

**EVALUATING THE IMPACT OF PAYROLL FRAUD ON ORGANIZATIONAL
PERFORMANCE CASE STUDY OF STANBIC BANK-HEAD OFFICE**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
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DECLARATION

I do declare that the contents of this report presented herein, is my original work and has never been produced anywhere before or submitted to any university or institution of higher learning for an award, except where states otherwise by reference or acknowledgment.

Declared by;

Signature:.....

Date.....

ILUNGA NKULU BERNADETTE (student)

APPROVAL

This is to certify that this research proposal has been done with my guidance

Supervisor

Kibuka David

Signature.....

Date.....

DEDICATION

I dedicate this work to my cherished parents and my brothers and sisters and friends, who have all been instrumental in supporting me throughout this journey. Their unwavering encouragement has helped me reach this milestone and complete my research proposal. Also extend my heartfelt gratitude to my friends, my academic supervisor, and everyone who offered assistance when I faced challenges, for their love and care have been invaluable.

LIST OF ACRONYMS

HR: Human Resources

EPR: Enterprise Resource Planning

KPI: Key Performance Indicator

ROI: Return On Investment

FTE: Full-time Equivalent

GAAP: Generally Accepted Accounting

AML: Anti-Money Laundering

FRA: Fraud Risk Assessment

ML: Machine Learning

CPA: Certified Public Accountant

CPE: Certified Fraud Examiner

ABSTRACT

The influence of payroll fraud on organizational performance: a case of Stanbic Bank-Head office. The general purpose of this research is to establish the influence of payroll fraud on ghost workers, false wage claims, and false expense claims. Pursuing the objectives of this research, a survey design was undertaken and questionnaires with 5-point Likert summated rating scales were used. It was analyzed based on multiple regression analysis, and it has identified the result that ghost workers, false expense claims, and false wage claims are found to be the major factors affecting the organizational performance at Stanbic Bank- Head office. Increase in ghost workers negatively affects the organizational performance of Stanbic Bank but not significant when measured against the false expense claims and false wage claims. This means that Stanbic Bank may not grow into developing the potential to help reduce or eradicate unemployment if pragmatic decisions are not taken concerning this. The findings of the paper concluded that proper management of variables on payroll fraud should be encouraged in the Bank.

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CHAPTER ONE

INTRODUCTION

1.1 Background

Payroll fraud transpires when a person unlawfully modifies the payroll system of an organization to distort the computation of employee remuneration for personal gain; this unlawful act can be perpetrated by either employees or employers. Payroll fraud is committed by employees through unethical acts, such as time theft, wherein they log their hours that were not actually worked. Other individuals secretly manipulate the payroll system to enhance their rates of compensation, which is also considered payroll fraud.

Employers defraud workers through denial of wages. They benefit from what they owe workers or to the staff. The payroll fraud mechanism is one that makes the two parties enrich themselves by deceitfully stealing from others. Payroll fraud occurs when an employee or employer manipulates a payroll system to take money they aren't entitled to. Payroll fraud is manifested in everything from misclassifying employees to padding hours worked, to ghost employees that threaten an organization at large.

Payroll fraud is quite a dangerous aspect to organizational performance in that it may bring severe financial losses, reputational damage, and operational disruptions. In particular, small enterprises face unique challenges in combating such fraud due to resource constraints and a lack of anti-fraud programs (Hunt and Jackson, 2010; Building Your Fraud Smart Toolkit, 2012). Payroll fraud can seriously harm an organization's financial integrity, hurt employee morale, and decrease overall organizational performance (Lucifer, 2011). The risk of losing their jobs and experiencing financial difficulties can prompt the employees to search for payroll system weaknesses in the company they can use for their benefit . Hunt and Jackson, 2010, assert that weak security and access controls facilitate fraudulent activities, which can result in inaccurate financial reporting that may lead to material misstatements. While practitioners and researchers stand to benefit from the detection and investment of occupational fraud, such as payroll fraud, there is an open commitment to such cases bearing extensive direct and indirect social costs.

(Lenz and Graycar, 2016) Therefore, organizations should quickly implement strong internal controls, real-time monitoring and employee education to ensure the prevention and detection of payroll fraud. This may be a significant cost in organizations. The Association of Certified Fraud Investigators (ACFE) reveals that payroll fraud accounts for an immense percentage of reported cases of occupational fraud, worldwide.

The payroll fraud extends its roots beyond financial losses and includes damaging an organization's reputation and credibility, which reduces the level of customer and investor confidence. Payroll fraud has immense potential to affect employee morale and motivation. When employees realize fraudulent practices regarding an organization's payroll system, it undermines their trust in the management and engenders feelings of unfairness. Such erosion of confidence may lead to a decrease in job satisfaction, reduced productivity, and increased turnover of employees. Hence, overall performance and efficiency of the organization may be affected negatively. In the face of such potentially negative impacts of payroll fraud, organizations are increasingly recognizing the need to develop stringent mechanisms to prevent the fraud. Calvasina (2007) asserts that the human resource information data is exposed to identity theft while, according to Quarm (2020), there should be vigorous controls that should be put in place to detect and prevent payroll fraud, more so in developing countries. Quarm posits that even though there are inputs to curb the problem, full elimination of fraud cannot be achieved; it could, however, be managed at the minimum level achievable. Payroll fraud may have a significant impact on organizational performance, causing monetary losses, reputational damage, and decreasing employee morale. There is a need for an organization to develop and implement stringent internal control measures so as to cost-effectively prevent and detect payroll fraud in an organization.

