

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



DEPARTMENT OF INTELLIGENCE AND SECURITY STUDIES

**ANALYSIS OF FRAUD RISK IN THE RETAIL SUPERMARKETS: A CASE STUDY
OF TM PICK N PAY MSASA BRANCH COVERING THE PERIOD OF 2019-2022**

BY

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF BACHELOR OF COMMERCE (HONOURS) DEGREE IN
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RELEASE FORM

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DISSERTATION TITLE: Analysis Of Fraud Risk In The Retail Supermarkets: A Case Study of TM Pick n Pay Msasa Branch Covering the Period of 2019-2022

DEGREE TITLE: Bachelor of Commerce (Honors) Degree in Financial Intelligence

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DECLARATION

I, B191151B, declare that this project is my own work and was not copied or plagiarized from any other source without acknowledgement. The contribution of previous researches and literature was accordingly cited and acknowledged.

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Date.....

DEDICATION

My first dedication goes to the Lord Almighty God who enabled me to keep up and pull me through the toughest times of my studies. May your name exalted forever and ever, Amen

I also dedicate this project to my mother who was able to cater for all my needs and able enough to know the value of sending me to university. My mother, my source of inspiration.

ABSTRACT

The dissertation aimed to analyze the fraud risk in retail supermarkets, specifically focusing on TM Pick n Pay Msasa Branch in Harare, Zimbabwe. With the growing retail sector and increasing technological advancement, the risk of fraud had become a significant challenge for supermarkets. The study sought to understand the causes of fraud in the retail sector and whether or not internal controls were effective at preventing and detecting it. Additionally, the study sought to identify the types of fraud that occurred within the retail sector, as well as recommendations for reducing or eliminating fraudulent activities. The research methodology for this study involved both qualitative and quantitative methods. The sample population was selected from employees at TM Pick n Pay Msasa Branch, one of the leading retail chains in Zimbabwe. Data collection methods consisted of a self-administered questionnaire and interviews. Stratified random sampling was used to select respondents, with the management of Msasa Branch, non-managerial employees, and management at head office included. The data collected was analyzed using the Statistical Package for Social Sciences (SPSS) software and Excel. The findings of the research showed that weak internal controls, financial pressure, opportunity, greediness, and low salaries were identified as the main causes of fraud in the retail sector. Skimming was found to be the major type of fraud committed in retail supermarkets. The study revealed that the internal controls in place were effective. The recommendations made included the implementation of strong internal controls, strict supervision, and staff training, and whistle-blowing. The findings of this study provided insights into the nature of fraud risk in retail supermarkets and the measures that needed to be taken to mitigate it. The findings of this study revealed that fraud in the retail sector was a significant problem in Zimbabwe.

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CHAPTER I

1.0 Introduction

The opening chapter of this study introduces the topic under investigation and outlines the research problem. It centers on the background of study, statement of the problem, purpose of the study, research objectives, research questions, and limitations and delimitations of the study.

Fraud in the retail sector has become a growing concern due to its negative impact on businesses and the economy as a whole. The retail sector comprises of supermarkets, shopping malls, and other retail outlets. According to the Association of Certified Fraud Examiners (ACFE) 2020 report, the retail sector is among the top industries affected by fraud. Fraud in retail supermarkets includes activities such as procurement fraud, skimming, shoplifting, financial statement fraud, and other forms of fraudulent activities. The retail sector is particularly vulnerable to external and internal fraud (Corporate Catalyst India Pvt Ltd Survey, 2015).

The purpose of this dissertation is to analyze the fraud risk in retail supermarkets by assessing the causes and types of fraud in retail supermarkets, measure the effectiveness of internal controls in preventing fraud, and proffer recommendations on measures and policies that can reduce fraud risk. This study is essential as it will provide a comprehensive understanding of the factors contributing to fraud in retail supermarkets and highlight the importance of internal controls in preventing and detecting fraud.

1.1 Background of the study

Boynton (2005) explains that fraud is a criminal act that involves misrepresentation and concealment, which can negatively impact businesses by causing financial loss and even closure. Unfortunately, fraud is increasing globally due to various factors such as weak internal controls, changes in business cycles, low salaries, and technological advancements (Sadgrove, 2016). The retail industry is one of the many sectors that has become vulnerable to fraud due to technological advancements and weak internal controls (Intelligence Insider, 2022). As such, retailers must be aware of the risks of fraud and how to combat them.

According to Intelligence Insider (2022), the retail industry has become one of the growing sectors in the world due to technological advancement and globalization with growth projections of 5% year over year. However, with this growth comes along challenges and risks to the retail business environment. Some of the challenges that retail chains are experiencing are poor performance and closure due to fraud. Technological advancement and weak internal controls have exposed the retail sector to a high risk of fraud which has increased the need for fraud risk management.

According to Kassem and Higson (2012), the new fraud triangle posits that for fraud to occur in organizations, three factors must be present: pressure, rationalization, and opportunity. Employees who have access to confidential information and knowledge of systems can take advantage of these factors, particularly when combined with technological advancements, to commit fraud. As reported by the National Retail Federation in 2019, retail shrinkage amounted to 61.7 billion due to increasing employee fraud and shoplifting in the United States. This issue is not limited to the United States, as the supermarket chain in Zimbabwe reported shrinkage rates of 2.5 to 3 percent of revenue, amounting to approximately 3 million in losses, according to the Sunday Mail (2016).

The fraud risk associated with the retail sector can be internal or external thus each retailer will face some form of fraud, and trends in retail fraud will vary. As such, each retailer needs to understand the fraud his or her business is facing and how to prevent it using different types of risk management measures and internal controls. Fraud in the retail sector can be broken down into internal fraud which results from the workforce thus employees and managers and external fraud which is a result of fraudulent activities of persons external to a business Francesca Nicosia (2021).

Retail supermarkets are vulnerable to various forms of fraud due to the nature of their operations, including cash handling, inventory management, and financial reporting. Fraud in the retail sector can lead to significant financial losses, reputational damage, and legal consequences. Fraud risk management is therefore an essential aspect of retail supermarket management, and it involves identifying, assessing, and mitigating fraud risks. Effective fraud risk management requires a comprehensive understanding of the causes and types of fraud in the retail sector, as well as the effectiveness of internal controls in detecting and preventing fraud.

Retailers must implement strong security measures to protect against different types of fraud such as skimming, shoplifting, credit card fraud, financial statement fraud, and vendor theft. They

should use fraud detection systems, secure payment processes, and monitor transactions for suspicious activity. Retailers must also train their staff regularly to recognize and prevent fraud.

The study aims to assess the risk of fraud in retail supermarkets, the types of fraud prevalent in the retail business, and how internal controls can prevent fraud, using TM Pick n Pay Msasa Branch as a case study.

1.2 Problem statement

The retail industry in Zimbabwe is expanding, with over 1.6 million registered Small and Medium-sized Enterprises (SMEs) accounting for around 70% of all businesses in the country (Ruzivo, 2015). SMEs are the largest sector in the economy, employing up to 60% of the country's workforce and contributing up to 50% of the Gross Domestic Product (GDP) (RBZ, 2013). However, the retail sector is facing various fraud risks that can have severe financial and reputational consequences for businesses, these risks include fraudulent transactions, identity theft, skimming, shoplifting and cyber-attacks, which can arise internally or externally. Despite the importance of managing these risks, many retail establishments lack the necessary tools and resources to do so effectively (Hess and Cottrell, 2016), which poses a serious issue for companies seeking to protect their assets, maintain customer trust, and comply with applicable laws and regulations.

TM Pick n Pay, a prominent retail supermarket in Zimbabwe, fell victim to a fraudulent scheme. According to New Zimbabwe (12 March 2021), TM Pick n Pay Msasa Branch lost \$22 million to two suspected con artists who pretended to be finance managers of TM and sent an email to Steward Bank with instruction forms and forged signatures of TM finance managers, directing the bank to process four different transactions totalling \$22 million from TM Pick n Pay's Steward Bank account. This shows that fraud is a major risk that has financial consequences hence need to be mitigated.

Therefore this dissertation aims to analyze the fraud risk in the retail sector and identify the key factors that contribute to these risks. Through this analysis, the dissertation aims to provide a deeper understanding of the nature and extent of fraud risk in the retail sector and to identify best practices for mitigating these risks using TM Pick n Pay Msasa Branch as the case study.

1.3 Purpose of study

This research is aimed at analysing the causes of fraud in the retail supermarket sector, the types of fraud present in the sector and the effectiveness of internal controls and, measures put in place to prevent fraud, To gather information, the study will employ a survey using questionnaires to identify the most common types of fraud impacting the retail industry in Zimbabwe and the efficient internal controls utilized by businesses.

1.4 Objectives

- To examine the causes of fraud in the retail supermarket sector.
- To determine the effectiveness of the internal control systems on the detection, investigation and prevention of fraud at TM Pick n Pay Msasa Branch.
- To determine the types of fraud at TM Pick n Pay Msasa Branch.
- To proffer recommendations on the best policies and measures for preventing fraud in retail supermarkets.

1.5 Research questions

- What are the causes of fraud in retail supermarkets?
- How effective are internal control systems in investigating, detecting and preventing fraud at TM Pick n Pay Msasa Branch?
- What are the types of fraud TM Pick n Pay Msasa Branch is experiencing?
- What recommendations can be proffered on the best course of action that can be taken to address the risk of fraud in retail supermarkets?

1.6 Significance of the study

To Retail sector

The findings of this study can be beneficial in creating guidelines to minimize operational hazards and control fraud risks in the retail sector. Even with preventive measures in place to detect and deter fraud, supermarkets can use the study to identify and close the gaps that fraudsters exploit,

thus reducing fraudulent activities. The research will also highlight potential types of occupational fraud in the retail industry, helping investors to understand such fraud and avoid falling prey to it. By doing so, they can avoid incurring significant losses.

To financial Institutions

The management board of financial institutions can utilize the results of this study to minimize fraud by implementing efficient internal control systems and assisting their organizations in ensuring the effectiveness of their internal control systems. They will understand the significance of effective internal control systems in investigating, detecting, and preventing fraud.

To the student

After conducting this research, the researcher will have a comprehensive understanding of fraud and its concepts. The researcher will gain knowledge about various types of fraud prevalent in the retail industry and the effectiveness of internal control systems in detecting, investigating, and preventing fraudulent activities. Additionally, the researcher will gain insight into the impact of fraud on a company's performance. This knowledge will also benefit the researcher in their future employment by aiding in decision-making regarding the implementation of effective internal control systems within their organization.

