to assess the significance of capability from the fraud diamond theory, towards the detection and prevention of corruption in Nigeria. The researcher adopts a critical review approach of past literature. From the conclusion reached, two recommendations for successful eradication of corruption in Nigeria are: (1) to adopt the Cressey's fraud triangle approach as well as the fraud diamond to fight corruption (in micro-level), from organization to organization and (2), to adopt a more fundamental approach similar to the Hong Kong's Two-Pronged approach to improve overall accountability and fight opportunity for corruption from a wider macro level. Suggested step for the federal government of Nigeria to successfully fight corruption at a macro level, is to merge the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices and Other Related Offences Commission (ICPC) to form one single and properly resourced independent corruption-fighting agency, similar to that of Hong Kong's Independent Commission Against Corruption (ICAC).

Keywords: Fraud, Corruption, Cressey's Fraud Triangle, Fraud Diamond, Nigeria

1. Introduction

1.1. Background to Study

The world of business has been a vital strategy and tool, which helps people in earning income to make a living. Rational economics demands that workers are paid wages according to their contribution to output, which businesses practice [31] (Harari, 2015). However, as a result of many factors such as greed, pride, and unplanned unforeseen circumstances, some people often seek ways to get more money than they worked for, using unethical means referred to as fraud [1] (Association of Certified Fraud Examiners (ACFE), 2012, [9] Advisory Committee on the Auditing Profession (ACAP), 2008)). According to [38] Kranacher, Riley, & Wells (2011, p. 5), Fraud is defined as an

“intentional deception,” whether by omission or co-omission, that causes its victim to suffer an economic loss or the perpetrator to realize a gain. Much research has been done on the detection and prevention of fraud since the work of [23] Cressey (1953). Nevertheless, because fraud is very broad and has many types, each researcher usually concentrates on a particular type of fraud for a more detailed analysis. [24] Dacin, Pamela, & Murphy (2011) and [47] Murphy & Pamela (2016) identifies the three broad types of fraud as (1) Misappropriation of assets (theft or misuse of the organization's assets); (2) Corruption (bribery, using one's organizational influence); and (3) Fraudulent financial reporting (misstating the financial statements). The majority of the papers on this topic focuses on financial statement

fraud and misappropriation of assets, where secondary data is easily obtained thus, leaving a gap in the study of corruption as a type of fraud. Based on this gap, this present research pursues corruption as a type of fraud for further study for Nigeria. According to [68] TransparencyInternational (2017), corruption is broadly defined as the abuse of entrusted power for private gain. Corruption as a type of fraud is detrimental to the well-being of any society, business or economy and thus, academic researchers and professionals have been charged with the duty to provide measures of identification and prevention [68] (TransparencyInternational, 2017).

1.2. Problem Statement

Corruption is not a feared factor in Nigeria. Many people have seen it as a way of life, and an opportunity to become rich. The position now is that corruption is so entrenched that anyone hoping to do any kind of business in Nigerian must take it into account [56] (Price Water Coopers, 2016). The situation is so bad that even some government officials are alleged to bribe one another to get government businesses done. Data from the 2015 Global Corruption Barometer (GCB) suggests that Nigeria was among the 3 worst performers of citizen's perception of Corruption as 75% of citizens reported that Corruption had increased in the 12 months before the survey [68] (Transparency International, 2017). According to the report, when asked about how well the government was doing in fighting corruption, 78% of Nigerians said the government was doing badly and only 22% said it was doing well. The report further highlights that corruption across various institutions in Nigeria is significantly higher than the Sub-Saharan African regional average. Similarly, a survey conducted by EY reveals that 86% of Nigerians agree that Bribery/corrupt practices happen widely in business in the country, while 76% are ready to justify their corrupt practices [65] (Stulb, 2016). These are indications that the development of Nigeria is being set back by corruption and as such, call for workable models with which corruption can be combated in the country.

The cost of corruption to Nigeria's economy (GDP) is undoubtedly massive. A report published in [58] Pwc.com (2017) states that corruption in Nigeria could cost up to 37% of GDP by 2030 if it is not dealt with immediately. This cost is equated to around \$1,000 per person in 2014 and nearly \$2,000 per person that lives in Nigeria by 2030. The fight against corruption in Nigeria and measures taken by Nigerian leaders has proven ineffective over the past three decades. [53] Okoye (2016) argues that the reason being that adequate consideration has not been given to measures to address the root causes of corruption. The paper adds that without a proper diagnosis of the causes of corruption, trying to fight it is akin to treating symptoms rather than rooting out the disease itself. This unfortunately appears to be the strategy adopted so far in fighting corruption in Nigeria [53] (Okoye, 2016). The article, therefore, forces out the question, how can corruption be properly addressed in Nigeria? Although there are many articles suggesting

ways of tackling corruption in Nigeria, there are only a few academic papers found which tackle corruption in Nigeria from the fraud models of interest to this paper. This thus led to the adoption of the fraud models in question, in other to provide workable measures to address the issue of bribery and corruption in Nigeria.

1.3. Research Objectives

The intention of the researcher for this present research is, therefore, to assess the suitability of the identified fraud-fighting models to the successful reduction or total eradication of corruption in Nigeria. Following this, the two main objectives of this research are to assess how Cressey's fraud triangle model and the fraud diamond model can help with the fight against corruption in Nigerian institutions. Specifically, the objectives are stated as follows:

- 1) To assess how well opportunity, pressure and rationalization from Cressey's fraud triangle theory can explain the reasons behind corruption in Nigerian institutions.
- 2) To assess the significance of capability from the fraud diamond theory, towards the detection and prevention of corruption in Nigeria.

The results from this research will contribute to the body of knowledge on how auditors can tackle fraud acts in organizations, especially in Nigeria. It will also shed more light on how government bodies and anti-fraud groups can successfully fight corruption in Nigeria.

2. Critical Review of Literature

Fraudulent acts in institutions have been of immense concern both to professionals and government bodies around the world since the 16th century [35] (Kassem & Higson, 2012). The expedition to understand fraud acts and to prevent it has given rise to the development of different theories and models, which try to explain the reasons behind the acts of fraud in a logical way and to prevent it. In recent years, this topic has garnered so much interest and attention especially examining fraud in an organizational setting ([35] Kassem & Higson, 2012; [29] Dorminey, Fleming, Kranacher, & Riley, 2010; [24] Dacin, Pamela, & Murphy, 2011; [59] Roden, Cox, & Kim, 2016). [24] Dacin, Pamela, & Murphy (2011) report that the act of fraud in organisations worldwide was as high as 30% around 2009 thus, researchers have been charged with the duty of a better understanding of fraud prevention and detection in organisations. To remedy fraud act, corporate bodies such as [9] The U.S. Treasury's Advisory Committee on the Auditing Profession (2008), and [10] American Institute of Certified Public Accountants AICPA (2002) recommend the creation of a national fraud centre to share fraud prevention and detection experiences, practices, and innovation [19] (Carcello and Hermanson, 2008). Inconsistency with this, [14] Anand, Dacin, & Murphy (2015) and [36] Kibamba (2013) also charge authors to diversify fraud research, to contribute to the fight against

the menace in the society. The search for why people commit fraud has become a central theme among accounting and corporate governance researchers. Nevertheless, it should be acknowledged that all these papers began after the renowned work of [23] Cressey's (1953) on the fraud triangle.