Such strategies that organizations may adopt include periodic audits, segregation of responsibilities amongst various employees, implementation of sound internal controls, and usage of technological solutions to prevent or detect payroll fraud efficiently. Monetary losses constitute one of the most apparent repercussions of payroll fraud on the efficacy of an organization (Goldmann, D.P., 2012). Organizations can incur substantial financial detriments as a result of payroll fraud, thereby jeopardizing their overall effectiveness. Such circumstances may result in diminished profitability, liquidity problems, and even the risk of insolvency. Furthermore, employees who are cognizant of or have suspicions regarding payroll fraud may

experience feelings of demotivation and undervaluation, consequently influencing their productivity and general job satisfaction. Payroll fraud damages the reputation of an organization and results in a loss of trust by stakeholders, including clients, investors, and the public at large. Results directly affecting the financial health of the organization are decreased profitability and even bankruptcy as a result of drawing off funds and creating difficulties in cash flow. Knowledge of payroll fraud can demotivate employees, cause distrust, and decrease job satisfaction, adversely affecting productivity and potentially leading to higher turnover rates.

Payroll fraud leads an organization to a bad public image or reputation. In such a scenario, payroll fraud may also have a loss of confidence within the organization, their clients, investors, and other members of the public in general. Legal and Compliance Risks: Being involved in or turning a blind eye to payroll fraud incurs various legal risks, including lawsuits, fines, and penalties, with the added financial burden in terms of audits and legal costs.

Detection of payroll frauds calls for diverting of resources from running the usual business activities and special strategic planning of a company. Payroll fraud entities are subject to increased regulatory scrutiny and auditors' attention, which is likely to increase compliance and oversight costs. By having a clear view and evaluating such attributes, an organization appreciates the overall implications engulfed over payroll fraud and, according to the situation, implements such ways that could act to prevent such illegal activities. To prevent payroll fraud, organizations can implement various strategies such as conducting regular audits of payroll records separating duties within the payroll process to ensure checks and balances, and implementing strong internal controls.

Training and educating employees about the possible risks and penalties associated with payroll fraud can create awareness in them and encourage a culture of accountability across the whole company. This chapter describes in more detail the methodologies required to ensure that indicators of fraudulent activities are not missed by the internal financial managers and employees of the organization. Though it is agreed that the best means of defrauding is prevention because prevention is infinitely more cost-effective than detection, unfortunately, prevention is not always possible.

Thus, it becomes necessary that all the employees should be given apt training to be able to identify key warning signs of fraudulent activity which they can experience while they perform

their daily activities. The organizations need to invest their resources in training and educating their employees about recognizing and reporting the warning signs related to Fraud while performing their professional activities. To mitigate the risk and protect organizational performance, it is essential for organizations to implement effective strategies for preventing payroll Yusuf, Z, Nawawi, H, A. Salin, P, A, S, A., (2020) adds that another is to continuously audit the payroll documents to trace any anomaly or indication of fraudulent involvement.

Another way is that the payroll process is divided, and no employee is granted full authority over the entire process. Also, internal controls should be very strong. This may involve measures as separation of duties, reconciliations regularly made, and having rigorous approval processes in place for payroll details amendments. Organisational performance Organisational performance can be described as an organisation's capacity to effectively and efficiently attain its goals as well as improve results. In the contemporary organisation, organisational performance is defined as the capacity of the organisation to get to its goals against a changing environment continuously. Several elements contribute to the characterization of “successful” organizational performance. These elements are contingent upon the priorities of the organization and their alignment with its “core values.” The aspect of organizational performance related to payroll fraud is intricate and multifaceted, involving numerous factors that influence the overall efficiency and effectiveness of an organization’s operational activities.

One valid concern is the imbalance between individual factors and organizational interventions in handling employee fraud cases (Said et al., 2018). Indeed, studies have established that individual factors account for the most significant contribution towards fraud reduction in organizations (Said et al., 2018). Therefore, it is essential that organizations focus the maximum effort on investments that would target individual-level interventions, such as rigorous background vetting, employee training initiatives, and strong internal controls. (Bryan and Smith, 2005). The fraud triangle theory, which consists of opportunity, rationalization and pressure, has recently become very popular in the analysis and investigation of root causes inducing fraudulent activities within the work practices of employees. (Sravanthi et al., 2020). With the help of the components, the business can devise better ways for the prevention and detection of fraud. Organizational performance is a multi-component concept that comprises various aspects of the working and operational success of an organization. The existing literature suggests that organizational performance may be assessed through various

frameworks, which encompass technical, economic, social, and managerial viewpoints (Mitrea-Curpanaru, 2021). From a technical perspective, organizational performance pertains to the effective deployment of all resources within the organization. This dimension emphasizes the optimization of input utilization, including labor, capital, and materials, to attain the intended outputs. On the other hand, economic efficiency in an organization involves the production of quality output at low costs. This aspect of organization performance is the business's ability to lowly provide quality of goods or service at low costs, thereby influencing it to be financially more viable and competitive. The social performance of the organization is equally intertwined with setting up the context which will best enhance development in organizational initiatives. This dimension comprises the organization's ability to be adaptive and flexible to respond to customer needs, along with its being able to build positive work environment that fosters employee welfare and development. Finally, the Managerial performance of an organization will require adaptability and flexibility in response to the needs of the organization, community, and specific characteristics of the operating organization. (Mitrea-curpanaru,2021). The tools and indicators utilized for performance measurement are essential in evaluating the efficacy of an organization, given that they serve not only to quantify performance but are frequently intertwined with the organization's policies, strategic initiatives, and behavioral dimensions.