To Bindura University of Science Education

The study aims to provide lecturers with a deeper understanding of the efficiency of internal control systems in identifying, detecting, and preventing fraud within an organization. Additionally, the research findings will be beneficial to Bindura University students, as they will receive guidance on how to conduct their own research, based on the well-structured and well-written methodology presented in this study.

1.7 Assumptions of the Study

The data collected is trustworthy

- All participants will fully cooperate
- The participants will respond to the questionnaires sent
- Secondary data for the study is easily accessible

1.8 Delimitations of the study

- The study is focused on TM Pick n Pay Msasa Branch, covering a period from 2019-2022.
- The main focus is the nature and causes of fraud in supermarkets and the effectiveness of internal controls in detecting and preventing fraud only.
- The research is going to be done by collecting data from TM Pick n Pay Msasa Branch.

1.9 Limitations of the Study

The information required for this study is highly confidential and sensitive in nature, which may cause the organization to be hesitant about publishing it. Those involved in fraudulent activities within the company may be wary of being exposed, making it difficult to gather the necessary information. Additionally, the research project is being conducted simultaneously with other courses, which creates a time constraint.

1.10 Definition of terms

Fraud: Fraud is the deliberate act of deceiving others to gain an unfair or illegal advantage. According to the Association of Certified Fraud Examiners, fraud involves a purposeful action or inaction that deceives others and leads to a loss for the victim or a gain for the perpetrator. It can also refer to the use of one's job or position to benefit oneself by intentionally misusing or misapplying the resources or assets of the organization they work for.

Fraud Risk is the risk of unexpected financial, material or reputational loss as the result of fraudulent action of persons internal or external to the organization.

Internal control systems: The term "internal controls" refers to a collection of regulations, guidelines, and actions carried out by an organization to ensure that its financial statements are trustworthy, its operations are productive and efficient, and its actions comply with relevant laws and regulations. Internal control is defined by COSO (2013) as a procedure established by the board of directors, management, and other personnel of an entity to ensure that objectives related to operations, reporting, and compliance are achieved with reasonable assurance.

Shrinkage is a financial loss which results from fraud, theft, shoplifting and operational loss.

1.11 Summary

This chapter provides background information on the study, including its purpose and objectives, and explains the significance of the research. It also outlines the limitations that were encountered during the study and how they were addressed. The following chapter will review the conceptual and theoretical frameworks and empirical literature related to the study.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

In this chapter, the focus is on a comprehensive review of existing literature and studies conducted by other professionals, analysts, research groups, and authors that can be found in various texts, articles, publications, and online sources that the researcher has access to. The purpose of this literature review is to provide context for this study by providing an in-depth view of the existing published literature and empirical evidence on factors influencing fraud risk, types of fraud in supermarkets, and the effectiveness of internal controls in reducing fraud risk. The ultimate goal of this literature review is to ensure that the researcher has a thorough understanding of the issue and identifies any prior work in the field and knowledge gaps that require further investigation (Webster and Watson, 2002).

2.1 Definition of terms

2.1.1 What is fraud?

Fraud is an illegal act that involves deceit, concealment, and a violation of trust. According to Murray and Littlewood (2022), fraud is the use of deception to cause loss, disadvantage, or deprivation to another person or party. This can take the form of theft, misuse of funds or resources, and more complex crimes like false accounting and supplying false information. In simple terms, fraud is an intentional deception, including lying, misrepresentation of facts, and trickery aimed at gaining an unfair and dishonest advantage.

The Association of Certified Fraud Examiners defines fraud as any intentional act or omission designed to deceive others, resulting in financial harm to the victim or personal gain for the perpetrator. This can involve the misuse of an organization's resources or assets for personal benefit.

Fraud can be categorized into two groups. The first comprises fraud committed by insiders, such as management and employees, while the second is fraud committed by outsiders (Duffield and Grabosky, 2001). Insider frauds, such as theft and financial statement fraud, are more serious, while exogenous frauds, including check fraud, skimming, check kiting, and advance fee fraud, are less severe. These definitions indicate that certain characteristics must be present for an activity to constitute fraud.

According to the Criminal Law (Codification and Reform) Act [Chapter 9:23], fraud is defined as the intention to cause harm to another person by acting upon a misrepresentation or the awareness that there is a real risk or possibility of someone acting upon a misrepresentation to their detriment.

2.1.2 What is Risk?

According to the Institute of Internal Auditors (2012), risk refers to the likelihood of an uncertain event occurring that could negatively impact the achievement of business objectives. In this study, the term risk in relation to small and medium-sized enterprises (SMEs) will refer to the susceptibility of the sector to retail fraud such as vendor theft, cash register tampering, misappropriation of funds, and credit card fraud, which is being driven by advancements in technology, weak internal controls, opportunity, and pressure.

2.2 Conceptual framework

In this section, several important concepts and variables relevant to this study are elaborated. These include fraud risk in the supermarket sector, factors leading to fraud in the retail industry, and types of fraud commonly found in supermarkets. The authors Lettie, Svincki, and Shi (2010) describe a conceptual framework as a set of interconnected ideas that explain how a specific phenomenon relates to its various components. Conceptual frameworks are crucial as they identify the relevant variables and their relationships. The researcher has developed a conceptual framework based on the reviewed literature, which is presented below.

Independent Variables

These are the factors that influence the risk of fraud in the retail sector both fraud by employees and also by third parties external to the firm. Thus fraud risk in the retail sector will depend on these factors which include:

Corporate Governance

- Internal controls

Staff attitude

- Greediness

Employment Lifestyle

- Financial pressure

Dependent variable

In this study the dependent variable is the fraud risk in the retail sector thus it depends on the variables above. This study is aimed at assessing fraud risk in the retail sector which is influenced by corporate governance, staff attitude and lifestyle.

2.2.1 Fraud vulnerabilities in the retail sector

According to a Survey by Deloitte (2015), the following are the fraud risks in the retail sector:

Procurement and Supplier Risk

This type of fraud includes activities such as bid rigging, price manipulation, bribery, kickbacks, non-existent vendors, conflicts of interest, and dubious vendor relationships. Accomplices in this type of fraud can include employees in collusion with suppliers or third parties.

Supply Chain Risk

Diversion of goods or pilferage of stocks, as well as undisclosed commission payments, related party arrangements, quality compromises, and product substitution schemes by suppliers. This type of fraud is often carried out by employees in collusion with suppliers or transporters.

Shrinkage/ Loss or Theft of Inventory

Employee theft, such as picking or packing fraud, misuse, spoilage, shoplifting, barcode/POS manipulation, process failures, and errors, is the main cause of retail shrinkage, which is estimated to cost the retail industry more than \$94.5 billion in losses and an average retail shrink percentage

of 1.44 percent in 2021. While some shrinkage is unavoidable, retailers aim to keep their total shrink percentage below one percent.

Bribery and Corruption Risk

The retail industry is at a high risk of bribery and corruption due to the involvement of numerous third-party touch points in the procurement and supply chain process. These touchpoints include interactions with government officials to obtain approvals and licenses related to business operations.

Product Counterfeiting

Counterfeiting products by using unauthorized representations of registered trademarks on goods, similar to the goods for which the trademark is registered, to deceive purchasers into believing they are buying the original product. The proliferation of grey market goods as a result of diversion of goods or pilferage of stocks.

2.2.2 Causes of fraud in the retail sector

Fraud is a major issue in the retail sector, and it's crucial to understand its causes to develop effective prevention and detection strategies. According to Albrecht et al. (2019), the primary causes of fraud in the retail sector include poor management, weak internal controls, and a lack of ethical culture. The authors also suggest that the industry's competitive nature, high employee turnover, and complex supply chain contribute to fraud risk.

One of the leading causes of fraud in the retail sector is poor management. Inadequate leadership can lead to an environment where employees feel undervalued and unmotivated, increasing the risk of fraudulent activities (ACFE, 2018). Additionally, poor management can result in inadequate training, inadequate supervision, and a lack of accountability, which can create opportunities for fraud (ACFE, 2018).

Weak internal controls are another significant cause of fraud in the retail sector. Internal controls are policies and procedures established by management to ensure the integrity of operations, financial reporting, and compliance with laws and regulations (COSO, 2013). When internal controls are weak, it creates opportunities for fraud, leading to significant financial losses for the organization (ACFE, 2018).

A lack of ethical culture is also a significant contributor to fraud risk in the retail sector. An ethical culture encourages employees to act with integrity and report any suspected unethical behavior (ACFE, 2018). When an ethical culture is absent, employees may be more likely to engage in fraudulent activities, believing their actions will go unnoticed or will be condoned by management (Albrecht et al., 2019).

Finally, the competitive nature of the retail industry, high employee turnover, and complex supply chain can contribute to fraud risk. The fast-paced and high-pressure environment of the retail industry can create a culture where employees are more likely to engage in fraudulent activities (ACFE, 2018). Additionally, high employee turnover can make it difficult for organizations to maintain effective internal controls and an ethical culture. Lastly, the complex

2.2.3 Types of fraud occurring in Supermarkets

The act of fraud is defined as an unjust gain acquired by individuals who deliberately misuse resources and assets of an organization for their own benefit. Retail fraud can come from both internal and external sources and can be categorized into different types such as purchase fraud, cash-safe fraud, employee and customer theft fraud, sales fraud, discount fraud, return fraud, and overtime fraud.

The distribution of frauds in the retail sector is proportionally divided according to the annual global fraud report published by the ACFE, with the majority of frauds being classified as corruption and non-cash fraud, followed by skimming, cash larceny, cash on hand, check tampering, expense reimbursements, register disbursements, and financial statement fraud.

Internal Fraud

Francesca Nicosia (2021) notes that although retailers generally trust their employees, internal fraud and theft can still occur in a retail business. While the majority of retail employees do not engage in fraud against their employer, retailers should still be prepared for such eventualities. Several common forms of internal retail fraud are outlined below:

Sliding

One such form of fraud is "sliding." This occurs when an employee intentionally obstructs the barcode of an item to make it appear as though it was scanned. This type of theft can be hard to

detect, particularly with mobile POS systems, but taking preventative measures and monitoring for indicators are crucial in thwarting sliding.

Cash register tampering

Cash register tampering is another common form of internal retail fraud. According to the International Foundation for Protection Officers (2013), cash tampering is a broad area of fraud, with some of the most common methods including altering the transaction tape, false voids, paid outs, and overages and shortages. Prevention requires both loss prevention personnel and management to monitor and investigate any irregularities that arise. When looking at cash shortages, it is important to inspect transactions from the previous year or two and determine the number and amount of average shortages that have occurred in each store.

