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Amnaa Jamal

Junior Research Fellow of the Management, Symbiosis Centre for Management Studies, Noida, India; e-mail: amnaajamal26@gmail.com
ORCID: [0009-0002-7773-6051](https://orcid.org/0009-0002-7773-6051)
(Corresponding author)

Harjit Singh

Professor of Management, Symbiosis Centre for Management Studies, Noida, India;
ORCID: [0000-0001-5557-2071](https://orcid.org/0000-0001-5557-2071)

EXAMINING FORENSIC ACCOUNTING'S ROLE IN SAFEGUARDING INDIAN BANKING INTEGRITY

ABSTRACT

Economic sustainability is indispensable for achieving inclusive growth in the Indian banking sector. A sustainable, robust, and healthy banking system keeps a country rolling on its economic wheels. This research study highlights much-talked-about but less-understood aspects of forensic accounting in the Indian banking sector. It examines forensic accounting's impact on the performance of public and private sector banks. The perspectives of bank managers and officers working in the Delhi National Capital Region (NCR) are the primary focal points of this study. Furthermore, the research paper emphasised the importance of shedding light on the benefits. Its Findings suggest that the demand for forensic accountants will also increase with the adoption of forensic accounting practices in India. Since forensic accounting is still optional, most accounting professionals don't practice forensic accounting. Therefore, there is a need to spread awareness among accounting professionals about adopting Forensic Accounting Practices. This will also add sustainable corporate governance and make forensic accounting a required component of the governance system.

Keywords: sustainable banking, forensic accounting, Indian banking, accounting fraud, accounting professionals

JEL Classification: I23, M41, M42, M49

INTRODUCTION

The banking industry drives economic growth, provides credit, and maintains sustainable financial stability (John Olatunde & Fasunle, 2019; Weber, 2014). The financial sector entities like banks and NBFCs offer various types of loans, such as personal loans (Wisdom, 2018). The banking sector is vital to the economy because it creates credit facilities, manages cash flows, and administers monetary and fiscal policies (Bassey et al., 2017; Weber, 2014). It includes credit unions, trusts, mortgage-backed organisations, and regulated banks (Abdulrahman, 2019). NPA is an important indicator of banks' financial health. A high NPA will weaken the bank's profitability by cutting its interest earnings, and banks will eventually be forced to make provisions for potential loan losses (Shkodra et al., 2024). To keep the economy running ahead, credit needs to be created and made available (Koneru Lakshmaiah Hyderabad & Nagar, 2018). With this, a sound, sustainable financial system is inevitable for economic expansion (Gulati et al., 2023; Weston and Nnadi, 2023). Having a high NPA will also affect banks' liquidity structure, and it will lose to provide further credit, which will eventually impact the capital adequacy ratio of banks and will trigger regulatory intervention. Financial instability is caused by banks regularly being found to be dealing hand in hand with fraudsters rather than boosting the economy to greater heights. Financial fraud has a big effect on Indian banks. According to recent assessments, fraud erodes the banking industry's financial stability by contributing to the increase of non-performing assets (NPAs) (Cooper and Kawada, 2022; Nichkasova, Shmarlouskaya, and Sadvokassova, 2022). Maintaining capital sufficiency is another significant financial issue that forensic accounting may assist with, in addition to non-performing assets (NPAs). A bank's ability to withstand possible losses is demonstrated by its capital adequacy ratios (CAR), which are essential measures of its financial health. Forensic accounting is crucial to maintaining strong capital levels and preventing fraud since banks with low CAR are more susceptible to financial crime and poor management. By enhancing profitability, lowering credit risks, and detecting early warning indicators through financial analysis, forensic accounting

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may significantly contribute to the reduction of these losses (Artemchuk et al., 2024). Bank failures jeopardise depositors' funds and impede the financial system's liquidity (Bhasin, 2016). In this context, fraud has a critical role in exacerbating NPAs. Fraudulent activities such as falsification of collateral, loan misappropriation, and involvement of insiders in passing the various loan approvals will lead to the permitting of risky and non-profitable loans. However, recent incidents in Indian banks have underscored the obstacles and risks associated with fraud and unethical practices, leading to financial instability (Dalwadi, 2023; Dong, 2011). Because of the fraudulent nature of the transactions, it is sometimes difficult or impossible to collect cash from these loans, which results in NPAs. The linkage between fraud and the increase of NPA has been highlighted by various prominent cases of Indian banks, including those involved in deliberate defaulters or linkage between bank staff and borrowers. Instances of fraudulent transactions in many Indian banks, including SBI, HDFC, ICICI, Axis, and Punjab National Banks in Table 1, have raised concerns about the need for robust measures to detect and prevent such activities. The growing number of NPAs will create a financial burden on banks, causing destruction to their image and exacerbating long-term financial instability. Therefore, mitigating fraud is very critical in preventing the growing number of NPAs and preserving a bank's general viability.

