



## Effect of Organizational Stimulus and Capacity on Financial Fraud in Nigeria's Federal Ministry of Finance, Budget & National Planning and Economic Development

By

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### Abstract

*This study examines the effect of organizational stimulus and capacity on financial fraud within Nigeria's Federal Ministry of Finance, Budget, and National Planning. Using the Fraud Hexagon Theory as a framework, the research investigates how stimulus (financial pressure, performance targets) and capacity (technical knowledge, system access) contribute to fraudulent activities. A quantitative approach employing survey research design was adopted, with data collected from 80 stakeholders across eight professional groups. The study utilized regression analysis via SPSS to determine the relationships between financial fraud, stimulus, and capacity. Findings reveal that stimulus has a strong positive effect on financial fraud, while capacity exhibits an insignificant impact. The study concludes that financial pressure and performance demands are primary drivers of fraudulent activities, emphasizing the need for enhanced governance structures and fraud detection mechanisms. Recommendations include strengthening internal controls, implementing forensic auditing, and enforcing stricter legal accountability measures. Future research should explore external moderating factors such as regulatory policies and technological advancements to provide a broader perspective on financial fraud dynamics.*

**Keywords:** Financial Fraud, Organizational Stimulus, Capacity, Fraud Hexagon Theory, Public Sector

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## 1.0 INTRODUCTION

Fraud is a deliberate act intended to secure an unlawful advantage through deception, falsification, concealment, or misrepresentation (Rahmanti, 2013). It occurs when individuals or organizations violate established rules, laws, and ethical norms for personal or institutional gain. Unlike errors, fraud is intentional and often leads to significant financial and reputational damage, contributing to corporate collapses and governance failures (US SEC, 2004). As a global issue with macroeconomic implications, financial fraud has been at the center of major scandals, including those involving Enron, Toshiba, and British Telecom (Hakim, 2015). Financial fraud manifests in various forms, such as financial reporting fraud, cash and asset misappropriation, and bribery (ACFE, 2021). While asset misappropriation is the most prevalent, financial statement fraud results in the highest median losses—approximately \$954,000 per case (ACFE, 2021). Fraud is widespread across industries, where corporations engage in financial misrepresentation to attract investors, inflate market value, or meet performance targets

(Statista, 2023). Cases such as Steinhoff International's \$7.4 billion accounting fraud and Credit Suisse's \$2 billion money laundering scandal highlight the extensive impact of financial fraud, often orchestrated by top executives in collusion with external actors (Financier Worldwide, 2019).

Nigeria has witnessed numerous financial fraud cases, particularly in the public sector, where corruption remains pervasive (Transparency International, 2023). High-profile scandals, including the Dasuki arms procurement fraud, the N32.4 billion Police Pension Fund fraud, and the Stella Oduah armoured car scandal, underscore systemic weaknesses in governance and financial oversight (Sahara Reporters, 2021). The Federal Ministry of Finance, Budget, and National Planning, responsible for fiscal management, has not been immune to financial fraud, with incidents involving contract inflation, procurement fraud, and misallocation of public funds (ThisDay, 2022). Unlike in other regions where private-sector fraud dominates, Nigeria's public sector fraud often involves collusion between government officials and corporate entities, making forensic investigation essential for detection and prevention (Feyishayo & Odumayo, 2021).

Many of these fraudulent activities align with the Fraud Hexagon Theory, which expands on the traditional fraud triangle by incorporating additional behavioral and systemic factors (Khamainy et al., 2022).

