DIGITAL BANKING GOVERNANCE AND FRAUD PREVALENCE IN TIER ONE BANKS IN MOMBASA COUNTY, KENYA

Brenda Achieng Awuondo.
Masters Student, Kenyatta University, Kenya.
Dr. Vincent Shiundu Mutswenje (Ph.D).
Department of Accounting and Finance, Kenyatta University, Kenya.

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ABSTRACT

Commercial banks play a key role in economic development by facilitating financial inclusion, management of fraud prevalence significantly contribute to the success of financial institutions and the entire economy. The rapid adoption of digital banking has transformed the financial sector, offering convenience and efficiency to the financial institutions and customers. Despite the evolution of digital banking, which has transformed conventional banking into a cashless economy via the Internet, it has created unprecedented fraud encounters in online transactions. This research focused on examining the role of digital banking governance on fraud prevalence in tier-one commercial banks in Mombasa County, Kenya as the main objective. However, explicit objective involved investigating the effect of quality management on fraud prevalence in tier-one commercial banks in Mombasa County, Kenya. Theories of agency and fraud triangle informed the literature of the study. The research utilized a descriptive design and analytical approach. The intended audience of 270 staff from 56 branches of tier one commercial banks in Mombasa County comprising of management, supervisory staff and office clerks were selected using a structured questionnaire. A sample size of 162 employees was utilized having arrived at using the Yamane formula. A stratified random sampling design was pertinent for the different sub-groups of employees in the Management, Supervisory team and bank clerks. Descriptive statistics of mean and inferential statistics that include correlation and multiple regression analysis was used in this research. Additionally, SPSS version 26 was used as the analytical instruments. The regression model for the study was Ordinary Least Squares regression equation. In addition, the data diagnostic of the multicollinearity, normality and heteroscedasticity tests were used. The analyzed data was displayed in tables. Besides, the research adhered to ethical standards by upholding confidentiality and integrity with approvals from the university. In view of the influence of quality management on fraud prevalence of Tier 1 commercial banks, concluded that quality management was statistically significant and hypothesis one was rejected ($p=0.031<0.05$). The study recommends the utilization of a strong Quality Management governance that will help banks manage risks, enhance customer trust, and drive business growth by ensuring data accuracy, security, and accessibility.

Key words: Digital Banking Governance, Quality Management, Customer Awareness, Regulatory compliance, Fraud Prevalence, Bank Staff Remunerations and Fraud Prevalence.

INTRODUCTION

In the advanced era of technology, financial institutions continue to prosper from the financial inclusion of these modern technologies despite the exacerbation of fraud both internally and externally. In light of this, there is evidence of rapid development of digital banking that has increased the risk of digital banking governance in Indonesia (Yuspin, Kelik, Aditya, & Arief 2023). Omollo (2020) noted the proliferation of mobile phones that has contributed to increased adoption of mobile and other forms of digital banking. However, Firmansyah, Suryana, Susetyo, and Syafei (2024) explained that fraud management measures such as internal controls, when applied, are pivotal in the early detection and investigation of fraudulent activities in financial institutions. Ostensibly, the application of anti-money laundering practices detects and investigates accounting and litigation in combating financial fraud (Maweu, Kiragu, & Kuria, 2024). As Nyakarimi, Kariuki, and Kariuki (2020) explained, fraud is deliberately actionable to deceive financial institutions. This causes more harm through unprecedented losses, making banks susceptible in the long run. It is with this evidence that risk assessment of financial institutions is necessary. Artificial intelligence is embedded in financial systems to resolve fraudulent activities (Bello & Olufemi, 2024). Effective fraud management, such as internal control systems, monitoring activities, risk assessment, and information communication, has prevented fraud in financial institutions (Nyakarimi et al., 2020).

Globally, fraud prevalence has proven to be a global menace crippling financial institutions, primarily banks. In the USA, work concentrated on enhancing cybersecurity as the robust fraud detection and prevention measures in e-banking (Muhammad, Ullah, & Ahmad 2024). The study combined historical fraud data and simulation of attack scenarios and performance metrics to reveal that integrating machine learning algorithms effectively improved fraudulent detection. All these measures are due to the sophisticated fraud exemplified in digital banking. Similarly, Bhasin (2015) examined the menace of fraud in the Indian banking industry using a survey of 345 bank staff for 2012-13. However, findings revealed that with increased growth in the banking industry, there is the counter-proliferation of sophisticated and ingenious fraudulent activities, with poor employment practices and lack of staff training being the underlying cause. In addition, a technical report in India on the security and issues of mobile banking revealed the susceptibility of the financial system as hackers can trick bank customers using social engineering and cyberstalking as part of fraudulent avenues (Datta, Tanwar, Panda, & Rana, 2020).