Loyalty fraud

Loyalty fraud, also known as rewards or point's fraud, is another type of internal retail fraud that happens when customers or fraudsters exploit loyalty programs for personal gain. If it is a single customer, it is more likely due to a loophole in the terms and conditions that they have discovered accidentally. However, if organized fraudsters are involved, they will leverage technical skills and tools to access existing customer accounts and drain them of loyalty rewards (Barton and Cecily, 2019).

Vendor theft

Vendor theft involves stealing goods from suppliers or vendors in the supply chain. This fraudulent activity is often committed by authorized suppliers or vendors and can be challenging to detect. Retailers should have strict controls in place to prevent this type of fraud.

Discount abuse

Discount abuse by employees fraud occurs when an employee manipulates discounts or reduces prices for a product or service to the point where the company experiences financial loss (Association of Certified Fraud Examiners, 2021). This can range from giving friends and family discounts that they are not entitled to, to colluding with customers to split the difference of fraudulently applied discounts (Fraud Magazine, 2019).

Financial statement fraud

Financial Reporting fraud involves using fictitious bookkeeping entries to inflate a bank's assets and profit, as noted by Millichamp (2002). This type of fraud is committed to hide financial fiddling and make the organization appear to be performing well when it is operating at a loss.

Procurement fraud

Procurement fraud is the unlawful and unethical manipulation of the procurement process to obtain personal gain or benefit (Association of Certified Fraud Examiners, 2021). It involves activities such as bid rigging, kickbacks, and the submission of fraudulent invoices.

Skimming

Skimming is a type of financial fraud where a person takes funds that have not been recorded for shipment or sale without authorization or approval (Wells, 2005). Skimming schemes can occur at the point of sale, where an employee steals cash from a customer's payment, or they can involve the theft of checks or other payments from the mail. Association of Certified Fraud Examiners (2021), concluded that skimming was the most common form of fraud in small businesses in 2020, accounting for 40% of cases.

External Fraud

According to Nicosia (2021), customer fraud and theft can take various forms, and their patterns may differ depending on several factors. Although loss prevention teams may not be feasible for smaller businesses, it is crucial to educate employees about behaviors indicative of theft and fraud, keep a watchful eye on surveillance footage, and take appropriate action when instances of fraud and theft are identified.

Several common forms of internal retail fraud are outlined below:

Credit card fraud

The Federal Trade Commission (2021) defines credit card fraud as a type of financial fraud that involves the illicit use of credit card or card information to make unauthorized purchases or withdraw funds. This form of fraud can be perpetrated in various ways, such as through lost or stolen cards, counterfeit cards, skimming, or phishing scams. The consequences of credit card fraud can be significant, causing substantial losses to both individuals and businesses. According

to the Federal Trade Commission (2021), credit card fraud was among the top three fraud complaints filed to the agency in the United States in 2019, with over 271,000 reports.

Refund fraud

The Association of Certified Fraud Examiners (2021) defines refund fraud as a type of fraudulent activity where scammers exploit retailers' refund and return policies to obtain unwarranted refunds or discounts. This can involve returning stolen merchandise, damaged or used items, or taking advantage of gaps in the retailer's refund policy. It is an overarching term that includes various types of retail theft, such as price switching, employee fraud, and "buy one, steal one." "Buy one, steal one" refers to the practice of purchasing one item while stealing another, then returning both items together. Depending on the store's return policy, this can be accomplished through a combination of receipt less returns, card lookup returns, or returning a single item with a receipt.

Shoplifting, retail theft, or retail fraud

According to Sali, Julka, and Sharma (2012), shoplifting refers to the act of stealing merchandise from a retail store while it is open for business. This is typically done by hiding an item on one's person, such as in pockets, under clothes, or in a bag, and leaving the store without paying for it. In the case of clothing, shoplifters may try on items from the store and leave while wearing them. Although the terms "shoplifting" and "shoplifter" are not legally defined, the offense of shoplifting is generally considered a form of larceny under the law.

2.2.4 Fraud risk management in the retail sector

To tackle the risk of fraud in the retail industry, a comprehensive approach is necessary. This involves upgrading and evaluating internal controls, providing extensive training to employees on fraud prevention, conducting regular risk assessments, and implementing fraud detection software. Thorough background checks and proper employee vetting are also essential. Moreover, reporting of suspected fraud should be immediate, and there should be an anti-fraud team in place to investigate and respond to such incidents promptly.

The management of fraud risk requires a different approach than other risks because it involves intentional misconduct aimed at avoiding detection. Organizations should adopt a proactive strategy rather than merely reacting to fraud incidents if they want to be successful in addressing fraud risks. It is important to establish an anti-fraud framework and internal controls to minimize

the risk of loss through fraud. The presence of anti-fraud controls has been linked to reduced cost and duration of fraud schemes.

An effective fraud risk management framework includes fraud assessment, fraud detection, fraud prevention and fraud response.

Fraud risk assessment

Fraud risk assessment is a methodical strategy for recognizing fraud risks, evaluating their severity and probability, and outlining plans to mitigate them. It reveals which areas and actions are more prone to fraud, evaluates internal controls, and enables organizations to make informed choices about where to allocate their limited anti-fraud resources. To fully exploit the advantages of fraud risk assessment, it should be conducted autonomously and on a regular basis, sponsored by the appropriate authority (such as a board committee), and with cross-functional accountability for the assessment's result.

Fraud prevention

In the realm of fraud prevention, it is important to note that it is not foolproof and cannot prevent all possible fraudulent acts. In such cases, the timely detection of fraud becomes crucial in reducing the damage caused and serving as a deterrent to potential fraudsters. Fraud detection involves the use of monitoring and review tools such as process-level detection controls, substantive testing, and whistleblowing channels to identify fraud as it occurs. A reporting mechanism is then established to ensure that the information reaches the appropriate person. Given the vast amount of data available today, investing in technologies and utilizing analytics to detect and mitigate fraud is becoming increasingly feasible.

The measures below can improve the efficiency of internal control systems in preventing, detecting, and investigating fraud:

Segregating duties: This means dividing the responsibilities of authorization, custody, and record-keeping, so that a single person cannot commit fraud or errors.

Authorizing transactions: Having a designated individual review specific transactions can prevent multiple people from executing transactions, which could be exploited for fraudulent

purposes. This increases the effectiveness of internal control systems in detecting, investigating, and preventing fraud.

Keeping records: Maintaining documentation to support transactions can help trace previous transactions for detecting and investigating fraud.

Supervising or monitoring operations: Monitoring ongoing operational activities can ensure that no fraudulent activities are occurring. This improves the effectiveness of internal control systems in detecting, investigating, and preventing fraud.

Implementing physical safeguards: Using cameras, locks, physical barriers, and other measures to protect property, such as merchandise inventory, can help in preventing, detecting, and investigating fraud.

Enforcing IT general controls: Implementing security controls to limit access to systems and data to authorized personnel, such as password usage and access log review, can help detect and prevent fraud.

Applying IT application controls: Controls implemented by IT applications to manage information processing, such as edit checks to validate data entry, accounting for transactions in numerical sequences, and comparing file totals with control accounts, can enhance the effectiveness of internal control systems in preventing, detecting, and investigating fraud.

Fraud detection

While fraud prevention measures are not foolproof and cannot prevent all potential fraudulent acts, early detection of fraud is crucial for minimizing the damage and serving as a deterrent to potential fraudsters. Fraud detection involves the use of monitoring and review tools to identify fraudulent activities as they occur. These tools may include process-level detection controls, substantive testing, and whistleblowing channels. Once fraud is detected, a reporting mechanism is necessary to ensure that the information reaches the appropriate person. With the abundance of data available today, investing in technologies and utilizing analytics to identify and mitigate fraud is becoming increasingly feasible.

Fraud response

Fraud response strategies are crucial for handling cases of detected or suspected fraud in a careful and consistent manner, with the aim of containing the damage and minimizing losses. Organizations can benefit from incorporating comprehensive investigation protocols, remedial action protocols, and reporting and disclosure protocols into their fraud response plans. If any weaknesses are identified, modifications to the fraud control strategy may be necessary to prevent similar behavior in the future.

According to Deloitte (2015), fraud risk management is an ongoing and dynamic process, rather than a one-time activity. As organizations grow and evolve, their fraud risks also change. Therefore, Deloitte advocates a continuous improvement approach to fraud risk management, which involves regularly assessing where an organization currently stands and where it wants or can be in terms of detecting and preventing fraud.

2.3 Theoretical Framework

Saunders (2003) explains that a theoretical framework is utilized in research to present a preferred way of thinking or to suggest potential actions. In this project, the theoretical framework will serve as a guide and provide consistency to empirical investigation by examining relevant studies and literature on the origins, consequences, and aftermath of white-collar crime. The study is based on several theories, including the rational choice theory, Sutherland's theory of differential association, the fraud triangle, and the fraud diamond theory. These theories form the foundation of the study.

2.3.1 Rational Choice Theory

Akers (2013) explains that white collar crime is viewed by rational choice theory as a decision-making process where individuals balance different choices and choose the one that maximizes rewards. According to this theory, people commit crimes via rational choices because they believe that the benefits outweigh the costs. Ronald Clarke and Derek Cornish conducted research on rational choice theory and identified two theoretical approaches; utilitarianism and traditional economic choice theory. Utilitarianism is based on the idea that individuals make decisions to maximize pleasure and minimize pain. On the other hand, traditional economic choice theory posits that people weigh different options and choose the one that best caters to their needs. In criminology, rational choice theory assumes that humans are rational actors who weigh the costs

and benefits of their options before making a choice. For instance, in the retail sector, customers in desperate need of help might offer a bribe to an employee to get the services they require.

2.3.2 Sutherland's theory of differential association

The theorist proposed that crime is acquired through learning, and not attributable to genetics. Specifically, it is learned from close-knit social circles and associations. As Kulzick (2004) notes, dishonesty is not inherent, but rather adopted from proximate influences. This suggests that company executives and personnel may not initially consider engaging in fraudulent activities, such as financial statement fraud, procurement fraud, or bribery. However, when faced with survival challenges in highly competitive environments, they may be enticed to compromise their moral values to satisfy their ambitions.

2.3.3 The Fraud Triangle

Donald R. Cresey developed the Fraud Triangle Theory to understand why people engage in fraudulent activities and what motivates them to betray trust. In his research, he conducted interviews with 250 criminals who had accepted a position of trust but later violated it. Cresey found that trust violators typically require three factors to commit fraud: a non-shareable financial problem, awareness that this problem can be resolved by violating financial trust in secret, and the ability to adjust their self-concept from a trusted person to one who uses entrusted funds or property.

