

**ANALYSIS OF FRAUD IN SUPERVISED FINANCIAL INSTITUTIONS IN UGANDA**

**A CASE STUDY OF STANDARD CHARTERED BANK, PRIDE MICROFINANCE LTD  
(MDI) AND FINCA UGANDA LTD (MDI)**

**BY**

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## ABSTRACT

This study sought to analyse fraud in supervised financial institutions in Uganda using Standard Chartered bank, Pride Microfinance Ltd (MDI) and Finca Uganda Ltd (MDI) as case studies. A sample size of 50 employees from Risk, Audit, Compliance, Collections, Recoveries, Credit and Savings departments was used. Data for the study was collected using a questionnaire and it was analysed using SPSS. The research found that fraud is considered to be a major problem within the Ugandan banking industry and it is very likely that frauds will occur in the financial sector over the next five years due to economic pressure.

From the research, it was noted that the three most common types of fraud are Cash, Kickbacks/bribery/corruption and Cheques while the three most common natures of fraud) are Theft, Abuse/Misuse and Diversion/Misappropriation and the perpetrators are mainly junior non managerial staff and middle level managers and their principle motivating factor(s) for committing the fraud were Personal financial pressure (e.g. payment of school fees, debts etc.), Opportunity, Lifestyle habits, and Greed, the main Reasons given by the perpetrator(s) in justification of their fraudulent actions were ‘Was just borrowing hoping to repay’, ‘Under-paid’ and ‘It was an opportunity to get rich quickly’.

It was noted that the most common measures that have/are being taken to prevent fraud in institutions in Uganda is ‘Improvement or review of internal controls’ and is ranked the second most important. All the other measures are not frequently used and regarded fourth most important while Firewalls, Password protection, and Continuous auditing are the most common fraud technology/ software being used.

Besides ‘Improvement or review of internal controls’ that has/is being taken to prevent fraud in institutions in Uganda, financial institutions should adopt other measures which they are not emphasizing like: Establishing fraud prevention policies, Establishing an ethical code of conduct, Implementing a fraud hotline (whistle blowing), Training employees on fraud prevention and detection, Screening/reference checks on new employees, Establishing a fraud budget, Automated fraud prevention e.g. use of surveillance equipment (cameras), Staff rotation policy, Security department, Ethics training, Use of forensic accountants, Close supervision, Fraud auditing, Inventory observation, Surveillance of electronic correspondence, Limiting opportunities, High deterrence measures, Spot checking and Asset Protection programs.

The institutions should also strengthen both internal and external development of the fraud technology/software that include: Filtering software, Firewalls, Password protection, Continuous auditing, Discovery sampling, Virus protection, financial ratios, Digital analysis, and Data mining.