Building on earlier fraud theories such as the Fraud Triangle and Fraud Diamond, the Fraud Hexagon Theory adds collusion and arrogance as critical factors in financial fraud (Nugroho & Diyanty, 2022). Previous studies on fraud in Nigeria predominantly focus on the Fraud Triangle (Abdullahi et al., 2014; Kanu & Nwadiubu, 2020), with limited empirical research applying the Fraud Hexagon model. This study aims to bridge that gap by examining the relationship between organizational stimulus, capacity, and financial fraud in the Federal Ministry of Finance, Budget, and National Planning. Stimulus, or pressure, plays a significant role in driving fraudulent behavior, as economic constraints and unrealistic performance targets often lead employees and managers to manipulate financial records to maintain job security or organizational credibility (Irphani, 2017; Skousen et al., 2009). Capacity, on the other hand, refers to the technical expertise, system access, and institutional knowledge that enable perpetrators to manipulate financial data undetected (Wolfe & Hermanson, 2004; Albrecht et al., 1995). In Nigeria's public sector, the absence of robust internal controls further increases fraud risks (Zimelman et al., 2014).

Moreover, fraud frequently involves collusion between insiders and external actors, undermining oversight mechanisms (Venter, 2007). Large-scale financial fraud in Nigeria, such as the \$788 million Odenbrecht bribery scandal across 12 African countries, highlights how collaboration between officials and private entities enables corruption (Financier Worldwide, 2019). Weak governance structures, inadequate oversight, and regulatory loopholes create further opportunities for financial fraud (Montgomery et al., 2002). In Nigeria, systemic corruption and ineffective monitoring frameworks provide an enabling environment for fraudulent activities to persist (Kamarudin & Ismail, 2014). Additionally, perpetrators often rationalize their actions by framing them as necessary for organizational success or personal entitlement (Molida, 2011; Marliani & Jogi, 2015). In the public sector, corruption is frequently justified by citing poor remuneration or systemic inefficiencies (Wulandari & Zaky, 2014). Individuals in positions of power may also engage in unethical financial practices out of arrogance, believing themselves to be above regulatory scrutiny (Horwath, 2011). High-profile cases, such as the KPMG South Africa scandal, demonstrate how executives manipulate financial systems with impunity (Siddiq et al., 2017).

Despite extensive research on financial fraud, most studies focus on private-sector organizations and financial statement manipulation, with limited exploration of comprehensive financial fraud within Nigeria's public institutions (Winwin et al., 2023; Tarmizi et al., 2022). Additionally, existing research primarily applies the Fraud Triangle framework, overlooking the broader dimensions captured by the Fraud Hexagon model (Nugroho, 2022). Addressing these gaps, this study seeks to analyze the relationship between organizational stimulus

(financial pressure, performance targets) and financial fraud, the influence of capacity (technical knowledge, system access) on fraud perpetration, and the role of collusion, opportunity, rationalization, and arrogance in financial fraud within Nigeria's Ministry of Finance, Budget, and National Planning.

Methodologically, previous studies have utilized various analytical techniques, including panel data regression (Elkotby, 2022), binary logistic regression (Janah, 2022), and structural equation modeling (SEM) (Rabiu & Mansor, 2018). This study will employ Partial Least Squares Structural Equation Modeling (PLS-SEM) to assess the impact of fraud motivators on financial fraud incidence, offering a robust and contemporary analytical framework. Understanding how organizational stimulus and capacity influence financial fraud is crucial for designing effective fraud prevention mechanisms in Nigeria's public sector. Strengthening governance structures, enhancing financial oversight, and implementing forensic auditing are necessary to mitigate fraud risks (Fadli & Junaidi, 2022). Additionally, formal training, improved internal controls, and stricter legal accountability measures can help curb fraudulent practices and improve financial integrity in public institutions (Saputri & Sari, 2023).

Given the increasing complexity of financial fraud in Nigeria's public sector, there is a pressing need to examine how institutional and behavioral factors contribute to its prevalence. This study is essential for providing empirical evidence to policymakers, regulators, and anti-corruption agencies in developing more effective fraud prevention frameworks. Addressing the research gap and applying a comprehensive fraud model, this study contributes to a deeper understanding of financial fraud dynamics and inform practical strategies for enhancing transparency and accountability in Nigeria's public financial management.

The following research hypotheses have been formulated from the research questions above:

## 2.0 LITERATURE REVIEW

### 2.1 Conceptual Review

The study conceptually reviewed the following financial fraud which is the dependent variable and fraud hexagon theory which is proxied by the six key elements: stimulus, capacity, opportunity, collusion, pressure, and arrogance as the independent variable.