Table 1. List of Fraud Cases in the Banking Industry. (Source: compiled by authors from various Published reports and Bloomberg)

List of Banks	NPA	Fraud Cases	Fraud Amount (In crores)
State Bank of India	918741	6793	78,072
Central Bank of India	184363	1,614	9041.98
ICICI Bank	312469	6811	5,033.81
IDBI Bank	616259	1,270	5978.96
Punjab National Bank	225850	2,050	39,733
HDFC	180190	2497	1,200.80
Bank of Baroda	367637	2,166	12,967.2
Canara Bank	462135	1,260	5,553.69
Axis Bank	186042	1,944	5301.38

(Alzoubi, 2023; Pollard, 2023) focused on fraudulent activity risk management, which is the main priority for forensic accounting. (Durrani et al., 2020; Yang & Lee, 2020) admit forensic accounting also renders it more accessible to evaluate every risk linked to a company, including the risk of fraud. Furthermore, it assures that risks that might hinder the achievement of an organisation's objectives are appropriately handled (Wahyuni-TD et al., 2021). In the context of commercial banks, fraudulent activity may negatively impact the commercial banks' viability, performance, sustainability, and reputation. The growing number of NPAs will create a financial burden on banks, causing destruction to their image and exacerbating long-term financial instability. Therefore, mitigating fraud is very critical in preventing the growing number of NPAs and preserving a bank's general viability.

If we talk about the definition of forensic accounting, it is widely acknowledged that there is no globally agreed-upon definition for fraud and forensic accounting. Based on the dimensions of the research, we have proposed the definition.

"Forensic accounting is a concept that falls in the area of the accounting field and helps to unravel financial fraud activities within the organisation. It is a specialised area focusing on fraud, corruption, misappropriation, bribery and so on".

Table 2. NPA and Profitability of Indian Banking Industry. (Source: RBI)

Bank	Fraud Amount	Increase in NPAs	Drop in Profitability
SBI	78072	6.2%	4.5%
HDFC	1200	4.1%	4.8%

Table 2 outlines fraud cases of 2 major Indian banks and depicts that due to fraud, banks' NPA, Profitability and Liquidity have been directly affected in recent years. In SBI, because of fraudulent activities, NPA is increasing to 6.2%, and HDFC is at 4.8%. Since forensic accounting enables a straighter forward evaluation of all the risks related to an organisation, including the risk of fraud, it aids in the detection of financial fraud (Yang and Lee, 2020; Wang, Ashton, and Jaafar, 2019). Through the cause-and-effect concept (Alhusban et al., 2020; Hamilton et al., 2019), say forensic accounting can be beneficial in understanding the general conditions that allow fraud. Fraud may be regarded as engaging in illicit activities,

embodying the breach or concealment of confidence (Gupta et al., 2024). (Gulati et al., 2023) explores that forensic accounting seeks to uncover and prevent any questionable actions or lack of integrity displayed by an individual or an organisation. Application of forensic accounting in the banking financial statement to strengthen the reliability and credibility of the presented accounting information and will enable more efficient corporate governance for users, managers and potential investors (Dapit Pamungkas & Ghozali Tarmizi Achmad, 2018; Louembé et al., 2023) (Figure 1).

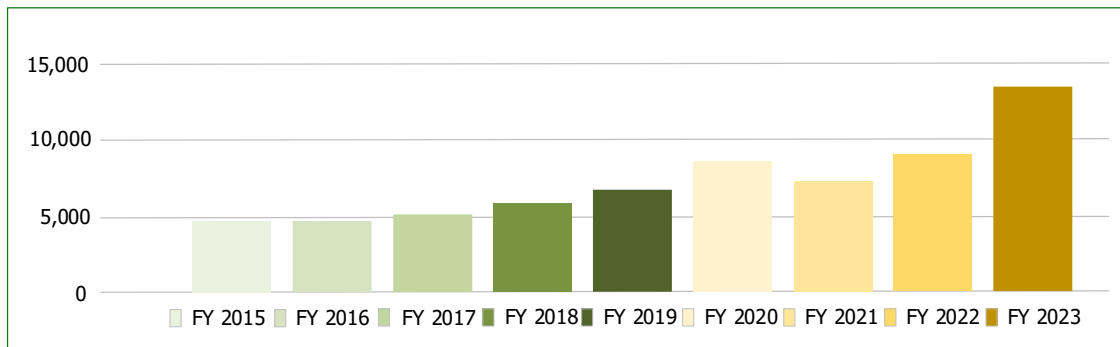


Figure 1. Banking Crimes from FY2015 to FY2023. (Source: compiled by authors from RBI; The Economics Times (India))

From FY2015 to FY2023, the aforementioned data demonstrates the constant and growing problem of financial fraud. This increasing tendency underlines a significant problem that the banking industry as a whole, not just certain institutions, must deal with. The graph illustrates how fraudulent acts lead to financial losses, operational inefficiencies, and harm to the financial system's reputation. This research paper discusses the emergence of financial fraud, accounting fraud, forgeries, money laundering, credit card fraud, insider trading, Ponzi schemes, market manipulation, fraudulent identities, and pension fraud are just a few aspects of the manipulative behaviours that fall under the umbrella of financial scams. As financial fraud becomes more sophisticated and well-planned, it is becoming more and more important to continue investigating financial fraud (Akinbowale, 2020). By concentrating on these, our research tries to find out how forensic accounting can continue to advance and offer feasible solutions in response to the emergence of innovative and sophisticated financial fraud techniques. This study will also focus on the crucial role of forensic accounting in mitigating fraud risks and preventing fraud, bridging the lack of research in forensic accounting. To conduct this study, we used a primary method. Here are the research questions we are trying to answer:

- RQ1: What obstacles make using forensic accounting methods/techniques to prevent and detect fraud challenging?
- RQ2: What are the best techniques for conducting forensic accounting in the context of the banking industry?
- RQ3: What skills and expertise are needed by practicing professionals to provide forensic accounting services in Indian Bank?