Kassem and Higson (2012) expanded on Cresey's work and developed a new fraud triangle consisting of three elements: financial pressure, opportunity, and rationalization. These three conditions are considered the basics of a scam. Financial pressure is the primary motivator behind fraud, with about 95% of fraud cases linked to an individual's financial troubles, such as school fees or medical bills. Opportunity refers to the circumstances that enable someone to commit fraud, while rationalization involves justifying the fraudulent behavior to oneself. Fraudsters often develop a specific mindset that allows them to rationalize their actions, such as promising to repay the stolen funds or believing they are not being paid enough.

2.3.4 The Fraud Diamond Theory

The Fraud Diamond Theory, introduced by Wolfe and Hermanson in December 2004, expanded upon the Fraud Triangle Theory by adding a fourth element called capability. This element

suggests that the perpetrator must possess the necessary skills and abilities to carry out the fraud, in addition to having the opportunity, incentive, and rationalization.

According to Wolfe and Hermanson (2004), opportunity is the gateway to fraud, while pressure and rationalization lead the person towards it. Capability, on the other hand, allows the individual to recognize the opportunity and turn it into a reality. It encompasses the traits, skills, and abilities that enable a person to recognize and exploit a particular opportunity to commit fraud. Moreover, capability is supported by additional elements such as position, intelligence, ego, coercion, deceit, and stress, which aid the fraudster in concealing their deceit.

Therefore, not every individual who has the motivation, opportunity, and rationalization to commit fraud may actually do so due to a lack of capability to carry it out. The Fraud Diamond Theory provides a more comprehensive understanding of the factors that contribute to fraudulent behavior and highlights the importance of considering the perpetrator's abilities and skills in preventing fraud.

2.4 Empirical evidence of the study

The researcher will examine the existing literature in this field, including topics, objectives, samples, methodology, and findings of previous scholars.

Confronting theft and fraud in Companies Taurai Changwa (2016)

In a study conducted by Changwa (2016) on fraud and theft in Zimbabwean companies, the aim was to investigate the causes of fraud, its impact, and the methods of mitigating it. The findings revealed that fraud and theft pose a significant risk to a business and could lead to its failure if not addressed promptly. The study cited an example of OK Zimbabwe, a supermarket chain, which experienced shrinkage that led to the loss of over \$3 million. Changwa recommended the need for companies to implement robust internal or external control measures to reduce fraud and theft. Such measures would include policies that demonstrate zero tolerance for fraud and theft, installing CCTV cameras, hiring auditors, and separating employee duties. The study cautioned Zimbabwean companies against multi-tasking in an attempt to reduce costs as this could have severe consequences in the long run.

Shrink in the retail industry,” NRF & University of Florida (2018)

In a study conducted by the National Retail Federation (NRF) and Dr. Richard Hollinger from the University of Florida, 60 retailers in the United States were surveyed to measure their losses due to "shrinkage" in 2017. The term "shrinkage" includes fraud, theft, and administrative errors. The study found that shrinkage accounted for 1.44 percent of their sales, with fraud and theft making up a significant 88.1 percent of that loss.

The risk of fraud occurring in the retail sector depends on variables such as weak internal controls, opportunity, greed, low salaries and financial pressure. Many research studies have been done by different researchers that prove that these factors can determine the occurrence of fraud in an organization:

In 2018, the University of Portsmouth in the UK conducted a study to analyze the circumstances behind employee fraud in the retail industry. The study discovered that inadequate internal controls, insufficient supervision, low employee morale, and subpar security measures were among the primary factors that heightened the possibility of fraud taking place in retail organizations.

In 2016, Siti-Nabiha and Norhayah examined the extent of fraud risk in retail supermarkets in Malaysia by analyzing the level of awareness of fraud among employees and the effectiveness of internal controls in detecting and preventing fraudulent activities. The study found that fraud risk was prevalent in retail supermarkets, with weak internal controls and low levels of employee awareness of fraud being the major contributing factors.

Similarly, in 2019, Al-Obaidi and Al-Saadi conducted a study on the risk of fraud in retail supermarkets in Oman. The study analyzed the factors that contribute to fraud in retail supermarkets and evaluated the effectiveness of internal controls in detecting and preventing fraudulent activities. The study found that a lack of supervision, weak internal controls, and inadequate training and education programs contributed to high fraud risk in retail supermarkets.

Barra (2010) carried out a rational inquiry to establish the effectiveness of penalties in preventing fraud. The study examined the impact of preventive measures on both managerial and non-managerial employees and indicated that introducing controls and separating job roles could result in a decrease in fraud by increasing the repercussions of fraudulent acts. In other words, in order

for fraud to be committed, employees must face considerable countermeasures that raise the cost of fraud. Thus, implementing adequate preventive controls is crucial in deterring fraudulent activities.

Wells (2001) found a correlation between employee theft and pressure at work. Disgruntled employees who have perceived unfair treatment tend to resort to fraudulent activities. This is consistent with Moorthy et al.'s (2001) research on the importance of fair compensation in shaping employee behavior and effectiveness in managing company resources. For instance, Yahla's study (2001) on computer crime indicates that enhancing employee rewards and creating less stressful work environments can reduce incidences of computer-related fraud.

Duffield et al. (2001) conducted a comprehensive review of literature and desk research and found that the main motivators for fraud are financial pressure, ego, and power hunger, along with the rationalization of fraudsters. However, their study did not contribute to our understanding of the rationalization process and the factors that support it.

Overall, while these studies provide valuable insights into the motives behind fraudulent behavior and detection methods, there is still a need for further research to better understand the rationalization process and personal characteristics that could predict fraudulent behavior.

In 2012, Tamer conducted an empirical analysis to explore the factors that contribute to fraud in Turkey. Using the Fraud Triangle theory, Tamer evaluated the corporate governance principles of various companies across sectors to determine how they create opportunities, incentives, and rationalizations that increase their vulnerability to fraud. The study collected data from 146 executive managers through self-administered questionnaires, with the number of fraud cases faced by the executives used as the dependent variable. The study employed several predictors, including the existence of fraud policies and written fraud procedures, the number of employees, the level of company revenue, and publicly traded companies, to forecast the probability of fraud occurring in a company.

The survey results indicated that companies with weak internal controls had a 97.6% likelihood of being vulnerable to fraud. Tamer's study provides valuable insights into the determinants of fraud in Turkey and highlights the importance of effective internal controls as a means of preventing fraudulent activity.

The importance of monitoring sales transactions and inventory levels to prevent fraud in retail businesses by Albrecht and Albrecht (2004)

Albrecht and Albrecht (2004) stressed the significance of monitoring sales transactions and inventory levels in preventing fraud within retail businesses. The researchers noted that by monitoring sales transactions, discrepancies between the recorded amounts and the actual amounts collected can be identified, which can help detect fraudulent activities such as skimming and cash larceny. Additionally, monitoring inventory levels can prevent fraudulent activities such as inventory theft and fraudulently recorded inventory by detecting any discrepancies between the recorded and actual inventory levels.

The researchers recommended implementing internal controls such as separating duties and conducting surprise audits to enhance the effectiveness of monitoring sales transactions and inventory levels in preventing fraud. They also suggested the use of technology like point-of-sale systems and inventory tracking software to automate the monitoring process and improve the accuracy of the collected data.

The Causes of Employee Theft and Strategies for Prevention in the Retail Sector: An Analysis of Literature and Interviews" by Claudia C. Marshall, Lisa M. Ellram, and Wendy L. Tate (2009).

Marshall, Ellram and Tate (2009), conducted a study which reviewed literature and interviewed loss prevention professionals, explores the causes of employee theft in the retail sector, including supermarkets. The authors identified low salaries, opportunity, and greed as principal factors contributing to employee theft in this sector. Additionally, the study discusses various strategies to prevent employee theft such as increasing salaries, enhancing employee screening and training, and employing security measures like surveillance cameras and EAS systems. In conclusion, the study highlights that preventing employee theft in the retail sector requires a comprehensive approach that addresses the root causes of theft and implements effective prevention strategies. The authors recommend that retailers adopt a proactive approach to prevent employee theft by investing in their employees and implementing robust prevention measures.

The Effectiveness of internal control on detection and prevention of fraud on commercial banks listed in Nairobi securities exchange.

Silas Nyaga Micheni conducted research on the effectiveness of internal control systems in preventing and identifying fraud in Nairobi-listed commercial banks at the University of Nairobi in 2016. According to the study's findings, internal control measures are effective in detecting and preventing fraud. This study showed a strong relationship between a company's implementation of internal controls and its ability to detect and prevent fraud. The report identified that each internal control element, as suggested by COSO, aided in preventing and detecting fraud. The evaluation of risks, particularly those related to fraud, could aid in deterring fraudulent behavior.

The research also revealed that job insecurity, inadequate bank leadership, an increased financial burden on managers, poor management of the bank, insufficient training of bank staff in fraud practices, ethical and regulatory standards set by bank management and the regulatory body, as well as a strong internal control system, are crucial in preventing fraud in the banking industry. On the other hand, non-compliance with these standards and a weak internal control system can serve as key drivers of fraudulent behavior, ultimately hindering the effectiveness of internal control systems in detecting and preventing fraud.

The causes, impact and prevention of employee fraud: A case study of an automotive company

Mastura Omar, Anuar Nawawi, and Ahmad Saifu Azlin Puteh Salin performed a 2016 study on employee fraud in India, examining its causes, effects, and prevention methods. The study found that asset misappropriation, such as theft of cash and inventory, is the most frequent form of fraud, and it can occur at all levels of the organization. However, the study found that fraud was more prevalent in the operations and sales departments. The majority of those who committed fraud were men, new hires, and young adults, who were motivated by a lack of knowledge about fraud behavior, lifestyle choices, and financial stress. The study had a few limitations and implications; it supports the Fraud Triangle Theory and Fraud Diamond Theory's root causes of fraud and confirms prior research and surveys on fraud's impact, origins, and effects conducted by international professional firms.

A study by KPMG (2018) was conducted to assess the effectiveness of internal controls in retail supermarkets, they found that internal controls were ineffective in preventing and detecting fraud in the retail sector in the United Kingdom. The study identified several reasons for this, including

outdated controls, lack of employee training, inadequate monitoring, and a lack of senior management oversight.

A research study by Kranacher and Riley Jr. (2004) on the impact of financial statement fraud on the retail industry and the steps that can be taken to prevent it.