#### 2.1.1 Financial Fraud

Financial fraud refers to the intentional act of deception involving financial transactions for the purpose of personal gain (Albrecht et al., 2012). It encompasses a wide range of activities, including misrepresentation of financial statements, misappropriation of assets, bribery, and corruption (Rezaee, 2005). Financial fraud can have severe consequences for organizations, individuals, and the economy, undermining trust, and confidence in the financial system (Dyck et al., 2010). Financial fraud can take various forms, such as financial statement fraud: This involves intentionally misstating or omitting material information from financial

statements, with the aim of misleading users of those statements (Rezaee, 2005). Examples include overstating revenue, understating expenses, or concealing liabilities (Rezaee & Riley, 2010), asset misappropriation: this involves the theft or misuse of an organization's assets, such as cash, inventory, or equipment (Albrecht et al., 2012). It can range from petty theft to large-scale embezzlement schemes, bribery and corruption: This involves offering, giving, receiving, or soliciting something of value to influence an official act or decision (Bray, 2005). It can occur in both the public and private sectors, and money laundering: this involves disguising the origins of money obtained through illegal activities by making it appear to come from legitimate sources (Reuter & Truman, 2004; Dyck et al., 2010). Combating financial fraud requires a multi-faceted approach, involving strong internal controls, effective corporate governance, robust regulatory frameworks, and ethical leadership (Rezaee, 2005; Albrecht et al., 2012).

### 2.1.2. Stimulus

Stimulus, in the context of the fraud hexagon theory, refers to the pressure or incentive that motivates an individual to engage in fraudulent behavior (Vousinas, 2019). This pressure can arise from various sources, such as financial problems, personal vices (e.g., gambling, substance abuse), unrealistic performance expectations, or a perceived sense of injustice or resentment (Albrecht et al., 2012). According to the fraud triangle theory, which is a precursor to the fraud hexagon theory, pressure or incentive is one of the three key elements that increase the risk of fraud (Cressey, 1953). When individuals are under significant pressure, they may rationalize fraudulent behavior as a means to alleviate their circumstances (Dorminey et al., 2012). Different types of pressure can influence an individual's propensity to commit fraud, including:

Financial pressure: This can stem from personal financial difficulties, such as excessive debt, medical expenses, or the desire to maintain an extravagant lifestyle (Albrecht et al., 2012). Non-financial pressure: This can arise from personal vices, such as gambling addictions or substance abuse problems, which create a constant need for funds (Dorminey et al., 2012). Organizational pressure: This can result from unrealistic performance targets, fear of job loss, or the perception of inequitable treatment within the organization (Cressey, 1953; Wolfe & Hermanson, 2004). External pressure: This can be driven by societal expectations, peer pressure, or the desire to maintain a certain social status or lifestyle (Albrecht et al., 2012).

It is important to note that pressure alone does not necessarily lead to fraud; it must be accompanied by perceived opportunity and rationalization (Cressey, 1953). However, identifying and addressing the sources of pressure can be an effective preventive measure against financial fraud (Albrecht et al., 2012).

### 2.1.3. Capacity

Capacity, in the context of the fraud hexagon theory, refers to the skills, knowledge, and abilities that enable an individual to

recognize an opportunity for fraud and successfully carry out the fraudulent act (Vousinas, 2019). It is an essential component of the fraud hexagon, as not everyone who faces pressure and opportunity will necessarily possess the capability to commit and conceal fraud (Wolfe & Hermanson, 2004). The concept of capacity was introduced as an extension of the fraud triangle theory, which initially included only pressure, opportunity, and rationalization (Cressey, 1953). Wolfe and Hermanson (2004) argued that while these three elements are necessary for fraud to occur, the presence of capacity is equally crucial. Individuals with various types of capacity may be more likely to engage in financial fraud, including:

Technical expertise: This could involve knowledge of accounting practices, financial reporting standards, or internal control systems, which can be used to circumvent controls or manipulate financial information (Albrecht et al., 2012). Positional authority: Individuals in positions of power or authority, such as executives or senior managers, may have greater access to resources and the ability to override controls (Wolfe & Hermanson, 2004).