1.2 Problem statement:

Payroll fraud presents an important issue in a manner that affects an organization's performance. Increased chances of being laid off or having frozen salaries might push once-loyal employees to discover vulnerabilities in business processes that could be used for personal monetary gain. Process-based fraud, categorized as a type of occupational fraud, has the potential to erode the foundational rationale behind the work performed by organizations, thereby jeopardizing their capacity to implement strategies and fulfill organizational objectives. The inclination of employees to engage in payroll fraud may stem from financial strains or a perceived inequity within the workplace environment. Furthermore, inadequate security measures and improper levels of system access can foster opportunities for fraudulent activities, which may lead to erroneous financial reporting or significant misstatements.

Primary goal:

The aim of this research is to investigate the impact of payroll fraud on organizational performance.

1.3 Specific Objectives: The objectives of the study are to;

- I. Research factors that induce payroll fraud in organizations.
- II. Determine how payroll fraud constrains organizational performance
- III. Discuss payroll fraud countermeasures

1.4 . Research questions

In that spirit, the following research questions shall drive the study toward its objectives in assessing the impact of payroll fraud on organizational performance and prevention strategies.

- I. What elements create an organization that is subject to payroll fraud?
- II. How are organizational performance limits affected by payroll fraud?
- III. What are the remedies against payroll fraud?

This paper, through answering these questions, seeks to provide broad insight into the implications of payroll fraud on organizational effectiveness and a practical guide relevant for effective prevention measures.

1.5 IMPORTANCE OF THE RESEARCH:

Investigating the effects of payroll fraud on organizational efficacy and the strategies for its prevention holds significant relevance for numerous stakeholders, such as organizations, employees, regulators, and the broader business community. The subsequent sections outline the key domains in which research findings and insights are crucial.

- I. Organizational Protection: Payroll fraud poses a significant threat to an organization's fiscal health, reputation, and overall effectiveness. Knowledge of the impact of payroll fraud and

implementation of robust preventive measures secure an organization's assets, reputation, and operations.

II. Financial Stability: Wage fraud can lead to considerable financial deficits for organizations, thereby impacting their profitability and sustainability in the long term. This research aims to elucidate the various types and techniques of payroll fraud, enabling organizations to implement preventive strategies and safeguard their financial stability.

III. Employee Confidence and Morale : Compensation adversely affects employee confidence in the organization and will lead to a loss of morale, decreased job satisfaction and probable resignation. Organizations can establish a transparent and ethical work environment, maintain employee confidence and motivation by using prevention measures.

IV. Legal and Ethical Compliance: Wage fraud frequently includes infringements of labor, tax, and financial reporting laws and regulations. Having an understanding of the legal and ethical implications of payroll fraud, organizations can foster compliance to avoid the negative impact of legal consequences and reputational damage.

V. Best Practices in Industry: The research aids in identifying and propagating best practices for the prevention of payroll fraud. Sharing good practices with one another, organizations learn from others and recreate industry-wide standards to effectively combat payroll fraud. The research is trying to add value to the wellbeing of organizations, employees, and the larger business community by assessing the impact of payroll fraud on organizational performance and providing an input towards its prevention.

1.6 SCOPE AND LIMITATIONS:

This study, therefore, covers most of the aspects regarding payroll fraud, its impact on organizational effectiveness, and the ways to prevent it. However, one must be aware of the limitations within which this study is constrained:

1.6.1 Scope of the study:

The scope of the study had three dimensions: geographical, content, and temporal aspects. These are discussed in detail as follows.

1.6.2. Content scope

The research focuses on establishing how payroll fraud affects organizational performance. The objectives are limited to: establishing the factors that trigger payroll fraud in organizations, establishing the extent to which payroll fraud compromises organizational performance, and establishing possible redress in relation to payroll fraud.

1.6.3 Temporal Scope

The research will then be carried out for a period of four months, which should enable the researcher to effectively evaluate the impact of payroll fraud on organizational performance at Stanbic Bank-Head Office. Since payroll is conducted there, this will allow the researcher to assess the impact of payroll fraud and assess feedback from the HR and Finance offices.

1.6.4. Geographical scope

This research will be conducted at Stanbic Bank headquarters, located in Uganda Crested Towers, Plot 17, Hammington Avenue, Kampala, Uganda.

The 3 strengths of the study:

I. Informed Prevention Strategies: The research into how payroll influences organizational performance offers key learnings on how fraud can impact various levels of the organization. These learnings can help in coming up with directed prevention strategies that might prove to be more and better in terms of efficiency, as they will be premised on understanding specific risks and potential consequences that come with payroll fraud.