The research study conducted by Kranacher and Riley Jr. (2004) aimed to examine the impact of financial statement fraud on the retail industry and the steps that can be taken to prevent it. The study found that financial statement fraud has a significant negative impact on the retail industry, including loss of shareholder value, damage to reputation, and increased regulatory scrutiny.

The researchers also identified several factors that contribute to financial statement fraud in the retail sector, including weak internal controls, lack of ethical leadership, and pressure to meet financial targets. In addition, the study found that fraud perpetrators in the retail sector often use schemes such as fictitious revenues, inventory manipulation, and improper accounting for leases.

To prevent financial statement fraud in the retail industry, the study recommends a variety of measures, including strengthening internal controls, implementing effective fraud detection and reporting systems, and improving ethical leadership and corporate governance. The study also emphasizes the importance of educating employees and stakeholders about fraud prevention and the potential consequences of financial statement fraud.

2.5 Research Gap

The literature review indicates the absence of research on fraud in the retail industry, which is predominantly studied in the banking sector. Current research on fraud is primarily internal, focusing on employee fraud, whereas this research encompasses external fraud, including consumer theft and shoplifting in the retail sector. Despite the existing studies on the analysis of fraud risk in retail supermarkets, there is still a research gap on the specific types of fraud that occur in these settings and how they can be effectively detected and prevented. Moreover, there is limited research on the role of technology in mitigating fraud risk in retail supermarkets. Therefore, further research is needed to identify the specific types of fraud that occur in retail supermarkets and explore how technology can be used to enhance the effectiveness of internal controls in detecting and preventing fraudulent activities and also despite being aware of the possibility of fraud, supermarkets in Zimbabwe have regularly suffered losses. Therefore, this study investigates

the various types of fraud in the retail industry and retail chains' fraud risk factors in Zimbabwe and proposes practical recommendations to improve their fraud management. This research project seeks to fill these knowledge gaps, boost the existing literature, and add value to the retail industry.

2.6 Summary of literature review

Fraud poses a significant threat to firms, and its impact can lead to significant losses, even the collapse of large organizations. This can affect investors, employees, and government stakeholders. Fraud can harm a company's brand reputation and cause investors to lose confidence. Thus, numerous companies are taking steps to prevent fraud and its associated consequences. Effective governance standards mandate the creation of supervisory bodies and regulations to combat fraudulent activity. Nevertheless, the literature shows that despite these measures, fraud continues to pose a significant challenge in the retail industry. This study aims to investigate the factors that contribute to occupational fraud risk in supermarket chains in Zimbabwe, even with the implementation of preventive measures designed to deter and prevent fraudulent activity.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

This chapter provides an overview of the methodology and design that were used to conduct the research. It covers the research design, population, sample and sampling techniques, data collection instruments, data collection procedures, pilot testing, and data analysis.

3.1 Research Design

To investigate a research problem, a researcher requires a research design that is carefully crafted to enhance the soundness of the results. According to Mugenda (2008), a research design is a framework that guides the research process. Burns and Grove (2007) define it as a blueprint that ensures maximum control over factors that could jeopardize the accuracy of the findings. When developing a research design, it is important to establish clear objectives based on the research questions, identify the sources of data that will be collected, and take into account any potential limitations or constraints that the researcher may encounter.

3.1.1 Case Study

Williman (2005) explains that a case study is a detailed examination of a contemporary phenomenon in a real-life setting, often focusing on a single individual or group. Zaidah (2007) states that this method is useful for investigating and comprehending complex issues around a particular problem. It enables the researcher to gain an understanding of behavioral conditions from the viewpoint of the people involved rather than relying solely on statistical data. Saunders (2003) notes that case study research involves the use of questionnaires and interviews to gather information. A case study is an effective approach for providing a clear explanation of a specific situation, as exemplified by the selection of TM Pick n Pay Msasa Branch as a case study.

3.2 Targeted Population

Cooper and Schindler (2003) provide a definition for population as the complete set of elements for which we aim to draw some conclusion. A target population is described as encompassing all

the individuals or items possessing the traits that one wants to explore and comprehend. To avoid any potential biases, the target population for this research included all employees, from managers to non-managers, at TM Pick n Pay. The study specifically concentrated on the finance, management, and sales departments.

3.3 Sample Population

Sampling, as defined by Hair et al. (2006), is the intentional selection of a group of individuals, referred to as the sample, to gather necessary information that can be used to draw conclusions about the larger group, known as the population. This method allows researchers to study a subset of the entire population due to resource and time constraints.

Given the limitations of this study, it was not feasible to survey the entire population, making sampling necessary. The sample selected for this study included managers and supervisors at the Msasa Branch, non-managerial staff, and management at the head office, chosen to represent the entire TM Pick n Pay Msasa Branch in Zimbabwe.

3.4 Sampling Procedure

This section discusses the method of selecting a sample size from a population of 62 respondents for a study conducted at TM Pick n Pay. The researcher opted for a stratified random sampling technique to ensure that each stratum in the population (managers and supervisors from Msasa branch, non-managerial staff, and management from the head office) was proportionally represented in the sample. The simple random method was then used to select samples within each stratum, resulting in a total sample size of 43. This method was preferred due to its ability to meet the research requirements, cost-effectiveness, and avoidance of conflict of interest. The random selection within each stratum prevented biased respondent selection and eliminated biased responses from the interviews.

3.5 Sample size

The research had a manageable yet sufficient sample size to ensure the accuracy of the findings. A total of 43 individuals were selected from the managers and supervisors at Msasa branch, non-managerial staff, and management at HQ. The researcher opted for a sample size of 43 due to financial constraints and limited time, making the data collection process more feasible. The

limited number of respondents also aided in managing the research project within the given time frame. The population and sample size are presented in the table below:

Table 3.1 Population and Sample size

Category of respondents	Population	SAMPLE SIZE
Managers and Supervisors at Msasa Branch	20	14
Non-managerial staff	32	23
Management at the head office	10	6
TOTAL	62	43

[Source: Primary Data]

3.7 Research instruments

These are tools used for collecting data to find solutions to the problem under investigation. This research used questionnaires and interview schedules and are therefore described below;

3.7.1 Questionnaires

According to Heaton (2004), a questionnaire is a valuable tool for collecting data in a cost-effective manner. It consists of a series of carefully crafted and arranged questions designed to obtain the most valuable data. Questionnaires can be administered through self-administration, postal delivery, or electronic distribution.

In this study, self-administered questionnaires were utilized, incorporating both closed and open-ended questions to maximize the usefulness of the data obtained. This method was selected as the most effective means of collecting data given the research objectives and constraints. The researcher carefully crafted clear and straightforward questions to ensure that respondents could easily understand and respond to them without ambiguity. The researcher also scheduled a meeting with the respondents to collect the questionnaires and received 33 out of 38 questionnaires that were delivered. The purpose of the questionnaire was clearly stated as academic research, and the respondents were familiar with the form of the questionnaire, making it easy to analyze. The use

of questionnaires was chosen because it is a quick and convenient method of gathering required information, and it is a format that most respondents are familiar with.

The Advantages of using questionnaires

- Respondents were provided sufficient time to reflect and respond to the questions, enabling them to express themselves fully without fear of identification.
- A large amount of information can be collected through issuing a sufficient number of questionnaires.
- The data collected can be compared with other research studies to identify changes and trends.

Disadvantages:

- It is difficult to determine the accuracy of respondents' responses.
- Some respondents may have misinterpreted the questions, leading to incorrect responses.
- Some respondents may have forgotten or not fully considered the context of the situation.
- There is a level of researcher bias in developing the questionnaire, potentially leading to the omission of important information.

3.7.2 Interviews

Interviews were employed as an alternative means of gathering data from individuals who were unwilling to complete the questionnaire or who had limited time. The interview questions were carefully selected to ensure relevance and accuracy, in line with the research objectives. Leading questions were avoided to maintain the interest of the interviewee, and all necessary information was recorded. Management from the head office were selected for interviews and was contacted a week before to schedule the interviews and the respondents were interviewed in their offices to ensure privacy, except when a respondent requested for someone to be present during the interview. The interviews were expected to last an average of 30 minutes, but some took longer due to the respondent's comprehension and literacy level. In this study, 5 interviews were conducted.

Moreover, interviews were used to obtain professional views on the topic and complement the information gathered by the questionnaire. The interviews provided clarification on issues that could not be clearly addressed in questionnaires. Individual interviewing was used to allow every respondent to express their thoughts without being influenced by group psychology.

Interviews were also used to collect information on the effectiveness of fraud management in curbing fraud, the causes of fraud, and the types of fraud that have occurred. Interviews allowed the interviewer to clarify questions when needed and to obtain personal and sensitive information and beliefs from the respondents. The verbal and non-verbal behaviour of the respondents during an interview was important when gathering information. However, some respondents held back important information they felt was not in their best interest to release, and some felt uneasy and intimidated during the in-depth interview.

Advantages of using interviews are that:

- Flexibility in terms of interview scheduling and location
- The interviewer can adapt to the interviewee's communication style, leading to a more natural and productive conversation

Disadvantages of employing interviews include:

- High cost and time investment required to conduct interviews
- The potential for interviewer bias, with some respondents' answers influenced by their perceptions of the interviewer's age, class, or physical appearance
- Difficulty in accessing busy respondents, resulting in a limited sample size

.3.8 Data collection procedures

The researcher requested permission from TM Pick n Pay Msasa Branch authorities by submitting a letter and obtaining confirmation from Bindura University. This approval allowed the researcher to conduct the study without interruption from other employees. Prior to data collection, the interview guide and questionnaires were prepared. Respondents were chosen randomly to complete the questionnaires, while a key informant approach was used during the interviews. The researcher distributed the questionnaires and provided clear instructions for filling them out.

During the interviews, the researcher led by asking questions and noting down their responses. Non-verbal cues such as head nodding and moments of silence were also used to encourage participants to share additional information. The collection of completed questionnaires was followed by a word of gratitude to the respondents for their contribution to the study.

3.9 Validity and reliability of the research instruments

Gliem and Gliem (2013) define validity as the extent to which a questionnaire or survey measures what it is intended to measure. The researcher utilized simple and precise language to design the questionnaire, ensuring that the respondents clearly understood each question. To ensure the validity of the research instruments in gathering information related to the research problem, the researcher carefully reviewed the approach utilized. The questionnaire responses were meticulously examined for incompleteness, omissions, illegibility, and inconsistencies to ensure the reliability of the data obtained. This approach facilitated the researcher's ability to draw accurate conclusions and generalize the findings. In essence, reliability denotes the research instruments' capacity to generate consistent and accurate results that are meaningful and relevant to the research objectives. In light of this, the questionnaires used in this study were examined for validity by ensuring that each question addressed the research problem and objective. Furthermore, to ensure the reliability and validity of research instruments, the researcher conducted a pilot study.