Interpersonal skills: Individuals with strong social skills or persuasive abilities may be better equipped to recruit others to participate in or conceal fraudulent activities (Albrecht et al., 2012).

Technological proficiency: As financial systems become increasingly complex and digitized, individuals with advanced technological skills may be better positioned to exploit vulnerabilities or manipulate data (Dorminey et al., 2012). Recognizing and addressing capacity gaps within an organization can be an effective strategy for mitigating the risk of financial fraud. This may involve implementing robust internal controls, promoting ethical leadership, and providing ongoing training and development opportunities to enhance employees' knowledge and skills (Albrecht et al., 2012).

## 2.2 Empirical Review

### 2.2.1 Stimulus and Financial Fraud

The problem that often arises when an employee decides on fraudulent behavior is pressure from the individual, the organization, and external parties. The existence of these pressures encourages an employee to make efforts to meet needs beyond his ability (Alberthc, 2012). These efforts can come from pressure (Wolfe & Hermanson, 2004). Having superior authority will increase the reporting of acts (Murphy et al., 2013). Irphani (2017) states that pressure positively affects fraud, which means that the greater the pressure on officials or employees, both the pressure from the individual himself, the work environment, and outside the individual, the higher the tendency to fraud. In addition, Sofyani & Pramita (2015) also found that conditions, where there is pressure to commit fraud tend to make someone act to manipulate reports. Perceived pressure simply means the features that results to unlawful attitudes usually occasioned by stress (Suryandari and Valentin 2021). The more complex the pressure, the more probable the individuals would perpetrate fraud (Albretch et al. 2012). Pressure can either be financial or non-financial

(Abdullahi and Mansoor 2015). Thus, the management of an organization is very likely found itself in a situation where it is being offered incentives to commit fraud or it can be placed under intense pressure to perpetrate fraud. For instance, because manager's remuneration or promotion is meaningfully affected by individual, divisional, or organizational performance, it is likely that managers may have the incentive to manipulate outcomes of their company or even exert pressure on some other people to do so. Skousen et al. (2009) opined that pressure is inspired when the performance of an organization is less than the industrial average. This state shows unbalanced working activities, possibly leading to fraudulent financial reporting. Optimum fund absorption shows that the financial manager has met the budget's target. Possibly, budget absorption made by inflating expenditures to meet target can result because it serves as a pointer to organizational performance, and this create pressure for people to engage in reporting high budget absorption which results to fraudulent financial reporting.

**HO<sub>1</sub>:** There is no significant effect of stimulus on the perpetration of financial fraud in the Federal ministry of Finance, budget, & national planning and economic development

### 2.2.2 Capacity and Financial Fraud

Capacity is the ability that employees can develop to develop their organization and be able to control the social situations within the organization for their own benefit (Zimbelman et al., 2014). Thus, a person may be pressured, have the opportunity, and the rationalization but it he or she does not have the ability, it will be extremely difficult for him or her to perpetrate fraud (Tjahjono et al., 2013). Capability, measured by the level of someone's ability, knowledge, and attitude can impact any fraud that may occur (Edison et al., 2016). An employee working as account as an account clerk must possess good accounting skills to serve as an opportunity for nonconformities from financial statements by interested parties (Adnyani et al., 2014). The concept of capacity and financial fraud is quite nuanced and multifaceted, with important considerations around both mental capacity and legal capacity.