II. Resource Utilization Optimization: Understanding the fraud consequences on payroll, a company can use its resources to pivot their investments in those areas that contribute maximum benefits in relation to the processes for fraud prevention and detection. This strategic investment of resources can reduce operational costs and thus realize bottom-line savings for an organization over time.

III. Better Risk Management: This study enriches the risk management practices of organizations through the identification of payroll fraud vulnerability sectors. Besides, it helps develop a formidable framework of internal controls and places employees and management on high alert. A culture of accountability and integrity is indispensable for any organization that has to excel in a sustainable manner.

1.7 Limitations:

I. Sample Size: The research may exhibit constraints regarding its sample size and the degree to which it is representative. Consequently, the results might not be relevant to all organizations or sectors, necessitating a cautious approach to generalizations. II. Availability of Data: The availability of reliable data, which can effectively portray the cases of payroll fraud and its consequences or impact on organizational performance, may be limited. This study draws on existing literature, case illustrations, and expert opinion to fill potential data gaps. III. Ethical Considerations: For this study, ethical considerations relate to wage fraud cases and prevention strategies. However, it may not cover all the ethical dimensions linked to the wage fraud. IV. Legal Changes: The study gives an in-depth assessment of the legal aspects pertinent to the prevention of wage fraud. However, the legal set up and legislation differ a lot in different countries, and therefore some of these legal details might not be very comprehensive. Temporal Limitations: This study might face temporal limitations, which could affect its detailed exploration of the multifaceted nature of wage fraud and its corresponding preventive mechanisms. Some subtopics might need to be touched upon at a very generalized level.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Payroll management is one of the most important activities in organizations, as it affects employee satisfaction, compliance, retention, and hence overall organizational performance. The literature review aims to analyze the elements that lead to payroll complications, the degree by which payroll influences organizational performance, and possible solutions to alleviate payroll fraud together with its consequences.

2.1. Elements that Lead to Payroll Fraud in Organizations

Current literature identifies a number of critical factors that can be really conducive to payroll fraud within organizations. Management of payroll is a complex activity that requires attention to detail to ensure accuracy (Murla et al., 2020). Weak human resource information systems, combined with an ineffective oversight mechanism on compensation programs, leads to inconsistencies in processing payrolls (Iswan et al., 2018).

According to Shukla and Bhandari, 2019, the time and resources consumed by humans in functions such as leave management may be the reasons for payroll inaccuracies. The complexities involved in payroll management involve managing employees' financial records at each step, starting from salaries and allowances to deductions and net pay as described by Murla et al. 2020. A single error in any function may carry significant impacts on effective payroll systems.

There are wide-ranging deficiencies in internal controls and monitoring systems. Iswan and Gaol, 2018 emphasize that "wage and payroll programs must be administratively managed efficiently, so that the HR information system will be optimum." However often this hardly becomes a reality as the organizations might focus more on other goals rather than on payroll management.

Weak support for the strategic human resource programs from top management can also result in payroll fraud. Human resource departments are known to face typical administrative barriers as noted by Bowley and Link, 2005 and this affects the understanding of their ability to push strategic programs such as pay-for-performance programs.

Improperly managed payroll can be full of problems, such as late disbursements, computational errors, and fraudulent activities. This underlines the basic role of compensation management in human resource management and its high propensity for possible disputes between employers and employees.

2.2 The extent of payroll fraud limits organizational performance

Payroll fraud has the potential to adversely affect organizational performance. Inconsistencies or late issuance of paychecks could result in employee dissatisfaction, which could further manifest into reduced productivity, increased absenteeism, and higher turnover rates (Shukla and Bhandari, 2019). The effects of payroll fraud on organizational performance are multifaceted and far-reaching (Long et al., 2014). Timely and accurate payroll processing is critical to keeping staff motivated and retained (Shukla & Bhandari, 2019). According to Asif & Rathore, 2021, payroll mistakes lower the morale of the employees, hence reduced productivity and increased cases of turnover. According to Iswan, 2018 proper compensation program management, including payroll, is a potent means to advance an organization's strategic objectives. On the other hand, payroll fraud or mismanagement results in serious financial and reputational effects on an organization. Petrovic, 2018.

2.3. Controls to Circumvent Payroll Fraud To address payroll-related issues and mitigate the risk of fraud.

Organizations can implement various strategies, such as RFID systems, can streamline processes and reduce the potential for human error (Shukla & Bhandari, 2019).

In addition, it can be detected and prevented by strengthening internal controls, segregating duties, and conducting regular audits.

Comprehensive training and development of employees can empower HR professionals toward the efficient handling of payroll and compensation management.

Organizational Approach To minimize the effects that result from payroll fraud, organizations need to develop comprehensive internal controls with sound payroll management practices. This will necessitate the inclusion of payroll systems in synergy with other important applications of human resources, including time and attendance monitoring, thus enhancing the overall system consistency of payroll management. (Bowlen & Link, 2005) Conducting educational and training sessions for employees will also foster the ability of managers to comprehend the importance of the concept of pay-for-performance and exploitation of technology in a proper way. An organization is well-protected from payroll fraud's negative implications and enhances its operational effectiveness in general by assessing the root causes behind payroll complexities and implementing measures to deal with these efficiently. According to Shukla and Bhandari, 2019, sophisticated technologies related to attendance tracking through RFID-based attendance systems and monitoring of on-going controls have a potential diminishing effect on payroll fraud. The second view comes from Hunt and Jackson, 2020, who assert that training and education of employees on policies and procedures that relate to payrolls are key considerations in preventing fraudulent activities that relate to payrolls. Moreover, the linking of payroll systems with other human resource applications, backed by proper training and adequate support for the management staff, would lead to increased effectiveness of pay-for-performance programs and, therefore, higher performance achievement in an organization.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

This study aims to provide a comprehensive methodology for examining the relationship between payroll fraud and organizational performance, with the goal of informing strategies for prevention and mitigating.

