**Forensic accounting expertise, risk management, and financial performance in deposit money banks in Nigeria**

**Abstract**

*In a global sense, financial performance continues to be one of the major drivers of sustainability and stability for any organisation. Banking sector financial performance is affected by external shocks like inflation, interest rate, and geopolitical risks to financial distortions created by inefficient financial reporting, misuse of resources, lack of financial reporting quality and absence of risk management capacity all factors possible to address through various forms of outsourcing and even maintaining a parent company with adequate financial and human resources. A mixed research design was adopted. The study adopts a combination of survey and ex post facto research designs to examine the impact of forensic accounting expertise on risk management and financial performance in Nigerian deposit money banks. Using census and purposive sampling techniques, 60 accountants working in the banking industry in Akure, Ondo State, were selected for the study. The study used structured questionnaires and analysed their results through multiple regression analysis. Using four scales of strongly agree (SA), agree (A), disagree (D), and strongly disagree (SD). The result shows that risk mitigation, B = 0.2972, p = .0168; and stakeholder decision making, coefficient = 0.2573, p = 0.0315, have a positive and significant impact on financial performance. On the other hand, risk identification and assessment (coefficient = 0.1452, p = 0.2603) was not significant, indicating that simply identifying the risk is not sufficient in the absence of action taken when it comes to issues of financial risk control. The study concluded that stakeholder decision-making and reducing risk are salient levers for enhancing financial outcomes when enabled through the use of forensic accounting practices. Organisational risk context and collaborative governance models within which forensic tools are most effective. The study recommended that forensic accounting should be done as part of preventative measures, involving stakeholders more in the decision-making process, and customising the forensic approach to align with the banks’ operational and regulatory realities*. *Forensic tools are most impactful when they are used in conjunction with and alignment with particular organisational risk frames and forms of participatory governance.*

**Keywords:** Deposit money banks, Forensic accounting, financial performance, risk management, stakeholder decision-making

**Introduction**

Globalisation has a significant impact on the financial performance and financial health of enterprises (Podhorska & Siekelova, 2020). In a global sense, financial performance continues to be one of the major drivers of sustainability and stability for any organisation. Corporate governance failures, macroeconomic and market instability and volatility, as well as poor internal control systems, have increasingly become organisational challenges (Opuene & Amadiwo, 2025). Financial performance, which could be adversely affected by external factors like inflation and interest rates, geopolitical risks, as well as internal factors such as inefficient financial reporting and resource mismanagement, a lack of adequate skills to manage financial risks (Jacob et al., 2022). With the complex financial times organisations are living in, profitability, liquidity, solvency, and long-term value creation have never before received more pressure to enhance decision-making processes and transparency of what drives an organisation. While many banks in Nigeria are faced with poor structures in corporate governance, transparency, and risk management, the challenges of financial performance have also been attributed to systemic issues such as erratic and unstable exchange rates, rampant inflation, inconsistency in regulation, corruption, and a general lack of infrastructure in Nigeria (Apalowowa & Akindehin, 2025). Also, financial personnel are not trained in the use of advanced accounting and risk management tools and don’t use them, thus inhibiting strategic planning and performance measurement (Chen 2025). These same problems result in a loss of confidence from investors, low credit ratings and a loss of capital in the economy. Accounting know-how has been found through many empirical studies to be pivotal in managing financial risks and thus enhancing organisational performance (Isibor et al., 2022). Economic volatility and stakeholder dissatisfaction, such as inadequate regulatory monitoring, public sector inefficiency, corporate governance issues, financial reporting irregularities, weakness in traditional auditing, widespread corruption and financial mismanagement have led to requests for improved financial system protection, necessitating the implementation of forensic accounting (Oyedokun, 2024). Specialised knowledge and experience in forensic accounting, auditing, internal controls and compliance can anticipate risks, and ensure realistic and truthful financials and decision making are established and upheld (Apalowowa et al., 2023). Forensic accounting, in recent years, can be said to be gaining more awareness as stakeholders are seeking more enhanced methods of curbing the menace of fraud. Since its emergence as a tool for detecting fraud, it has become a very important subject among researchers and scholars in various countries (Agboare, 2021). Such a Deposit Bank with good accounting practice will be more likely to recognise risk exposure, mitigate risk, and operate the Bank in accordance with financial objectives, leading to more profitable and better long-term performance. Regardless of being advanced or developing countries, the implementation of accounting knowledge in enterprise risk management has shown its effectiveness in increasing investors’ trust and the effectiveness of the operations. The effectiveness of risk identification and assessment practices derived from accounting knowledge in helping firms avert potential losses and stay profitable is a question of great concern. Therefore, one considers the financial performance side of the equation to see how successfully designed risk responses and control systems, instituted under the auspices of accounting professionals, reduce financial shocks and provide greater weight to the organisation's stability. And on the other side, relating to financial performance, is the effect of accurate and timely risk disclosure on the perception of stakeholders, on investment decisions, and on long-term financial sustainability.