According to [29] Dorminey, Fleming, Kranacher, & Riley (2010), the fraud triangle by Cressey and how it understands the motivation to commit any type of fraud has been a working tool embedded in the Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*, which, therefore, makes the concept central. Nevertheless, more recent papers by academics and other professionals have offered deeper insights, which go beyond Cressey's 67 years old fraud triangle model, in the fight against fraud in organizations. These recent models are well documented in [29] Dorminey, Fleming, Kranacher, & Riley (2010). They include; Fraud Scale, The Fraud Diamond, The MICE model and finally, the New Fraud Triangle model, which is the combination of all the models, mentioned. Other papers such as [43] Man-shing (2013) and [69] Wing-chi (2014) also emphasize other models such as the Hong Kong Three-Pronged Approach being implemented by the Hong Kong Independent Commission against Corruption (ICAC).

Arguments from critics of Cressey's fraud triangle model such as [15] Anandarajan & Kleinman (2011), [20] Charles & Christopher (2006), [24] Dacin, Pamela, & Murphy (2011), and [35] Kassem & Higson (2012) is that, although the model has been adopted in the SAS No. 99, it lacks some basic ingredients and has loopholes which the emerging models have remedied thus, enhancing professionals' ability to prevent, deter, detect, investigate, and remediate fraud. [72] Powell (2017) further reports that, even while Cressey's fraud triangle is in use by auditors as stated in the SAS No. 99, fraud increased from 5% to 7% between 2002 and 2008, arguing that Cressey's fraud triangle model is inadequate. Thus, this research combines the fraud diamond and Cressey's fraud triangle in a quest to the detection and prevention of corruption in Nigeria.

2.1. Theoretical Background to Fraud Detection and Prevention - The Cressey's Hypothesis

The widely known theory in accounting (corporate governance) that tries to explain fraud and thus, provide measures to combat it is Cressey's fraud triangle. Many authors believe that the fraud triangle provides good background on the study of why perpetrators commit fraud. The concept of the fraud triangle is traced back to the work of Edwin Sutherland, who coined the term white-collar crime, and Donald Cressey, who wrote *Other People's Money* [41] (Lister, 2007). Cressey, a PhD student of Sutherland in the 1940s centres his research on the situations that motivated fraudsters to initially violate ethical standards and indulge in their first fraudulent act. Over the years, his research findings became known as the fraud triangle, whose points represent the causal factors of

perceived pressure (or non-shareable financial need), perceived opportunity, and rationalization [29] (Dorminey, Fleming, Kranacher, & Riley, 2010). However, newer models that challenge this reasoning, adding few modifications to the triangle have been developed. Nonetheless, before looking into the theories of fraud prevention and detection in detail, corruption that is the specific type of fraud this study investigates is introduced.

2.2. Corruption, Types and How Is It Generally Practiced

Corruption has received so many definitions from different authors. For instance, [63] Sen (1999, p. 275) defines it as behaviour, which involves the violation of established needs for personal gain and profit. [40] Lipset & Lenz (2000, p. 112-114) defines it as efforts to secure wealth or power through illegal mean, private gain at public expense, or a misuse of public power for private benefit. [50] Nye (1967), expands the definition a little to state that it is a behaviour that deviates from formal duties of a public role/elective or appointive because of private interest-regarding personal, close family, private clique etc.

Nevertheless, the widely used definition is the one put forward by [71] WorldBank (2017), which defines it as simply the abuse of public office for private gain. [34] JOHN (2010) further explains that public office is abused for private gain when an official accepts, solicits, or extorts a bribe. The article adds that it is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Furthering on the rudiments of corruption, [71] WorldBank (2017) explains that public office can also be abused for personal benefit even if no bribery occurs, through patronage and nepotism, the theft of state assets, or the diversion of state revenues. These kinds of corruption enumerated confirm the claim in [48] Myint (2000) that corruption can take different forms not just bribery. These indicate that even within corruption, there are different kinds of it. This present paper goes a little further to try to understand these kinds of corruption, to align it to the objective of the study and properly draft a questionnaire for the research. As stated above, the most common kinds of corruption identified in [48] Myint (2000), [45] Mike (2017) and further stressed in [71] Worldbank (2017) are; bribery, theft, Political and Bureaucratic Corruption, and Isolated and Systemic Corruption which according to [45] Mike (2017) are prevalent in Nigeria. Nevertheless, considering the limitations placed in this study, not all the kinds of corruption can be effectively addressed and again, interest is more with methodological approaches to fighting fraud as such, the researcher cannot discuss in detail all these types of fraud and also discuss methodological approaches, as it would be cumbersome to handle. Therefore, the researcher narrows down to one type of corruption widely known as bribery in a Nigerian setting. The choice of bribery for further study is because, according to several reports, it is the type of corruption widely spread in the country.

2.2.1. Bribery as Tool for Corruption

Bribes are one of the main tools of corruption. Private parties to buy many things provided by central or local governments can use them, or officials may seek bribes in supplying those things [28] (Dike, 2012). Previous authors such as [28] Dike (2012), [55] Olusegun, Ogunbode, Ariyo, & Michael [25] Dada (2014), and [44] McLaren (1993) enumerate channels through which bribery is perpetuated in Nigeria. They include influencing government contracts, government benefits, lower tax rates and licenses, speeding up document processing times, and influencing legal outcomes. Concerning government contracts, the authors opine that bribes influence the government's choice of firms to supply goods, services, and works, as well as the terms of their contracts. They opine that Firms bribe to win a contract or to ensure that contractual breaches are tolerated. [71] WorldBank (2017) further states that bribes can influence the allocation of government benefits, whether monetary benefits (such as subsidies to enterprises or individuals or access to pensions or unemployment insurance) or in-kind benefits (such as access to certain schools, medical care, or stakes in enterprises being privatized). In taxes, [44] McLaren (1993) finds that bribes are used in Nigeria to reduce the amount of taxes or other fees collected by the government from private parties. The tax collector or the taxpayer may propose such bribes. Previous authors also find that in the aspect of licensing, bribes are demanded or offered for the issuance of a license that conveys an exclusive right, such as a land development concession or the exploitation of a natural resource. Sometimes politicians and bureaucrats deliberately put in place policies that create control rights, which they profit from by selling. [55] Olusegun, Ogunbode, Ariyo, & Michael (2011) and [25] Dada (2014) opine that bribes are offered to speed up the government's granting of permission to carry out legal activities, such as company registration or construction permits. The authors add that bribes can also be extorted by the threat of inaction or delay. Finally, for legal outcomes, bribes change the outcome of the legal process as it applies to private parties, by inducing the government either to ignore illegal activities (such as drug dealing or pollution) or to favour one party over another in court cases or other legal proceedings [71] (WorldBank, 2017). These are different ways bribes can be practised thus; this present research is designed to take into account these aspects of bribery in the design of the questionnaire.