3.1 Research design/ Data collection

The study will employ a mixed-methods approach, combining Quantitative and Qualitative data collection techniques. Quantitative data will be gathered through a review of financial records, payroll reports, and other relevant organizational documents to identify the prevalence and financial impact of payroll fraud.

Quantitative data will be obtained through structured interviews with finance and HR personnel, at various levels within the Bank.

3.2 Study Population and Sample size

Head Office	Number of Staff
HR office	116
Finance office	117

N= study population

1= scientific

e=error term (0.1)

Formula

$$n = \frac{N}{1+N(e)^2}$$

$$n= N / 1+N (e^2)$$

$$n=233 / 1+233 (0.1^2)$$

$$n=233 / 1+233 (0.01)$$

$$n=233 / 1+2.33$$

$$n= 233/3.33$$

$$n= 70$$

Category	Population (N)	Sample size distribution	Sample size
HR Office	116	$116/233 * 70$	35
Finance Office	117	$117/233 * 70$	35

3.3 Sampling method

This study will use clusters and random sampling methods.

Samples will be chosen using the random sampling model. Random model will help determine the risk factors and the effectiveness of fraud prevention programs.

3.4 Sources of data

In order to have a comprehensive and reliable source of information, this study will use primary data through structured questionnaire. The questionnaire will be divided into two parts, the section A will cover the background information about the academic qualification and work experience of the respondents, while section B will contain questions related to the impact of payroll fraud on organizational performance. The questions will be structured based on five Likert scale of strongly agree, agree, undecided, disagree and strongly disagree.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.0. Introduction

To give a full analysis of this research, this section is involved in the prosecution and analysis of

data on marital status, religion, level of education, major occupation, age, and other important variable that will be used in order to accomplish the earlier stated objective.

Keywords: Payroll; Fraud; Wage claims; Expense claims; Ghost workers

Gender	Frequency	Percentage
Male	18	36%
Female	32	64%
Total	50	100%
Education Level		
Bachelor	36	72%
Diploma	3	6%
Master's	11	21%
Total	50	100%
Department belonged to in the Bank		
HR Manager	14	28%
Finance Manager	36	72%
Total	50	100%

Number of years working at Stanbic Bank		
1-5 years	18	34%
5-10 years	12	23%
10-15 years	20	40%
Total	50	100%

4.1. Response rate

Out of the 70 surveys/questionnaires distributed to respondents, 50 completed and returned the questionnaire. This reflected a 71.4% response rate.

4.2. Demographic data

The findings from demographic data are given below.

4.3. Gender

64% of respondents were female, with 36% of the respondents were male. This demonstrates that women make up the majority of Stanbic Bank.

As you can see in the table 1 below.

Table1 Gender of respondents

	Frequency	Percent
Male	28	36%
Female	38	64%
Total	50	100%

Source: *Primary data*

4.4. Education Level

The research found that the majority of respondents (72%) have a Bachelor's degree, with 6% having a Diploma. And 21%, have earned a Master's degree. This means that the vast majority of employees (94%) have a bachelor's degree or less.

This is seen in table below 2 below.

	Frequency	Percent
Bachelor	36	72%
Diploma	3	6%
Masters	11	21%
Total	50	100%

Source: *Primary data*

4.5. Department belonged to in Stanbic Bank

According to the data, the majority of respondents (72%) are finance managers, with only (28%) HR managers.

This is seen in the table below.

Table 3. Department belonged to in the Bank of the respondents

	Frequency	Percent
HR Manager	14	28%
Finance Manager	36	72%
Total	50	100%

Source: *Primary data*

4.6. Number of years spent working at Stanbic Bank

According to the research the majority of the respondents (50%) have worked in the Stanbic Bank for 10 to 15 years in the organization. This is followed by (25%) of employees with 5-10 years of service and 25% of those with 1-5 years. This demonstrates that a sizable majority have worked for the organization for more than five years. The following figure illustrates this.

Table.4 Number of years employees have worked at Stanbic Bank.