**Statement of the Problem**

The Nigerian banking industry in recent years has been plagued or has contended with issues relating to the financial industry, fraud, waning trust amongst stakeholders, which have all impacted risk management as well as profitability. Forensic accounting, despite its relatively recent but growing global application as a strategy to combat financial misconduct and promote transparency, has not been sufficiently discussed or permeated Nigeria’s Deposit Money Banks to become a widespread, regular part of the checking system of its finances. While the body of literature has discussed the roles played by forensic accounting in achieving reliable financial reporting, detecting fraud, and reducing fraudulent risks, little empirical evidence has been found about forensic accounting in the Nigerian banking sector. The lack of information about this is especially worrisome due to the national significance of even the smallest microenterprises. Also, there is a lack of strong data-based studies to support these claims in the Nigerian environment, in addition to the anecdotal experiences of the impact of forensic accounting on operational integrity or decisions in the banking houses. It therefore becomes pertinent to examine the role forensic accounting expertise plays in the risk management and financial performance of DMBs in Nigeria. Mainly, understand role of accounting-led risk reporting in stakeholder decision making and financial performance; to assess the play of accounting experts in formulating and executing plans to mitigate risks in Deposit Money Banks in Nigeria; and to determine the influence and effect of accounting knowledge on the process of identifying and measuring risks in Nigerian Deposit Money Banks in Nigeria.

**Hypotheses Statement**

**H01:** Accounting expertise has no statistically significant impact on risk identification and assessment in Nigerian Deposit Money Banks

**H02:** Accounting experts do not play a statistically significant role in the development and implementation of risk mitigation strategies in Nigerian Deposit Money Banks.

**H03:** Accounting-led risk reporting does not significantly contribute to stakeholder decision-making and financial performance in Nigerian Deposit Money Banks.

**Significance of the Study**

This present study will greatly influence investors considering its key insights on the role of forensic accounting expertise in the risk management and financial performance of Nigerian banks in the deposit money industry. The study offers investors an evidence-based understanding for decision-making by examining the role of forensic accounting in identifying financial irregularities and reducing operational and compliance risks. Transparency and accountability in reporting as a result of forensic accounting could potentially increase investor confidence by lowering exposure to fraud. Thus, the findings of this study will assist investors in ascertaining whether or not banking institutions are credible, stable, and profitable in the long run, which will guide investors in making appropriate capital allocation decisions and portfolio management in the Nigerian finance industry.

**Literature Review**

**Conceptual Review**

**Concept of Financial Performance**

Bolarinwa et al. (2024) argue that financial success is measured by the firm’s effective use of its resources and the efficient conduct of its operation to generate money, usually measured through financial ratios such as return on equity, profit margin, and others. Titus (2021) believes that banking dynamics and profitability reflect the ability to create money, control costs, and be profitable, all of which are part of sustainable future expansion and investor confidence. Net income or profit as an indicator of the organisation's financial performance is important because “return on assets (ROA) shows how efficient the company is in utilising its asset base to generate revenue” (Onah & Edeh, 2024). Profitability measures the return of the shareholder’s funds and is a measure of the application of financial helps investors make reasonable decisions that are beneficial in benchmarking against competitors.

