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EMPLOYEE FRAUD MANAGEMENT STRATEGIES FOR ENHANCED MARKET PERFORMANCE

Dr. Joanes K. Kyongo[1*], Winfred Octavy[2]

[1,2] School of Business and Economics, Daystar University, Nairobi – Kenya.

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*__Corresponding author:__ Dr. Joanes K. Kyongo
School of Business and Economics, Daystar University, Nairobi – Kenya.

Abstract

The specific objective of the study was to establish the relationship between employee fraud management strategies and market performance in the insurance sector in Kenya. A hypothesis corresponding to the specific objective was formulated and tested. The population of the study was 547 employees out of which 354 were targeted and from this a sample of 106 was chosen using purposive sampling. The study adopted the positivist research philosophy and a descriptive survey design. SPSS Version 26 was used to analyze data using Pearson Moment Correlation analysis. Research findings from the test of hypothesis established that employee fraud management strategies have a positive and significant effect on firm's market performance. The study findings support Resource-Based Theory, Strategic Choice Theory, Prospect Theory and Fraud Triangle Theory which underpin the role played by employee fraud management strategies in a firm's market performance.

Keywords: *fraud management, market performance, positivism, research philosophy, correlation analysis.*

INTRODUCTION

There is empirical evidence on the relationship between employee fraud management and market performance (Omar, Nawawi & Salin, 2021; Wanjiru & Ndegwa, 2021). Since market performance is a function of employee fraud management strategies, for organizations to enhance their market performance, they should formulate and execute appropriate employee fraud management strategies. The findings of most of the empirical studies have shown that employee fraud management strategies have a positive and significant correlation with market performance. Most previous studies have conceptualized employee fraud management strategies and market performance differently and most studies have been done in the global West and in different contexts.

EMPLOYEE FRAUD MANAGEMENT STRATEGIES

Various strategies have been initiated, developed, and implemented across the globe to ensure that fraud and other risks within organizations are avoided or reduced to a significant level. Organizations have invested in employee fraud management strategies such as fraud assessment, fraud detection, fraud prevention, and fraud monitoring strategies (Arhin, 2020). Kiprono and Ng'ang'a (2018) noted that Kenyan companies in various industries have invested in assessment, detection prevention and mitigation of fraud as ways of addressing the losses arising from fraud.

MARKET PERFORMANCE

Caves (1964) defines market performance as the appraisal of how much the economic results of an industry's market behaviour deviate from the best possible contribution it could make to achieving goals such as efficient uses of resources, full employment without unreasonable inflation, progressiveness, and equity in distributing real output. Market performance can be operationalized by amplified customer numbers, improved market size, high volume of sales and more distribution channels (Murugi ,2017)

INSURANCE INDUSTRY IN KENYA

Kenya's insurance industry is regulated by the Insurance Regulatory Authority (IRA). Insurance penetration in Kenya stood at 2.4% in 2019 which did not match the strategic objective of 6.5% penetration rate as proposed in 2016 (Cytonn, 2019). Fraudulent activities in the insurance industry has resulted to mismanagement of resources that would otherwise have been used in the development and growth of the company. in addition, mismanagement or theft of resources by employees has posed a challenge to the efficient growth and penetration of the market amidst presence of rival firms.

According to IRA (2016), the insurance industry continues to suffer negative public perception and image arising from insurance fraud cases. This then as a result leads to reputational risk. Research has shown that medical insurance fraud is the leading form of Insurance fraud given that most insurance Companies offer medical insurance, and it is one of the classes of insurance which has many small claims. Medical insurance fraud assumes various forms which are eventually revealed in verification for payment. Due to fraud, products and services of insurance companies experience inefficiency in penetrating the market as a result of stolen or mishandled resources. This then affects the insurance penetration that would otherwise heve been beneficial to the company and industry at large thus affecting market performance. Jubilee Insurance Company has the respectable reputation within the Kenyan Insurance industry and has held the highest market share in the Kenyan Insurance industry, accounting for 11.9% of the market share (Cytonn, 2019).

Jubilee Insurance Company has been recognized for its products to society via consumers and other stakeholders that have played a key role in the advancement of the company. The company has experienced various forms of fraud that range from medical and life insurance that has effectively hindered customer satisfaction hence affected the market penetration. Despite this, Jubilee Insurance Company has installed various strategies and policies that prohibit different types of fraudulent conduct within its area of operations and services (Schiller, 2020).

FRAUD MANAGEMENT STRATEGIES AND MARKET PERFORMANCE

Many companies across the globe have initiated strategies and tactics to manage fraud that hinders their progress at different levels of operations. Insurance companies have been faced with various types of fraud that hinder their productivity and performance in the industry. Based on this, various strategies have been employed to ensure that Companies effectively penetrate the market. Fraud detection, mitigation, prevention and monitoring strategies have safeguarded the revenues of the companies that can be channeled to advance corporate and market performance (Angima & Omondi, 2016).