	Frequency	Percent
1-5 years	18	34%
5-10 years	12	23%
10-15 years	20	40%
Total	50	100%

Source: *Primary data*

4.7. Table1 Employees’ perception on payroll fraud.

	Questions	5	4	3	2	1
6	The bank has clear policies and procedures in the place to prevent payroll fraud.	25	18	7	0	0
		50%	36%	14%	0%	0%
7	I do experience payroll fraud in the Bank organization	5	10	10	20	5
		10%	20%	20%	50%	10%
8	I am confident that the organization’s internal control are effective in detecting payroll fraud	12	20	8	7	3
		24%	40%	16%	14%	6%
9	I believe that the organizational culture in my workplace discourages payroll fraud.	25	15	5	3	2
		50%	30%	10%	6%	4%
10	Fraud impacts your organization’s overall financial performance and operational efficiency at the bank.	30	12	5	2	1

		60%	24%	10%	4%	2%
11	Payroll fraud hinders the achievement of the Organization's strategic objectives.	28	14	5	2	1
		56%	28%	10%	4%	2%
12	Payroll fraud affects the reputation and public image of the organization.	32	11	4	2	1
		64%	22%	8%	4%	2%
13	Payroll fraud create a sense of distrust and low morale among employees in the organization.	29	13	5	2	1
		58%	26%	10%	4%	2%
15	I believe that the bank's current payroll fraud prevention measures are effective.	20	15	8	5	2
		40%	30%	16%	10%	4%

Research data 2024(primary)

An overwhelming majority of 86% reported that the bank has policies and procedures that clarify the prevention of payroll fraud. This could mean that the organization has actually communicated and probably implemented its fraud prevention measures. However, 14% who responded 'Not sure' may indicate a need for further training or communication to ensure all employees are aware of these policies. Of these, 50% said they do not experience payroll fraud, while 30% agreed or strongly agreed that they did. Another 20% were unsure. This mixed response could mean instances of payroll fraud are isolated, or employees simply are unaware of the problem. Additional investigation by the organization may be necessary to understand the root causes and know how to fix the issues. Employee Trust and Morale: A strong majority, 84%, agree that payroll fraud causes employees to become distrustful and experience low morale. This high degree of consensus indicates there is recognition of internal effects of fraud. This suggests that addressing payroll fraud could have some impact on employee morale and trust within an organization.

On the effectiveness of measures to prevent payroll fraud, as shown, although 70% of the respondents believed that current measures taken to prevent payroll fraud were effective, 16%

were undecided, and 14% either disagreed or strongly disagreed. This means that even though the outlook on the measure is generally positive, the view on their effectiveness by a substantial portion of the workforce is still somewhat doubtful. This could indicate the need for review and improvement of measures, better communication, and training to enhance confidence throughout the organization.

Overall, the results of the survey sum up to be all-embracing, showing a strong awareness of payroll fraud among employees and concern for it, with a general concurrence that fraud has serious impacts on the financial performance, reputation, and employee morale of the organization. However, there are areas that may need further action in terms of enhancing the effectiveness of internal controls, improving communication about fraud prevention measures, and redress of any existing cases of payroll fraud.

4.8 Table 2 Employee perception on organizational performance

	Questions	5	4	3	2	1
15	I am satisfied with the organization's profitability and cost management	18	20	7	3	2
		36%	40%	14%	6%	4%
16	The organization utilize its resources effectively to maximize financial returns	16	22	8	3	1
		32%	44%	16%	6%	2%
17	The organization's operational processes and systems support its overall objectives	20	18	7	4	1
		40%	36%	14%	8%	2%
18	The organization continuously strives to improve its productivity and efficiency	22	18	5	3	2
		40%	36%	10%	6%	4%
19	I am satisfied with the quality and consistency of the organization's services	15	20	8	4	3
		30%	40%	16%	8%	6%

20	The organization understands and meets the needs of its customers	18	22	6	3	1
		36%	44%	12%	6%	2%
21	The organization fosters strong relationships and loyalty with its customers	14	20	8	6	2
		28%	20%	16%	12%	4%
22	The organization effectively attracts, develops, and retains talented employees	16	20	8	4	2
		32%	40%	16%	8%	4%
23	The organization empower and engage its employees to contribute to its success	17	22	7	3	1
		34%	44%	14%	6%	2%
24	Employees are satisfied with the organization's efforts to provide a positive work environment	14	22	8	4	2
		28%	44%	16%	8%	4%
25	The weaknesses in the payroll system limit organizational performance	20	18	6	4	2
		40%	36%	12%	8%	4%
26	The quality of the payroll management team impact the Bank's performance	22	15	8	4	1
		44%	30%	16%	8%	2%
27	The intention to commit payroll fraud limits the Bank's performance	24	16	6	3	1
		48%	32%	12%	6%	2%
28	The competence and arrogance of payroll fraudsters impact the Bank's performance	16	20	6	4	2

		32%	40%	12%	8%	4%
29	The lack of continuous monitoring and auditing of payroll limits the Bank's performance	21	18	6	3	2
		42%	36%	12%	6%	4%

Research data 2024 (primary)

With 76% of the respondents being satisfied with the organization about its profitability and cost management, it projects some positive perception of the financial management. However, 24% are still either unaware or dissatisfied, so probably some things are not going as required or need more awareness among employees. Another analysis: 78 percent of the respondents believe that poor monitoring and auditing affect performance. This result indicates a critical concern over the current practices. The 12% who were unsure or disagreed may have actually benefited from more clearly stated information about the impact of importance of monitoring and auditing.

The results of the survey generally project a positive perception about the performance of the organization in almost all aspects, from profitability to resource utilization and customer relationship management. It also highlighted some concerns related to the effectiveness of payroll systems and their management, employee engagement, and the impact of fraud. Communicating the problems and improving the communication and practices about payroll management, monitoring, and employee satisfaction may enhance overall organizational performance.