3.10 Pilot study

The researcher conducted a pilot study at TM Pick n Pay Msasa Branch to test the validity by asking short questions to employees and a manager. The pilot study helped to test both the validity and reliability of the research project. As a result, the researcher was able to experiment with various measures and ultimately choose the ones that produced the clearest results for the main study. In addition, the pilot study revealed the need to revise the questions for more clarity and relevance.

3.11 Methods of data presentation and analysis

The process of data analysis entailed summarizing, comparing, synthesizing, and applying statistical tools to make the gathered data more comprehensible, and to interpret the results in relation to the research problem. For ease of understanding, data was represented using descriptive statistics and tables were chosen to display survey responses due to their simplicity and

transparency. The researcher made use of both qualitative and quantitative analysis techniques. In instances where data could not be expressed numerically, qualitative analysis was employed, using statements to interpret the data. On the other hand, quantitative analysis made use of tables, bar graphs and pie charts to represent the findings numerically, converting responses into percentages for ease of comprehension.

3.12 Ethical considerations

The ethical norms safeguarded the rights, dignity, and safety of the study subjects. The researcher encouraged the respondents to give their voluntary assent, ensuring that the avoidance of injury to subjects was a top priority. The firm executive permitted the sensitive internal study, authorizing the researcher to write on behalf of the participants and addressing the common issue of treating people as passive subjects that respond to scientific stimuli unilaterally. It was explained to the participants that their participation was voluntary and that they would receive respectful, equitable, and dignified treatment. The researcher ensured anonymity, confidentiality, and privacy of the participants' personal information, preventing the linking of completed questionnaires to study participants. The questionnaire was designed to omit personal identification information to maintain the confidentiality of the respondents. This approach eliminated the possibility of biased responses that typically result from unidirectional scientific stimuli.

3.13 Summary

This chapter explored into the research methods employed by the researcher. It examined the case study of TM Pick n Pay, population and sample size, which provided an understanding of the need for stratified random sampling. The research tools for data collection were evaluated, along with the advantages and disadvantages of the research methods and instruments employed. The data collection procedures, presentation, and analysis were thoroughly explained and defended. The subsequent chapter will focus on data presentation, analysis, and discussion, which will be mainly presented through tables and graphs.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents the research findings, which have been carefully analyzed and interpreted in relation to the study objectives. Previous chapters have provided a theoretical foundation for the analysis of the data collected, including the research problem, literature review, and methodology. The data was collected through questionnaires and interviews and was analyzed using tables, bar charts, pie charts, and simple percentages. To ensure relevance and clarity, the analyzed information was selected based on its importance to the research objectives. The findings were thoroughly analyzed to draw reasonable conclusions regarding the fraud risk in retail supermarkets, utilizing a survey of TM Pick n Pay Msasa Branch.

4.1 Data Presentation Process

Following the collection of completed questionnaires and interviews, the researcher analyzed the responses from different respondents to draw conclusions. The data was presented based on the information obtained throughout the research. A population sample of 43 respondents was selected for this study, and the data was analyzed using descriptive statistics analysis to gain insights into the research objectives.

4.2 Response Rate Status

Table 4.1 Questionnaire Response Rate

Research Subject	Questionnaire Distributed	Questionnaire Returned	Percentage Response Rate %
Managers and Supervisors at Msasa Branch	12	9	75%
Non-managerial staff	26	24	92%

Total	38	33	86.84%
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Source: Primary Data (2023)

According to Table 4.1, the participants had an average response rate of 86.84%. Out of the 38 distributed questionnaires, only 33 were answered, resulting in an 86.4% response rate. Jackson (2011) suggests that a response rate of 70% and above is excellent for questionnaire surveys. The high response rate achieved in this study indicates an accurate representation of the target population. It is crucial for surveys to have a high response rate to produce reliable and helpful outcomes. The high response rate demonstrated the willingness of respondents to participate.

Table 4.2 Interviews response rate

Research subject	Targeted respondents or interviewees	Actual respondents (frequency)	Response rate (%)
Management (Head Office)	5	3	60%
Total	5	3	60%

Source: primary data

Out of the 5 managers selected for interviews at the head office, only 3 were available and interviewed on different days. This resulted in a favorable interview response rate of 60%. According to Bryman & Ema (2003), a response rate of 50% is considered good and representative of the population. The interviews were conducted face-to-face, contributing to the reliability and validity of the research findings. Therefore, the 60% response rate achieved in this study is considered satisfactory.

4.3 Demographic Characteristics of Respondents

The survey included a variety of individuals, and to meet the research goals, it was crucial to collect demographic data such as gender, age, education level, job position, and work experience.

The researcher believed that these demographic factors were essential in ensuring the credibility of the study, as they can contribute to the accuracy and dependability of the information gathered.

The respondent's demographic data is presented on the table below;

Table 4.3 Demographic profile category

Variable		Number of respondents (n=33)	
		Frequency	Percentage (%)
Gender	Male	20	60.6
	Female	13	39.4
Age	Below 25 Years	15	45.5
	25 - 35 Years	8	24.2
	36 - 45 Years	4	12.1
	45 Years and Above	6	18.2
Highest level of education attained	Ordinary Level	9	27.3
	College level	10	30.3
	University level	10	30.3
	Post Graduate level	4	12.1
Position	General Employee	6	18.2
	Supervisor	11	33.3

	Cashier	7	21.2
	Manager	9	27.3
Work experience	Less than 1 year	3	9.1
	1 – 2 Years	7	21.2
	3 – 5 Years	13	39.4
	More 5 years	10	30.3

[Source: Primary Data]

4.3.1 Respondents Gender

The study aimed to determine the gender of the respondents, and the results presented in Table 4.3 indicate that the majority (60.6%) were male, while 39.4% were female. This suggests that supermarket chains have a higher proportion of male employees than female.

4.3.2 Respondents Age

In terms of age, the majority of respondents (45.5%) were below 25 years, followed by 25-35 years (24.2%), above 45 years (18.2%), and 36-45 years (12.1%). The large representation of different age groups suggests that the respondents' responses were likely to be dependable and unbiased based on their real-life experiences.

4.3.3 Experience of the Respondents

The study also sought to explore the respondents' work experience, and the findings indicate that 39.4% had worked between 3-5 years, while 30.3% had work experience of more than 5 years, and 21.2% had 1-2 years of experience. This suggests that 69.7% of the respondents had reasonable understanding of the subject matter, having worked for over a year.

4.3.4 Respondents` Level of Education

Regarding the respondents' level of education, 30.3% had attained college and university education, while 27.3% had attended ordinary level, and 12.1% had postgraduate degrees. This indicates a good distribution of respondents with diverse educational backgrounds that may be well versed in the subject matter.

4.3.5 Respondents` Position

The respondents were requested to indicate their positions within the organization, with the results presented in Table 4.3 indicating that 33.3% were supervisors, 27.3% were managers, 27.2% were cashiers, and 18.2% were general employees. This distribution suggests that the respondents were well-represented across the organization, with no indication of bias in the study.

4.4 Causes of Fraud in the retail sector



[Source: Primary Data]

Figure 4.1 Causes of Fraud in the retail sector

The graph presented in Figure 4.1 indicates that 39.39% of the respondents agreed that financial pressure is a leading cause of fraud. Financial pressure can drive individuals to engage in fraudulent activities, such as skimming and shoplifting, when they feel overwhelmed and desperate for money. Mastura Omar et al's (2016) research supports this finding, as it identified financial pressure as a significant cause of fraud in organizations. Similarly, Wells (2001) alluded to employees being more likely to embezzle resources when faced with pressure.

Opportunity and low salaries were also identified by respondents as causes of fraud, with a similar response rate of 9.09%. Fraud cannot occur without an opportunity to commit it, and low salaries may lead to employee resentment and a lack of motivation, which can result in misconduct or even stealing from the employer. Mastura Omar et al's (2016) research also supports this finding, identifying opportunity as a significant cause of fraud and also Marshall, Ellram and Tate (200) the authors identified low salaries, opportunity, and greed as principal factors contributing to employee theft in this sector. Additionally, the study discusses various strategies to prevent employee theft such as increasing salaries, enhancing employee screening and training, and employing security measures like surveillance cameras and EAS systems .

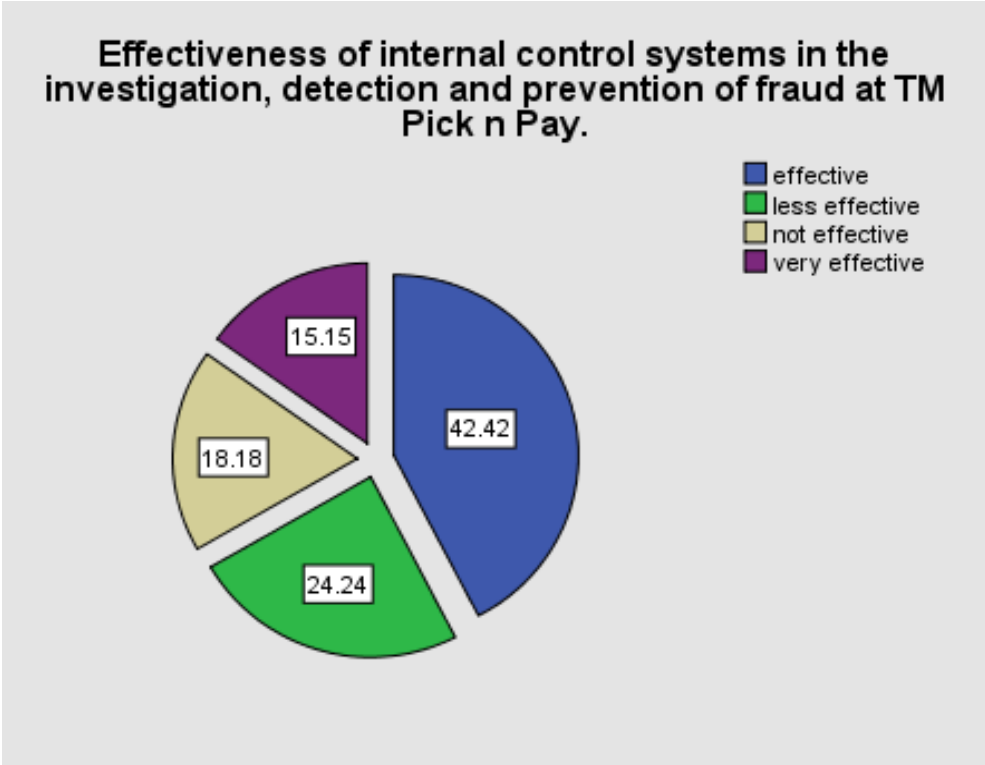
Greediness was indicated by 24.24% of the respondents as a cause of fraud. People's selfish desire for wealth and possessions can lead them to engage in fraudulent activities within their workplace. Yakubu et al's (2017) research supports this finding, identifying greed on the part of employees as a cause of fraud. Their findings showed that greed on the part of employees was one of the causes of fraud. The study revealed that individuals who are driven by greed are more prone to engaging in fraudulent activities, such as embezzlement, financial statement fraud, and asset misappropriation.