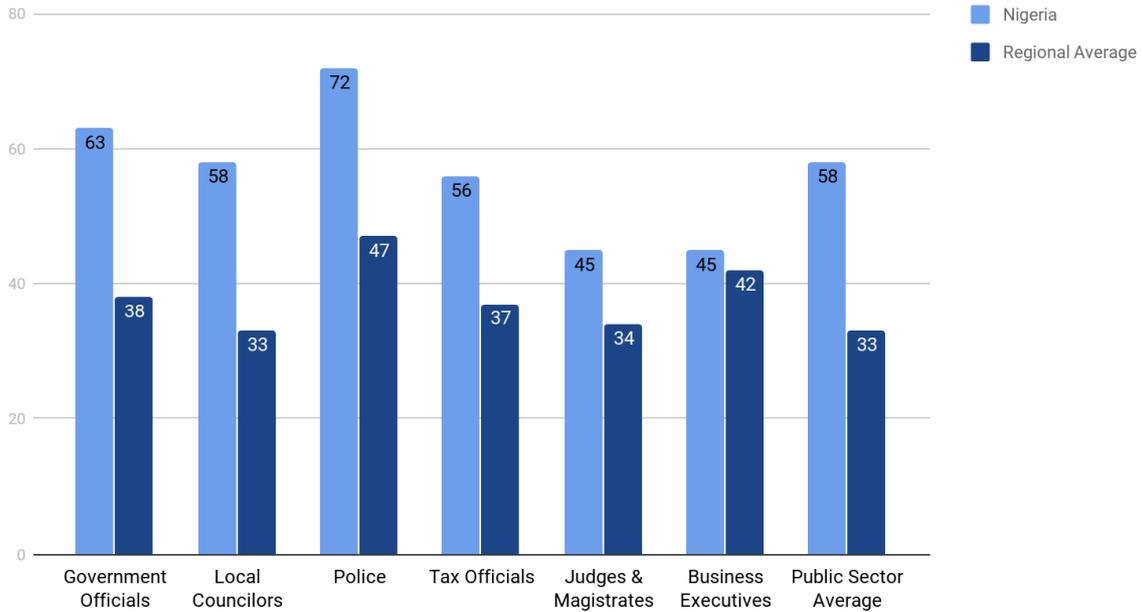
2.2.2. Wholesale Corruption and Retail Corruption

Corruption can be wholesale (or grand) corruption or retail (or petty) corruption. Grand/wholesale corruption is associated with corruption in international business transactions and usually involves politicians as well as bureaucrats [8] (Aduba, 2013). This kind of transaction

may sometimes take place outside the country. The presented definition of wholesale corruption correctly describes the actions of the Nigerian kleptocrats (high ranking individuals, Politicians, etc.). According to [57] Page, (2017), Nigeria has lost an estimated \$230 billion or more in illegal financial outflows by kleptocrats since 2004. On the other hand, Petty/Retail corruption is also pervasive in the country. According to [8] Aduba (2013), petty corruption is a bribe that may be retained by individual recipients or pooled in an elaborate sharing arrangement. [71] World Bank (2017) adds that although the sums involved in grand corruption may make newspaper headlines around the world, the aggregate costs of petty corruption, in terms of both money and economic distortions, maybe as great if not greater. It would make research sense to consider these two types of corruption but limitations placed on this in terms of time available for research, money and other constraints means that the research can only accommodate retail/petty corruption. By using petty corruption, a questionnaire can be distributed to employees of various institutions and organizations and data can be easily collected.

2.3. The Extent of Corruption in Nigeria

The cause of corruption in Nigeria has been widely published by several academic authors. All the papers found on corruption for Nigeria such as [17] Ayoola (2007), [13] Aluko (2009), [51] Ogbeidi (2012), [11] Akanbi (2004), [5] Abdulkarim (2012), [39] LINUS (2016), and [52] Okolo & Raymond (2014) have reached a consensus that corruption in Nigeria is caused by factors such as greed, nepotism, lack of positive values, weak enforcement mechanisms, excessive materialism, societal pressure, lack of virile security structures, and insecurity in employment tenure. The extent to which corruption has engulfed Nigeria has been highlighted in [2] EFCC (2018) and other international and local bodies such as, anti-corruption agencies, international organizations, civil society, media, the private sector and citizens. According to [67] transparency international (TI) (2017), Nigeria received a score of 28 on a scale of 0 (most corrupt) to 100 (least corrupt) from the corruption perception index (CPI) published in 2016. This was said to be significantly below the global average score of 43, which signifies endemic corruption in a country's public sector. Thus, ranking Nigeria amongst the 40 most corrupt nations in the world. A survey by Global Corruption Barometer (GCB) suggested that Nigeria was among the 3 worst performers of citizen's perception of Corruption as 75% of citizens reported that Corruption had increased in the 12 months before the survey [67] (Transparency International, 2017). Data reported on the paper showing the extent of corruption in different sectors in Nigeria as compared to the African regional average is shown in figure 1 below

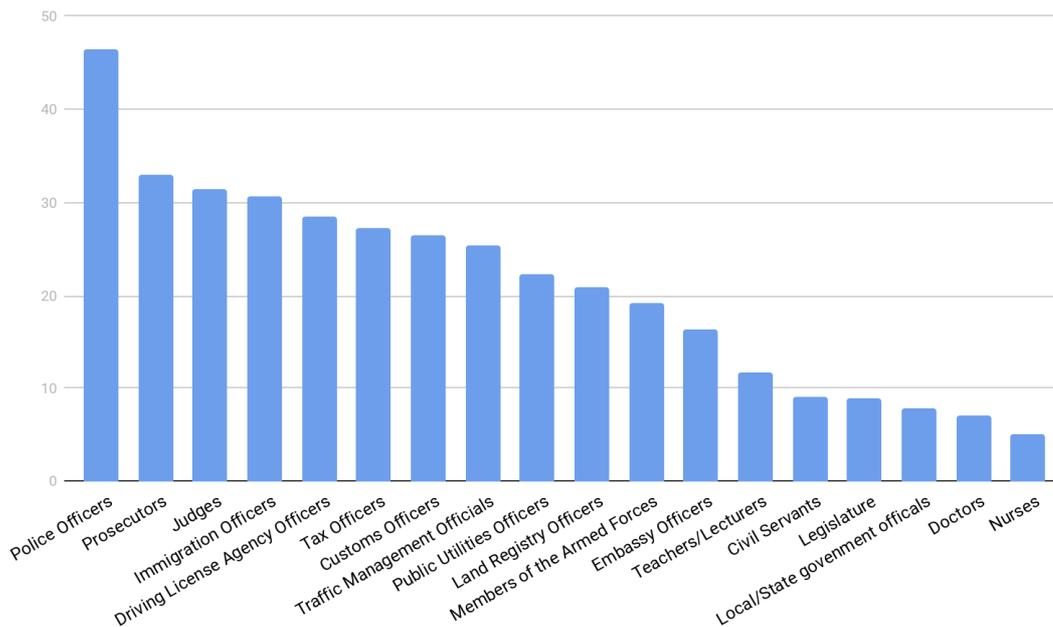


Source: [66] (Transparency International, 2017)

Figure 1. Perception of Corruption by Institution.