Regionally, Africa is not new to digital transformation and financial inclusion, where fraud prevalence has increased over the years in financial institutions, especially in the banking sector. For instance, using balanced scorecards, Akinbowale, Klingelhöfer, and Zerihun (2020) analyzed the effects of cybercrime on the South African banking sector. Secondary data from empirical literature revealed that cybercrime was a major financial fraud disguised in customer perceptions that affected the banking sector. However, in Nigeria, a study reported that adopting digital banking reduced the prevalence of cheques, banker drafts, bills of exchange, and other open account payment methods (Tijani & Illugbemi, 2015). On the other hand, Ogbonna and Igwe (2019) examined e-fraud and credit facilitation of Banks in Nigeria using Fraud Forum (NeFF) annual reports. The result indicated that electronic fraud in Nigerian banks was committed via website (WEB) point of sales (POS) and electronic commerce, thus impacting credit facilitation. Therefore, the outcomes from the studies relate to Mawutor et al. (2019) examination of fraud and success of deposit money banks in Nigeria.

Locally, the Kenyan banking sector has experienced a plethora of fraud prevalence cases for many years. To comprehend this, an assessment of anti-money laundering practices on financial crime prevention amongst Kenyan financial institutions (Maweu et al., 2024) reported a 31.1 percent variance in financial prevention explained by anti-money laundering practices. These practices, including anti-layering and anti-integration practices, influenced financial crime prevention. Profoundly, the application of internal control systems in fraud prevention in the Kenyan banking system has proven effective (Nyakarimi et al., 2020). Despite the prevention measures of fraud, there is still increased mobile banking fraud, with a 68 percent penetration of mobile technology in Kenya (Deloitte, 2018). Perhaps one of the infamous frauds experienced in Kenya is cyber fraud, which has threatened national security, information communication, and technology infrastructure, as exemplified by the exacerbated privacy concerns of citizens (Nyamwaro, 2021). Moreover, Osebe, Mwangi, and Mwaeke (2024) assessed the factors ascertaining the vulnerability of ATMs to insecurity against commercial banks in Nairobi County. They found that theft by fraudulent electronic transactions and vandalism of ATMs accounted for 31% and 18%, respectively. Therefore, the overreliance on digital banking poses risks to customers as online transaction systems have become susceptible to fraudsters' exploitation.

Statement of the Problem

Banks are integral in facilitating transactions and the movement of funds worldwide. Prior research (PwC, 2021) showed the risks of criminal financial elements encountered by commercial banks in moving money in the world economy. Also, despite the evolution of digital banking, which has transformed conventional banking into a cashless economy via the Internet, it has created unprecedented fraud encounters in online transactions. According to Odi (2019), fraudulent activities in the banking industry negatively affect performance. Profoundly, there have been estimated losses of 3.6 billion dollars due to internal fraud in 125 countries with 2,504 cases (Association of Certified Fraud Examiners, 2020). However, a pragmatic financial crime prevention architecture protects commercial institutions against infiltration by fraudsters (Mochere, 2020). The financial prevention framework seeks to identify, analyze, discourage, and alleviate diverse types of fraud.

According to Ofoeda et al. (2020), commercial banks have applied preventive measures through data collection, monitoring of transactions, and reporting suspicious activities to local law enforcement agencies. Informatively, electronic banking fraud emanates from security weaknesses, causing breaches in the authentication systems and insufficient internal controls. As exemplified in Nigeria, fraud negatively and insignificantly affects the return on assets of bank deposits (Okoye et al., 2021). In Nigeria, Amaefule and Onu (2019) used survey questionnaires and secondary data sources to ascertain the prevalence of e-fraud in the banking system. Findings revealed that respondents were concerned with increased electronic banking fraud and the payment system threatening the banking industry.

