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An analysis of the effects of corporate fraud: Case of Monovine Incorporated.

APPROVAL FORM

The undersigned certify that they have supervised the student B191378B dissertation entitled; An analysis of the effects of corporate fraud, case of Monovine Incorporated submitted in partial fulfilment of the bachelor of commerce honours degree in financial intelligence of the Bindura University of Science Education.

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DEDICATION

This study is dedicated to my parents, Mr. and Mrs. Zumburani, for their financial support, as well as my brother Nathan Zumburani for going above and beyond to help me achieve this academic goal. May God's blessings run upon them all for their enthusiastic efforts in making my dream come true.

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Abstract

Corporate fraud is a prevalent issue in today's business world, affecting companies of all sizes and industries. The purpose of this analysis is to examine the effects of corporate fraud on organizations, using Monovine Incorporated as the case study. Corporate fraud can have significant impacts on company performance, including financial loss, damage to reputation, legal consequences, and loss of customer trust. The study analyzed the various types of corporate fraud, the reasons behind its prevalence, including weak internal controls, unethical behavior, and a lack of regulatory oversight and the measures that companies can take to prevent and detect fraudulent activities. Additionally, the analysis explored the role of corporate governance in preventing and addressing corporate fraud. By understanding the effects of corporate fraud, companies can take steps to protect themselves from its damaging consequences, such as regular audits of financial statements including analytical procedures, use of technology such as CCTV cameras as well as background checks and lifestyle audit of each employee. A qualitative and quantitative study was conducted in order to achieve the objectives of this research. The researcher used interviews and questionnaires to gather enough data. A case study research method was used on a population of 43 and a sample of 25 participants was drawn from that population. The information obtained by the researcher was presented in the form of tables, graphs and pie charts. The findings of this study suggest that corporate fraud can have significant negative effects on companies.

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CHAPTER 1

INTRODUCTION

This chapter consists of eight main sections, and these are background of the study, statement of the problem, research objectives, research questions, assumptions, limitations and delimitations, as well as the significance of the study.

BACKGROUND OF THE STUDY

Corporate fraud has led to many shutdowns and closures of many companies in different parts of the world. Corporate fraud consists of illegal, deceptive actions committed either by a company or an individual who is an employee of the company.Although the Enron scandal of 2001 is the most well-known instance of corporate fraud, the first recorded instance of fraud dates back to 300 B.C. in Greece when two shipping merchants, Hegestratos and Zenosthemis, took out a bottomry on a ship and cargo of corn. A bottomry is a type of loan where a merchant borrows money with the promise of repaying the loan with interest after selling their merchandise.

According to the annual Global Fraud Survey, commissioned by Kroll, Germany and United Kingdom have the highest number of cases of fraud. Germany ranked first for frauds per 1000 amongst Europe in 2002. However, the number of fraudulent transactions has fallen steadily over the past five years, and Estonia has been recorded as the least country with cases of fraud.

Dr. Donald Cressey, a criminologist who specialized in studying individuals who embezzled funds, referred to as "trust violators," stated in 1953 that three elements must be present for an average person to engage in fraud. These elements are pressure, opportunity, and rationalization, and he presented his concept as a fraud triangle. This is the most effective and widely accepted framework for understanding why "loyal employees" engage in fraudulent activities. According to him, individuals who engage in fraud are continuously exploring ways to improve and refine their fraudulent activities. They do this by extensively examining the company's internal and external surroundings, accounting and internal control systems, as well as reviewing the company's financial state and performance, among other factors.

STATEMENT OF THE PROBLEM

Fraud is one of the major causes of liquidation, bankruptcy and insolvency in most companies in Zimbabwe. Fraudsters often defend themselves blaming the current Zimbabwean economy, they argue that they are driven by poverty. People who are in need of money, often resort to unlawful methods to make money. People are adopting new techniques to operate fraudulent scams when the world grows or changes fast. Fraud has become a global problem in recent years. Fraud has become a billion-dollar sector as the E-Commerce industry has grown, as well as the advancement in technology. Ever since Zimbabwe got its independence in 1980, there has been a sharp rise in incidents of corporate fraud, affecting both public and private organizations.

According to the 2011 Africa Fraud Barometer and the 2012 Ernst & Young Africa Attractiveness survey, all cast a negative outlook for the country, especially in a period where most of the African countries have bucked the downtrend, raising the spectre that it will become increasingly more difficult to attract Foreign Direct Investment (FDI). Employee dishonesty, embezzlement, and fraud can affect all operations of an organisation. During times of economic turmoil, the most significant threat of fraud can emerge from employees. Economic downturns are typically linked to a variety of organizational changes, including recruitment freezes, furloughs, layoffs, and other measures. Such actions can create vulnerabilities in the system or weaken internal controls, leading to increased financial stress on employees.

RESEARCH OBJECTIVES

1. To determine causes of corporate fraud
2. To determine how corporate fraud is perpetuated in different companies
3. To establish the impact of corporate fraud in companies.
4. To mitigate the perpetuation of fraud in business.

RESEARCH QUESTIONS

1. What are the causes of corporate fraud?
2. How is corporate fraud perpetuated in companies?
3. What are the impacts of corporate fraud on company performance?
4. How may corporate fraud be mitigated in Zimbabwe.?

ASSUMPTIONS

The study is based on the following assumptions;

- That there were some previous cases of fraud at Monovine incorporated.
- That the current economic conditions prevailing continues throughout the research period.
- That corporate fraud affects Monovine incorporated the same way it does to different companies, in different sectors.
- That all the data and information for use in this study was obtained.
- That the respondents co-operate and assist the researcher to meet the objectives of the study.

LIMITATIONS

- the information may be confidential and some respondents withhold the important information.
- Also, corporate fraud is a sensitive case and lack of expected cooperation from the selected respondents was expected,

DELIMITATIONS OF THE STUDY

The study focused on the effects of corporate fraud in the solar industry, taking Monovine Incorporated as the case study. The research is driven by the fact that fraud is one of the major threats which affects production and may further lead to bankruptcy, insolvency and shut downs.

SIGNIFICANCE OF THE STUDY

To Bindura University

The study aims to offer insights to various stakeholders, including the intelligence and security department, regarding the impact of corporate fraud on company performance, particularly on a small company like Monovine Incorporated.

To the researcher

The study will enable the researcher to improve her skills in dealing with commercial and corporate crimes such as corporate fraud, allowing her to grow as an employee. More so, it will widen her researching skills for future researches**.**

Organisation of the study

The research will help the management at Monovine to be aware of how corporate fraud affects the operations of the business. They will find more ways to mitigate fraud before it becomes a huge threat to the organisation.

To the government

The research aids the government in increasing awareness about the impact of corporate fraud on economic growth, thereby facilitating the development and implementation of policies to address corporate fraud.