LITERATURE REVIEW

This section discusses the relevant research on forensic accounting and fraud auditing in the banking sector, aiming to guide the current study. The review emphasises a country-specific approach, focusing on Indian and foreign studies to understand how forensic accounting uncovers banking frauds. The goal is to shape the research methodology and draw relevant evidence to support findings. It provides a comprehensive overview, guiding the study by evaluating previous research and applying insights to the specific context of banking fraud detection.

Concept and Application of Forensic Accounting

Forensic accounting is like a financial inquiry of work, uncovering dishonest money activities that occur in a company. Using specialised tools, accountants analyse records and transactions to identify signs of fraud (Alfordy, 2022). Their objective is limited to finding fraud and ensuring trustworthy financial information. They follow strict rules to produce reliable evidence for legal cases and can be justified in court as expert witnesses (Utama and Basuki, 2022). It is about using proper accounting principles and legal procedures to uncover financial wrongdoing and present evidence for legal action (Ismail et al., 2022). Forensic accounting covers many fraud investigations, conducting thorough reviews, assessing risks, detecting financial statement errors, and investigating cybercrimes and illegal money transfers (Javaheri et al., 2024). It involves examining financial activities to ensure accuracy and identify any wrongdoing, making it a crucial tool in maintaining financial integrity and security (Al-Tarawneh & Haloush, 2023).

Forensic accounting stresses that legal scrutiny provides the greatest extent of assurance about scientific fashion. It entails a cautious review that aligns with generally accepted practices, offering a methodical approach to financial investigation (Akinbowale et al., 2020; Mittal et al., 2021). The implication is that the process is conducted with a legal perspective, ensuring thoroughness and accuracy in its conclusions (Rezaee & Wang, 2019). The positive aspects of forensic accounting for accounting professionals and students are that they have an increasing need and requirement for it, the emergence of new career paths, and the fall in fraud are its strong points (Rehman & Hashim, 2021; Rodrigues et al., 2022). The absence of regulations, the lack of supervision over professional acceptance, the lack of consensus over how to learn forensic accounting, the shortage of specialised research publications, and the misunderstanding of its fundamental purpose are its main drawbacks (Ebaid 2022; Kaur, Sood, and Grima 2023).

According to (Krambia-Kapardis, 2002), forensic accounting is an accounting investigation that may identify possible fraudulent activity and is appropriate for presenting in court. This analysis is a framework for discussion, debate, and dispute resolution. As per his findings at the selected microfinance organisations in Calabar, Cross River State, forensic accounting enormously aids in preventing crimes and corruption. Calabar's microfinance bank managers need to get more involved in forensic accounting to keep track of and monitor suspected fraudsters (Afriyie et al., 2023). Before being given the responsibility of managing and supervising the operations of microfinance institutions, managers should undergo testing to ensure their reliability and truthfulness (Alhumoudi and Alhumoudi, 2024). Forensic accounting practices involve formal use, data collection methods, legal procedures, analysis, expert witness reports, and finding evidence in court. Fraud specialists point out that measuring and monitoring an organisation's compliance level is essential in order to get a comprehensive, deep understanding of the trends in fraudulent actions across the board in the business community. This has been made feasible by applying specialised investigative techniques, which support civil action efforts to recover and defend embezzled assets (Fadhil Khudair & Adnan Noman, 2024).

The author focused on two forensic accounting interviewing techniques, the PEACE Model and PCA. The peace model was found to be a more apparent guiding structure but lacks content for creating interpersonal context. Moreover, PCA demonstrates three variables, and this model suggests a basic structure and provides guidance on how to structure forensic interviews (Van Graan, Roos, and Katjene, 2023).

Relation to the Indian Banking Industry

The banking sector has been dealing with more fraud in recent years. A study evaluating forensic accounting's effects on the Indian banking sector aims to understand and improve how banks tackle financial crimes.

Forensic accounting is beneficial for local banks and experts in proactively identifying fraud. However, its drawback lies in costly and lengthy investigations, a serious concern for organisations. In simple terms, it means forensic accountants are good at catching fraud, but it can be expensive and time-consuming. Overall, using their services has advantages and disadvantages; therefore, organisations must be crucial in making decisions before opting for forensic accountants (Alshurafat et al., 2021).

Many bank staff are found guilty of misappropriating their bank's assets and engaging in various misappropriation forms. This includes Robbery, heisting cash, altering cheques, tampering with registers, fraudulent invoicing, payroll irregularities, false expense reimbursement and inventory practices. This misconduct has led to the downfall of numerous banks. The study, based on 200 sample sizes from the top three Indian banks, suggests that monitoring and regulating money services business activities can effectively mitigate the risk of such fraudulent practices (Dubinina et al., 2018). Forensic accounting in the UAE banking sector focuses explicitly on fraud detection. Through hypothesis testing, the study explored the influences of forensic accounting practices, government regulations, and inflation rates on fraud detection within the banking industry. The findings reveal a significant and positive correlation, which depicts that implementing forensic accounting, concerning government rules, and considering inflation rates collectively enhance fraud detection in the banking sector (Laupé et al., 2022).