In Kenya, technological advancement is correspondingly followed by more sophisticated fraudulent methods to defraud customers (CBK, 2024). Despite the promises of digitalization in the sector, digital banking in Kenya has faced a threat, cyber criminals have been targeting digital banking platforms to defraud institutions. Banks have been hit hard with losses amounting to approximately 106 million Ksh in 2021 (Sacco Societies Regulatory Authority on Financial Sector Stability 2021). ABSA Bank reported 107.7 million losses tied to fraud, highlighting a high prevalence rate in Kenya's banking sector (Business Daily, 2023). Consequently, in the case of Okweh v I&M Bank Limited (Cause E510 of [2021], 2025), the respondent being the bank accused the claimant of fraud after discovering during a cash count that hundred domination notes were concealed in a thousand denominations notes and sealed in bundles of thousands leading to claimant arrest and arraignment in court. On the other side, the Kenyan Police have been investigating fraudulent activities used by fraudsters linking Dcap Limited tied to accounts domiciled in Family Bank, Sidian Bank, Co-op Bank of Kenya, Standard Chartered, NCBA Bank, and Guaranty Trust Bank (Idara, 2021). Although precarious measures have been developed to mitigate fraud in the banking sector, more intervention is still needed. However, fraud prevention strategies such as training employees on ethics and maintaining a code of conduct as part of internal controls ensure fraudless activities (Gibson, 2018). While fraud prevalence is considered versatile and a threat to the evolution of digital banking, internal controls contribute to the prevention and mitigation measures (Maulid, 2019). Although some research has been conducted on digital and electronic banking on fraud (Mwabu, 2013; Akindele, 2012; Maulid, 2019), these studies focus on the Pre-Covid period, The digital landscape has evolved rapidly since Covid-19 pandemic with more advanced online transactions changing customer behavior and fraud techniques. This underscores a periodic gap, highlighting the need for updated research that reflects the current digital realities. Most studies revolved around managing fraud risk, detection, legal and economic effects, and prevention measures (Ohando, 2015; Moses, 2015; Okoye et al., 2021; Omollo, 2020; Sharma & Aggarwal, 2022). On the other hand, Kiragu (2013) focused specifically on the adoption of technology and occupational fraud risk, which almost corresponded to the study objectives. This has created a research knowledge and practical gap. Therefore, this work aimed to fill the knowledge and practical breaches by exploring the influence of digital banking governance on fraud prevalence in tier-one banks in Mombasa County, Kenya.

Objective of the Study

To ascertain the influence of digital banking governance on fraud prevalence in tier-one banks in Mombasa County, Kenya.

Specific Objective

To investigate the impact of quality management of digital banking governance on fraud prevalence in tier-one banks in Mombasa County, Kenya.

THEORETICAL REVIEW

Agency Theory

Jensen and Meckling (1976) were the first proponents of this theory. The theory states that a company comprises a cadre of people aiming to meet their interests. In other words, the theory assumes an agency relationship that acts as a contractual agreement amongst the principal and an agent where the agent has been conferred responsibility by the principal as representative (Murimi & Mungai, 2021). However, with absolute power from the principal to an agent, conflicts are eminent in the agency relationship when agents decide to work on their interests, disregarding their principles. In addition, the theory explains that shareholders delegate duties to the management in good faith to run their company's affairs (Jensen & Meckling, 1976). With imperfect contracting, information asymmetry, and management having superior and private information, overinvestment and sub-optimal resource allocation raise agency costs (Onyango, 2023). Nonetheless, the theory suggests that management incentives should align with shareholders' goals to prevent fraud and other deviant management behaviors, thus creating the need for controls to limit opportunities for executives to maximize their utility (Nyamwaro, 2021).