CHAPTER 2

LITERATURE REVIEW

Introduction

This chapter focuses on the literature review and the theoretical framework. The purpose of this chapter is to describe theoretical perspectives and previous findings in relation to the problem of corporate fraud. The researcher focused on the nature of corporate fraud, causes of corporate fraud, how it affects company performance, as well as the mitigatory measures of corporate fraud.

Definition and purpose of literature review

According to Sidhu (2000) literature review is the process of locating, examining, and assessing the findings of previous studies. The purpose of literature review is to identify, analyze, synthesize, and correlate information sources relevant to the current research. It assists the researcher in determining what is already known and what others have attempted to discover. Additionally, literature review determines whether the existing evidence adequately addresses the problem or if further investigation is required.

Cooper and Schindler (2003) describe literature review as a written content that aims to identify the essential aspects of current knowledge and methodology regarding a specific subject. They also acknowledge that literature review utilizes reports of primary or original scholarship as its source of information and does not present new primary scholarship. Furthermore, they point out that the primary sources used in literature review can be either spoken or written documents and that literature review can include empirical, theoretical, critical, or methodological scholarship.

CONCEPTUAL FRAMEWORK

Nature of Corporate Fraud

Fraud has been in existence for more than twenty centuries. The world continues to grapple with the devastating effects of financial crimes. In this digital age, financial fraud has become more sophisticated than ever. Corporate fraud dates back to the year 300 B.C, when a Greek merchant named Hegestratos took out a large insurance policy known as “bottomry”. The merchant borrowed money and agreed to pay it back with interest when the cargo was delivered. If the merchant refused to pay back the loan, the lender could claim the cargo and the boat used for transportation. Hegestratos planned to sink his empty boat, keep the loan and sell the corn. However, the plan failed, he drowned trying to escape his crew and passengers when they caught him in the act. This is the first recorded incident of financial fraud, and there have been many since.

Defining Corporate Fraud

Fraud is deceit with an intent to illegally gain a financial advantage over a person or an entity. According to Donald R. Cressey a renowned criminologist, a person is most likely to commit fraud when he has enough motivation or pressure and there is enough justification for acting. Corporate fraud consists of illegal or unethical deceptive actions committed either by a company or an individual acting in their capacity as an employee of the company. Corporate fraud schemes are often extremely complicated and, therefore difficult to identify. It often takes an office full of forensic accountants months to unravel a corporate fraud scheme in its entirety.

Causes of corporate fraud

Avoiding Financial Ruin

Financial issues are often linked to various causes of corporate fraud. In some instances, this may involve a company's efforts to prevent bankruptcy and the subsequent permanent closure. In other cases, it may be a strategy to dodge the negative consequences that come with an unsuccessful operations plan.

Too Much Pressure.

Fraud in companies may be caused by high pressure to perform and unrealistic job demands. An instance is Wells Fargo, which set extremely high sales targets for its employees. Consequently, the employees opened fraudulent accounts to meet these targets. This led to inflated profits and stock prices. However, when the fraud was discovered, Wells Fargo was fined billions of dollars and lost numerous customers whose accounts were fake. All these issues originated from the unrealistic performance expectations set by the company.

To Meet Personal Financial Objectives

Fraud in companies may result from an employee or executive's need to fulfill their personal financial obligations. Such individuals may require more money than they currently possess, and they may see the corporation as a means to acquire it. Consequently, they may employ a variety of schemes, ranging from skimming profits and misappropriating funds to stealing and reselling merchandise.

Maintaining a Management-Level Position

Fraud is sometimes perpetrated by those at the executive level. An executive may be concerned, due to a corporation's performance, their job security is at risk. In order to protect themselves, they may engage in fraudulent activity to present a more positive performance from themselves, their department, or the corporation as a whole.

Defective Products

A corporation may spend millions of dollars in crafting a product only to find out they are improperly made, defective in some way, or dangerous. The result is a loss of that investment and/or consumers returning the product to your corporation and demanding refunds. The subsequent fraud that takes place is to cover the losses associated with failed product development or a failed launch. The result is a view that a company is healthier than it is. Once the truth is found out, the fines and damages are steep.

Weak Internal Controls

Weak internal controls can contribute to the causes of fraud in companies. This includes an unclear separation of duties, lack of supervision, and poor documentation of processes. Combining this lack of oversight with any of the other causes on this list or the identification of opportunity and the likelihood of fraud being committed rises.

Dissatisfaction from An Employee Perspective

When an employee feels dissatisfied, unhappy, or disrespected in their place of work, the opportunity to commit fraud suddenly becomes all the more attractive. This can involve stealing merchandise or money. Although almost no employee takes a job specifically to commit occupational fraud, there's always opportunity and in one's dissatisfaction, fraud is more desirable.

EXAMPLES OF CORPORATE FRAUD

Asset Misappropriation

This is the most common type of fraud, making up 86 per cent of all fraudulent activity. Asset misappropriation is essentially theft, when an employee steals or otherwise exploits the company's resources. Some common examples include stealing cash, submitting false or exaggerated reimbursement claims, stealing non-cash assets (e.g. products, supplies), drafting checks to themselves or another account they control, as well as using company inventory, services, electronics, vehicles, or other resources for unapproved personal use.

Corruption

Corruption is the second-most-common type of fraud, with 43 per cent of cases (ACFE 2013). Corruption occurs when an employee uses their position or authority to influence business transactions for their benefit while violating their responsibility to the employer. Examples of corruption include bribery, kickbacks, shell companies and extortion.

Financial Statement Fraud

Financial statement fraud (also called financial statement reporting fraud). This type of fraud involves purposefully omitting or misstating data in financial reports in order to mislead others about the company's financial position and performance. Fraudsters may create a rosy picture of the company's success by falsifying balance sheets, inflating assets, creating fictitious revenues, or hiding liabilities.

HOW FRAUD IS PERPETUATED IN COMPANIES

- Board of directors not held accountable

A board of directors oversees the management of a corporation on behalf of the shareholders. Directors are chosen for a variety of reasons, including their knowledge of the company's business, their reputation, or their personal and professional relationships with management. Many directors hold positions on a number of boards, which may ultimately affect a board's ability to effectively carry out its duties. Directors must be held accountable for their actions

- Auditors who are not independent

Auditors must be independent, they must not have any financial interest in the company. If they are not independent, there are more chances of them not disclosing fraudulent activities.

- Nepotism

Nepotism refers to favouratism shown to relatives or close friends by those in power. This reduces the chances of whistle blowing since most of the activities will be based on favouratism.

- Bribery

Bribery is the practice of offering something(usually money)in order to gain an illicit advantage.