**HO<sub>2</sub>:** There is no significant effect of capacity on the perpetration of financial fraud in Federal ministry of Finance, budget, & national planning and economic development

## 2.3 Theoretical Framework

This study is anchored on Fraud Hexagon Theory (FHT) after exploring the following theories that are subsumed into the fraud hexagon theory:

### 2.3.1 Fraud Pentagon Theory (FPT)

This is one of the recent theories of fraud. The FPT was developed in 2010 by Jonathan Marks. The FPT is an advancement the FTT previously proposed by Cressey in 1953. The FPT added two elements of fraud namely competence and arrogance. The competence expressed in the FPT is almost having the same meaning as the capability in Wolfe and Hermanson (2004) FDT. Competence refers to the

ability of a person to commit fraud. Arrogance, on the other hand, is the behavior of a person who feels that he is on top of everything in the company making him or her to ignore the internal controls that exist the company and develop fraud strategies and oversees social situations that will give him or her personal profit (Crowe, 2011). Competence: According to Tjahjono (2013), competence is a situation in which a person who holds a position in an organization uses his or her authority and competence in manipulating existing systems and utilizing gaps therein in the internal control to his or her personal gains. Ability or competence can be used as a detection tool to trace indications of fraud (Wolfe and Hermanson, 2004).

Arrogance: According to Howarth (2011), arrogance is a self-important attitude by individuals who believe that the organisation's internal control and policies do not apply to him. Arrogance is the attitude shown by people who consider themselves the most superior, powerful, clever and great of the other party. The tendency for arrogance is often connected to individuals at the top of the ladder of the organisation (Sarwono, 2009).

### 2.3.2 Fraud Hexagon Theory (FHT)

This is the newest fraud theory which is an expansion of the SCORE by addition of a sixth element called collusion (see Figure 4). Collusion is added because it is one of the keys to the most detrimental fraud in large numbers (Vousinas, 2019). The fraud triangle is mainly established on an individual acting in isolation (Dorminey et al., 2010). However, the most important frauds of recent decades, including Enron, WorldCom and Parmalat, all validate that collusion is a dominant element in numerous multifaceted and costly frauds and financial crimes. Indeed, it is problematic to recognize key recent organizational fraud that has not caught up several members of the organization. Collusion: The term collusion refers to a deceitful arrangement between two or more persons, for the one party to bring an action against the other for some evil purpose, as to defraud a third party of his rights. Parties involved in collusion may be employees, individuals across various organizations and authorities or members of a devoted criminal organization (Venter, 2007). Once there is collusion between employees and an external party, fraud is much harder to stop, particularly nowadays. Criminal groups now vigorously seek to place themselves in a company as a temporary employee or contractor in addition to corrupting existing employees. Once a fraud starts, honest culture of dishonesty stars and employees who are honest can be drawn into. The fraudsters very often coerce others to commit or conceal fraud. A person with a very convincing personality may be able to convince others to go along with a fraud or to simply look the other way. In this case, Allan (2003) notes that a common personality type among fraudsters is the "bully", who Makes unusual and significant demands of those who work for him or her, cultivates fear rather than respect and consequently avoids being subject to the same rules and procedures as others.



### 3.0 METHODOLOGY

#### 3.1 Research Design

This study employed a survey research design (quantitative research design), which is suitable for examining the relationship between the elements of financial fraud in the Federal ministry of Finance, budget, & national planning and economic development. A quantitative approach is chosen because it enables the collection and analysis of numerical data, allowing for the measurement of the impact of the fraud hexagon elements on financial fraud (Bryman & Bell, 2011).

#### 3.2 Population, Sample and Sampling Techniques

The population for this study comprises 240 stakeholders, this population includes individuals from 8 stakeholder groups, comprising of Federal ministry of Finance, budget, & national planning and economic development, Office of the Auditor General for Federation, Professional Accounting Bodies, Independent Fraud Investigators, Academicians, Anti-Graft Agencies, Independent Forensic Investigators and Legal Practitioners. According to Sekaran (2001), the population for a study should be defined based on the research objective and the variables being studied. In this case, the population of 240 stakeholders is defined based on their role in preventing and detecting financial fraud in the Federal ministry of Finance, budget, & national planning and economic development. Furthermore, the population size of 240 is considered adequate for a quantitative study, as it provides a sufficient number of respondents to generate reliable and generalizable results (Krejcie and Morgan, 1970). Based on the population of 240 stakeholders, comprising 30 individuals from each of the 8 stakeholder groups, the sample size for this study is determined to be 80. This sample size is considered adequate for a quantitative study, as it provides a sufficient number of respondents to generate reliable and generalizable results (Krejcie and Morgan, 1970).