**Concept of Forensic Accounting Expertise**

**Forensic accounting expertise is defined as a body of accounting knowledge and skills employed by accountants in examining financial issues, such as fraud and other financial or white-collar crimes, in which investigation methods are blended with accounting knowledge to assist in litigation or dispute resolution (Ali-Momoh et al, 2025a). Forensic accounting knowledge is a composite field of accounting, auditing, and finance, as well as legal and investigative knowledge. But, forensic accounting knowledge does not only involve the discovery of fraud but has the capacity to include and understand evidence of financial activities, prepare expert reports and offer court testimony. Expert forensic accountants are often called upon for services such as asset tracing, identifying sources and movement of funds, economic damage calculations, audits and evaluations of financial statements in both criminal and civil matters – all of which demand various degrees of forensic accounting skills including, being experts with analytical processes; understanding internal controls and risk management; being acquainted with legal proceedings; and having strong communication skills (Apalowowa et al.,2025b). According to Apalowowa (2025), forensic accountants are often pivotal in litigation regarding bankruptcies, shareholders, claims for insurance, matrimonial disputes or separations; the details of their work are set forth in ways that stand up in court and are easily understood; as a result, forensic accounting is crucial not only in whistleblower investigations but also in assessing compliance with regulations and in anti-corruption efforts. Specialized forensic accounting knowledge is favored in situations in developing countries such as Nigeria which are not foreign to financial misconduct in public and private sectors, for the reasons that forensic accounting skills provide not just royal use capability in detecting fraud but they also provide meaningful use capability handing with enhancements of internal controls and transparency initiatives (Okoraforet al., 2024). Forensic accounting will only be effective if it grows with continuous training, has a code of ethics and adopts modern technologies such as artificial intelligence, blockchain analysis and data analytics.**

**Concept of Risk Mitigation Strategies**

According to Chen (2025), risk mitigation consists of planned techniques and proactive action taken to minimise the probability, impact, or effects of recognised risks to maintain continuity, security, and resilience of operations and achievement of objectives. Risk management is the process of recognising a possible negative impact or exposure to risk on a project or within an organisation and taking preemptive controls or actions to decrease the impact of this negative exposure (Apalowowa et al., 2025a). Responses to risks include efforts to entirely avoid the risk, impact minimisation, transfer-based response, and acceptance of the risk while having a contingency plan in place (Metibemu et al., 2025). Some of the more common practices to mitigate these types of risks include diversification of investments, effective and robust internal controls, insurance, cybersecurity protocols, training staff, and compliance measures (Zemanek & Kros, 2025). The strategy selected will depend on the type, severity, and likelihood of the risk. Organisations in all sectors are now exposed to significant financial loss, disrupted operations, reputational harm, and failing to meet regulations and standards (Akomea-Frimpong et al., 2025) in a world that has become dynamic and volatile. Thus, investing in and executing sound risk management plans has become of vital importance in protecting value and promoting growth within organisations. According to Aghware et al. (2025) strategic risk management revolves around an ongoing and repeating process of identifying, assessing, prioritizing, and planning responses to risk for example, in banking, credit risk is mitigated by strict credit scoring models and requirements for collaterals requirements for collaterals in the IT sectors cyber risks are mitigated by firewalls, encryption, and periodic security audits.

**Concept of Accounting-Led Risk Reporting**

**Accounting-led risk reporting is the systematic identification, analysis, and disclosure of financial and operational risks within accounting frameworks and reporting standards. Öhlinger and Lehner, (2025) as cited in the study of Landi et al. (2022) posited that accounting-driven risk reporting is a presentation of information about risk management within the financial statements, the management discussion and analysis, and other legally required reports that comprehensively outlines the risks an entity is exposed to and how it hopes to mitigate those risks”. In this sense, accounting- oriented risk reporting is, the idea that accounting and risk functions should be integrated to help organizations align financial and risk reporting so stakeholders understand the risk of realized uncertainties on financial performance and the capacity to achieve enterprise objectives (Bidoli et al., 2025; Gholami et al., 2025). So, the accounting risk reporting has changed from being a mere face of compliance to a means of disclosure that promotes transparency, confidence of stakeholders, and accountability on the part of Corporations (Ileagu & Orjinta, 2025). Traditionally, risk reporting was separate from financial reporting and the responsibility of risk managers or internal auditors. Umoh (2024) defines accounting-based risk reporting as the identification and presentation of risks that directly or indirectly impact the financial position and performance of an organisation through the application of financial accounting practices, including credit risk, liquidity risk, market risk, operational risk, regulatory risk, and reputational risk. From this accounting-based perspective of risk disclosures, which allows firms to become strategically resilient organisations…an ability to anticipate and respond to risks before they become crises (Nneji et al., 2024).**