- Unclear separation of duties

- Weak internal control system

The study will establish more reasons why fraud is perpetuated in Companies and if this literature is applicable.

THE IMPACTS OF CORPORATE FRAUD ON COMPANY PERFORMANCE

Loss of reputation and brand image

For starters, loss of business reputation is inevitable after a fraudulent act. This is the case if the fraud occurred both internally and externally, for example, a business being victim to fraudulent activity can make customers and clients lose
trust in the integrity of the business' systems. Overally, people are much less likely to want to deal with a company which has fraud in their history, thus decreasing reputation in the sector.

Loss of customers

Fraud can be a traumatic experience for clients, and can have irreversible impacts on the client's feelings and decisions towards the company . Even after the whole situation blows over, it's likely that those involved with the business will be far less confident in dealing with that business. As a result, it ismost likely that they will find a new business to deal with. Similarly, it's unlikely that new customers will feel safe to seek your services if you've been involved in afraud allegation.

Huge financial impact

The lack of repeat and new customers after a fraud allegation will have a huge financial impact on your business. However, that's not the only way this can have an impact. For small businesses, the legal fees incurred to support the business after a fraud allegation can be huge. This, of course, depends on the nature of the fraudulent activity, and whether it was external or internal.

Loss of employees/labour turn over

You might even find that the impact is enough for you to lose employees. For example, if employees are concerned about their own reputation in dealing with your business, they may feel that leaving is the best course for their career.

Alternatively, they might feel that they no longer have trust or faith in the company and the company message. As a result, employees may decide to seek work elsewhere, further increasing the financial strain and resourcing on the company.

The current study will review how these impacts of corporate fraud affects the performance of the company

How corporate fraud can be mitigated in Zimbabwe

Employee monitoring techniques are one of the ways by which companies can reduce the risk of fraud by ensuring that employees are systematically performing as they should. There are two types of employee monitoring, reactive monitoring and proactive monitoring. Reactive monitoring includes tasks such as checking logs, reviewing emails, responding to management requests for information, and following up on unusual activity reports submitted by the other employees. Proactive monitoring also involves monitoring log files but also employs data analysis software that scans to look for irregularities or patterns of behavior.

Companies should put policies in place outlining how often an employee's activities are monitored, how the results of the monitoring will be used, and the potential consequences if an employee commits fraud. Some of the ways for effective prevention of corporate fraud are:

- Implement an anti-fraud policy and make sure all employees are aware of it.
- Conduct regular audits of your financial statements.
- Encourage employees to report any suspicious activity.
- Keep abreast of any legal developments that may affect your company.
- Keep an eye out for red flags, such as unusual activity in your financial statements or employees who seem to be living beyond their means.
- Knows your company's financial position to act quickly as a problem arises.
- Ensure your personnel policies do not inadvertently create an environment conducive to fraud.
- Create procedures and documentation protocols that will limit opportunities for fraud within your organization.

THEORATICAL FRAMEWORK

Theories of fraud

This study was assisted by criminological and sociological causal and deterrence theories of fraud by various criminology theorists the likes of Edwin Sutherlands (1939), Jensen and Meckling (1976) and Donald Cressey (1950) that seek to explain the crime of fraud (causation and deterrence). These theories are rational choice theory, the Agency theory, Differential association theory and the deterrence theory.

The Rational Choice theory

The Rational choice theory is a fraud causation theory propounded by Dr Donald Cressey (1950) a criminologist. Cressey (1953), described three key causative elements of fraud that is opportunity, rationalisation and pressure.

Pressure

According to Alhassan (2010), pressure is the motivation to engage in unethical behavior. It is the incentive or the need that management or the other employees will have before committing fraud. Generally, people have needs and if these needs are not satisfied, they become pressures. According to KPMG (2006), when pressure overcome the rationale to act honestly, fraud is most likely to be committed. The rational choice theory therefore argues that pressure motivates people to commit fraud so as to solve their immediate financial problems.

Opportunity

The opportunity to commit fraud is present when one has access to assets, information and computer systems, and there is lack of management review, unauthorized or unchecked access to assets and weak processes and procedures. An employee will commit fraud when the opportunity exists in the perception and belief of the perpetrator.

Rationalisation

Wilson (2004), defines rationalization as the moral and ethical argument used to justify the act. The rationalization concept entails that the perpetrator must formulate some morally acceptable a to him before engaging in unethical behavior, according to Tracey and Coenen (2008). Rationalization is a starting point for all fraudsters and it fades as the fraudsters gets used to it.

Fraud diamond theory (D. Wolfe and D. Hermanson-2004)

Wolfe and Hermanson argued in their research that, although perceived pressure or incentive might exist along with opportunity and rationalization to commit fraud, fraud is unlikely to take place unless the fourth element is present and that is the ‘capacity’. In other words, the potential perpetrator must have skills and ability actually to commit fraud. The fraudster must have the necessary traits and abilities to be the right person to pull it off. The research will establish if this theory is applicable.

Theory of the Work place Deviance (R. Hollinger and J. Clark)

Hollinger and Clark (1983) were of the opinion that employees steal primarily due to workplace conditions. They also enthused that:

- Increasing internal security in a workplace makes things worse in terms of theft by employees.
- The employees who engage in workplace deviance are also principally the ones who engage in employee theft
- Efforts made to reduce employee theft without reducing first its underlying causes create a ‘hydraulic effect’ that is, trying to tighten control in one end helps to develop or push up more detrimental acts at the other end.

- Particular attention should be paid to young employees, as they are most likely to steal.

Agency theory (Jensen and Meckling)

The other theory that explains why people commit crime is the Agency theory. The Agency theory was propounded by Jensen and Meckling (1976). Their theory analyses the relationship between two parties namely the investor or shareholder and management of a company. The theory explains that management acts as agents for shareholders who are principals of the owners of an entity and whose interests should align with those of their principal. The theory explains that the shareholder's interests should be put first before the management's interests. The management manage the shareholders' resources and have control over them. However, the management may end up defrauding the shareholders, not disclosing the information. Thus, the need for shareholders to monitor and control the activities of the management so as to detect any fraudulent acts.

Shareholders can monitor and control the activities of the management through various mechanisms, including:

- Regular communication with management: Shareholders can communicate with management regularly to provide feedback and to raise concerns or questions about the company's activities.
- Proxy voting: Shareholders can vote on company matters, such as board members and executive compensation, by proxy. This allows them to have a say in the direction of the company.
- Annual general meetings: Shareholders can attend annual general meetings, where they can ask management questions and raise concerns in person.
- Shareholder resolutions: Shareholders can propose resolutions to be voted on at shareholder meetings. This allows them to shape company policy and monitor the actions of management.
- Activism: Shareholders can engage in activism to try to influence the direction of the company. This may involve building coalitions with other shareholders or pressuring management to take certain actions.