As can be seen on the graph in figure 1 above, corruption in Nigeria exceeds that of the African regional average. Furthermore, a household survey by the National Bureau of Statistics (NBS) (2016) highlights that Nigerians consider corruption the third most important problem faced by the country after the high cost of living and unemployment [46] (NBS, 2017). The survey shows that among 52.2% of Nigerian adults who encountered public officials, 32.3% reported paying bribes between June 2015 and May 2016. Estimates show that the total amount of bribes paid 12 months before the survey was around \$4.6 billion in Purchasing Power Parity, which is equivalent to 39% of Nigeria’s federal and

state education budgets for 2016 [4] NBS (2017). The survey further reports that in Nigeria, bribes alone take up to eight of people’s incomes. 42% are paid to hasten administrative procedures that may be delayed for long periods or indefinitely, 18% are paid to avoid payment of fines, and 13% are paid to prevent termination of public utility services. These prove the extent of misuse of power by public officials in Nigeria for corrupt practices. Further deeper analysis of the extent of corruption in different agencies in Nigeria as shown in figure 2 below reveals that police officers are the most corrupt in Nigeria.



Source: [46] (NBS, 2017)

Figure 2. Prevalence Rate of Bribery by Type of Public Official Paid.

2.4. Arguments on the Appropriate Model for Detection and Prevention of Corruption

There have been emerging fraud theories, which try to explain why people commit fraudulent acts such as corruption. These theories are, the fraud triangle [23] (Cressey, 1953), the fraud scale [12] (Albrecht, Howe and Romney, 1984), the Fraud diamond, [70] (Wolfe & Hermanson, 2004), the MICE model [29] (Dorminey, Fleming, Kranacher, & Riley, 2010), and lastly, the new fraud triangle model [35] (Kassem & Higson, 2012). However, the Hong Kong approach to corruption has also been widely emphasized in both academic papers and reports as a result of its rate of success in curbing corruption in Hong Kong [69] (Wing-chi, 2014).

These evolving theories of fighting fraud can be attributed to the changing society and culture, especially with the emergence of technological advancements, which is properly explained in Sundertheland's theory of differential association [27] (Dhanagare, 1963). From [23] Cressey (1953) to [35] Kassem & Higson (2012), models for fighting fraudulent acts have shown a drastic change. Other theories such as the corruption equation developed by [37] Robert Klitzgard in 1998 and the Hong Kong approach have also received massive attention from researchers on the fight against corruption. These constantly changing and emerging theories show that fraudulent acts in organizations are far from getting a generally accepted model for detection and prevention. Nevertheless, limitations placed on this research will not allow for discussion of all the models thus, the fraud diamond model, which adds one additional attribute to the fraud triangle, is considered for a comparative analysis with the fraud triangle. Nevertheless, while the corruption equation and the Hong Kong approach are not factored in the scope of this research, it is necessary to briefly acknowledge their existence and contributions towards the fight against corruption.

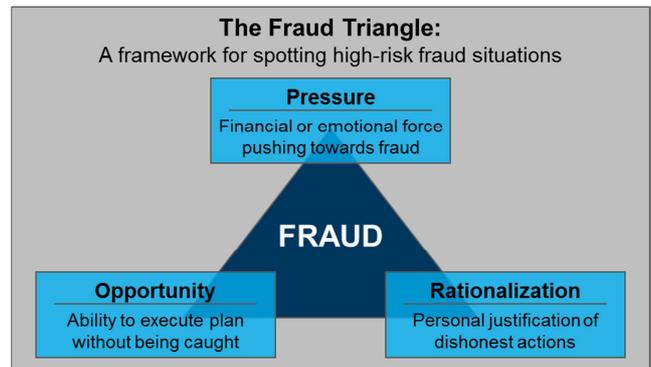
2.4.1. The Corruption Equation

Fraud is a very broad topic, which has corruption as an aspect of it. While some authors favour a broad model such as the fraud triangles, which can be used to tackle any fraudulent activity, others favour the use of a specific model for each type of fraud, and the corruption equation is the widely known separate theory for a particular type of fraud. Robert Klitzgard developed the corruption equation in 1998. [37] Kligard (1998) argues that corruption sprouts and thrives in situations where office holders enjoy large discretionary powers in a monopolistic situation with no mechanism for accountability. [17] Ayoola (2007) reduced this dynamic to the mathematical formula popularized by Robert Klitzgaard as $C = D + M - A$ (Corruption = Discretion + Monopoly - Accountability [17] (Ayoola, 2007: 10). In a simple sense, the formula means that for a particular individual to commit fraud, he/she must be in a position of power, be the only resort for that particular thing and is not answerable to anybody. This is similar to, but not as holistic as the Three-Pronged Approach used in Hong Kong. However, both approaches seek to eliminate the opportunity to

commit fraud by improving accountability, reducing bureaucracy and tightening prosecution strategies. Nevertheless, because the corruption equation does not allow for deeper reasons and some root causes of corruption, some authors have discredited it with the opinion that it lacks a holistic view [64] (Stephenson, 2014). For example, according to [52] Okolo & Raymond (2014), pressure to commit fraud may come from excessive poverty, greed or materialism, which are prevalent in Nigeria. Such concerns are not factored in the corruption equation but are considered in the fraud triangle. Thus, the SAS believes that Cressey's fraud triangle theory is the best method of fraud detection and prevention. The more important reason for choosing Cressey's fraud triangle theory for this study is that it provides a good theoretical perspective on the fight against fraud.

2.4.2. Cressey's Hypothesis and the Case of Nigeria

Different authors have explained Cressey's fraud triangle model in slightly different ways. However, the simplest explanations of the models are presented in this paper.



Source: (Dacin, Pamela, & Murphy, 2011)

Figure 3. The Cressey's fraud triangle.

As seen on the diagram in figure 3 above, the three elements of the fraud triangle act together to give rise to the act of fraud. With the help of [29] Dorminey, Fleming, Kranacher, & Riley, (2010), [23] Cressey (1953), [41] Lister (2007) and the Statement on Auditing Standards (SAS) AU-C 240, this present research presents an in-depth analysis of the Cressey's fraud triangle model shown on the diagram in figure 3 above, and how the elements apply to the Nigerian context.