**Concept of Stakeholder Decision-Making**

**The concept of Stakeholder decision making in forensic accounting means that when a forensic accounting investigation has taken place alerting stakeholders, such as shareholders, auditors, management, regulators, and legal authorities, to the need to make some informed decision to either settle disputes, detect fraud, force compliance, and/or protect the integrity of the organization in question (Enumah, 2025; Nneji et al., 2024). The use of financial evidence to shape the decision-making process with important ramifications for the financial and legal affairs of organisations highlights the need for responsibility, transparency and prudent application of financial evidence in stakeholder decision making (Harcourt et al., 2024). Forensic accounting is one of the alternatives to financial transparency, legal compliance, and ethical governance; analyze complex financial information and investigative evidence to help make decisions in the public interest benefiting various stakeholders including but not limited to: investors, regulators, management, employees, and the public (**Abia et al., 2025; **Shari et al., 2023). The reports should provide a neutral position, free of accounting jargon to non-accountants who are sensitive to the ethical underpinnings of the forensic accountant’s work, lest the credibility of the entire forensic process be called into question and fair, just actions become harder to achieve (Ahiakwo et al., 2025).**

**Theoretical Review**

**Red Flag Theory**

According to the red flag theory the existence of certain warning signs OR red flags’ is an early diagnostic indication of fraud or unethical behavior in the organization such that those who recognize and respond to these warning signs will eliminate the vast majority of the opportunities for financial fraud, corporate crime, and organizational collapse (Agbata et al., 2025). The Red Flag Theory is a theory of auditing, forensic accounting and risk management that detects possible fraud or governance problems (Sánchez González & López-Mosquera, 2025). Red flags are defined as off-beat behaviours, inconsistencies, irregularities acts that indicate an increased likelihood of possible malfeasance that warrant further examination (Augustina, 2025) and may include unexplained financial discrepancies, unwillingness to allow for an audit process, sudden and dramatic shifts in financial performance, lack of proper segregation of duties, excessive managerial secrecy. The theory advocates for an active alertness and trains professionals to look for and further investigate these signs prior to any actual harm being done. While the Red Flag Theory is not attributed to any one scholar or practitioner, the popularity of the theory has emerged from the work of auditors, forensic accountants, and more recently, fraud examiners, particularly from the Association of Certified Fraud Examiners (ACFE) which has begun advocating the use of red flag indicators in the 1990’s as part of fraud detection approaches. Though it is not a “theory” per se, it borrows from criminology, behaviour science and audit standards. It proposes ideas that should support the red flag concept more or less with respect to what’s related to motives and opportunities, rooted in Donald Cressey’s foundational Fraud Triangle Theory from 1953. Some advantages of this theory are that the theory assists in early detection of fraud and therefore minimises damage and loss (Akinninyi et al, 2025). Weaknesses of red flag theory include being false positives in that not every red flag is a sign of fraud; it can lead to misdirected suspicion or misallocated resources; and having limited predictive power, as it can fail to identify fraud schemes that lack the typical red flags. The Red Flag Theory is highly relevant in **forensic accounting**, where professionals are tasked with identifying and investigating potential financial crimes by using **diagnostic tools** in forensic audits and fraud examinations (Augustina, 2025).

**Empirical Review**

Battaglia et al. (2025) investigated corporate strategies for integrating non-financial risks and stakeholder engagement into business management frameworks. Used a content analysis of 253 sustainability reports and Non-Financial statements drawn from different categories of companies representing the Italian market: large companies, small and medium-sized enterprises (SMEs), cooperatives, and public utilities. Their results reveal that companies primarily address risk management and control in their reports, aligning with the literature. Although risk components are equally important in managing adverse events, the results show a high percentage of risk analysis, unlike what emerged from the literature, and a smaller percentage of companies focused on risk monitoring and risk communication.

Enumah (2025) explores the multifaceted risks confronting Nigeria’s oil and gas sector and evaluates the effectiveness of current risk management strategies. The analysis categorises risks into operational, financial, regulatory, environmental, geopolitical, and market-based challenges, each contributing to the sector's volatility. Key risks include oil theft, pipeline vandalism, fluctuating global oil prices, environmental hazards, regulatory inconsistencies, and security challenges in oil-producing regions. These risks not only impact production efficiency and revenue generation but also deter foreign and local investments, further exacerbating the sector's vulnerabilities. The study assesses risk management strategies employed by industry stakeholders, such as regulatory reforms, advanced surveillance technologies, and community engagement programs.