Differential Association Theory Edwin Sutherland

The Differential theory is a social learning theory that explains why people commit fraud. The theory was propounded by Edwin Sutherland (1939), who is of the assertion that social deviations like societal norms are learnt through social interactions and observations. According to Sutherland, the principles of Differential association theory includes the following: Criminal behaviour is learnt. It asserts that the behaviour of an individual is influenced and shaped by other individuals they associate with. In other words, criminal behaviour is learnt through interaction. Differential Association Theory argues that criminal behaviour is more prevalent in individuals who associate and interact with individuals who exhibit criminal mind set. Learning criminal behavior occurs within primary groups (family, friends, peers, their most intimate, personal comparisons).

Critique of the Theory

- Differential Association theory neglects individual crime behaviour. It explains criminality in terms of groups or categories. This is often referred to as regimentation which as a process often neglects individual aspects of crime causation. The influence of peer groups is believed to be at the heart of the theory, with competing positive and negative perspectives on delinquency determining a person's likelihood of turning to crime.
- The theory fails to take into account personality traits that might affect a person’s susceptibility to environmental influences.
- The theory also fails to adequately explain why a child who lives in a highly criminalized neighborhood and is exposed to harmful influences of crime does not venture into criminality.
- The theory also fails to account for criminals who come from descent and respectable families. For example, a pastor’s son may be arrested for breaking the law whilst his father is well known for spreading the gospel of not going against the law and teaching good morals.

THEORY OF HYPER MOTIVATION (SCOTT RICK AND GEORGE LOWENSTEIN 2008)

According to Scott Rick and George Lowenstein (2008), given sufficient motivation, people can persuade themselves of almost anything, including why behavior that they usually would have considered to be unethical is morally acceptable. People tend to conflate what is fair with what is in their interest, and the same is no doubt true of people’s judgments of what is ethical. Given a sufficiently powerful motivation to commit an act of fraud, people are generally more than capable of rationalizing why it does not, in fact, conflict with their ethical precepts. Motivation stimulates people to work to the best of their capabilities by providing them with motives, which are based on their unfulfilled needs.

EMPIRICAL EVIDENCE

CAUSES OF CORPORATE FRAUD

Corporate fraud is a very broad topic and many scholars have written different articles about it. According to Osei-Assibey Mandella (2020), a scholar in Ghana, fraud is caused by

(a) Poor Fraud Policy and Training: Employees would engage in fraud when fraud policies are not vividly set, as well as training for guiding employees.

(b) Poor Remuneration: Poor compensations and poor states of administration can likewise cause and empower misrepresentation. Representatives that are inadequately paid are frequently enticed to deceitfully change over a portion of the company's money to their own utilization so as to meet their own and social needs

(c) Inexperience Personnel: Inexperience staffs are helpless in conferring unexpected extortion by falling to the structure of various traps of fraudsters. Unpracticed work force is probably not going to detect any fraud

Her study also revealed that numerous fraud prevention and detection methods are now used to bring the direct and indirect cost of fraud to its bearest minimum, she believes that password protection, good remuneration, employee's background checks, adequate training, and maintaining proper book-keeping are the most methods in curbing fraudulent acts hitting the financial organizations.

HOW CORPORATE FRAUD IS PERPETUATED IN DIFFERENT COMPANIES

According to Manish Lamba, a criminologist student in India, there are several reasons why corporate fraud has become prevalent in recent times. These include weak internal controls, a lack of oversight, inadequate risk management, pressure to meet financial targets, and a culture that values profit over ethical behavior. He further explains that it is important for companies to implement effective fraud prevention measures, including regular risk assessments, internal audits, and whistleblower programs, to detect and prevent fraudulent activities.

THE IMPACTS OF CORPORATE FRAUD

Manish also included the impacts of corporate fraud in his article. He explained that fraud can erode shareholder and investor confidence, leading to a decline in stock prices and potentially a loss of revenue. In simpler terms, fraud always results in excess negative returns and reputational losses.

Additionally, fraud can result in costly legal battles and regulatory fines, which can drain a company's financial resources. Fraud can also damage a company's reputation, leading to a loss of customers and difficulty attracting new business. Overally, corporate fraud can undermine a company's success and longevity, making it important for companies to take proactive steps to prevent fraudulent activity.

HOW CORPORATE FRAUD CAN BE MITIGATED

Another scholar Paulina Kurant a former student at the University of Warsaw, Poland, under the topic 'Financial manipulation’ mentioned in her study that fraud is determined by some company’s characteristics, such as high leverage ratios, high performance-based managers’ compensation, poor corporate governance quality, high growth and extensive financial needs. She explained the connection between equity-based compensation and misreporting. Compensation schemes make the managers work efficiently, but also make incentives for manipulating financial reports and inflate share prices. She stated that fraud is committed by the top management in most companies.

In addition, to the above, her study also stated some mitigatory measures that can be done so as to curb corporate fraud, some of them are :

1. Improve internal controls: Companies need to have strong internal controls, including processes for authorizing transactions, segregating duties, and monitoring for suspicious activity.
2. Conduct background checks: Conducting background checks on employees and vendors can help identify any prior history of fraudulent behavior.

3. Implement anti-fraud policies: Companies should have clear anti-fraud policies in place, and regularly communicate and train employees on these policies.
4. Conduct regular audits: Regular audits can help identify potential fraud risks and prevent fraudulent activities from occurring. In other words, she also supported that auditing must be done regularly, whilst the transactions are still traceable.
5. Use technology: Companies can use technology such as fraud detection software and data analytics to detect and prevent fraudulent activity.

GAP ANALYSIS

The researches discussed above focuses on the impacts of corporate fraud on company performance. After reviewing the studies and published material from the above, the researcher identified a research gap. It was observed that past researchers had mainly focused on corporate fraud in the tertiary sector, while the researcher plans to explore the impacts of corporate fraud in the secondary sector. The research by Osei-Assibey Mandella focused on the causes of corporate fraud in Ghana. Most of the causes of corporate fraud cited in her study are a bit different from the causes cited in this study, maybe because of the differences in economic conditions. The other researches are similar to this study, especially on the impacts and measures to reduce fraud, however these researches were carried out a few years back and the researcher seeks to fill up that gap by carrying out her research in the current economic conditions. This research holds significance in the Zimbabwean context as it contributes to the body of literature on corporate in the country. The objective is to bridge the gap and investigate the unexplored areas of research that previous studies have overlooked. The study looked into the causes, how corporate fraud is perpetuated, impacts of corporate fraud as well as the mitigatory measures of corporate fraud

Summary

This chapter clarified the literature related to corporate fraud, that is the conceptual and theoretical framework of the study. The research will establish whether the theories and literature mentioned and discussed above are applicable and relevant to the current study.