The sampling technique used in this study is stratified random sampling. This technique involves dividing the population into distinct subgroups or strata, and then randomly selecting samples from each stratum (Sekaran, 2001). In this study, the population was divided into 8 strata, representing the 8 stakeholder groups. From each stratum, 10 respondents were randomly selected, resulting in a total sample size of 80.

#### 3.2 Method of Data Collection, Analysis and Model

The method of data collection employed in this study is a questionnaire, which was utilized as the sole research instrument. The decision to use a questionnaire as the primary means of data collection is justified for two primary reasons. According to Sekaran (2001), questionnaires are a suitable data collection method when the research objective is to gather information about people's attitudes, opinions, and experiences. This study employed regression analysis as the primary technique for data analysis. Regression analysis is a statistical method used to establish the relationship between a dependent variable and one or more independent variables

(Hair et al., 2005). Furthermore, regression analysis is a suitable technique for this study because it allows for the analysis of a large dataset, which is essential for generalizing the findings to the larger population (Krejcie and Morgan, 1970). The use of regression analysis in this study is also consistent with the research objective, which is to examine the relationship between the fraud hexagon elements and financial fraud at the Federal ministry of Finance, budget, & national planning and economic development. The data collected for this study was analyzed using Statistical Package for Social Sciences (SPSS) software, which is a widely used statistical software for data analysis (Field, 2009). The SPSS software was used to perform descriptive statistics, correlation analysis, and regression analysis. The results of the regression analysis were used to test the hypotheses of the study and to answer the research questions.

The model specified below is a multiple regression model that aims to examine the impact of the Fraud Hexagon on financial fraud in the Federal ministry of Finance, budget, & national planning and economic development of Nigeria. The model is based on the work of Iazzolino et al. (2019) and is specified as follows:  $FF = \beta_0 + \beta_1 ST + \beta_2 CP + \epsilon$

Where:

**FF** = Financial Fraud (Dependent Variable)

**ST** = Stimulus

**CP** = Capacity

**$\beta_0$**  = Intercept (Constant term)

**$\beta_1$  -  $\beta_2$**  = Coefficients of the independent variables

**$\epsilon$**  = Error term (Random disturbances not captured in the model)

### 4.0 DATA PRESENTATION AND ANALYSIS

#### 4.1 Descriptive Statistics

Table 4.1 presents the descriptive statistics of the respondents. Out of the 80 respondents, 55 were male representing 68.6% of the total respondents. This indicates a gender disparity amongst the sampled respondents. Similarly, in terms of place of work, except for academicians that constituted 12.5, the sampled respondents were evenly spread. Furthermore, in terms of years of work experience, majority of the respondents, precisely 23.75%, fell within 10 to 14 years bracket. Overall, the percentage distribution was fair indicating active participation of the respondents across all places of work sampled.

**Table 1: Descriptive Statistics of Respondents**

Demographic	Category	Percentage	Number
Gender	Male	68.6	55
	Female	31.4	25
Place of Work	Federal ministry of Finance, budget, & national	12.5	10

	planning and economic development		
	Office of the Auditor General for the Federation	12.5	10
	Professional Accounting Bodies	12.5	10
	Independent Fraud Investigators	12.5	10
	Academics	12.5	10
	Anti-Graft Agencies	12.5	10
	Legal Practitioners	12.5	10
Working Experience (in Years)	Less than 5 years	11.25	9
	5 to 9 years	17.5	14
	10 to 14 years	23.75	19
	15 to 19 years	15	12
	20 to 24 years	11.25	9
	25 and above	21.25	17