Opuene and Amadiwo (2025) studied the impact of financial risk management on the financial performance of quoted Deposit Money Banks in Nigeria between 2014 and 2023. The study was ex-post facto and adopts a positivist philosophy. The study sourced its data from existing public annual reports of 14 quoted DMBs on the Nigerian Exchange Group (NGX) as at 2023, but a total of nine (9) DMBs were eventually considered in the analysis, using a purposive sampling selection technique. Statistical analysis was carried out using E-Views Version 10 and SPSS Version 23, while data was analysed using Descriptive Analysis, Unit Root Tests, Panel ARDL Model and Moderated Multiple Regression Technique MMR. It was discovered that there was a long-run impact of credit risk management on return on assets (ROA), while there was no short-run impact. But, while operational risk does have a major impact on return on assets (ROA) and earnings per share (EPS) in the short and long term.

Apalowowa (2025) investigated the issues of professional fraud and whistle-blowing in the Federal Ministries, Departments and Agencies in Nigeria. This study uses a survey design as the data was collected directly from the participants, and is made up of two hundred and eighty-three (283) Department Heads and Accountants of the FMDAs in Ondo State, Nigeria. The entire population in their study was selected by employing a Census Sample Technique. As it can be seen from the analysis, measures such as whistle-blowing, internal controls, and corporate governance show a positive correlation with an individual’s Performance of the heads of MDAs and Accountants in the federal MDAs. His results showed a z-statistic for corporate governance, internal controls, and whistle-blowing, thus confirming that perceived correlations were the result of chance rather than genuine causation.

Song et al. (2025) investigated the influence of risk management strategies on sustainable project performance, specifically focusing on the mediating function of stakeholder involvement in the construction sector within emerging nations. It explores how risk identification, evaluation, and mitigation contribute to the environmental, economic, and social components of sustainability. Utilising data acquired from construction project managers engaged in sustainability-driven projects, their findings confirm that all three risk management approaches significantly boost sustainable project performance. Moreover, stakeholder engagement via communication, cooperation, and involvement in decision-making serves a vital mediating function, enhancing the efficacy of risk management systems in attaining sustainability objectives.

Obizue and Eme's (2025) quasi-experimental work examined the impact of asset investment on the financial performance of deposit money banks (DMBs) in Nigeria for a decade period between 2012 and 2022. Secondary data of the selected banks were obtained from their annual financial statements of accounts and utilised in the time series estimation of the impact of investment in effective assets on the profitability of DMBs in Nigeria. This research employed return on assets (ROA) as the financial performance measure. It utilised cash and cash equivalents, money market products, plant, and equipment, as well as intangible assets, as measures of asset investment, the independent variable, in specifying an econometric model. The analysis made use of the linear regression tool, and the outcome indicated a positive and significant relationship between the dependent variable, ROA, and the independent variables, the asset investment indices.

Similarly, Okonta and Nnamdi (2025) examined the role of Artificial Intelligence (AI) in forensic fraud investigations in companies in Nigeria. Given traditional methods’ struggles to remain effective in the face of this growing complexity and the need for businesses’ sustainability to combat fraud, the study looks into the ways in which AI technologies can positively impact investigations. Employing a documentary study, the research looks at the use of data analytics, machine learning algorithms, and predictive modelling to increase the speed, accuracy and efficiency of fraud detection. Though not without challenges, in the Nigerian context, it is found that the adoption of AI Forensics helps better detect and prevent fraud by also being proactive.

Apalowowa et al. (2025b) explored the use of forensic auditing as a proactive measure by forensic auditors. The purposive sampling methods employed resulted in a population sample with a survey methodology using a questionnaire. The sample of the study was constituted by 210 staff of the three state-owned government universities in Ondo State working in the Audit Departments (Source: Attendance Register, 2025). The population of the study is made up of 120 senior staff who are certified by either ICAN or ANAN. The findings indicate that responsive planning strategies have no statistical significance, while robust internal controls and oversight have p-values of .0000 and .00105 respectivetly.

The effect of fraud on the performance of a deposit money bank in Nigeria was established by Chukwuekwu (2024). Correlational and *expo factor* research designs were employed, making use of secondary data extracted from the Nigerian Deposit Insurance Commission (NDIC) as well as published financial statements of the DMBs. Their study, however, focused on all the 29 DMBs (5 Merchant Banks, 2 Non-Interest Banks and 22 Commercial Banks) as at 2019 as published by NDIC for ten-year period (2010-2019). Multiple regressions were performed. They found that the fraud triangle and diamond theories (as represented by expected loss from loss from fraud, number of fraud cases, and staff participation in deception scheme) exert a significantly negative impact on DMBs’ performance (as measured through ROA) in Nigeria.