CHAPTER 3
RESEARCH METHODOLOGY

Introduction

This chapter focuses on the research methodology, that is the research design, population, research subjects, sampling design and procedures, instrumentation, validity and reliability, data collection, presentation and analysis procedures.

Research Design

Leedy (2008) describes research design as a methodical and structured manner of conducting research that involves planning and organizing. It serves as a guide for a study, establishing the framework for gathering data.

Purposes of case study research design.

The purpose of a case study research design is to provide an in-depth analysis of a particular case, situation, or phenomenon. It involves a detailed examination of a single case or a small group of cases, and is particularly useful when the research aims to understand complex social, cultural, or organizational issues.

Advantages of case study research design

- It offers large amounts of rich, detailed information about a unit or phenomenon;
- It is useful as supporting information for planning major investigations and that it often reveals important variables that help structure research;
- It allows the researcher flexibility to understand and even to answer questions about educational process and problems;
- It promotes the transfer of knowledge;

Disadvantages of case study research design.

- The process is time consuming;
- Carrying out a case study is accompanied by a lot of costs;
- Training in observation and interviewing techniques and of documentary analysis is necessary; and
- Findings from the case study can be generalized in the same manner as random samples; generalizability is related to what each user is trying to learn from the study.

Population

Haralambos and Holborn (2004) defined population as all sampling units that are relevant. In contrast, Babbie (1992) defined population as the collection of elements from which samples are chosen.

Source: primary data

Table 1.0

Elements	Population	Sample size	%to sample population
Finance officers	2	1	50%
Accountants	3	2	66.6%
Branch managers	3	2	66.6%
General employees	15	10	66.6%
Clients	20	10	50%
Total	43	25	58%

Sample size

Bryman (2003) says that, “a sample is a means by which cases are taken from a population in such a way as to accurately represent the variables of interest in that population, thus a study of the sample may economically be substituted for a study of the entire population”.

Sampling procedure

Leedy (2008) states that sampling procedure is “selecting a sample from the whole population in such a way that the characteristics of each unit of the sample approximate the characteristics of the total population”. Sampling procedures are ways of selecting a small number of units from a population to enable researchers to make reliable inferences about the nature of the population. In this study a stratified random sampling will be used so that all participants on all groups of the population are selected. The strata will purposefully select in terms of gender in order to avoid taking only one group of respondents. One of the advantages of using stratified random sampling is that it minimizes sample selection bias and ensures that certain segments of the population are not over represented or under represented.

Research Instruments

The researcher used questionnaires and interviews methods of data collection as her main research instruments.

Questionnaires

According to Best and Khan (1993) a questionnaire is a document containing questions designed to solicit data for analysis. It is a set of questions presented to respondents in order to obtain their view regarding the area of the study. In this research the questionnaires were structured to solicit relevant information from the respondents. The questionnaires were distributed to various target groups by the researcher.

Advantages of questionnaires

- they are easy to distribute and in most cases the responses are relatively fast.
- The anonymity and confidentiality of respondents is maintained and this helps the respondents to easily answer some sensitive questions.
- It is less expensive
- Respondents will be able to answer the questionnaires at their own time in the absence of the researcher.

Disadvantages of questionnaires

- they are difficult to apply because some respondents fail to answer the questions properly.
- They neglect some groups in the society for example the blind or illiterate people
- Questionnaires do not give room for asking oral questions to respondents and response rate is usually very slow.

The researcher did an intensive follow up on respondents by use of telephone and personal visits to that ensure feedback is given promptly. The researcher also conducted interviews to those who are illiterate, so as to obtain information from various people.

Interviews

Collins and Hussey (1993), defined an interview as a method of collecting data in which selected participants are asked questions in order to find out what they do, think or feel in the context of a chosen aspect of inquiry. Interviews are face to face questionnaires used to address the draw backs of written questionnaires.

Advantages of interviews

- interviews allows the changing of wording to suite a particular or specific respondent.
- interviews allows the researcher to capture nonverbal behavior which may be portrayed by the interviewee in answering some of the vital questions .
- It saves time since feedback is instant

Disadvantages of interviews

- In order to carry out academic interviews, the respondents have a tendency of providing biased information in order to please the researcher leading to irrelevant data being collected.
- For interviews to be a success the researcher has to first create a relationship with the respondent for them to be free and committed to the whole process.

The researcher will be patient and humble so as to create a friendly environment with the respondents. The interview questions will be short and precise, to save time and maintain the interest of the respondents. The researcher will ask the respondents if they want to be interviewed publicly or privately to make them comfortable.

Reliability and Validity of Research Instruments

Reliability refers to the consistency of measurement or repeatability of the results obtained from a study. It deals with accuracy; it asks such questions as how accurate is an instrument that is used in making the measurement. In this study the researcher will make an effort to ensure that the questionnaire used in data collection will be crafted in a simple and understandable language.

Data presentation and Analysis

After collecting data from interviews and questionnaires, the researcher will present data in a manner that is easy to understand by means of tables, graphs, and charts. Both qualitative and quantitative data analysis techniques are expected to be used to analyse data.

Summary

This chapter explores different types of research methods, their advantages and disadvantages as well as the techniques that the researcher will use to obtain relevant data.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

INTRODUCTION

This chapter mainly focuses on data presentation, interpretation and analysis. It consists of the information that the researcher obtained after carrying out her research. The data is presented in the form of graphs, tables and pie charts.

Questionnaire response rate

Table 1.1

Source: primary data

Elements	**sample size**	**questionnaires returned**	**percentage response rate**
finance officers	1	1	100%
accountants	2	2	100%
branch managers	2	1	50%
general employees	10	9	90%
clients	10	7	70%
total	**25**	**20**	**80%**

The researcher distributed twenty-five questionnaires and twenty of them were returned, however they were enough for her to gather data. The response rate was high, meaning to say the majority of the questionnaires were responded well, after a thorough follow up to the Monovine staff and clients.