(i). Pressure in Theory

Several factors could constitute pressure to commit fraud. But in the case of corruption, in particular, the identified dominant factor by [41] Lister (2007, p. 63) is the personal pressure to pay for lifestyle. [29] Dorminey et al (2010) add that the driver of pressure is when the fraudster believes that his/her problem of financial need cannot be communicated to someone who might help in solving it. These non-sharable financial needs could be sudden financial shortfalls. Other drivers are living beyond one's means, Greed, Poor credit standing, Inability to obtain credit, unexpected significant medical expenditures, Family or peer pressure, Gambling

losses, Cost and lack of productivity due to drugs or alcohol, and Cost of extramarital affairs.

(ii). Pressure in Nigeria

Many of the mentioned factors in the previous section, which constitute pressure, are present in Nigeria. Firstly, the economic situation in Nigeria has been daunting. The present Buhari regime that led to a recession has meant that people experience sudden financial shortfalls. According to the National Bureau of Statistics, 3.7 million Nigerians lost jobs in 2016 as a result of the economic recession [54] (Olasinde, 2017). Further evidence that pressure is building up in Nigeria is the fast-growing popularity of Bet9ja. According to a survey carried out by National Daily, when asked 20 different people about their betting habits, only three of them say they don't bet, 13 of them bet at least with N100 daily, while the remaining 4 bets regularly, at least every weekend [49] (NationalDaily, 2017). The statistics further revealed that during the recession in 2016, Nigerians spent an average of N154bn daily on betting. Greediness in Nigeria is also a major source of pressure. According to [45] Mike (2017), It is because of greed that political leaders embezzle from the funds they are supposed to use for national development for their own selfish needs. Inconsistency with this, [55] Olusegun, Ogunbode, Ariyo, & Michael, (2016) used quantitative analysis with a questionnaire to determine the causes of corruption in the construction industry in Nigeria. Their findings are that factors such as poverty, excessive love for money (greed), politics in the award of contract/godfathers, professional indiscipline, profit maximization by Contractor, quackery, and favouritism are responsible for corruption in Nigeria. By definition, all these factors identified by the authors fall under the theory of pressure presented earlier. Another report by [7] Adeyemi, (2016) shows that Nigerians find comfort in living beyond their means, which help to constitute pressure for fraud. Furthermore, The level of frustration among Nigeria youth as a result of poor youth empowerment programs has meant that alcohol and drugs have become the order of the day [45] (Mike, 2017). These pieces of evidence show that pressure is present in Nigeria, and plays a role in the successful execution of corrupt practices in the country.

(iii). Opportunity in Theory

The concept of opportunity in the fraud triangle presents an interesting perspective. One cannot achieve anything without being given the opportunity to do so. According to [23] Cressey (1953), one cannot commit fraud just because of pressure; he/she needs a suitable atmosphere (opportunity) in the organization to do so. The factors which when present, provide this atmosphere for corruption are enumerated in [40] Lister (2007), [29] Dorminey et al (2007), and [18] Beasley & Salterio (2001) as Poor internal controls, Poor supervision, Ineffective antifraud programs, policies, and procedures, Weak ethical culture, Being in a position of power and lack of prosecution of perpetrators.

(iv). Opportunity in Nigeria

Researchers, international organizations, civil society, media, and citizens in Nigeria, all express concerns that the approach employed to curb the opportunity to commit fraud have not been effective in Nigeria. People are contently

committing corrupt practices and getting away with them while the EFCC and ICPC sit there and watch. There is enormous evidence that the opportunity to commit fraud exists in Nigerian institutions. Take poor internal control, for instance, Thomas (2004), cited in [16] Ayobami (2011) researched the Power Holding Company of Nigeria (PHCN) and reports that, consumers have to tip them to get them to rectify a problem. According to the research, PHCN officials have a habit of vandalizing transformers to warrant either replacement or repair of the transformers, which proves that opportunity at the micro-level, persists. Even if these actions are reported in court or the ICPC, the officials will still bribe their way out of it, therefore; the innocent citizens have no choice but to comply. Thus opportunity also persists at a macro level as a result of a general lack of accountability, which is heavily stressed on the corruption equation that its absence automatically leads to corruption. The empirical work of [6] Adebisi & Gbegi (2015) also confirms the overall lack of accountability. The authors sampled 30 ministries in Nigeria, distributing 350 copies of the questionnaire to determine the incidence of fraud in the Nigerian public sector and the means of achieving successful management of such fraud. They tested four hypotheses using ANOVA with SPSS software and report that there is no strong internal control system in the Nigerian public sector, and management lack of integrity has influenced fraud prevention strategies in Nigeria public sector. They also report that antifraud programs such as the recently introduced whistle blowing proved ineffective in preventing fraud in organizations. Nevertheless, [16] Ayobami (2011) Argues that the introduction of the Economic Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and other Related Offences (ICPC) by former President Olusegun Obasanjo led to an initial reduction in corruption but the effect of the two agencies seems to have eroded. Thus, opportunity may have some effect on the corrupt practices in Nigeria since the likelihood of getting caught and prosecuted is very minimal.

(v). Rationalization in Theory

[23] Cressey (1953) opines that before the fraud act is executed, there has to be a morally acceptable justification. The paper explains that the fraudster does not perceive him/herself, as a criminal thus, there must be a rational justification for his misdeeds before he/she can go ahead to commit fraud. [29] Dorminey, Fleming, Kranacher, & Riley (2010) give an example that common rationalisation among perpetrators is to think that the money they are taking is a loan and that they are going to pay it back when they receive their salary. Other rationalisation factors are, Poor working conditions, no benefits and compensation schemes, belief that the organisation do not care about their wellbeing, and believe that anyone in the same position would do the same. By these, the individual sees the illegal act as acceptable therefore preserving his self-image as a trustworthy person.

