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Impact of bank verification number policy on fraud detection and prevention in the Nigerian Banking Industry

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Introduction

Frauds and forgeries have adverse impacts on the economy of every nation where they occur. The banks are highly prone to fraudulent activities due to the nature of their business and the peculiarities of the new payment systems. This study investigates the impact of Bank Verification Number (BVN) policy on the number and value of frauds, profitability and debt recovery of banks in Nigeria from its inception to 2019. The study adopted a survey research design with structured questionnaire subjected to validation and reliability tests by experts and chi-square. Four hypotheses were tested at 5% level of significance. The findings reveal that the adoption of BVN policy has significant impact on reduction of number and value of fraud cases, improvement in profitability of the banks but has no significant impact on the debts recovered by the banks. Therefore, the study recommends that the biometric authentication systems should be maintained and deployed to all banking operations with compliance and monitoring unit established in each branch office in order to protect electronic banking from fraudsters. The policy makers should regularly review and update the BVN operational processes and procedures, devote much more time and resources for research and training especially on the regulatory framework for BVN operations. CBN/NDIC should intensify their efforts in the supervision and monitoring of the activities of the banks to ensure that they comply with the standards for the BVN operations.

Fraud Management Lifecycle Theory Posits

The fraud management lifecycle theory posits that the proper interrelationship of diverse groups and components of these stages will result in successful control and perfect management of fraud in the organizations. Wilhelm (2004) related the fraud management lifecycle with the need for the management to be responsible for reducing fraud chances and proactive in eliminating fraud opportunities; measuring and identifying fraud; and implementing and monitoring internal control, proper preventive and detective, and other deterrent measures. The fraud management life cycle is the proactive use of accurate interconnectivity of stages of activities such as prosecution, investigation, policy analysis, mitigation, detection, prevention and deterrence, both internal and external to the business environment, to enhance an environment and culture that elevates ethical behaviour and promotion (Wilhelm, 2004). The fraud management lifecycle theory is a network lifecycle where each node or stage in the lifecycle is a combined entity that is formed of interrelated and interdependent actions, operations and functions (Albrecht et al., 2010). The adoption of this theory results from its methodical approach for combating frauds. In the first place, this theory creates an environment that deters people from perpetrating both online and offline frauds; it embraces the strategies to avoid frauds from happening; and even, if there is occurrence of fraud, and it has provision for purposeful detection strategy, it provides for reprimand and punishment of the criminals. Iminza, Gikiri & Kiragu (2015) state that the theory is significant with vivid illustrations of the stages of fraud management in a chronological manner and demonstrates what institutional procedures and practices should be installed in place for all kinds of frauds to be perfectly and effectively controlled. Also, it assumes legal, uniform cultural and technological uses in the prevention and detection of fraud. The provision of this theory with its components will be adopted in the examination of electronic banking fraud prevention and detection on the profitability and debt recovery in Nigerian banks. The introduction of BVN was designed essentially to curb the incidence of frauds, increase banks' profitability and improve debt recovery of banks. The BVN has significantly reduced the possibility for fraudsters to impersonate banks' clients and have access to their personal bank information. This has resulted to reduction in the number and value of frauds in the country within the period of study. Thus, the adoption of BVN policy has significant impact on the reduction of the number and value of identity theft fraud cases, increase in profitability but has no significant impact on the debts recovered by the banks. Consequently, the policy makers are advised to ensure that BVN compliance and monitoring unit is established in each branch office. They should also regularly review and update the BVN operational processes and procedures.

Management of the Deposit Money Banks

Study recommends that CBN should continue to modify the existing BVN software to enhance its capacity in fraud detection, prevention and reduction in the Nigerian banking system. The management of the deposit money banks should regularly review and update their BVN operational processes and procedures, especially in the areas of enrolment, identification, verification, fraud management and the linking of customer's unique identity to all related bank

accounts. They should devote much more time and resources to research and training with special focus on BVN operational processes and procedures, risk management and security and data protection. In particular, CBN/NDIC should intensify their efforts in the supervision and monitoring of the activities of deposit money banks to ensure that they comply with the standards for the BVN operations in the Nigerian banking industry. The suggestion for further studies is that similar study should be conducted on microfinance banks, Nigerian capital market, insurance industry as well as the banks in the states not covered by this study.