Interview response rate

Table 1.2

Source: Primary Data

Elements	Sample size	No. of respondents	Percentage response rate
Finance officers	1	0	0%
Accountants	2	2	100%
Branch managers	2	1	50%
General employees	6	5	83.3%
Clients	5	3	60%
Total	16	11	68.8%

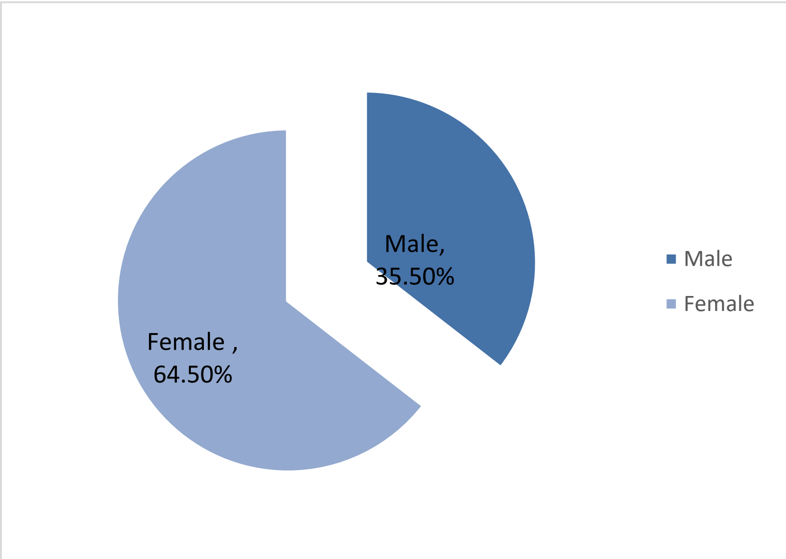
Sixteen interviews were supposed to be carried out, but however eleven were successful. A fair total response rate of 68.8% was obtained even though five of the interviews were unsuccessful.

Demographic data of the respondents

Fig 1.0 below shows the demographic information of all the respondents. Out of thirty one respondents, twenty one were females and eleven were males

Source :primary data

Fig 1.0
N=31



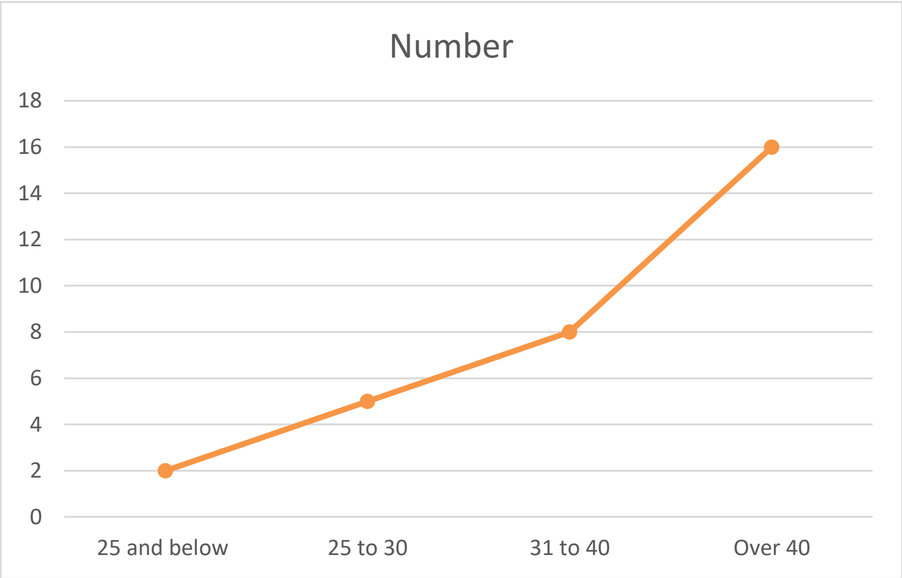
Age distribution of the respondents

Out of 31 respondents, only 2 are 25 years and below, 5 of them are between 25 and 30, 8 are between 31 and 40 and 16 are over 40. The majority of the respondents are over 40.

Source :primary data

Fig 1.1

N=31



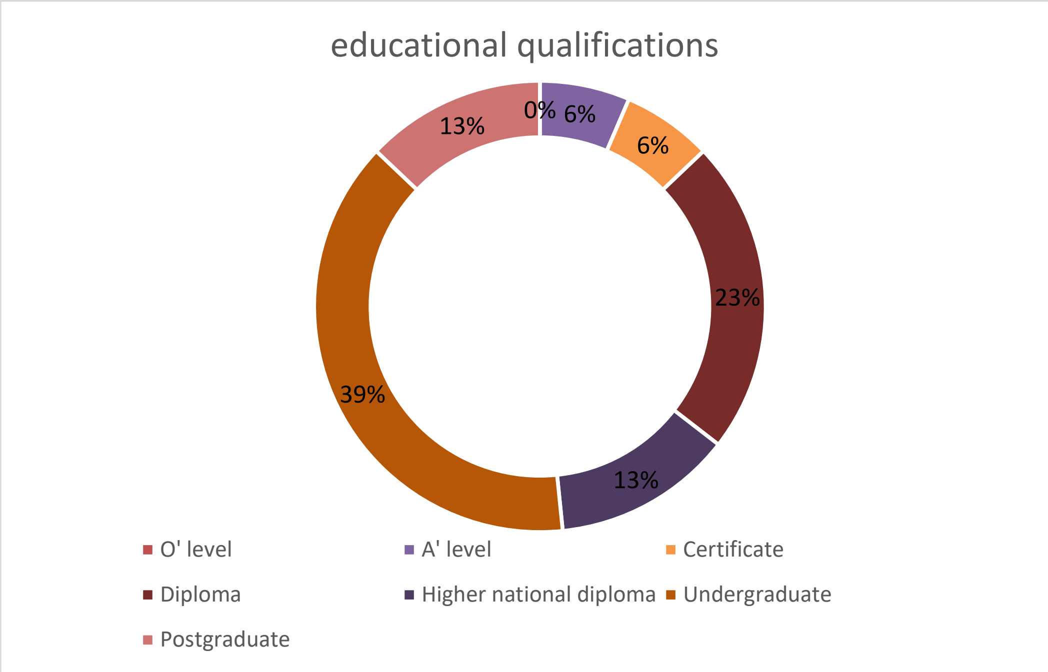
Working experience
Fig 1.2
N=31

Less than 1 year	1 to 4 years	5 to 8 years	Above 8
2	9	15	5

Fig 1.2 above Only 2 of the employees of Monovine have worked for less than a year, 9 of them have worked for a year to 4 years, 15 have worked for 5 to 8 years and 5 of them have worked for 8 years and above.