As stated by Jensen and Meckling (1976), shareholders incur agency costs due to their diverse interests about those of company managers. However, this theory significantly implies that the shareholders of these tier-one commercial banks can deduce asymmetric information about the firms as valuable (Onsongo, Mwangi, & Muathe, 2019). However, agency costs such as monitoring and bonding still lead to residual loss due to the misalignment of shareholders' and managers' interests (Mwangi, 2019). Ostensibly, the agency theory advocates for the managers and staff of a company to perform their duties diligently while keeping the interests of shareholders in mind (Jensen & Meckling, 1976). Also, incentives such as stock options, bonuses, and profit can be valuable methods for the alignment of shareholders' and manager's interests in decision-making. Agents adhere to rules governing their conduct to achieve the main objective of maximizing shareholder wealth (Mwangi, 2019). Consequently, agency theory is crucial in analyzing financial statement fraud despite focusing only on the top management and ignoring other non-management participants that aid fraud in the company. Moreover, critics are adamant that the agency theory focuses on self-interest and disregards other reasons for committing fraud. The theory is suitable to this work since it correlates with the incidence of fraud in tier one commercial banks.

Fraud Triangle Theory

Cressey (1971) originated the formulation of the fraud triangle theory. The theorists' observations clarified that the probability of fraud occurring is contingent upon three factors: coercion (incentive), circumstance, and justification. To comprehend these factors, (Adeniji, 2012) determined that pressure, the need or desire to be satisfied, is divided into financial, vices, work-related, and others. As a criminologist, Cressey (1971) argued that whatever people engage in, there must be a reason behind it. Other studies observed that all fraud perpetrators face some degree of pressure to commit unethical behavior as pressure to perform their functions mounts (Mansor & Abdullahi, 2015).

On the other hand, opportunities must exist for fraud due to ineffective internal controls or governance systems in organizations (Kaunda, 2021). Moreover, rationalization occurs when fraudsters disguise the formulation of morally acceptable reasons as the justification for engaging in unethical behavior. For instance, fraud is considered to have been perpetrated when an individual cannot justify immoral actions (Kaunda, 2021).

The Fraud Triangle Theory has been significant in elucidating the characteristics of fraud perpetrators. According to Ekechi (2019), the operational risk of a company is caused by inadequate or failing internal processes or systems, human error, or misbehavior. However, Ngotho (2023) observed flaws that make a company vulnerable, such as the fraud triangle's three pongs of pressure, opportunity, and rationalization, exposing banks to reputational risks (Avortri & Agbanyo, 2020). In this case, improper maintenance of risk management systems contributes to financial fraud, exacerbating the occurrence of risks to banks (Ngotho, 2023). Profoundly, the three pongs of the fraud triangle can be used by organizations to identify areas of system vulnerability to fraud prevalence. Though the theory effectively predicts fraud patterns, weaknesses are involved (Nyamwaro, 2021).

As such, the theory offers an insufficient explanation of fraud's social and behavioral aspects, like organized crime, predatory behavior, and societal attitudes common in banks. Nevertheless, critics believe that theory fails to recognize the fraud that may occur in internal controls as an effective measure to prevent fraud in organizations. The theory is pertinent to this work as it offers a structure for comprehending how digital banking engenders potential for fraud in tier one financial institutions. The theory explains the factors that contribute to fraudulent activities such as weaknesses in security system, gaps in regulatory compliance and limitations in customer awareness. By applying this theory, the study can analyze how digital banking channels are exploited for fraudulent activities