4.9. Organizational performance

Question	Code
I am satisfied with the organization's profitability and cost management	T2Q15
The organization utilizes its resources effectively to maximize financial returns	T1Q16
The organization continuously strive to improve its productivity and efficiency	T1Q18

I am satisfied with the quality and consistency of the organization's services.	T1Q19
The organization effectively attracts, develops, and retains talented employees.	T1Q22
The organization empowers and engages its employees to contribute to its success.	T1Q23
I am satisfied with the organization's efforts to provide a positive work environment	T1Q24

4.10. Impact of Payroll Fraud on Organizational Performance

The table below presents the correlations between different survey questions to analyze the impact of payroll fraud on organizational performance.

A positive figure represents a strong relationship between variables while a negative figure represents a weak relationship between variables.

	T1Q15	T1Q2	T1 Q3	T1Q4	T1Q5	T1Q6	T1Q7	T1 Q8	T1Q9	T1Q10
T2Q 2	0.482	0.297	0.2 02	0.269	0.049	0.085	0.396	0.3 67	0.054	0.299
T2Q 3	0.301	0.203	0.4 82	0.079	-0.052	0.223	0.071	0.0 62	-0.044	0.061
T2Q 4	0.503	0.264	0.2 32	0.383	0.007	0.019	0.219	0.3 03	-0.005	0.401
T2Q 6	_0.150	-0.105	0.1 77	0.043	0.005	0.076	0.083	0.1 83	-0.067	0.024

T2Q 8	0.422	0.247	0.0 75	0.370	0.225	0.3160	0.222	0.5 39	0.134	0.419
T2Q 10	0.600	0.258	0.0 14	0.293	-0.012	-0.140	0.081	0.1 61	0.135	0.293
T2Q 11	0.239	0.054	0.0 14	0.420	0.085	0.310	0.349	0.5 98	0.239	0.377
T2Q 12	0.003	0.050	0.3 53	0.016	-0.291	0.096	0.076	0.2 84	0.068	0.190

H1: There is a positive effect between Payroll fraud on Organizational performance.

There is high positive correlation in the relationship between some aspects of payroll fraud and organizational performance: it is noted here that those employees who feel a sense of satisfaction with profitability and cost management T2Q2, T1Q8, and the ones that feel a sense of satisfaction with a positive working environment, T2Q10, translate into high organizational performance. This is well spelled out in the positive view of organizational performance, particularly on issues related to resource utilization, their belief that the organization deserves their loyalty, and perception that they would lose much if the payroll system is not properly managed.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction.

This chapter summary of findings, conclusion, recommendation for future study on the impact of payroll fraud on organizational performance.

5.1. Summary of the findings

The study had the objective of looking at payroll fraud on organizational performance by lighting on how different factors combined to yield the general effectiveness and success in an organization. One of the prime objectives was the study of contributing factors towards payroll fraud in the organization. The results showed that most of the factors that influenced the payroll fraud are the manipulation of payroll records, creation of "ghost" employees, and inflation of the worked hours. Other causes: poor internal controls, failure of oversight mechanisms, the chance employees have of manipulating payroll.

From a performance perspective, this research found how payroll fraud affects organizational performance in financial soundness, employees' satisfaction, and operational capabilities an organization. For instance, prior research on this area stated that payroll fraud results in organizational performance with a strong negative relation to incurring financial losses, decreased productivity, and a tarnished organization reputation. It sought to learn whether the negative impacts on the organizations are consistent regardless of the kind of organization. It was found out

that payroll fraud has a significant detrimental impact on organizational performance.

The study showed that the most direct financial loss is incurred from fraudulent activities in the payroll, and this extends heavily from the organization's coffers. The study mentioned that payroll fraud increases the overall operational costs, since the organization is forced to use more resources in detecting, preventing, and correcting fraud. Under employee morale, the general view is that payroll fraud seriously affects employee satisfaction and trust. Employees who are aware of the fraudulent activities may be demotivated if they have the perception that a few people are exploiting others in their favor. Erosion of trust will bring a bad working atmosphere and reduce productivity, leading in turn to poor company performance. The hypothesis was that there would be a more negative impact on organizational performance by payroll fraud when internal controls are weak and employees are of the perception that there

are few consequences for their engagement in fraudulent activities. The operational assumption is that an organization with robust internal controls and a strong ethical culture would be in a position to prevent and deal with payroll fraud minimally, hence less impact on performance.

5.2 Conclusion

This study tries to find out how payroll fraud can affect any of the variables stated. From the result, above all, false wage claims and false expense claims, the figure clearly shows that it has been the most occurring. For quite a number of years, Stanbic Bank has been held firm as one of the most steady and stable financial pillars on the African continent. However, lately there have been reports that, there might be fraudulent activities within the said company that are eating into the bottom lines. This may render Stanbic Banks vulnerable to payroll fraud. This also raises concerns that Stanbic bank may be limiting its overall financial performance and disintegrating its long-lasting reputation. The bank has been in faces with challenges regarding fraud, which seem to lower customers' trust and bring in inefficiency in finance. Fraud went on, which raises operational costs, leads to a court of law, and the bank loses face. Variables in the Bank, especially in Stanbic Bank. One can easily reach a conclusion that systemic failure in managing false wage, along with the false expense, has drastically affected the organizational performance, and this means that appropriate measures had to be carried out effectively to manage the wage system and expenses. Accountability and transparency are the keys to the success and growth over the long run of financial institutions like Stanbic Bank. Payroll fraud, being a significant problem, on the contrary with these values, had a direct effect on the overall performance of the bank. So, the research findings have utmost importance for the theory and practice of human resource management in the bank and other concerned organizations, as well. The research also lays significant importance on the part of payroll fraud in case of Stanbic Bank to address while designing any broader proposed accountability program, transparency in actions assurance, and operational excellence. A well-thought focus in the field of preventing payroll fraud can only serve its process in the least possible way of risks and hence provide help in ensuring continuous growth and more success. It is crucial to protect oneself and one's belongings against fraud. For customers to be in a position to safeguard their information, there is a need for them to become alert and knowledgeable about fraud and ways of safeguarding against it. Below is the information outlining typical information looked for by fraudsters along with the top six financial crimes and some tips describing how to avoid them.