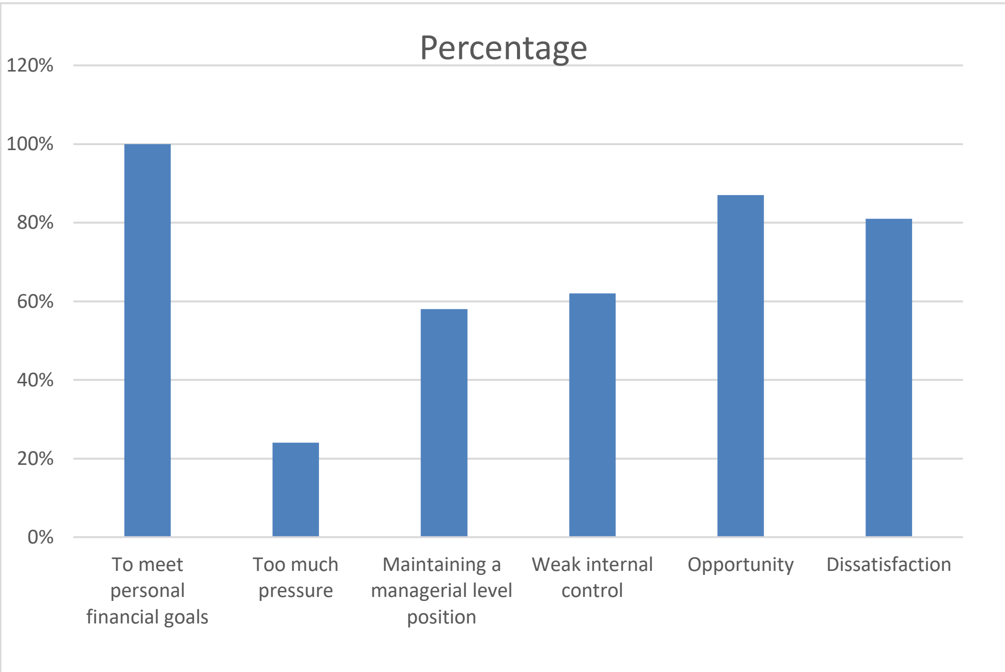
ACADEMIC QUALIFICATIONS

Fig 1.3 n=31



RESPONDENTS' VIEW ON THE CAUSES OF CORPORATE FRAUD

Fig 1.4
Source: primary data



All of the respondents indicated that corporate fraud is mostly caused by the desire to meet personal financial goals. This supports the literature by Daniel, S. J,(2005)which states that people commit fraud so that they can meet their personal financial objectives. He further explains that people simply need more money than they have, no one is ever satisfied with money.

87% of the respondents believes that a person is most likely to commit fraud if there is an opportunity. According to the rational choice theory (fraud triangle theory), people commit fraud if there is an opportunity to do so. This opportunity is present when one has access to information, assets and computer systems and if there is lack of management review then a person is most likely to commit fraud. This if further explained by the fraud diamond theory, propounded by D. Wolfe and D. Hermanson(2004), it also states that people commit fraud if there is an opportunity.

82% of the respondents indicated that fraud is caused by dissatisfaction of the employees. Some employees are never satisfied despite having a favorable paycheck. 62% indicated that corporate fraud is caused by weak internal control. If the internal control is not goal oriented, it becomes a motivation for the employees to commit fraud.

58% indicated that fraud is committed by the management especially if they are interested in a certain position. Only 24 % indicated that too much pressure on employees results in them committing fraud. The researcher was surprised to obtain such a lower percentage. She thought than pressure is one of the major reasons why people commit fraud. These findings contradicts the fraud triangle and the fraud diamond theories since they both have pressure as one of the reasons why people commit fraud. The majority of the respondents argued that pressure cannot be the reason why people commit fraud, they strongly believe that people are driven by the desire to meet personal financial goals.

Some of the respondents indicated that low wages and salaries also results in employees committing fraud. They further indicated that working conditions and the way they are treated at the work place drives people to commit fraud. This strongly supports the theory of the Work place deviance, put forward by R. Hollinger(1983). The theory states that employees steal primarily due to workplace conditions. It also states that increasing internal security at the workplace makes things worse, trying to tighten control in one end helps to develop and push up more detrimental acts at the other end.

RESPONDENT'S VIEW ON HOW CORPORATE FRAUD IS PERPETUATED IN COMPANIES

Reasons for the prevalence of corporate fraud	percentage
Board of directors not held accountable	45%
Auditors who are not independent	62%
Nepotism	86%
Unclear separation of duties	31%
Weak internal control system	72%
Bribery	89%

Fig 1.5 source :primary data

Bribery is the number one reason why corporate fraud is perpetuated in most companies, according to the respondents, with a percentage rate of 89%. It is the practice of offering something, usually money in order to gain an illicit advantage. This supports the facts discussed above, that people are never satisfied with money, they still want more despite a reasonable salary.

86% of the respondents also believes that nepotism is also another reason why corporate fraud is prevailing. In one of the interviews, one respondent indicated that nepotism is now common these days, even the recruitment process is characterized by nepotism and favouratism. People choose their close relatives and friends so that they can cover up for each other. This reduces chances of whistle blowing in the case that one has been caught red handed, thus promoting the perpetuation of corporate fraud.

Weak internal control systems is also one of the reasons why people commit fraud, with a percentage rate of 72%. Most respondents also emphasized that weak internal control goes hand in hand with the independence of auditors. 62% indicated that auditors must not have any particular interest in the activities of the company. Their reports must give a true and fair view of the financial position of the business. 31% of the respondents indicated that unclear separation of duties is also another reason for the prevailance of corporate fraud.

RESPONDENT’S VIEW ON THE IMPACTS OF CORPORATE FRAUD

Fig 1.6
Source :primary data

The gre

Most re ... tors clients and

other s ... there is history

of fraud, due to lack of trust. 80.6% 9f the respondents also indicated that fraud always results in loss of reputation and brand image. A company’s image is tarnished if there is a history or prevailing cases of fraud.

64.5 % of the respondents believe that if there are fraudulent activities in a company, it drives customers away, once the customers are driven away it leads to loss of sales. Fraud can also leads to high labour turn over. Some employees may not feel safe to continue to work for a company where there is a lot of fraudulent activities, 51.6% of the respondents also supported that.

RESPONDENTS’S VIEW ON HOW CORPORATE FRAUD CAN BE MITIGATED

Source :primary data

Measure	percentage
Regular audits of financial statements (including analytical procedures)	90%
Whistle blowing	90%
Lifestyle audit	60%
Creating procedures and documentation protocols that limits the opportunities for fraud eg various signatures for cash outs	84.5%
Ensuring that the company's policies do not inadvertently create an environment conducive to fraud	10%

The majority of the employees of Monovine limited indicated that regular financial audits. In one of the interviews, an employee explained that some of the audits must be done spontaneously so as to reduce the risk of window dressing the financial statements.

90% of the respondents indicated that whistle blowing is a mitigatory measure for corporate fraud. However, the other 10% argued that whistle blowing is no longer applicable these days simply because of bribery. No one will report a wrong doing if they are given money or something valuable. Those in support of whistle blowing further indicated that the whistle blower must be greatly awarded so as to motivate others to report unlawful activities at the workplace.

60% of the respondents believe that lifestyle audit is very important in reducing corporate fraud. They stated that a person's lifestyle must be in accordance with their salaries. A suspicion must be raised if one is living a luxurious life yet they earn a fair income. Some respondents argued that some employees have some side hustles so that they earn more.