Another study explores how forensic accountants in Nigerian banks can find and prevent digital fraud. They tested if forensic accounting is efficient in detecting fraud by examining hypotheses. The finding suggests a positive association between forensic accounting and fraud detection. In conclusion, forensic accounting can improve banking operations by providing internal oversight and detecting fraud in the digital environment (Ali et al., 2024).

Capabilities of Forensic Accountants

In this study, (Alhumoudi & Alhumoudi, 2024) address that ethics is a crucial feature an ethically forensic accountant is competent, among others. Due to their work's multidisciplinary and highly technical nature, forensic accountants run an

essential risk of confusing legal compliance with ethics. The virtue of “phronesis”, or practical wisdom, would support forensic accountants in upholding the public's trust in the calibre of their work and in offering helpful advice (Ismael et al., 2024). Another study was also done based on the auditors' capabilities in detecting fraud in Serbia (Dimitrijevic, Jovkovic, and Milutinovic 2020), which claims that the capabilities of auditors are limited to detecting fraud in firms. The auditors of Serbia are the most fluent in encountering overstatement of revenues while conducting a financial statement audit, and external auditors must have more legal authority and responsibility when they detect strong evidence of fraud. The existing limitations on external auditors would be minimised if their authority were broadened.

The objective of forensic accounting in the Kingdom of Saudi Arabia is to supply qualified accountants with their accounting expertise for use in court proceedings so that they can deliver specialised services in financial tasks. These accountants' responsibilities involve supporting clients in court and committees of judges with particular expertise, such as those handling customs, insurance, zakat, financial lawsuits, taxes, and other procedures (Alzahrane et al., 2021).

AIMS AND OBJECTIVES

The objective of this research is to evaluate forensic accounting's impact on the Indian banking Industry, while its sub-objectives are:

- to determine the possibility of bank employees' involvement in fraudulent activities that lead to bank failure;
- to check to what extent regular accountants/auditors differ from forensic accountants;
- to explore the implementation of forensic accounting in India to help regulatory bodies mitigate bank failures.

METHODS

An exploratory research design has been used for this research paper. This study design contains data from primary and secondary sources. A closed-ended questionnaire for the study was used to collect the respondent's primary data to ensure that the indicated objectives could be accomplished. The questionnaire consists of two sections. Section 1 had questions about classifying personal and demographic information, and section 2 contained questions about forensic accounting and bank fraud basics. A 3-pointer Likert rating scale was used in this questionnaire: Agree, Neutral, and Disagree. Experts and bank managers were consulted for a better understanding and clarity of concept. The qualitative semi-structured interviews of 16 bank forensic and legal experts were conducted to ensure that the above research objectives could be accomplished. A few interviews were conducted through video conference, and the rest were conducted face-to-face (Figure 2).

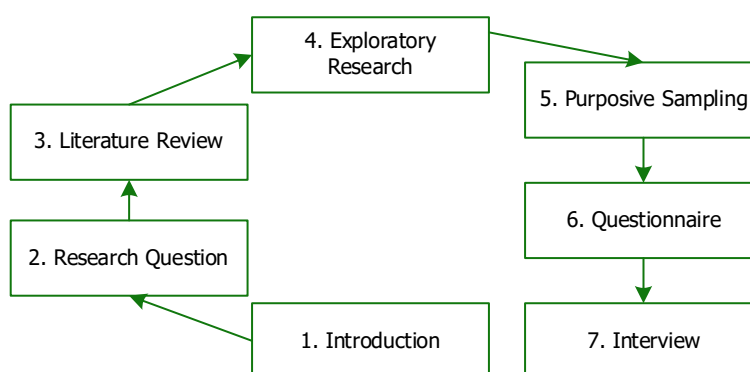


Figure 2. Research Design.

The study's sample size consists of seventy respondents (Forensic experts and Legal experts) and sixteen interviewees (Forensic experts and Legal experts). The study was restricted to two leading banks (SBI and HDFC) of Delhi NCR, India, that were licensed and operational and whose audiences were allowed to answer questions through questionnaires related to forensic accounting.

The selected sampling approach was purposive sampling for this research. This research used the non-probability sampling method since it reduces costs and saves time. The three hypotheses were used in this study and were tested with the Chi-

Square test. IBM SPSS 29 software was used to analyse the data collected through the questionnaire. NVivo 19 software was used to transcribe the interviews (Figure 3).

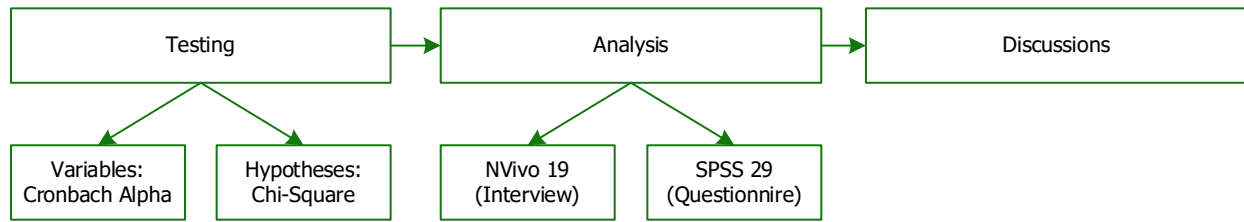


Figure 3. Analysis and Interpretation.