Source: SPSS Statistics 26.0

The descriptive statistics of respondents in Table 1 reveal a diverse sample composition based on gender, place of work, and years of experience. The majority of respondents (68.6%) are male, while 31.4% are female. This suggests a gender imbalance, which aligns with prior studies indicating male dominance in financial and auditing sectors in Nigeria. This disparity may influence perspectives on audit quality and regulatory compliance. Respondents are evenly distributed across seven professional categories, each contributing 12.5% of the total. This balanced representation enhances the generalizability of the findings, as insights are drawn from auditors, fraud investigators, legal practitioners, and regulators. Prior research suggests that multi-sector participation strengthens audit quality and fraud detection efficiency (Adegbite, 2022). A considerable proportion (23.75%) has 10–14 years of experience, followed by 25+ years (21.25%) and 5–9 years (17.5%). The presence of seasoned professionals (more than 15 years, totaling 47.5%) suggests a knowledgeable respondent base, which enhances the reliability of insights on audit quality. Studies, such as those by Okolie (2023), highlight that experienced auditors are more likely to detect financial irregularities, reinforcing the importance of expertise in enhancing audit effectiveness. The dominance of male respondents may suggest the need for

gender inclusivity policies in audit-related professions. The diverse workplace representation indicates a holistic perspective on audit quality and financial accountability. The substantial proportion of highly experienced respondents suggests that findings from this study may reflect expert-driven insights, reinforcing their relevance for policymaking and regulatory improvements.

### 4.2 Reliability Test

Using Cronbach’s alpha, the study questionnaire was tested for internal consistency and construct reliability. All the items in the questionnaire were tested for reliability except the demographic characteristics of the respondents. The test results as presented in Table 1 shows the Cronbach’s alpha for all the items greater than 0.6. Thus, in line with Nunnally and Bernstein (1994) and Tan and Teo (2000) that alpha coefficient of 0.6 is reliable and internally consistent; it can be concluded that all the alpha values for this study are judged internally consistent and reliable.

Table 2: Cronbach’s Alpha Test of Reliability

Component	No. of Items	Mean	Cronbach’s alpha
FF	2	2.99	.976
ST	8	3.21	.956
CP	9	2.63	.998

Source: SPSS Statistics 26.0

The Cronbach’s Alpha test results in Table 2 indicate high internal consistency for all components. The values—FF (.976), ST (.956), and CP (.998)—are well above the commonly accepted threshold of 0.70, suggesting strong reliability of the measurement scale. The highest reliability is observed in CP (.998), implying minimal measurement error, while FF (.976) and ST (.956) also demonstrate excellent reliability. These results align with prior studies emphasizing that high Cronbach’s Alpha values reflect well-constructed measurement instruments (e.g., Nunnally & Bernstein, 1994). However, extremely high values (above 0.95) may indicate redundancy among items, suggesting a need for scale refinement (Tavakol & Dennick, 2011). The findings confirm that the questionnaire items effectively capture the intended constructs, ensuring data reliability. Researchers can confidently use these measures for further statistical analyses, reducing concerns about measurement errors. Future studies may examine potential item redundancy, particularly in CP, to enhance scale efficiency.

### 4.3 Correlation Coefficient

Table 3 presents the correlation coefficient of the variables employed. From Table 3, it can be seen that financial fraud has positively correlate with all the variables employed.

**Table 3: Correlation Coefficient**

		FF	ST	CP
FF	Pearson Correlation	1	.960**	.006
	Sig. (2-tailed)		.000	.931
	N	80	80	80
ST	Pearson Correlation	.960**	1	.020
	Sig. (2-tailed)	.000		.761
	N	80	80	80
CP	Pearson Correlation	.006	.020	1
	Sig. (2-tailed)	.931	.761	
	N	80	80	80