Empirical literature Review

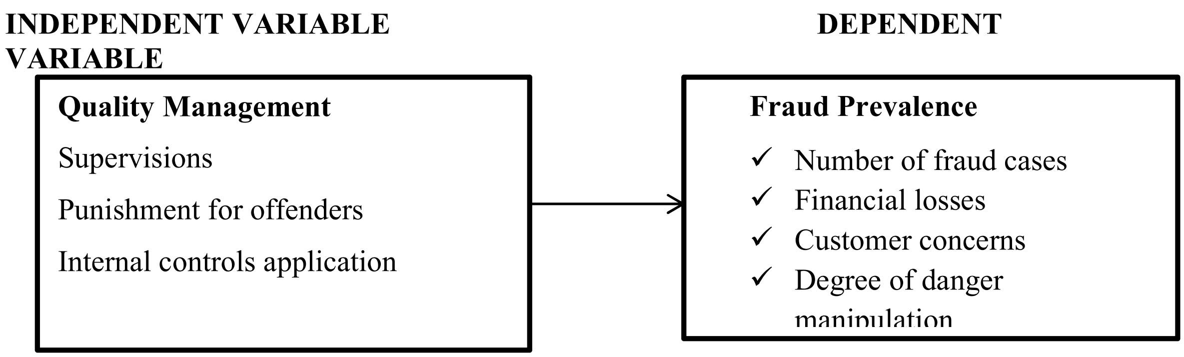
Quality Management and Fraud Prevalence

In Ukraine, Kharabara et al. (2022) examined financial fraud in the banking sphere, including essence, types, and current state. Using the analyzed reports of 2017 to 2021, findings revealed negative consequences of financial fraud for the stability of the financial systems of the state caused by a slowdown in the spread of non-cash payments. Also, management has been found to aid in financial fraud. In this case, quality management is affected by counteraction to fraud through detailed analysis of the operational schemes, regular inspections, and timely information on new types of fraud. Consequently, the adoption of a secondary data approach denotes a methodological gap as compared to the precedes of the current study.

Avortri and Agbanyo (2020) assessed the determinants of fraud using a survey of 120 management staff of 23 universal Ghanaian banks. Findings revealed that opportunities, pressures, rationalization, and capacity lead to committing fraud. As part of quality management, the study suggested enforcing the shareholding structure and punishing offenders with regulators required to improve their supervision. These findings and the geographical location of the research renders the study inconsequential to the current study leading to a contextual gap as it fixated on Ghanaian banks rather than Kenyan tier-one commercial banks. Mawutor, et al (2019) examined the impact of fraud on deposit money banks in Nigeria using the Nigerian Deposit Insurance Corporation (NDIC) annual reports from 2006 to 2016. The study observed that total fraud was damaging, though it insignificantly affected the success of DMBs. Strict regulations and supervision of DMBs by the management of these financial institutions aid in the reduction of fraud prevalence. Further suggestions by the study showed that CBN and Nigeria Deposit Insurance Corporation (NDIC) should tighten regulations and supervision to reduce increasing fraud incidence as part of quality management. In this case, the study falls short of the conceptual, methodological, and contextual gaps as it focuses on different geographical regions and usage of secondary data.

Reurink (2019) reviewed financial fraud using empirical literature to comprehend further quality management and the prevalence of digital banking fraud. Findings commensurate with the various financial frauds demystified in previous related studies with recognition and consideration of illegal dimensions of financial markets activities by banks safeguard the integrity and accuracy of financial systems.

Figure 1: Conceptual Framework



Source: Researcher (2025)

Research Design

A study design establishes the basis for the analysis and serves as the researcher's roadmap for approaching their research topics (Kerlinger, 1973). However, descriptive research design is more inflexible. It aims to elucidate product applications, ascertain the percentage of the public that utilizes them, or forecast future demand for a product (Orodho, 2020). The research utilized a descriptive approach incorporating quantitative methodologies. Consequently, the design delineates the causal linkages amongst the established variables and furnishes the researcher with comprehensive information that aids in achieving the research's objectives.

Consequently, the independent variable of digital banking was tested to determine how it affects fraud prevalence in Tier-1 commercial banks in Mombasa County. In addition, the descriptive design provided a predominant relationship between quality management, customer awareness, regulatory compliance, and banking staff remuneration on the number of reported fraud cases, customer concerns, financial losses, and degree of danger manipulation of Tier-1 commercial banks.

Target Population

This is the whole set of items with comparable identifiable features and tendencies that an investigator wants to conclude (Blumberg et al., 2014). Cooper et al (2018) defined the target audience as the complete group of interest to the researcher. As such, this study targeted the Tier-1 commercial banks with 56 branches in Mombasa County (KBA, 2023). In addition, the study focused on 270 employees from the Management team, Supervisory Departments and Bank Clerks.

Sampling Design

A stratified sampling technique was utilized to acquire an illustrative sample from the target audience. This strategy guarantees proportional representation of various sub-groups within the population. The sample size determination utilized Yamane formula of 1967 to arrive at a sample size of 162 with the Management team having 27 staffs, Supervisory Team having 54 staffs while the Office Clerks having 81 staff.

Data Collection Instruments.

Data collection is the process of acquiring and systematically arranging structured data pertaining to specified attributes. Maulid (2019) delineated six data gathering methods: interviews, direct observations, documentation, archival documents, participant observation, and physical artifacts. Nevertheless, survey questionnaires served as the most efficacious means for obtaining preliminary data. Primary data was gathered from the research population through survey questionnaires administered to branch, operation, and cash managers of Tier-1 commercial banks in Mombasa County.