Weak internal controls were also identified as a cause of fraud in the retail sector, with a response rate of 18.18%. A lack of checks and balances, oversight, and accountability can foster an environment that allows fraudulent activity to go undetected and unreported. A culture of complacency can also arise when employees do not take the necessary steps to identify and report fraudulent behavior. University of Portsmouth's (2018) research found that weak internal controls and supervision were key factors that increased the likelihood of fraud occurring in retail organizations.

The findings from the questionnaires were consistent with the feedback from the interviews conducted which showed that the major cause of fraud was financial pressure, followed by greediness and then weak internal controls.

In conclusion, the research findings indicate that financial pressure, opportunity, low salaries, greediness, and weak internal controls are significant causes of fraudulent activities in the retail sector. It is crucial for organizations to implement strong internal controls, regular staff training, and strict supervision to prevent fraudulent activities. These measures can help create a work environment that promotes accountability, transparency, and integrity, and ultimately protect the financial interests of the organization.

4.5 The effectiveness of the internal control systems on the detection, investigation and prevention of fraud at TM Pick n Pay.



[Source: Primary Data]

Figure 4.2 Effectiveness of internal controls in detection, investigation and prevention of fraud

According to the research findings presented in Figure 4.2, the majority of respondents (42.42%) agreed that the internal control systems at TM Pick n Pay Msasa Branch are effective in the investigation, detection, and prevention of fraud. Some respondents indicated that the internal control system at TM Pick n Pay Msasa Branch is less effective (24.24%) or very effective (15.15%) in this regard. This was also supported by the majority of the interviewees.

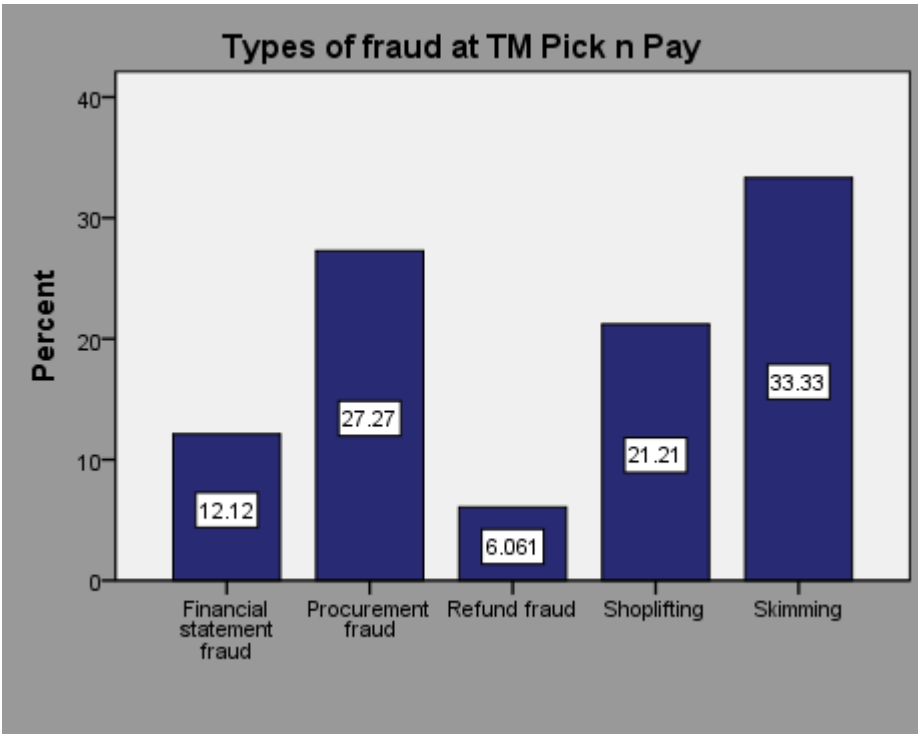
The respondents also indicated that some fraud cases have been investigated and detected using the existing internal control systems, and that the effectiveness of the internal controls has contributed to a decrease in fraud cases at TM Pick n Pay. The internal control systems at TM Pick n Pay Msasa Branch were found to include components such as risk assessment, physical controls, and monitoring processes, as discovered during interviews. S.N. Nyanga (2016) carried out a research on the effectiveness of internal control systems in the detection and prevention of fraud in commercial banks. His findings were that the internal controls such as regular staff training, strict supervision, and effective monitoring, was effective in detecting and preventing fraudulent activities in commercial banks.

However, 18.18% of the respondents agreed that the internal controls at TM Pick n Pay Msasa Branch are not effective in the detection and prevention of fraud. This was attributed to factors such as nepotism and negligence in investigating, detecting, and preventing fraud using internal control systems. Some fraudulent activities may also go undetected due to a lack of reporting by employees who are aware of such activities. This finding is supported by a study conducted by KPMG (2018) on the effectiveness of internal controls, which found that internal controls were ineffective in preventing and detecting fraud in the retail sector due to factors such as outdated controls, lack of employee training, inadequate monitoring, and a lack of senior management oversight.

In summary, the research findings showed that the majority of respondents considered the internal control systems at TM Pick n Pay Msasa Branch to be effective in detecting, preventing, and investigating fraud. However, a significant minority of respondents believed that the internal controls were not effective, and pointed to issues such as nepotism and negligence as contributing

factors. To improve the effectiveness of internal controls in preventing and detecting fraudulent activities, it is recommended that organizations provide regular staff training, implement strict supervision and effective monitoring, and ensure that senior management provides oversight to the internal control systems. It is also important to encourage employees to report any suspicious activities to help identify and prevent fraudulent activities.

4.6 Types of fraud at TM Pick n Pay



[Source: Primary Data]

Figure 4.3 Types of fraud at TM Pick n Pay

The above figure shows that the majority of the respondents 33.33% agreed that the main form or type of fraudulent activity at TM Pick n Pay Msasa Branch is skimming, followed by a 27.27% response rate agreeing to procurement fraud. The other 21.21% of the respondents stated that shoplifting is the other type of fraud in the retail sector and the other 12.12% indicated financial statement fraud. The least respondents (6.06%) indicated that refund fraud is another type of fraud at TM Pick n Pay

The data presented indicates the types of fraudulent activities identified by respondents at TM Pick n Pay Msasa Branch. Skimming was perceived as the most prevalent form of fraud, with 33.33% of respondents indicating it as the main type of fraudulent activity. Skimming occurs when an employee steals cash from a customer's payment at the point of sale. The researcher suggests that the lack of CCTVs and weak supervision of cashiers in some branches of TM Pick n Pay Msasa Branch may contribute to the occurrence of skimming. The findings of this study are consistent with the Association of Certified Fraud Examiners (2021) report, which found skimming to be the most common form of fraud in small businesses.

The study determined that procurement-related fraud is the second most common form of fraudulent activity in the retail industry, with a response rate of 27.27%. This type of fraud involves various unethical practices such as bribery, kickbacks, falsified pricing, product substitutions, substandard quality, anticompetitive policy violations, counterfeit goods, and collusion between employees and external partners. The majority of respondents in the interviews also agreed that procurement fraud is prevalent at TM Pick n Pay. To prevent such fraudulent activities, the researcher suggests periodically rotating procurement officers. This study's results align with Deloitte's 2015 report, which highlights the retail sector's susceptibility to procurement and supplier-related risks.

Shoplifting was identified as the third most prevalent type of fraud, with a response rate of 21.21%. While some branches of TM Pick n Pay Msasa Branch have strong physical controls in place, such as security guards and CCTVs monitoring every angle of the shop, shoplifting still occurs in some branches. This finding is consistent with the results of Changwa's (2016) study, which identified shoplifting as a contributing factor to retail shrinkage of OK Zimbabwe in 2010.

Financial statement fraud had a response rate of 12.12% , the researcher found out that financial statement is the second least type of fraud because it is committed by the upper management of which some of the lower employees have no idea of it occurring for example general employees and cashiers. And also due to lack of regular audits. This finding is consistent with the research study conducted by Kranacher and Riley Jr. (2004), the study found that fraud perpetrators in the retail sector often use schemes such as fictitious revenues, inventory manipulation, and improper accounting for leases.

Lastly, 6.06 % of the respondents indicated that refund fraud is in occurrence at TM Pick n Pay. Refund fraud include returning stolen merchandise, returning used or damaged items, or exploiting loopholes in a retailer's refund policy. The researcher found out that this type of fraud rarely occurs at TM Pick n Pay Msasa Branch as it was the least to be responded to and also interview respondents showed no idea of this fraud occurring.

The researcher conducted 5 interviews to gather information on the prevalent types of fraud at TM Pick n Pay. During the interviews, the majority of respondents reported financial statement fraud and shoplifting as the most commonly experienced types of fraud across TM Pick n Pay branches.

4.7 Recommendations on the best policies and measures for preventing fraud in retail supermarkets.

The interview and questionnaire responses revealed several measures and policies that can be implemented to reduce fraud in retail supermarkets. These include establishing strong internal controls, such as physical controls like CCTVs, strict monitoring and supervision to prevent skimming and shoplifting respectively, implementing a strong whistleblower policy, and regularly training and monitoring staff on fraud prevention measures.

Many of the respondents suggested that strict supervision and monitoring of sales transactions are the most effective ways to prevent fraudulent activities such as skimming, procurement fraud, and financial statement fraud in retail supermarkets. This involves monitoring cash registers, tracking inventory, and reviewing financial reports to detect any suspicious activity and reduce the opportunity for employees to commit fraud.

Additionally, establishing a strong whistleblower policy can encourage employees to report any suspicious activity and help detect and investigate potential fraudulent activity. Regular staff training on fraud prevention measures can also equip employees with the knowledge and skills to identify and prevent fraudulent behavior.