5.3. Recommendations

1. The back duty investigation should be carried out at equal intervals of time to prevent false wage claiming.

Improves expense: Effective proper recognition of the expense plays a significant role in the management of Stanbic Bank and further engenders expense. These are absolutely necessary; for example: RUN Payroll produces payroll summaries and also provides time to correct any errors before any payroll run. This should be done as often as possible. Strengthen Internal Controls: This is very essential in better managing payroll at Stanbic Bank.

APPENDICES

Appendix 1: Questionnaire for HR and account office of Stanbic bank.

Introduction

Dear Respondent,

I am Ilunga Nkulu Bernadette a bachelor's student of Human Resource Management from Uganda Christian University-Mukono conducting a research on "Evaluating the Impact of Payroll Fraud on Organizational Performance at Stanbic Bank-Head Office". You have been selected to participate in this study because the contribution you make to your organization is central to the kind of information required. The information you provide is solely for academic purposes and will be treated with utmost confidentiality.

Please kindly spare some few minutes to respond to the following questions.

SECTION A: BACKGROUND DATA

Please TICK the numbers representing the most appropriate responses for you in respect of the following items:

1. Age

- a) 21-30 years b) 31 -40 years
c) 41 – 50 years d) Above 50 years

2. Gender

- a) Male b) Female

3. Education level

- a) Certificate b) Diploma
c) Degree d) Masters
e) Others specify.....

4. Department you belong to in Stanbic bank

- a) HR & Administration b) Finance & administration

5. Period spent working in the bank

- a) Less than 1 year b) 1-5 years
 c) 6-10 years d) Above 10 years

Guide for Completing the Questionnaire:

Please answer questions by making a tick (√) and explain where necessary.

For the following sections, please rank by ticking in the boxes the alternative which best suits your answer using the Likert scale below

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
5	4	3	2	1

Section B: PAYROLL FRAUD

	Understanding Payroll Fraud	5	4	3	2	1
6	Does your organization have clear policies and procedures in the place to prevent payroll fraud?					
7	Do you experience payroll fraud in your organization?					
8	Are you confident that your organization’s internal control are effective in detecting payroll fraud?					
9	Do you believe that the organizational culture in your workplace discourages payroll fraud?					
10	Fraud impacts your organization’s overall financial performance and operational efficiency at the bank?					
11	Payroll fraud hinders the achievement of your Organization’s strategic objectives?					

12	Payroll fraud affects the reputation and public image of the organization?					
13	Payroll fraud create a sense of distrust and low morale among employees in your organization?					
14	Do you perceive the bank's payroll system as being susceptible to fraudulent activities?					
15	Do you believe that the bank's current payroll fraud prevention measures are effective?					

How else do you understand the Impact of Payroll Fraud on Organizational Performance apart from the above?

.....

Organizational Performance and aspects of payroll fraud that limits performance

	Understanding Organizational Performance	5	4	3	2	1
15	Are you satisfied with the organization's profitability and cost management?					
16	Does the organization utilize its resources effectively to maximize financial returns?					
17	Does the organization's operational processes and systems support its overall objectives?					
18	Does the organization continuously strive to improve its productivity and efficiency?					
19	Are you satisfied with the quality and consistency of the organization's services?					
20	Does the organization understand and meet the needs of its customers?					

21	Does the organization foster strong relationships and loyalty with its customers?					
22	Does the organization effectively attract, develop, and retain talented employees?					
23	Does the organization empower and engage its employees to contribute to its success?					
24	Are employees satisfied with the organization's efforts to provide a positive work environment?					
25	Can weaknesses in the payroll system limit organizational performance?					
26	Does the quality of the payroll management team impact the Bank's performance?					
27	Does the intention to commit payroll fraud limit the Bank's performance?					
28	Does the competence and arrogance of payroll fraudsters impact the Bank's performance?					
29	The lack of continuous monitoring and auditing of payroll limits the Bank's performance?					

How else do you understand organizational performance apart from the above?

.....
.....

Thank you so much for your cooperation

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Data collection Approval letter



**UGANDA CHRISTIAN
UNIVERSITY**

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SCHOOL OF BUSINESS

10th July , 2024

TO WHOM IT MAY CONCERN

Name: ILUNGA NKULU BERNADETTE

Reg. No IJ20B00/011

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

Evaluating the Impact of Payroll Fraud on Organizational Performance

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator



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