RESULTS AND DISCUSSION

To obtain significant information through the quantitative and qualitative approaches, we examined the questions and observed the data collected through questionnaires and interviews. The data were carefully arranged into tables. Percentages are used to contribute clarity and make the analysis more straightforward to understand. We used the interview approach for further clarity, reliability, and better understanding. The evaluated outcomes of the survey and interviews are presented below. For testing reliability, Cronbach Alpha was applied to measure internal consistency between variables (Table 3).

Table 3. Reliability test of Cronbach alpha.

Cronbach Alpha	Total
0.708	36

Quantitative Results

First question: Do you think forensic accounting is a new concept in the banking sector?

Table 4. Responses regarding forensic accounting as a new concept in the banking sector.

Category	Frequency	(%)
Agree	42	60
Disagree	8	12
Neutral	20	28
Total	70	100

In Table 4, 60% of respondents agree that “forensic accounting” is a new concept in the Indian banking sector. Additionally, 28% are neutral, while 12% disagree with this statement. This indicates that forensic accounting is relatively unfamiliar in the banking Industry. As a result, given the uniqueness of forensic accounting, this study suggests that banks may be more prone to fraud.

Second question: Is a fraud auditor or forensic accountant not precisely the same as a traditional accountant and auditor?

Table 5. Responses regarding forensic Accountants differ from those of regular accountants.

Category	Frequency	(%)
Agree	60	85
Disagree	3	5
Neutral	7	10
Total	70	100

According to prior studies, (Firmansyah et al., 2024), in an organisation the primary responsibility of a standard accountant and auditor is to evaluate the yearly accounts. The expertise of a “forensic accountant” and an auditor is somewhat different. Forensic accountants frequently collaborate closely with attorneys, law enforcement, and other experts in the legal and financial fields (Capraş and Achim, 2023). Their skills include a profound experience with economic analysis, investigation methods, and accounting concepts, and having the ability to concisely convey complicated financial facts in court (Khersiat, 2018; Adesina et al., 2020). Every banking industry in India should have a proper governance system and management that will help to detect and prevent fraud. With regard to the finding the forensic accountant is significantly different from a regular accountant, as evidenced by the fact that both have different skill sets (Khersiat, 2018). According to Table 5 responses, most respondents (85%) supported the idea that forensic accountants or fraud auditors differ from regular accountants and auditors, while 5% disagreed. The remaining 10% of respondents were neutral on this.

Third question: Mark the appropriate option as one being less critical, two as neutral, and three as essential to bring out benefits or advantages of implementing forensic accounting practices.

Table 6. Mean deviation and Standard deviation.

Advantages	MD	SD
A proactive method for detecting and resolving fraud	2.89	0.608
Leads to excellence in the investigation of fraud	2.57	0.676
Improve existing corporate governance	2.44	0.674
Adequate accuracy in enhancing the financial statement	2.49	0.715
Making choices effectiveness	2.38	0.726

Table 6 shows the findings for every aspect of the responses, which were based on respondents’ responses on the advantages and disadvantages of implementing methods from forensic accounting. Benefits/Advantages have a more significant mean deviation; the least standard deviation (SD) is necessary. In contrast, advantages with the lowest mean and a more crucial standard deviation are considered less critical. Based on the study’s findings, the most essential benefit/advantage is a proactive method for detecting and resolving fraud, with a higher mean of 2.89 and a lower standard deviation of 0.608, while the least important benefit/advantage is making choices effectiveness, with a least MD of 2.38 and a higher SD of 0.726.

Fourth question: Please mark a suitable option with the given options, such as one for less critical, two for neutral, and three for most important. What are the expected obstacles in implementing forensic accounting practices?

Table 7. Mean Deviation and Standard Deviation.

Challenges	MD	SD
Expensive	2.59	0.686
lengthy as well exhaustive procedure	2.52	0.653
The matter of confidentiality	2.37	0.737
Creates a loss in employee’s trust	2.02	0.766
Risk to put into action	1.88	0.658

Table 7 shows that cost is the main obstacle to implementing forensic accounting. Expensive seems to be the main obstacle, as per the findings, as it has the highest MD and lowest SD, 2.59 and 0.686. In contrast. The risky option seems to be the least significant option for implementation since it has a higher SD and lowest MD of 1.88 and 0.658, which validate the finding in the prior literature review that cost is significantly an essential factor for any organisation before implementing forensic accounting practices (Koneru Lakshmaiah Hyderabad & Nagar, 2018).

Fifth question: Do you feel that increased fraudulent activity in the Indian banking sector is responsible for the recent bank failures?

Table 8. Responses regarding the current increase in fraud activities in the Indian banking sector.

Category	Frequency	(%)
Agree	63	90
Disagree	3	4
Neutral	4	6
Total	70	100

As per the literature, in recent years, banks have increased the number of fraud incidents in the banking sector. Findings in Table 10 show that most of the respondents agree that, yes, fraud activities are currently increasing in the banking industry. While a few (4%) do not agree with this, the remaining respondents are neutral about this case.

Sixth question: Do you feel employees are involved in fraudulent acts leading to bank failures?

Table 9. Responses about the employees involved in fraudulent activities resulting in a bank failure.

Category	Frequency	(%)
Agree	56	80
Disagree	3	4
Neutral	11	16
Total	70	100

In Table 9, about 80% of respondents think that employees are involved in fraud activities leading to bank failure, and of them 16% are neutral, and 4% don't agree with this statement.

Seventh question: Please mark a suitable option to determine the most likely causes of banking fraud from the following table, in which one for least important, two for neutral, and three for most important

Table 10. Mean Deviation and Standard Deviation.