Source: SPSS Statistics 26.0

The correlation matrix in Table 3 presents the Pearson correlation coefficients among FF, ST, and CP. The results indicate a strong positive correlation between FF and ST ( $r = 0.960$ ,  $p < 0.01$ ), suggesting a very high association between these two variables. This implies that as FF increases, ST also increases significantly. However, CP exhibits a negligible correlation with both FF ( $r = 0.006$ ,  $p = 0.931$ ) and ST ( $r = 0.020$ ,  $p = 0.761$ ), indicating no meaningful relationship. The strong correlation between FF and ST suggests potential multicollinearity, which could affect regression analysis and the interpretation of individual variable effects. This aligns with prior studies indicating that highly correlated predictors can distort statistical estimates (e.g., Gujarati & Porter, 2020). Furthermore, the absence of a significant relationship between CP and the other variables suggests that CP operates independently or is influenced by external factors not captured in the dataset. In practical terms, these findings suggest that FF and ST are highly interdependent, and their combined effect should be carefully analyzed in models assessing their influence on audit quality or related business outcomes. Future studies should consider variance inflation factor (VIF) tests to confirm multicollinearity concerns and explore additional control variables to capture CP's potential impact.

#### 4.4 Regression Results

Table 4 presents a summary of the regression results of the study. The model summary indicates that all the independent variables taken together accounts for 93.4% of the variations in financial fraud. The model is statistically significant with 0.000.

**Table 4: Regression Results**

Component	Expectation	Std. Error	$\beta$	Sig.
ST	+	.021	.962	.000
CP	+	.022	-	.207

			.021	
Summary: $R^2 = .936$ , Adjusted $R^2 = .934$ , Sig. = .000				

Source: SPSS Statistics 26.0

The regression results indicate a high explanatory power of the model, with  $R^2 = 0.936$  and Adjusted  $R^2 = 0.934$ , suggesting that 93.6% of the variation in the dependent variable is explained by the independent variables. The model is statistically significant (Sig. = 0.000), confirming its reliability. For the independent variables, ST ( $\beta = 0.962$ , Sig. = 0.000) has a significant and strong positive effect, implying its critical role in influencing the outcome variable and CP ( $\beta = -0.021$ , Sig. = 0.207) shows a negative but insignificant effect, suggesting that CP does not have a meaningful impact. The strong explanatory power aligns with prior research emphasizing the importance of ST in influencing the outcome variable. The significant effect of ST suggests that firms should prioritize this component in strategic decision-making. However, the insignificance of CP implies that it may not be a crucial determinant, which contrasts with some prior findings that suggest CP's relevance depends on contextual factors like firm characteristics and regulatory environments. These results underscore the need for firms and policymakers to focus on ST while re-evaluating the role of CP in driving audit quality.

#### 4.5 Summary of the Study

The research investigates the impact of organizational stimulus and capacity on financial fraud in Nigeria's public sector, with a focus on the Federal Ministry of Finance, Budget, and National Planning. Findings indicate that financial pressure and performance expectations significantly contribute to fraudulent activities, while capacity factors such as technical expertise and system access do not have a direct impact. The study highlights the role of weak internal controls and governance inefficiencies in enabling financial misconduct.

#### 4.6 Conclusion

The study concludes that financial fraud within Nigeria's public sector is primarily driven by organizational stimulus factors, particularly financial pressure and unrealistic performance targets. Capacity, while relevant, does not significantly influence fraud perpetration. The findings underscore the need for enhanced regulatory oversight, stronger anti-fraud frameworks, and improved transparency measures to mitigate fraud risks.

#### 4.7 Recommendations

Implement robust internal control mechanisms to detect and prevent fraudulent activities.

Incorporate forensic accounting techniques to improve fraud detection and financial transparency.

Establish stricter compliance monitoring frameworks to mitigate financial fraud risks.

Encourage transparency in financial reporting and decision-making processes within government agencies.

Provide continuous professional development for employees to enhance ethical awareness and fraud detection capabilities.

#### 4.8 Limitations and Suggestions for Future Studies

This study is limited to Nigeria's public sector and may not be generalizable to private organizations. Future research should explore external moderating factors such as regulatory policies, technological innovations, and cross-sector fraud dynamics to provide a more comprehensive understanding of financial fraud determinants.

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