Data Collection Procedure

A letter was requested from KU which was used to seek permission from the management of tier one banks to gather data from the staffs. The researcher booked appointments with various branch managers to request for permission to collect data. Questionnaires were distributed to respondents and they were given plenty time to go through questions. The researcher identified research assistants and trained them on the use of Kobo Collect tool for data collection. The survey questionnaires embedded in the tool focused on the remaining sample study after conducting a pilot test.

Data Analysis and presentation

The researcher cleaned, edited, coded to standardize the questionnaire and run data entry. Data analysis relied on descriptive statistics of mean, standard deviation, and frequency to examine, establish, and determine the effects of quality management, customer awareness, regulatory compliance, and banking staff remuneration on fraud prevalence in Tier-1 commercial banks in Mombasa County. The data was analyzed utilizing SPSS version 26 and presented in multiple tables to visually convey the results. Tables provide a straightforward visual depiction of data for all users. Consequently, the appropriateness of this research.

To achieve the first objective, which investigates the influence of digital banking governance on the incidence of fraud in tier-one commercial banks in Mombasa County, data was analyzed through inferential statistics, specifically correlation and linear regression analysis, with digital banking as the explanatory variable and fraud prevalence as the output variable.

Multiple regression analysis and Pearson correlation are examples of inferentiality applied from the normality test conducted.

The analytical model to be used by the researchers is:

$Y = \beta 0 + \beta 1X1 + \varepsilon$

Where Y: Fraud Prevalence

X1: Quality Management

RESEARCH FINDINGS AND DISCUSSIONS

Table 1: Descriptive Statistics of Quality Management

	N	Mean	SD
The activities of the banks are geared to safeguard integrity.	129	4.1628	.99051
The bank conducts regular and strict supervisions on mobile banking applications and services.	129	3.8605	1.41280
The bank has a punishment for offenders' policy.	129	4.1395	1.07343
There are internal controls application measures in the bank.	129	4.1395	.90781
Valid N (listwise)	129		

Source: Field Study (2025)

On the claim of whether The activities of the banks are geared to safeguard integrity, The bank conducts regular and strict supervisions on mobile banking applications and services, The bank has a punishment for offenders' policy and There are internal controls application measures in the bank, bulk of the participants concur with the claims at an average of 4.1628, 3.8605, 4.1395 and 4.1395 with a SD of 0.99051, 1.41280, 1.07343 and 0.90781 correspondingly.

Table 2: Descriptive Statistics of Fraud Prevalence

	N	Mean	SD
The number of fraud cases has increased.	129	3.8372	.94200
The bank has faced financial losses.	129	3.7907	.90721
Customers' concerns of cyber security have increased on fraud cases in the bank.	129	3.7674	.98830
The degree of danger manipulation in the bank is high.	129	3.6512	1.01282
The bank has fraud prevalence measures such as internal checks.	129	3.9767	.87914
Valid N (listwise)	129		

Source: Study Data (2025)

On the aspect of The number of fraud cases has increased, The bank has faced financial losses, Customers' concerns of cyber security have increased on fraud cases in the bank, The degree of danger manipulation in the bank is high and The bank has fraud prevalence measures such as internal checks, majority of the responders agree with the claim at of mean 3.8372, 3.7907, 3.7674, 3.6512 and 3.9767 with a variance of 0.94200, 0.90721, 0.98830, 1.01282 and 0.87914 respectively.

Correlation Analysis

The researcher created a correlation matrix between the variables utilizing the SPSS software. The results are summarized in Table 3.

Table 3: Correlations Analysis Test

		Quality Management	Fraud Prevalence
Quality Management	Pearson Correlation	1	.230**
	Sig. (2-tailed)		.009
	N	129	129
	N	129	129
Fraud Prevalence	Pearson Correlation	.230**	1
	Sig. (2-tailed)	.009	
	N	129	129

Source: Field Data (2025)

Findings above showed a substantial association between between Quality Management and fraud prevalence in tier one banks in Mombasa was weak and positive link with fraud prevalence with the correlation coefficient at 0.230 but substantial at 0.009 ($p<0.05$). This finding agrees with the findings by Avortri and Agbanyo (2020) who revealed that opportunities, pressures, rationalization, and capacity lead to committing fraud.