Reason	MD	SD
Weak understanding and interaction between bank employees & and regulatory offices	2.53	0.667
Instrumental absence for identifying possible gaps	2.46	0.695
Company pressure to achieve goals	2.37	0.719
Negligence by Top management	2.32	0.727
Rigorous banking operations	2.21	0.754

Table 10 shows the findings of the mean and standard deviations of respondents' responses, which show the causes of banking fraud. It can be explained that greater mean deviation and lower SD are the most significant causes, whereas causes with lower mean and greater SD are the least important causes. As per the evaluation of responses, Weak understanding and interaction between bank employees and regulatory offices have a higher mean (2.53) and lower SD (0.667) shown as the most important cause, while rigorous banking operation has a lower mean (2.21) and higher (0.754) as least essential causes. Hence, it concludes that bank workers and regulatory agencies have conflicting interests through hiding documents, unwillingness to show relevant data, etc.

Eighth question: Do you agree that Forensic accounting is an essential technique for identifying bank fraud?

Table 11. Responses of Forensic accounting as an essential technique.

Category	Frequency	(%)
Agree	63	90
Disagree	3	4
Neutral	4	6
Total	70	100

The literature review concludes that forensic accounting is essential for identifying fraud in corporations or banks. The above table shows the majority of respondents (90%) agree that forensic accounting is a crucial technique for identifying bank fraud.

Ninth question: Will implementing forensic accounting in India help regulatory authorities mitigate bank failures?

Table 12. Responses to the adoption of Forensic accounting in India.

Category	Frequency	(%)
Agree	57	85
Disagree	1	1
Neutral	12	14
Total	70	100

Prior findings show that the regulatory authorities are incompetent to detect fraud. Hence, forensic accounting needs to be adopted by regulatory offices in dealing with bank fraud. The table above concludes that most respondents (85%) think of adopting forensic accounting in banks, 14% are neutral on this matter, and the remaining 1% completely disagree with this adoption.

Tenth question: Is there any training program required in forensic accounting & fraud auditors to the regular accounting/auditors through the bank for detecting and preventing fraud?

Table 13. Responses regarding training programs for forensic accounting.

Category	Frequency	(%)
Agree	38	55
Disagree	12	17
Neutral	20	28
Total	70	100

In Table 13, it is concluded that the majority of respondents (55%) agree with training programs required in forensic accounting & fraud auditors to regular accounting/auditors through the bank for detecting and preventing fraud, while 28% of respondents are neutral and rest 17% don't feel of such training programs. This finding urges of need for training programs for forensic accounting.

Eleventh question: Should the appointment of a Forensic Accountant must exist?

Table 14. Appointment of a Forensic Accountant must exist.

Options	Frequency	(%)
Agree	42	60
Disagree	7	10
Neutral	21	30
Total	70	100

The above Table 14 shows that most (60%) agree to have a forensic accountant, 10% of respondents deny that, and the remaining 30% are neutral. So, we can conclude that there should be a mandatory process for forensic accountants in the banking industry.

Qualitative Results

Interviews of sixteen participants (Forensic and Legal experts) were conducted by choosing individuals who may best represent the forensic profession in various ways. To do this, we linked experts with a wealth of knowledge in financial fraud cases and forensic accounting branches of SBI and HDFC banks in Delhi NCR, including forensic experts and legal experts who have worked in this field (Table 15) for over seven years.

Table 15. Interviewees' Classification as per their performance. (Sources: Compiled by authors based on interview protocol)

Category	Forensic Expert	Legal Expert	Total
SBI Bank	4	4	8
HDFC Bank	4	4	8

Interviewee selection criteria were done based on the participants' profile, their relevance, and deep knowledge and understanding of the forensic area. Two types of interviewees were taken (forensic and legal experts) (Table 16).

Table 16. Selected Participants. (Sources: compiled by authors based on interview protocol)

Participants	Forensic experts	Legal experts
Post	Senior Manager, Executives	Legal Manager
Education	CA, CFF, and Other forensic certification	CS, LLB, Law

The extracted data from the interviews are presented in this section. The study sample was interviewed in sixteen qualitative interviews (Forensic and Legal experts), eight SBI bank experts, and eight HDFC bank' experts (Table 15). The participants' practical experience is more than seven years. The interviews lasted from 30 to 42 minutes. Over two months, 16 interviews were conducted with 2 participants from each branch of Delhi, Faridabad, Ghaziabad, and Noida of SBI and HDFC banks. Participants were given an overview of the research objectives & research questions at the start of each interview and then transcribed (Tables 17, 18). Each participant received their completed interview transcript back to ensure correctness and allow them to redact any potentially sensitive material. After approval, NVivo 12 was used to analyse the transcripts. This was made to pinpoint the crucial data needed to answer our three research objectives.