Apalowowa et al. (2023) investigate the impact of forensic accounting procedures in the fraud examination, prevention and detection of fraudulent activities in the States Pension Board in Nigeria. The primary source of data used a survey research design in this study. The target population for the study consisted of 186 senior employees of the state pension board in the three chosen states (Staff Register Book 2023). They adopted Census Sampling Techniques & Stratified Sampling Techniques. They applied Ordinary Least Squares Regression to their data. The research findings, indicate that forensic accounting has a significant statistical relevance towards the examination, prevention and detection of fraud. The study also established that fraud prevention and detection were significantly affected by techniques of accountability, transparency and internal audit.

**Methodology**

A mixed research design was adopted, which is survey research and an *ex post facto* research design, was adopted for this study. A structured questionnaire was distributed to the targeted respondents are staff who are professional accountants in the banking sector in Akure, Ondo State capital. The study population consisted of 60 professional accountants, and the study sample was the whole population using Census Sampling Techniques and Purposive Sampling Techniques. Using four scales of strongly agree (SA), agree (A), disagree (D), and strongly disagree (SD). The measurement of variables for accounting expertise measures by risk identification and assessment, risk mitigation strategies in Deposit Money Banks in Nigeria, and stakeholder decision-making as Independent Variable (IV). Meanwhile, the dependent variable (DV) is financial performance measured by Return on Equity. The study adopted the model from the study done by Apalowowa et al. (2023). The model stated thus:

*FRPD = ƒ(INAUDITT, ACCTYT, TRPT) …………………………………………………… (i)*

*FRPD =* β0+β1INAUDITT+β2ACCTYT+β3TRPT+*μ1 …………………………………. (ii)*

*Where:*

β*0 = Unknown Constant term to be estimated*

*FRPD = Fraud Prevention/Detection*

*INAUDITT = Internal Audit Technique*

*ACCTYT = Accountability Technique*

*TRPT = Transparency Technique*

*μ1 = Stochastic error term*

However, this study captures an essential variable of forensic accounting expertise, incorporating risk identification and assessment, risk mitigation strategies and stakeholder decision-making into the model. The model re-modified as follows;

FP = *f*(β0+β1FINPERit+β2RIDASSit+β2FAEXPit+β3RIMSTRit+β4STDEMAit+*μ1 ) …….(iii)*

Econometrically, the study model is defined thus:

*FINPER= Financial Performance*

*FAEXP = Forensic Accounting Expertise*

*RIDASS = Risk Identification and Assessment*

*RIMSTR Risk Mitigation Strategies*

*STDEMA = Stakeholder Decision-Making*

*μ1 = error term*

β1 – β4 = Unknown

A Priori Expectation: This is a theoretical statement that expresses what a probable result analysis would be. In this study, it is assumed that forensic accounting expertise, incorporating risk identification and assessment, risk mitigation strategies, and stakeholder decision-making, impacts better financial performance. The coefficients of estimated β0, β1, β2, β3, β4 > *0.*

Cronbach's Alpha used for reliability testing; validity established through expert review and pilot study. The table displays the outcome of a reliability test performed on important constructs of the study using Cronbach’s Alpha, which measures consistency among the items within a variable. FINPER shows a Cronbach Alpha of 0.798, which is acceptable as well as a sign of internal consistency. FAEXP yielded the highest reliability score at.812, which indicates strong consistency. The Risk Identification and Diagnostic Assessment, RIDASS, had an overall reliability of 0.763, also in the acceptable range. RIMSTR had a Cronbach’s Alpha of 0.772, which indicates acceptable reliability. The Stakeholder Decision Making (STDEMA) was 0.793, which also represents good reliability. Each of the variables obtained Cronbach Alpha coefficients that met or exceeded the generally accepted cut-off of.70, indicating that items used to operationalise each construct are reliable and exhibit internal consistency. Such an outcome is supportive of the validity of the measurement instruments, which indicates that the constructs are reliable for subsequent analyses.