Regression Analysis

Multiple regressing analysis was computed to derive the relationship between the variables.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848[a]	.719	.715	.62262

a. Predictors: (Constant), Bank Staff Salaries and Remuneration , Regulatory Compliance , Quality Management , Customer Awareness

b. Dependent Variable: Fraud Prevalence

Source: Field Study (2025)

The regression output findings demonstrate that the R-square (coefficient of determination) is 0.719, signifying that 71.9% of the variations in fraud prevalence in tier one banks in Mombasa City County can be attributable to changes in Quality Management. The remaining changes amounting to 28.1%, were attributable to factors outside this researcher model.

Analysis of Variance (ANOVA)

The ANOVA test was done and the results shown in Table 5.

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.162	4	.791	2.039	.003[b]
	Residual	48.070	124	.388		
	Total	51.232	128			

a. Dependent Variable: Fraud Prevalence

b. Predictors: (Constant), Bank Staff Salaries and Remuneration, Regulatory Compliance, Quality Management, Customer Awareness

Source: Field Study (2025)

The p-value of 0.003 in the ANOVA results displayed in table 4.13 suggests that the regression model was statistically significant and effectively predicted the connection between digital banking governance and fraud prevalence in tier one banks in Mombasa city county, Kenya. The F test suggests that any F value exceeding one signifies significance. In this instance, the calculated F value was 2.039, which surpasses one, leading to the conclusion that the model is significant.

Regression Coefficients

The regression output was done and represented in Table 6.

Table 6: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.082	.354		8.702	.000
	Quality Management	-.199	.091	.284	2.186	.031

a. Dependent Variable: Fraud Prevalence

Source: Field Study (2025)

An OLS was done to produce the linking amongst digital banking governance and fraud prevalence in tier one banks in Mombasa city county, Kenya. The following regression equation was established.

Y (Fraud Prevalence) = 3.082- 0.199X_1

These findings were interpreted and discussed as below:

In the absence of any digital banking governance, fraud prevalence in tier one banks in Mombasa County has a frequency of 3.082 times and the frequency was substantial with a P-value of 0.000.

The discoveries demonstrate that a unit rise in Quality Management led to 0.199 frequency in fraud prevalence. A p-value of 0.031<0.05) infer that it was statistically substantial. Therefore, hypothesis *HO_1* was rejected. This could be ascribed to the fact that a strong Quality Management governance helps banks manage risks, enhance customer trust, and drive business growth by ensuring data accuracy, security, and accessibility. Better governance and data quality tools drive better decision-making, which improves overall operational efficiency. An integrated quality management system when aligned with IT governance frameworks can significantly improve operational performance and reduce cyber risks.

These outcomes support the findings by Kharabara et al. (2022) who examined financial fraud in the banking sphere, including essence, types, and current state using the analyzed reports of 2017 to 2021 and revealed negative consequences of financial fraud for the stability of the financial systems of the state caused by a slowdown in the spread of non-cash payments. On the other it condtracts the findings by Mawutor, et al (2019) who examined the impact of fraud on deposit money banks in Nigeria using the Nigerian Deposit Insurance Corporation (NDIC) annual reports from 2006 to 2016 and observed that total fraud was damaging, though it insignificantly affected the success of DMBs.

CONCLUSION AND RECOMMENDATIONS

Conclusion

In view of the impact of quality management on fraud prevalence of Tier 1 banks in Mombasa County, Kenya, regression results aimed to determine the bearing of quality management on fraud prevalence of Tier 1 banks, and it was observed that quality management was statistically significant and hypothesis one was rejected and the correlation was weak. This implies that Tier 1 commercial banks adopting quality management governance in terms of supervisions, punishment for offenders and internal controls application will automatically lead reduced frequency of fraud prevalence.

Recommendations

As per the effect of quality management on fraud prevalence, the study recommends the utilization of a strong Quality Management governance that will help banks manage risks, enhance customer trust, and drive business growth by ensuring data accuracy, security, and accessibility. Better governance and data quality tools drive better decision-making, which improves overall operational efficiency. An integrated quality management system when aligned with IT governance frameworks can significantly improve operational performance and reduce cyber risks.

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