Table 17. List of content for forensic expert interviews. (Sources: Compiled by authors based on interview protocol)

Objective	Frame of question
Perceptions and experience in forensic accounting	Cases of financial statement fraud are looked into by Forensic Accountant and Traditional Accountant
Forensic accounting procedures and methods	Tools for forensic investigation are used on financial accounts to find instances of fraud
	Possibility of using forensic tools as preventative actions to discourage it

Table 18. List of content for Legal expert interviews. (Sources: Compiled by authors based on interview protocol)

Objective	Frame of question
Perceptions and experience in forensic accounting	Cases that have been filed in court involving financial statement frau
	Skills required
Forensic accounting procedures and methods	Proficiency as well as knowledge of forensic accounting
	Forensic techniques aimed at preventing

A. Excerpts/Perspectives of Forensic Experts

The opinion of forensic experts acknowledged the significance of the task of auditors and forensic accounting techniques in mitigating bank fraud. However, the most crucial thing that set their opinion apart was that they said that auditors are not interested in looking into the possibility of suspected money laundering; instead, their interest is concentrated on auditing financial statements by international auditing standards. Furthermore, forensic experts say they devote 10–15% of their time to forensic investigation and forensic cases because it is becoming increasingly essential to ensure compliance and mitigate financial risks, and this allocation has grown over time. According to their perspectives, corporate fraud is not necessarily the consequence of a breach of internal control. Still, it results from decisions made by upper management, including the CEO, CFO, comptroller, and owner of smaller businesses. Fraudsters search for gaps in the system and tamper with controls, hoping to exploit these. The CEO, CFO, and board of directors all have extensive experience in their respective roles, which makes prevention extremely challenging. The participants reveal the auditors' vast expertise in accounting and auditing, but their familiarity with the guidelines and procedures for preventing financial fraud is limited. Undoubtedly, Participants think that there is a noticeable increase in the need for forensic accounting knowledge because

financial crimes are evolving so quickly and fraudulent operations are becoming more sophisticated; there is an urgent requirement for experts who can unravel complex schemes, reduce risks, and protect financial integrity. The interviewees express complete support for forensic accountants being employed by Indian banks as required by law.

Their knowledge and abilities are beneficial in spotting and dealing with financial anomalies, strengthening the bank's reputation, and fortifying it against fraud. The literature suggests that when considering the nature of the role of forensic accountants, they provide a wide range of responsibilities and services that require knowledge and abilities beyond standard accounting. Hence, it was thought necessary to comprehend the nature of this profession. Numerous participant comments supported the literature's indication that there are multiple dimensions to the function of a forensic accountant (Mcmullen and Sanchez 2010; DiGabriele 2010; Salleh and Aziz 2014; Howieson 2018). While considering questions on Traditional accounting and auditing detecting skills, interviewees think that Traditional accounting and auditing techniques are essential for preserving financial transparency. Still, they might not always be enough to identify and stop complex fraudulent activity. On the other hand, forensic accounting methods are specially designed to find irregularities and deliver useful information for effectively mitigating risks. The main difficulties encountered by forensic accountants are keeping up with quickly changing fraud schemes, obtaining relevant data and information, handling complicated legal issues, and maintaining the secrecy of investigations. According to the forensic expert's interview, Table 21 displays their methods and techniques to find common accounting frauds.

B. Excerpts/ Perspectives of Legal Experts

The experts agreed on how crucial the profession's role is to combat banking fraud. They pointed out that the forensic expert must exhibit the highest level of expert scepticism to identify fraud and techniques used in money laundering activities. Furthermore, interviewees stated that to make it easier to look for gaps in the system that could be used for money laundering and manipulating accounts, auditors in this day and age need to be familiar with contemporary technological applications like data mining, cloud accounting, and artificial intelligence techniques. Talking about the existence of forensic accountants, the majority of interviewees agreed that yes, it ought to come from the Auditors Association's grounds as they are the best at auditing financial statements and have the necessary skills to gather relevant audit data for making decisions. The top competencies for forensic accounting services are proficiency in economic analysis, investigative attitude, practical communication skills, and a thorough comprehension of accounting concepts and legal frameworks. Using these abilities, we may efficiently identify financial abnormalities and offer valuable insights. According to the interview, most participants think that oral and written communication skills are supposed to be the most important in the given figure (Table 19). Forensic accounting aims to detect the fraudulent activity of an organisation through its models, methodology, and investigative procedures that require attestation, assurance, and an advisory position to provide extensive legal evidence (Al Jundi, 2023; Dimitrijevic et al., 2020).

Table 19. Techniques for detecting accounting fraud. (Sources: Compiled by authors based on interview)

Methods/Techniques
Examining the manual entries in the journal at the close of the time frame
A nature-based analysis of account behaviour
Analysis of accounting patterns
Overestimation Analysis
Analysis of Horizontal and Vertical Accounts
Predictive analytics
Transaction analysis
Changes in the effective tax rate
Indicators of financial performance are compared with the industry
Forensic analytics
Trend identification
Recognising strange or questionable transactions
Expert discernment and instinct
Examining and comprehending legal precedent
Data Mining
Data Processing 100%

This makes sense in light of the forensic accountant's duty, which mainly depends on the accountant's capacity to document findings in official documents and interact with clients, judges, prospective witnesses, and other parties during an investigation. The ability to communicate effectively is what usually sets the required one. Since the judge is an informed layperson, explaining sophisticated accounting or financial data to them is simply a chore. That makes it a very crucial talent. Even while the calculations or analysis may be very complicated, you still need to be able to explain it to audiences who aren't experts in that field of study clearly and concisely. It might include explaining intricate financial analysis to others who aren't accountants, such as attorneys, judges, or people in court. Significant obstacles might also arise from managing resource restrictions and working with various parties and corporate governance frameworks. Legal experts state that public awareness and the availability of resources will determine how feasible it is to use forensic methods/techniques as a deterrent to financial statement fraud.

