Study of Fraud Prevention and Detection Techniques in Commercial Banks in Sri Lanka

De Silva, P. O.
Uva Wellassa University, pethmidesilva@gmail.com

Abstract

Purpose: The threat posed by the commercial banks due to the frauds have escalated than ever before making the banks potential victims of countless risks. Therefore, the purpose of this study is to examine the perceptions of the bankers' reference to fraud prevention and detection

Method: Questionnaire which was adapted from Bierstaker, et al. (2006) distributed among banking professionals based on purposive-convenient sampling technique. The questionnaire was developed to reflect participants' opinion on fraud victimization, use, and effectiveness of fraud detection and prevention techniques.

Findings: Protection software and application is found to be the most used technique and as well as the most effective technique. Further reveals a significant relationship between perception on the effectiveness of each technique and the demographic factors as measured in terms of position and years of experience. Furthermore, the study reports a possibility of an increase in fraud levels in the future, being banks as fraud victimization, pressure is being put on them to have clear objectives and planning for use of each fraud prevention and detection technique

Implications: No bank can be immune from frauds. Therefore, it is required to accommodate a sophisticated mechanism where their effectiveness and frequency of application would substantially have an impact on curbing the level of future frauds.

Keywords: Frauds, Fraud prevention, Fraud detection, Commercial banks

1. Introduction

The banking sector which is considered to be the center of the financial circulation process that primarily involves in capital intermediation while reflecting the direction of the economic transformation and growth (Badejo, et al., 2017). In addition to this major role, it involves several other activities that fuel the economy. Banks provide liquidity to the market through its credit facilities and withdraw it through its deposits. Banks allow individuals and businesses to manage the risk which they are exposed mainly through complex financial instruments, guarantees, letter of credits, etc. banks