**Table 1:** **Reliability and Validity Test**

|  |  |  |  |
| --- | --- | --- | --- |
| **S/No.** | **Variable** | **Items** | **Cronbach’s Alpha** |
| 1 | FINPER= Financial Performance | 9 | 0.798 |
| 2 | FAEXP = Forensic Accounting Expertise | 9 | 0.812 |
| 3 | RIDASS = Risk Identification and Assessment | 9 | 0.763 |
| 4 | RIMSTR= Risk Mitigation Strategies  | 8 | 0.772 |
| 5 | STDEMA = Stakeholder Decision | 9 | 0.793 |

### **Source: Authors’ Computation (2025)**

**Data Analysis and Findings**

Data collected from both sources were analysed using descriptive and inferential statistics, and correlation analysis and multiple regression analysis were performed using EViews Version 9.

**Descriptive**

The means across all variables, ranging from 3.24 to 3.32, suggest that respondents rated each dimension relatively high on the given scale (between 1 and 5). Among them, financial performance has the greatest mean of 3.32, representing a perception of a slightly more positive view than the others. Median values are not significantly different either, and the majority report median values of 3.375, converging on the idea of central tendency around relatively high scores. The range of the maximum and minimum across the variables differs slightly, with the minimum value for stakeholder decision making at the lowest point of 2.125, which also suggests a larger distribution of responses. All have standard deviations between 0.35 and 0.42, indicating that responses were moderately spread out. The largest standard deviation belongs to the group of stakeholder decision making, at 0.4166, which indicates more variation among the perceptions in that area. Table 1 presents the descriptive statistics, noting that the skewnesses are negative and thus indicate a small tail on the left as well as most of the responses toward higher values of the scale. Stakeholder Decision Making has the most negative skew (-0.964), which also indicates the greater concentration of high scores. Kurtosis indicates that the majority of variables are close to the normal value of 3, while Stakeholder Decision Making (3.75) is more leptokurtic. A normality test, Jarque-Bera, shows that only stakeholder decision making is not normally distributed (p = 0.0067), therefore, the null hypothesis of normality is rejected at the 5% level.

**Table 2: Descriptive Statistics**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **FIN\_PERF** | **Risk\_ Id\_Ass** | **RISK\_MITIG** | **STAK\_DEC\_MAKING** |
|  Mean |  3.316964 |  3.267857 |  3.243304 |  3.252232 |
|  Median |  3.375000 |  3.250000 |  3.375000 |  3.375000 |
|  Maximum |  4.000000 |  3.875000 |  4.000000 |  4.000000 |
|  Minimum |  2.500000 |  2.500000 |  2.375000 |  2.125000 |
|  Std. Dev. |  0.351914 |  0.352288 |  0.386872 |  0.416623 |
|  Skewness | -0.588036 | -0.412560 | -0.454425 | -0.964127 |
|  Kurtosis |  3.318542 |  2.655022 |  2.861857 |  3.750465 |
|  Jarque-Bera |  3.464103 |  1.866279 |  1.971884 |  9.989839 |
|  Probability |  0.176921 |  0.393317 |  0.373088 |  0.006772 |
|  Sum |  185.7500 |  183.0000 |  181.6250 |  182.1250 |
|  Sum Sq. Dev. |  6.811384 |  6.825893 |  8.231864 |  9.546596 |
| **Observations** | **56** | **56** | **56** | **56** |

### **Source: Authors’ Computation (2025)**

**Regression Analysis on the Relationship between Forensic Accounting Expertise on Risk Management and Financial Performance**

The result of the regression provides a meaningful description of how knowledge of forensic accounting in the area of risk management correlates with financial performance, risk identification and assessment (Risk\_Id\_Ass), risk mitigation (RISK\_MITIG), and stakeholder decision making (STAK\_DEC\_MAKING). The C constant term is also statistically significant at a p = 0.0096 which confirms a positive underlying financial performance when all other predictors are at zero. Risk Identification and Assessment (Risk\_Id\_Ass) has a positive coefficient of 0.1452 but is not statistically significant (p = 0.2603), which does not have a meaningful impact on the financial performance in these findings. Risk mitigation (RISK\_MITIG) has a positive and statistically significant coefficient (0.2972, p = 0.0168), indicating that the financial performance is higher when risk mitigation is stronger. Another important determinant is Stakeholder Decision Making (STAK\_DEC\_MAKING), which has a coefficient of 0.2573 and a p value of 0.0315 indicating that higher quality stakeholder decision making will have a positive effect on financial performance. The R-squared value of 0.4275 means that the model explains 42.75% of the financial performance variance. Given the number of predictors, the R-squared of.3945 is still indicative of a good fit. The model is significant given the F-statistic of 12.945 and the p-value of 0.0002. Also, the Durbin-Watson statistic of 1.7717. The result is statistically significant and provides support for meaningful and positive associations between risk mitigation, stakeholder decision making, and financial performance, while risk identification and assessment fail to show a statistically significant impact within the context of this model.