(vi). Rationalization in Nigeria

The common belief in Nigeria is that organisations do not provide adequate incentives to motivate workers to be positive

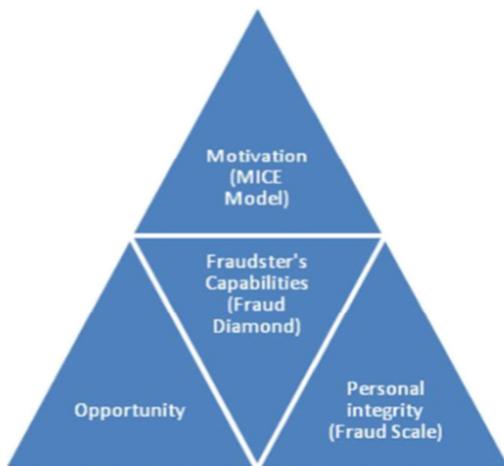
at work. According to [33] John (2011) Nigerians who work in the petroleum industry believe that they are being cheated and not being provided with the adequate benefits they deserve. Most of the reports opine that some managers have a habit of cutting off a percentage of their employees' salaries for their gain. Thus, frustration due to poor working conditions in Nigeria, little or no benefits and deprivation of compensation schemes have meant that people could easily justify fraudulent acts. Again, there is wide belief among Nigerians that everyone in Nigeria is corrupt and as such, might lose the chance for the corrupt act to someones else if they fail to act on the opportunity quickly. Thus, there is a likelihood that rationalization may have some impact on corruption in Nigeria

(vii). Summary of Cressey's Fraud Triangle

The principal observation of [23] Cressey's study is that all the three elements, pressure, opportunity, and rationalization have to be in place for the violation of trust to occur [41] (Lister, 2007). Evidence from the Nigerian context so far shows that these elements of the fraud triangle model (pressure, Opportunity and rationalization) are present. However, the question that arises is the extent to which these elements cause corruption in Nigeria. In other words, how effective is this model in detecting and preventing corruption in Nigeria? A new concept, which is also of interest, is the concept of the capability of the fraudster introduced in the fraud diamond. This particular element is discussed under the fraud diamond theory in the next section.

2.4.3. Analysis of Capability from the Fraud Diamond

The fraud diamond was originally developed by [70] Wolfe & Hermanson (2004) but further augmented in the new fraud triangle model developed by [35] Kassem & Higson (2012) as shown in figure 4 below.



Source:[35] (Kassem & Higson, 2012)

Figure 4. The new fraud triangle model.

This new fraud triangle model does not have a theory of its own rather, it gathers the pieces of other opposing fraud models to Cressey's fraud triangle, and uses them to form one model known as the new fraud triangle model. Many authors

such as, [21] Chelariu (2015), [15] Anandarajan & Kleinman (2011), [20] Charles & Christopher (2006) and [35] Kassem & Higson (2012) argue against Cressey's fraud triangle, stating that it ignores capability and skills as important factors in predicting the likelihood of fraud. Therefore, criticize its relevance in the modern world. The basic model of the fraud diamond is presented below in figure 5.



Source: [70] (Wolfe & Hermanson, 2004)

Figure 5. The fraud Diamond.

[70] Wolfe & Hermanson (2004), [61] Rabi'u & MANSOR (2015), [42] Mackevičius & Giriūnas (2013), and [60] Ruankaew (2016) argue that even with the three elements of the Cressey's fraud triangle, the fourth element being capability is still required to pull off fraud act. They believe that successful execution of fraud involves having the right person with the right skills, in the right place and at the right time (capability). They add that although pressure, opportunity and rationalization open the door to commit fraud, the individual's capability is what determines whether the individual can walk through the open door. This scenario played out in the fraud act perpetuated by [32] Hatuqa (2015). Among many things mentioned which depict the presence of capability, the confidence that the perpetrator will not be detected or, if caught, can talk himself/herself out of trouble, with the capability to deal with the stress created when he/she commits bad acts was highlighted. Thus capability is present when the individual has confidence that he or she will not be detected, can talk himself/herself out of trouble, and can deal with the stress created when he/she commits bad acts. In the Nigerian context, one important observable element of capability is the confidence that they will not be caught and even if they are caught, they can easily sort it out with the agencies. This is a result of the ineffective anti-fraud programs already discussed. Corruption has become normal in Nigeria such that no one feels post corrupt practices stress any longer [26] (Dailypost, 2017). They can devise means to talk themselves out of trouble within a split second. Thus, one can say to some extent that capability may have some effect on fraudulent practices in the country.

2.5. Conclusion

This review has sufficiently discussed the extent of corruption in Nigeria and the methodological approaches used in the prevention and detection of fraudulent activities. The literature review discussed the elements of Cressey's fraud

triangle model such as pressure, opportunity and rationalization, and the additional element, 'capability' from the fraud diamond model. The objective was to find the best methodological approach in fighting corruption in Nigeria. Moreover, Cressey's fraud triangle model and the fraud diamond seem to be relaxed on the issue of accountability compared to the corruption equation and even the Hong Kong Three-Pronged Approach. This means that there is a possibility that the impact of Cressey's model and the fraud diamond model may be greatly undermined by the overall lack of accountability in Nigeria, which would mean that a more fundamental approach like the Hong Kong model may need to be applied. Nevertheless, the general conclusion deduced from this research is that Cressey's fraud triangle and the fraud diamond are both effective corruption-fighting strategies and can be applied to the case of Nigeria. Although this research is in line with suitable research approaches outlined in [62] Saunders, Lewis, & Thornhill (2012), there remains a need for further empirical testing of these claims, which is our recommendation for further study.

2.6. Implication of Findings

The findings from this research present pressure, opportunity and rationalization as strong determinants for corruption in Nigeria. The understanding of these factors that create opportunity, constitute pressure and build rationalization can go a long way in helping organisations in Nigeria to fight corruption. However, as established earlier, this will not be enough. Fighting corruption organisation by organisation using the understanding of pressure and rationalization alone may not prove successful, as there is a need to also incorporate capability into the mechanisms to detect and deter fraud. One heavily emphasized factor that contributes to the opportunity to commit fraud is the lack of accountability. Addressing the overall lack of accountability in Nigeria needs a more fundamental approach that can extend its roots to all the institutions in Nigeria such as education, legal systems, law enforcement, trade regulation and so forth. The Hong Kong three-pronged Approach pioneered by the ICAC is particular about the elimination of opportunity for corruption through deterrence, prevention and education. The independent agency has three highly effective departments such as the operations department, the corruption prevention department, and the community relations department. The procedures and strategies of these departments are well documented in [69] Wing-chi (2014). What the Hong Kong ICAC has achieved in recent years, the Nigerian ICPC and EFCC combined have not been able to reach it. Presently Hong Kong is ranked 13th least corrupt place among 180 countries/territories in the Corruption Perceptions Index 2017 [3] (ICAC, 2018). It may be useful for Nigeria to merge ICPC and EFCC and give it proper/adequate resources like the ICAC of Hong Kong.

Moreover, in as much as the understanding of Cressey's fraud triangle (rationalization, opportunity, and pressure to commit fraud) and the fraud diamond (introducing capability) will go a long way in the fight against corruption in a

micro-level from organization to organization in Nigeria, the country needs a more fundamental approach similar to that of Hong Kong in other to enhance overall accountability, reducing bureaucracy and tightening prosecution strategies thereby, reducing the opportunity for corruption at a macro level. It should be noted that the Hong Kong approach on its own might not be successful in totally eradicating corruption in Nigeria as it is heavily dependent on curbing only opportunities to commit fraud. Evidence has shown that curbing rationalization and pressure are also important in Nigeria. Successful implementation of these recommendations should go a long way in helping Nigeria solve its endemic corruption problem.