The majority of interview respondents also recommended implementing strong internal controls, such as physical controls and segregation of duties, as an effective preventive measure in the retail sector. This is supported by Changwa (2016), who recommended measures such as a zero-tolerance policy for theft or fraud, installing CCTV cameras, and separating duties for employees to enhance the effectiveness of internal controls in preventing fraud.

4.8 Fraud cases that has been investigated, prevented and detected at TM Pick n Pay Msasa Branch using the existing internal controls.

The respondents were asked to indicate if there are any cases that had been detected and prevented at TM Pick n Pay Msasa Branch using the internal controls in place, 15 of the respondents indicated that yes, 11 not sure and 7 indicated no. Making the majority of the respondents indicating yes which reinforced the indication that the internal controls at TM Pick n Pay.

4.9 Summary

This chapter focused on analyzing, presenting, and interpreting the data findings in relation to the underlying theory of the study. The research revealed various aspects, including the causes of fraud in the retail industry, the effectiveness of internal controls in detecting, investigating, and preventing fraud, the different types of fraud at TM Pick n Pay Msasa Branch, and the preventive measures that can be implemented to reduce fraudulent activities in the retail sector. The following chapter will summarize the key findings and provide recommendations based on the study's conclusions.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction.

The objective of the research was to evaluate the probability of fraudulent activities in retail supermarkets, by examining the reasons behind fraud in the retail industry, identifying the most common types of fraud at TM Pick n Pay Msasa Branch, and assessing the efficiency of internal measures in mitigating such risks. The final section of the study presents the results, conclusions, and suggestions that correspond with the research objectives.

5.1 Summary of the Study

Chapter 1 provides an overview of this research project, which aims to evaluate the fraud risk in retail supermarkets through a survey of TM Pick n Pay Msasa Branch. The chapter highlights the statement of the problem, research objectives, and the significance of the study. Additionally, limitations and delimitations of the research are discussed.

The research objectives are to investigate the causes of fraud in retail supermarkets, evaluate the effectiveness of internal control systems in detecting, investigating, and preventing fraud at TM Pick n Pay, identify types of fraud at TM Pick n Pay, and recommend best policies and measures for preventing fraud in the retail sector.

Chapter 2 is dedicated to the literature review and theoretical framework, demonstrating the significance of the study by reviewing previous research and justifying the current research objectives.

Chapter 3 outlines the research methodology and design, utilizing a descriptive research design in the form of a survey using questionnaires.

5.2 Summary of the Findings

The purpose of this study was to investigate the causes of fraudulent activities in the retail supermarket sector and to evaluate the effectiveness of internal control systems in detecting, investigating, and preventing fraud at TM Pick n Pay Msasa Branch. Additionally, the study aimed to identify the types of fraudulent activities occurring at the branch and provide recommendations for preventing such activities in the retail sector.

The study revealed that weak internal controls, financial pressures, greediness, low salaries, and opportunity are the primary factors contributing to the high incidence of fraudulent activities in the retail sector. Financial pressure was identified as the major cause of fraud, consistent with previous research by Mastura Omar et al (2016) and Wells (2001).

The study found that skimming, procurement fraud, and shoplifting were the most common types of fraudulent activities at TM Pick n Pay Msasa Branch, with skimming being the most prevalent. The lack of strict supervision and physical controls, such as CCTVs, were identified as contributing factors to the high incidence of skimming. The Association of Certified Fraud Examiners (2021) also found skimming to be the most common form of fraud in small businesses in 2020, accounting for 40% of fraud cases.

The effectiveness of internal control systems at TM Pick n Pay Msasa Branch in detecting, investigating, and preventing fraudulent activities was demonstrated by the study. The most effective internal control system was monitoring processes and physical safeguards, such as CCTVs. The study also reported a decrease in the number of fraud cases at TM Pick n Pay Msasa Branch from 2019 to 2022, which was attributed to the effectiveness of their internal control systems.

To mitigate the risk of fraudulent activities in the retail sector, the study recommended several measures and policies, including regular staff training, regular monitoring of transactions, implementing strong internal controls, and strict supervision of staff. Strict supervision of staff was identified as the most effective measure to reduce the opportunity for committing fraud and to minimize internal fraud risk.

In conclusion, this study provides valuable insights into the root causes of fraudulent activities in the retail supermarket sector and offers practical recommendations for preventing such activities.

The study highlights the importance of implementing effective internal control systems, regular staff training, and strict supervision of staff to reduce the risk of fraudulent activities in retail supermarkets. The findings of this study can assist organizations in developing policies and procedures that can help mitigate the risk of fraudulent activities and protect their financial interests.

5.3 Conclusion

In summary, the research findings indicate that several factors contribute to fraud in the retail sector, including low salaries, greed, weak internal controls, financial pressure, and the opportunity to commit fraud. Financial pressure was identified as the primary cause of fraud. Additionally, the study found that TM Pick n Pay Msasa Branch experienced various types of fraudulent activities, including skimming, shoplifting, refund fraud, financial statement fraud, and procurement fraud.

The internal control systems at TM Pick n Pay Msasa Branch were found to be effective in detecting, investigating, and preventing fraud. To reduce the risk of fraud, firms in the retail sector are advised to implement regular staff training, closely monitor transactions, ensure strict supervision of staff, and establish robust internal controls, particularly when dealing with internal fraud.

Overall, these findings suggest that while there are several factors that contribute to fraud in the retail sector, there are also effective measures that organizations can take to mitigate the risk of fraudulent activities.

5.4 Recommendations

It is recommended that the management of retail supermarkets take proactive measures to prevent fraudulent activities by ensuring that their internal control systems are adequate. This can be achieved through the implementation of strict policies such as whistle-blowing and staff training, as well as rotating employees across various departments to minimize fraudulent opportunities.

The management team of TM Pick n Pay is encouraged to continue to maintain their internal control systems and to ensure that they are free from any weaknesses that may undermine the structure's effectiveness in detecting, investigating, and preventing fraud.

To effectively manage fraud risks, retail supermarkets must adopt a dynamic approach to fraud risk assessments and identify controls that can effectively handle and mitigate risks. It is essential for organizations to function synergistically to create an integrated structure that can respond proactively to changing circumstances. The internal control structure must be closely integrated with effective measures to proactively identify and prevent fraudulent activities.

In addition, it is recommended that retail supermarkets provide attractive pay packages to their employees. This will help to ensure that the average retail sector employee can live above the poverty level and increase job satisfaction.

5.5 Area of further study

The focus of this research was primarily on internal fraud risks, specifically those that arise from employees. While it is important to comprehensively address such risks, it is also necessary to fully exhaust the fraud risk that arises from external factors... Future researchers are encouraged to investigate the root causes of fraud despite the presence of supposedly effective internal control systems, and to identify ways to maintain the effectiveness of such systems in detecting, investigating, and preventing fraud.

Furthermore, it would be useful to conduct studies in other sectors, such as mining or manufacturing, to compare and contrast findings with those of the current study. This would provide a more comprehensive understanding of fraud risks across different industries, and may lead to the development of more effective anti-fraud measures.

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APPENDIX 1

AN ANALYSIS OF FRAUD RISK IN RETAIL SUPERMARKETS: A SURVEY OF TM PICK N PAY MSASA BRANCH FOR THE PERIOD JUNE 2019 TO MAY 2022.

Dear respondent

I am a student at the Bindura University of Science Education studying for a Bachelor of Honors degree in Financial Intelligence. As part of my study, I am required to do a research project. The success of this project depends on your cooperation in answering this questionnaire.

I am kindly asking you to complete the questionnaire attached giving true representations and expressions of your views. Carefully follow the instructions written on the questionnaire and answer all the questions honestly and objectively.

Please be advised that your participation in this study is voluntary and you can at any time decide to withdraw from the study without any prejudice. The information will be confidential and your identity will not be disclosed to any other third parties and will be used strictly for academic purposes.

Your contribution will be greatly necessary and appreciated as the research is targeting your age group.

Thank you for cooperation.

Tanyaradzwa T Shambira (0787390536)

Instructions

1. Fill in the information required by ticking the appropriate box or use the spaces provided to give your opinion.
2. Do not write your name in this questionnaire.

Informed consent form

I have understood the nature of the study and what is required of me. I am willing to participate.

Signature

.....

Participant

Date.....

APPENDIX 2: QUESTIONNAIRE

SECTION A: GENERAL /DEMOGRAPHIC DATA

Please put a tick [] on the appropriate box, and where possible, include an explanation

1. Gender

a) Male

b) Female

2. Age

a) Below 25 Years

b) 25 - 35 Years

c) 36 - 45 Years

d) 45 Years and Above

3. Highest level of education

a) Secondary level

b) College level

c) University level

d) Post graduate level

4. Work experience

a) less than one year

b) 1 to 2 year

c) 3 to 5 years

d) More than 5 years

5. Current position in the organization.

- a) Manager []
- b) Supervisor []
- c) Cashier []
- d) General Employee []

Section B:

Please put a tick [] on the appropriate box, and where possible, include an explanation

5. Has your organization been affected by fraud before?

Yes No Not sure

6. Amongst the following what would you consider as the major causes of fraud in the retail sector?

(Tick 2 only)

Financial Pressure	
Weak internal controls	
Greediness	
Opportunity	
Low salaries	

--	--

Any other cause(s), please specify.....

.....

7. How effective are your internal control systems in the investigation, detection and prevention of fraud.

Very effective	Effective	Less effective	Not effective

8. Are there any fraud cases within your organisation that have been investigated and detected using internal control systems?

Yes []

No []

9. Types of fraud at TM Pick n Pay Msasa Branch

Modus operandi	Doesn't occur	Prevalent	Total
Shop lifting			
Skimming			

Procurement fraud			
Financial statement fraud			
Refund fraud			

Please add any other information which in your opinion is relevant in regard to the type of frauds experienced in the supermarket.....

.....

10. What recommendations can be proffered on the best course of action that can be taken to address the risk of fraud in retail supermarkets?

.....

.....

.....

.....

.....

.....

APPENDIX 3

INTERVIEW GUIDE

Interview Questions

1. How long have you been working at TM Pick n Pay?
2. Are your internal control systems effective in the investigation, detection and prevention of fraud within your organization?
3. If your answer is yes are there any fraud cases that have been detected using your internal controls?
4. What are the types of frauds at TM Pick n Pay?
5. What are the causes of such fraud cases?
6. What do you suggest can be done to address the risk of fraud in retail supermarkets?