The Effect of Fraud Risk Management Practices on the Financial Performance of Commercial Banks in Sri Lanka

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Abstract

This study examines the effect of fraud risk management practices on the financial performance of commercial banks in Sri Lanka. The sample consists of 24 licensed commercial banks in Sri Lanka. Primary was used for the study and multiple linear regression analysis was used to identify the effect of fraud risk management practices on the financial performance of commercial banks in Sri Lanka. Primary data was collected using structured questionnaire. The collected data was analyzed using the Statistical Package for Social Sciences (SPSS) version 23. Regression analysis was used to quantify the effect of the dependent variable and the independent variables. Financial performance of commercial banks became the dependent variable and fraud risk management practices as the independent variables. Fraud risk management practices measured by preventive, detective and Responsive. And also financial performance of commercial banks as measured by ROA. This study targeted Internal Audit officers and bank officers in the internal audit department of the Commercial Banks in Sri Lanka. The study is based on a sample of 110 Internal Audit officers and bank officers in the internal audit department. Out of the sample size 102 questionnaires were duly filled. The study concluded that there is a positive effect of fraud risk management practices on the financial performance of commercial banks in Sri Lanka. This implies that the concerted efforts in fraud prevention, detection, and response contribute to enhanced financial outcomes for these institutions. The findings underscore the importance of a holistic and proactive approach to fraud risk management in the banking sector. The identified practices not only serve to mitigate the impact of fraud but also positively influence the overall financial health of commercial banks.

Keywords: Fraud Risk Management Practices, Financial Performance, Return on Assets, Preventive, Detective and Responsive.