**Table 3: Forensic Accounting Expertise on Risk Management and Financial Performance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Coefficient | Std. Error | t-Statistic | Prob.   |
|  |  |  |  |  |
| C | 1.041700 | 0.387397 | 2.688971 | 0.0096 |
| *Risk\_ Id\_Ass* | 0.145228 | 0.127618 | 1.137991 | 0.2603 |
| RISK\_MITIG | 0.297194 | 0.120247 | 2.471532 | 0.0168 |
| STAK\_DEC\_MAKING | 0.257297 | 0.116427 | 2.209942 | 0.0315 |
| R-squared | 0.427533 |     Mean dependent var | 3.316964 |
| Adjusted R-squared | 0.394506 |     S.D. dependent var | 0.351914 |
| S.E. of regression | 0.273837 |     Akaike info criterion | 0.316178 |
| Sum squared resid | 3.899295 |     Schwarz criterion | 0.460846 |
| Log likelihood | -4.852991 |     Hannan-Quinn criterion. | 0.372266 |
| F-statistic | 12.94496 |     Durbin-Watson stat | 1.771743 |
| Prob(F-statistic) | 0.000002 |  |  |  |

### **Source: Authors’ Computation (2025)**

**Discussion of Findings**

The regression analysis provides critical insights into the impact of forensic accounting expertise on risk management components and their influence on financial performance. Risk mitigation and stakeholder decision-making emerged as significant contributors to financial performance. The positive influence of risk mitigation aligns with the findings of Song et al. (2025) which investigates the influence of risk management strategies on sustainable project performance, specifically focusing on the mediating function of stakeholder involvement in the construction sector within emerging nations, their findings confirmed that all three risk management approaches significantly boost sustainable project performance. Similarly, stakeholder decision making's positive effect corroborates the conclusions of Battaglia et al. (2025), which investigated corporate strategies for integrating non-financial risks and stakeholder engagement into business management frameworks. Their results reveal that companies primarily address risk management and control in their reports, aligning with the literature. On the other hand, risk identification and assessment, despite having a positive coefficient, did not demonstrate statistical significance. The discrepancy is attributed to contextual and sectoral differences, signifying that identification alone, without corresponding mitigation stakeholder engagement, may not directly translate into measurable financial outcomes. The findings explain a substantial portion of the variance in financial performance, and the absence of significant autocorrelation supports the robustness of the regression estimates. These findings reinforce the growing consensus in the literature that while forensic accounting tools offer broad benefits, their effectiveness is most potent when integrated with risk mitigation frameworks and participatory decision-making processes.

**Conclusion**

In light of the results from this study, the study concluded that

1. Risk mitigation and stakeholder decision-making inform the financial performance of risk mitigation and stakeholder decision-making.
2. Although risk identification and assessment are positively related to financial performance, the non-significance indicates that identification needs to be followed with some action or engagement to be effective.
3. Forensic tools are most impactful when they are used in conjunction with and alignment with particular organisational risk frames and forms of participatory governance.

**Recommendations**

This study recommended that

1. Embedding forensic accounting should be used as part of a risk mitigation strategy that proactively manages and responds to the management of identified risks in the Nigerian banking sector.
2. Stakeholders should be included in decision-making processes to ensure better accountability and alignment of risk management with organisational strategy when deciding on matters relating to financial risk control.
3. Corporations must adapt forensic accounting to the specific working environment of their operations, not only to identify risk but act upon it with relevant sector and with the environment they work in.

**Implications**

The findings are that forensic accounting skills are optimally utilised as a component of a larger risk management process. Organisations that respond to or solely use forensic accounting as a separate function are not likely to maximise the benefits of the practice in improving financial performance. The study supports policies and regulations that drive the incorporation of forensic accounting in the governance of risk in general and the need for sector-specific guidelines in order to improve the applicability and influence of forensic practices.

**Disclaimer (Artificial intelligence)**

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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