Creating procedures and documentation protocols that limits the opportunities for fraud eg various signatures for cash outs, was strongly supported by 84.5% of the respondents.

Summary

This chapter focused on the findings of the research study which was presented, interpreted and analysed using methods and tools outlined in the preceding chapter. The presentation was based on the findings obtained from interviews and questionnaires.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter this summarizes the key findings, offers recommendations, and presents conclusions that were drawn from the research.

Summary of findings

In order to analyze the effects of corporate fraud on Monovine Incorporated the researcher gathered theoretical and empirical data from books, the internet, and surveys. The objectives of the study were

- To determine causes of corporate fraud
- To determine how corporate fraud is perpetuated in companies
- To establish the impacts of corporate fraud in companies
- To mitigate the perpetuation of fraud in business

The study revealed various causes and effects of fraudulent activities that hinder company performance, such as financial and reputational losses, resource reduction, and limited growth. The majority of respondents agreed on the existence of fraud in different organization. The research revealed that the major causes of corporate fraud are pressure, opportunity, capacity, rationalization, this is because people want to meet their personal financial objectives. It also revealed that corporate fraud is perpetuated through nepotism, bribery, board of directors not held accountable, auditors who are not independent, as well as weak internal control. The major impacts of corporate fraud are financial losses, loss of reputation and brand image, loss of customers and high labour turn over.

Conclusion

From the research, the researcher reached a conclusion that , although a fraud management team exists at Monovine Incorporated it is apparent that they struggle to effectively prevent financial statement fraud as it still occurs. Fraudulent activities are increasing at the organization due to the team's ineffectiveness. The study suggests that the fraud management team requires better training and incentives to ensure they perform their duties effectively to reduce financial statement fraud.

Recommendations

The researcher believe that if these recommendations are implemented correctly, the occurrence of fraud cases at the organization can be significantly reduced or eliminated.

- Implement an anti-fraud policy and make sure all employees are aware of it.
- Conduct regular audits of your financial statements.

- Encourage employees to report any suspicious activity.
- Keep abreast of any legal developments that may affect your company.
- Keep an eye out for red flags, such as unusual activity in your financial statements or employees who seem to be living beyond their means.
- Knows your company's financial position to act quickly as a problem arises.
- Ensure your personnel policies do not inadvertently create an environment conducive to fraud.
- Create procedures and documentation protocols that will limit opportunities for fraud within your organization.

APPENDICES

APPENDIX 1: RESEARCH ASSISTANCE LETTER

Bindura University of Science Education
P. Bag 1020
Bindura
Zimbabwe

To whom it may concern.

RE: REQUEST FOR RESEARCH ASSISTANCE.

My name is Noleen Nashlly Zumburani and I am a student at Bindura University of Science Education. I am pursuing in a Bachelor of Commerce (Honours) Degree in Financial Intelligence. As a requirement of my studies, I'm carrying out a research based on the following topic **"An analysis of the effects of the corporate fraud** "

I would appreciate if you help me by participating in this research, by sharing your experiences in relation to corporate fraud. May you kindly assist me by completing the attached questionnaire?

Your participation in this study is voluntary and should you at any moment decide to withdraw your participation, you are free to do so without any hesitation . You are also advised that no financial or any other benefit will accrue to you for your participation the study.

I provide assurance that the data gathered will be only used for the purpose of this research and will be treated with utmost confidentiality.

Yours faithfully

Noleen Nashlly Zumburani

APPENDIX 2: QUESTIONNAIRE

Section A: Demographic Data

Please indicate by putting a tick below

1. Gender male [ ] female [ ]

2. Age 25 and below [ ] 25-30 [ ] 31-40 [ ] over 40 [ ]

3. How much time have you spent working in your organisation?

Less than 1 year	1-4 years	5-8years	Above 8 years

4. Academic Qualification.

Please indicate by ticking below

'O' level [ ]

'A' level [ ]

Certificate [ ]

Diploma [ ]

Higher National Diploma [ ]

Undergraduate [ ]

Postgraduate [ ]

5. Please indicate your category below

Director [ ] Finance Officer [ ] Accountant [ ] Human resources staff [ ] Procurement staff [ ] Marketing staff [ ]

Internal Auditors [ ] General employee [ ]

Section B: Causes of corporate fraud

6. Below are some of the causes of corporate fraud. Please indicate their prevalence rates in your organisation:

Causes of corporate fraud	**Tick**
To meet personal financial goals	
Too much pressure	
Maintaining a management level position	
Weak internal control	
Avoiding financial ruin	
Opportunity	

Dissatisfaction	

7. What are the other causes of corporate fraud at your organisation. Please indicate below if there are any.

1……………………………………………………………………………………..................
....

2...

3..

Section C: Corporate fraud is perpetuated in different companies.

8. What are the reasons for the prevalence of corporate fraud? Please indicate below.

Reasons for the prevalence of corporate fraud	**Yes/No**
Board of directors not held accountable	
Auditors who are not independent	
Nepotism	
Unclear separation of duties	
Weak internal control system	
Bribery	

9. What are the other reasons for the prevalence of corporate fraud in other organizations?

1...

2..

3...

Section D: Impacts of corporate fraud in companies

10. What would you consider to be the major impacts of corporate fraud in companies?

Impacts of corporate fraud	**Yes/No**
Loss of reputation and brand image	
Loss of customers	
Financial losses	
High labour turn over	
Reduction in sales	

Section E: Measures to minimise fraud in business.

10. Below are some of the strategies that companies use to mitigate corporate fraud. Please indicate whether the measures are available in your organisation.

Measure	**Yes**	**No**	**Don't know**
Regular audits of the financial statements (including analytical procedures)			
Whistle blowing			
Keeping an eye out for red flags, such as unusual activity in the financial statements or unusual activities of the employees			
Lifestyle audit			
Ensuring that the company's policies do not inadvertently			

create an environment conducive to fraud.			
Others, if any, state			

11. In addition to the measures above, what other measures has your organization put in place to overcome corporate fraud? Please indicate below:

1..

2..

3………..

12. What is your overall comment on the corporate fraud measures in you organization?

Very ineffective	(Tick) [ ]	Not effective	(Tick) [ ]	effective	(Tick) [ ]	Very effective	(Tick) [ ]

End of Questionnaire

Thank you for your cooperation.

APPENDIX 3: INTERVIEW GUIDE

Interview questions.

What causes fraud in your company ?

What type of fraud was it?

How is corporate fraud perpetuated in companies?

How was fraud unearthed, if it was?

How did it affected the performance of the company?

What are some of the mitigatory measures that were put in place ?

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