References

- [1] (ACFE), Association of Certified Fraud Examiners. (2012). *Report to the nation on occupational fraud & abuse [interaktyvus]*.. Retrieved from ACFE: <http://www.acfe.com/rtnn/rtnn-2012.pdf>
- [2] (EFCC), E. a. (2018). *About Us*. Retrieved from Economic and Financial Crimes Commission (EFCC): <https://efccnigeria.org/efcc/>
- [3] (ICAC), I. C. (2018). *Corruption Perceptions Index 2017, Transparency International*. Retrieved from Independent Commission Against Corruption (Hong Kong): <http://www.icac.org.hk/en/home/index.html>
- [4] (NBS), N. B. (2017). *Corruption in Nigeria Bribery: public experience and response*. United Nations Office on Drugs and Crime.
- [5] Abdulkarim, Y. (2012). Socio-Economic Effects of Judicial Corruption in Nigeria. *International Journal of Humanities and Social Science Invention*, 1 (1).
- [6] Adebisi, J., & Gbegi, D. O. (2015). ANALYSIS OF FRAUD DETECTION AND PREVENTION STRATEGIES IN THE NIGERIAN PUBLIC SECTOR. *Journal of Good Governance and Sustainable Development in Africa (JGGSDA)*, 2 (4), 109-128.
- [7] Adeyemi, J. (2016). *Corruption in Nigeria, Who's Really to Blame?* Retrieved from ThisDay: <https://www.thisdaylive.com/index.php/2016/04/21/corruption-in-nigeria-whos-really-to-blame/>
- [8] Aduba, B. O. (2013). *Retail Corruption vs Whole Sale Corruption*. Retrieved from <http://chatafrik.com/articles/politics/retail-corruption-vs-whole-sale-corruption#.WIDFgUso-Rs>
- [9] Advisory Committee on the Auditing Profession (ACAP). (2008). *Final Report of the Advisory Committee on the Auditing Profession*. United States Department of the Treasury, Washington, DC.
- [10] AICPA. (2002). *Statement on auditing standards (SAS) no. 99: Consideration of fraud in a financial statement audit*. American Institute of Certified Public Accountants., Durham.
- [11] Akanbi, N. (2004). Current policy initiatives and frameworks for combating corruption in Nigeria.. *The Nigerian Social Scientist*, 7 (1), 2-6.

- [12] Albrecht, W. S., Howe, K. R., & Romney, M. B. (1984). Detering Fraud: The Internal Auditor's Perspective. *Institute of Internal Auditors Research Foundation*.
- [13] Aluko, Y. (2009). Corruption in Nigeria: concepts and dimensions. *Anti-Corruption Reforms in Nigeria Since 1999: Issues, Challenges and the Way Forward*, 3 (IFRA Special Research Issue), 1-18.
- [14] Anand, V., Dacin, M. T., & Murphy, P. R. (2015). The Continued Need for Diversity in Fraud Research. *Journal of Business Ethics*, 131 (4), 751-755.
- [15] Anandarajan, A., & Kleinman, G. (2011). The impact of cognitive biases on fraudulent behaviour: the Leeson case. *International Journal of Behavioural Accounting and Finance*, 2 (1), 40-55.
- [16] Ayobami, O. O. (2011). *Corruption Eradication in Nigeria: An Appraisal*. Library Philosophy and Practice 2011.
- [17] Ayoola, E. (2007). *Frequently asked questions on ICPC*. Abuja: Macpat Ventures.
- [18] Beasley, M. S., & Salterio, S. E. (2001). The relationship between board characteristics and voluntary improvements in audit committee composition and experience. *Contemporary Accounting Research*, 18 (4), 539-570.
- [19] Carcello, J. V., & Hermanson, D. R. (2008). *Fraudulent Financial Reporting: How Do We Close the Knowledge Gap?*
- [20] Charles, P. K., & Christopher, P. (2006). Religion in the workplace: Implications for nancial fraud and organizational decision making. *Journal of Management, Spirituality and Religion*, 3 (4), 305-318.
- [21] Chelariu, A. (2015). Psychological Profile Of The Accountant Fraudster. *Annals of Faculty of Economics, University of Oradea, Faculty of Economics*, 1 (1), 927-933.
- [22] Commission (ICPC), I. C. (2018). *About ICPC*. Retrieved from Independent Corrupt Practices And Other Related Offences Commission: <http://icpc.gov.ng/about-icpc/>
- [23] Cressey, D. R. (1953). *"Other people's money; a study of the social psychology of embezzlement."* New York, US, US: Free Press.
- [24] Dacin, T., Pamela, R., & Murphy, M. (2011). Psychological Pathways to Fraud: Understanding and Preventing Fraud in Organizations. *Journal of Business Ethics*, 601-618.
- [25] Dada, S. O. (2014). Forensic Accounting Technique: A Means of Successful Eradication of Corruption Through Fraud Prevention, Bribery Prevention and Embezzlement Prevention in Nigeria. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 4 (1), 176-186.
- [26] Dailypost. (2017, October 29). *Corruption remains Nigeria's biggest problem – Obasanjo, Osinbajo*. (D. Adebayo, Producer) Retrieved from Dailypost.com.ng: <http://dailypost.ng/2017/10/29/corruption-remains-nigerias-biggest-problem-obasanjo-osinbajo/>
- [27] Dhanagare, D. N. (1963). Sutherland's theory of "differential association. *Journal of Social Sciences*, 3 (2), 31-39.
- [28] Dike, V. (2012). Corruption in Nigeria: A new paradigm for effective control.
- [29] Dorminey, J. W., Fleming, a. S., Kranacher, M.-J., & Riley, R. A. (2010). Beyond the Fraud Triangle Enhancing Deterrence of Economic Crimes. *CPAs*.
- [30] Haralambos, M., Holborn, M., & Heald, R. (2008). *Sociology: Themes and perspectives*. London.
- [31] Harari, D. (2015). *Productivity in the UK*. London: House of Commons Library.
- [32] Hatuqa, D. (2015). *Hamza Bendelladj: Is the Algerian hacker a hero?* Retrieved from Aljazeera: <http://www.aljazeera.com/news/2015/09/algerian-hacker-hero-hoodlum-150921083914167.html>
- [33] John, I. (2011). *The Impact of Niger Delta Development Commission in the Eyes of the Ordinary Niger Delta People*. Retrieved from The Nigerian Voice (TNV): <http://www.thenigerianvoice.com/nvnews/69436/1/the-impact-of-niger-delta-development-commission-i.html>
- [34] JOHN, I.-A. O. (2010). CORRUPTION IN NIGERIA AND THE ROLE OF EFCC IN COMBATING CRIME (1999-2010).
- [35] Kassem, R., & Higson, A. (2012). The new fraud triangle model. *Journal of Emerging Trends in Economics and Management Sciences*, 3 (3), 191-195.
- [36] Kibamba, K. (2013). Financial crimes and the law: a critical legal analysis of the embezzlement of public funds in Tanzania. *Journal of African and International law*, 6 (1), 1-78.
- [37] KLITGAARD, R. (1998). International Cooperation Against Corruption. *Finance and Development*.
- [38] Kranacher, M., Riley, R., & Wells, J. (2011). (2011). *Forensic accounting and fraud examination*. Hoboken, NJ: John Wiley & Sons.
- [39] LINUS, A. (2016). CORRUPTION IN NIGERIA: CAUSES, CONSEQUENCES AND THE WAY FORWARD.
- [40] Lipset, S. M., & Lenz, G. S. (2000). *Corruption, Culture, and Markets, in Culture Matters, Lawrence E. Harrison, and Samuel P. Huntington, eds*. New York: Basic books.
- [41] Lister, L. (2007). A practical approach to fraud risk", *Internal Auditor*. 1-30.
- [42] Mackevičius, J., & Giriūnas, L. (2013). TRANSFORMATIONAL RESEARCH OF THE FRAUD TRIANGLE. *EKONOMIKA*, 92 (4).
- [43] Man-shing, T. (2013). *Corruption Prevention - The Hong Kong Experience*. Hong Kong: Independent Commission Against Corruption, Hong Kong SAR.
- [44] McLaren, T. B. (1993). Taxes and Bribery: The Role of Wage Incentives. *The Economic Journal*, 103 (416), 119-141.
- [45] Mike, U. (2017). *Corruption in Nigeria: Review, Causes, Effects and Solutions*. Lagos: soapboxie.com.
- [46] Nigerian Bureau of Statistics NBS (2017). *2017 Annual Report and Survey*. Retrieved from nigriastat.gov.ng
- [47] Murphy, & Pamela, R. (2016). Broadening the Fraud Triangle: Instrumental Climate and Fraud. *BEHAVIORAL RESEARCH IN ACCOUNTING*, 28 (1), 41-56.
- [48] Myint, U. (2000). CORRUPTION: CAUSES, CONSEQUENCES AND CURES. *Asia-Pacific Development Journal*, 7 (2).