Nwairoegbu-Agbam, Nwuche, and Anyanwu (2016) reviewed the relationship between fraud management strategies and organizational success of manufacturing firms in Nigeria and Found that fraud management strategies positively influences organizational success through employee retention, employee satisfaction, avoidance of resource wastage and growth of products' performance.

The imposition and implementation of employee fraud management strategies in the insurance companies through internal controls, have resulted in enhanced market performance (Derrig, 2015). The leadership and management of insurance companies strategise on manner in which their insurance products and services penetrate and reach the targeted markets. Market penetration remain to be a key goal to various companies amid all the competition that exists in the insurance industry. Australia, New Zealand, United States and Europe have experienced market and institutional strategic growth that have been derived from implementation of employee fraud management strategies and policies (Viaene & Dedene, 2014).

METHODOLOGY

The study adopted a positivist research philosophy and descriptive research design. Primary data was collected from 69 employees from Jubilee Insurance Company in Kenya. A pre-test was done, and based on the pre-test results, the instrument was amended accordingly. Data was analyzed using SPSS version 26.

RESULTS AND ANALYSIS

The study used inferential statistics to analyze data from the Pearson Product Moment correlation was performed to establish the relationship between employee fraud management strategies and market performance of Jubilee Insurance Company. The study targeted a sample of 106 respondents at the Jubilee Insurance Company, a total of 69 responses filled to satisfactory level were received by the researcher, representing a response rate of 65.1% (69). The response rate of 65.1% is greater than Mugenda and Mugenda (2003) who prescribed 50% as a minimum response rate for generalization of findings.

TEST OF HYPOTHESIS

The study sought to establish the relationship between employee fraud management strategies and market performance of Jubilee Insurance Company in Kenya. A corresponding hypothesis was formulated and tested using Pearson Moment Correlation analysis. The results of the analysis are as depicted in Table 1.

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Table 1: Correlation Analysis

		Fraud Assessment Strategy	Fraud Governance Strategy	Fraud Prevention Strategy	Fraud Detection Strategy	Sales Volume	Market Share	Distribution Channel
Fraud Assessment Strategy	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	69						
Fraud Governance Strategy	Pearson Correlation	.663**	1					
	Sig. (2-tailed)	.000						
	N	69	69					
Fraud Prevention Strategy	Pearson Correlation	.510**	.128	1				
	Sig. (2-tailed)	.000	.293					
	N	69	69	69				
Fraud Detection Strategy	Pearson Correlation	.318**	.405**	.578**	1			
	Sig. (2-tailed)	.008	.001	.000				
	N	69	69	69	69			
Sales Volume	Pearson Correlation	.426**	.450**	.684	.256**	1		
	Sig. (2-tailed)	.000	.000	.002	.014			
	N	69	69	69	69	69		
Market Share	Pearson Correlation	.430	.354	.443**	.493**	.178	1	
	Sig. (2-tailed)	.007	.009	.004	.000	.143		
	N	69	69	69	69	69	69	
Distribution Channel	Pearson Correlation	.747**	.399**	.555**	.312**	.335**	.308**	1
	Sig. (2-tailed)	.005	.003	.003	.009	.005	.008	
	N	69	69	69	69	69	69	69

**. Correlation is significant at the 0.01 level (2-tailed).

Pearson's 2-tailed correlation was used at a significant level of 0.01. Each of the indicators of the independent variable was correlated with the dependent variables (market penetration that is sales volume, market share and distribution channels). As per the findings of study, all the correlation coefficients of the independent variables used were found to have a positive influence on the dependent variable. Based on the findings, it is revealed that fraud assessment strategy, fraud prevention strategy and fraud detection strategy were highly correlated with distribution channel, sales volume, and market share at 0.747, 0.684 and 0.493 respectively.

As per the positive correlations shown in Table 1, this leads to the conclusion that fraud management strategies (that is fraud assessment strategy, fraud governance strategy, fraud prevention strategy and detection strategy) positively influence market penetration (that is sales volume, market share and distribution channel) at the Jubilee Insurance Company. The findings of the study are agreement with Dickson's study findings (2020) who holds that fraud management measures such as detection, assessment, prevention, and monitoring contribute to better management of resources, improvement in market projections and motivation of employees among other development concerns.

CONCLUSION

The study aimed to establish the relationship between employee fraud management strategies and market performance in Jubilee insurance company. The study was conducted through a descriptive design. The study adopted both descriptive and inferential statistics to analyze the data. The study tested and confirmed the hypothesis that employee fraud management strategies have a positive and significant effect on market performance in the insurance sector. This implies that insurance firms in Kenya that employ employee fraud management strategies are likely to increase their market performance.

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