- [49] NationalDaily. (2017). "Nigerians spent an average of N308bn Daily on betting". Retrieved from NationalDaily: <http://nationaldailyng.com/nigerians-spent-an-average-of-n308bn-daily-on-betting/>
- [50] Nye, J. S. (1967). Corruption and Political Development: A Case-Benefit Analysis. *The American Political Science Review*, 417-427.
- [51] Ogbeidi, M. M. (2012). Political Leadership and Corruption in Nigeria Since 1960: A Socio-economic Analysis. *Journal of Nigeria Studies*, 1 (2).
- [52] Okolo, P. O., & Raymond, A. O. (2014). Corruption in Nigeria: The Possible Way Out. *Global Journal of HUMAN-SOCIAL SCIENCE: F Political Science*, 14 (7).
- [53] Okoye, S. E. (2016). *How to Tackle Corruption Effectively in Nigeria*. London: Gamji.com.
- [54] Olasinde, T. (2017). 3.7 million Nigerians lost jobs in 2016, says NBS. Retrieved from TheGuardian: <https://guardian.ng/business-services/3-7-million-nigerians-lost-jobs-in-2016-says-nbs/>
- [55] Olusegun, A. E., Ogunbode, A. B., Ariyo, I. E., & Michael, A. O. (2011). Corruption in the Construction Industry of Nigeria: Causes and Solutions. *Journal of Emerging Trends in Economics and Management Sciences J*, 2 (3), 156-159.
- [56] Price water coopers. (2016). *Impact of Corruption on Nigeria's Economy*. PricewaterhouseCoopers Limited. Retrieved from <https://www.pwc.com/ng/en/assets/pdf/impact-of-corruption-on-nigerias-economy.pdf>
- [57] Page, M. T. (2017). *Nigeria's kleptocrats have a toxic love affair with London's expensive real estate*. Retrieved from Quartz Africa: <https://qz.com/1137681/nigerian-corruption-kleptocrats-like-diezani-alison-madueke-have-a-love-affair-with-londons-expensive-real-estate/>
- [58] Pwc.com. (2017). *Impact of Corruption on Nigeria's Economy*. Retrieved from Pwc.com: <https://www.pwc.com/ng/en/publications/impact-of-corruption-on-nigerias-economy.html>
- [59] Roden, D. M., Cox, S. R., & Kim, J. Y. (2016). THE FRAUD TRIANGLE AS A PREDICTOR OF CORPORATE FRAUD. *Academy of Accounting and Financial Studies Journal*, 20 (1).
- [60] Ruankaew, T. (2016). Beyond the Fraud Diamond. *International Journal of Business Management and Economic Research (IJBMER)*, 7 (1), 474-476.
- [61] Ruank Rabi'u, A., & MANSOR, N. (2015). Fraud Triangle Theory and Fraud Diamond Theory. Understanding the Convergent and Divergent For Future Research. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 5 (4), 38-45.
- [62] Saunders, M., Lewis, P., & Thornhill, A. (2012). *Research Methods for Business Students*. Pearson.
- [63] Sen, A. (1999). *Development as Freedom*. New York: Anchor Books.
- [64] Stephenson, M. (2014). *Klitgaard's Misleading "Corruption Formula"*. GAB | The Global Anticorruption Blog Law, Social Science, and Policy.
- [65] Stulb, D. L. (2016). *Corporate misconduct — individual consequences*. EY. 14th Global Fraud Survey.
- [66] Transparency International. (2017). *Corruption Perceptions Index 2016*. Retrieved from Transparency International: https://www.transparency.org/news/feature/corruption_perceptions_index_2016
- [67] Transparency International. (2017). *Global Corruption Barometer: citizens' voices from around the world*. Retrieved from Transparency International: https://www.transparency.org/news/feature/global_corruption_barometer_citizens_voices_from_around_the_world
- [68] TransparencyInternational. (2017). *what is corruption*. Retrieved from Transparency International: www.transparencyinternational.org/what-is-corruption#define
- [69] Wing-chi, H. (2014). COMBATING CORRUPTION: THE HONG KONG EXPERIENCE. *TSINGHUA CHINA LAW REVIEW*, 6 (239).
- [70] Wolfe, D., & Hermanson, D. R. (2004). The fraud diamond: Considering four elements of fraud. *The CPA Journal*, 74 (12), 38-42.
- [71] WorldBank. (2017). *Helping Countries Combat Corruption: The Role of the World Bank*. Retrieved from The WorldBank Group: <http://www1.worldbank.org/publicsector/anticorrupt/corruptn/cor02.htm>
- [72] Walfyette Powell (2017). *A phenomenological Study of SAS No. 99 and Auditor's perception of the Fraud Triangle Theory*. Northcentral University, ProQuest Dissertations Publishing.