The test of hypotheses through Chi-square tests

According to the survey's responses, the Chi-square test was applied to test the hypotheses considered in this section. We used the Chi-Square Test and cross-tabulation to explore further the nature of the relationships between the variables in hypothesis testing. Further, the analytical approaches are used to make judgments regarding the acceptance or rejection of our hypotheses. The outcomes of the tests are listed below, and the SPSS 29 is used to interpret and input the survey's responses to conduct the tests.

The formula of the chi-square for statistical analysis by (Kim, 2017).

$$x^2 = \frac{(O-E)^2}{E} \tag{1}$$

O = Observed Frequency; *E* = Expected Frequency

The level of significance = 5%, the degrees of freedom (k-1 = 3-1) = 2, tabulated value $x^2 = 5.991$.

H01: Bank Employees do not team up with outsiders for fraud, causing financial institutions to fail.

Table 20. Bank employees team up with outsiders.			
	Observed Frequency	Expected Frequency	Residual Frequency
Neutral	21	34	-13
Disagree	1	34	-33
Agree	48	34	14
Total	70		
x^2			42.764a
df			2
Asymp Sig			0.000
Monte Carlo Sig	Sig.		0.000b
	95% Confidence Interval	Lower bound	0.000
		Upper bound	0.019

Table 20 presents the evaluated Chi-square value (42.764), which is higher than the tabulated value mentioned (5.991), while the S.L (0.05) is lower than the calculated value. This shows the rejection of the null hypothesis (*H01*). Hence, it is concluded that Bank Employees do not team up with outsiders for fraud, causing financial institutions to fail. This outcome is derived from the chi-square test, which shows the significant relationship between bank employees' involvement and fraudulent activities leading to bank failure.

H02: There are no significant differences between a forensic accountant and a traditional accountant.

Table 21. No significant differences between a forensic accountant & traditional accountant.

	Observed Frequency, (O)	Expected Frequency, (E)	Residual Frequency
Neutral	2	34	-32
Disagree	12	34	-22
Agree	56	34	22
Total	70		
χ^2			58.588a
df			2
Asymp Sig			0.000
Monte Carlo Sig	Sig.		0.000b
	95% Confidence Interval	Lower bound	0.000
		Upper bound	0.019

Table 21 shows that the evaluated chi-square value (58.588) is more than the tabulated value (5.991), while the S.L (0.05) is less than the calculated value. This shows the rejection of the null hypothesis (H02). Hence, the Chi-Square test says there is a significant difference between a forensic accountant and traditional accountant.

H03: The use of forensic accounting does not effectively aid regulatory authorities in addressing bank frauds and failures.

Table 22. Use of forensic accounting in regulatory bodies.

	Observed Frequency	Expected Frequency	Residual Frequency
Neutral	15	34	-19
Disagree	2	34	-32
Agree	53	34	19
Total	70		
χ^2			51.352a
df			2
Asymp Sig			0.000
Monte Carlo Sig	Sig.		0.000b
	95% Confidence Interval	Lower bound	0.000
		Upper bound	0.019

Table 22 shows that the evaluated chi-square value (51.352a) is greater than the tabulated value (5.991), while the SL (0.05) is lower than the calculated value. This shows the rejection of the null hypothesis (H03). Therefore, it is observed that forensic accounting effectively helps regulatory offices fight bank fraud and failures.

CONCLUSIONS

In today's world, the banking industry has encountered multiple risks, likely fraud risk, market risk, financial statement risk, operational risk, insolvency risk, and the dangers associated with off-balance-sheet activities, which damage that bank's reputation and lead to huge NPAs. Therefore, Forensic Accounting has become a crucial technique in mitigating these financial frauds in the banking sector. This research paper emphasised the function of forensic accountants in combating and mitigating financial fraud. The result of our findings highlights the significance of adopting the FA to deal with an increasing number of financial frauds and NPAs since forensic accounting enables a straightforward evaluation of all the risks related to an organisation, including the risk of fraud. It aids in the detection of financial fraud (Yang and Lee, 2020; Wang, Ashton, and Jaafar, 2019). Through the cause-and-effect concept, (Alhusban et al., 2020; Hamilton et al., 2019) say forensic accounting can be beneficial in understanding the general conditions that allow fraud. Fraud may be regarded as engaging in illicit activities, embodying the breach or concealment of confidence (Gupta et al., 2024). From an analysis of

prior literature, it can be affirmed that the negligence and incompetence demonstrated by auditors in their capacity to identify fraudulent activities is not the only contributing factor to the occurrence of crises and fraudulent schemes within the corporate and banking industry. The research finding's opinion is that banking problems are not just because auditors are not doing their job well but because new ways of 'window dressing' of accounts and issues leading to banking fraud, such as account hacking and new ways of online crimes, are emerging and changing shapes frequently.

Further, our study also addresses that FA will not only combat fraud risk but also improve financial transparency and corporate governance. With this regard, our findings suggest the mandatory implementation of FA Practices in the banking domain, which will lead to strong regulation compliance and a decline in the risk of bank failures. However, the other challenges in implementing FA Practices are the high cost and lack of expertise, so it is necessary to address these issues for the successful implementation of FA Practices. So basically, the development of FA expertise will support the fostering of a resistant banking culture. In a nutshell, by incorporating forensic techniques into regular financial activities, banks can work better in the context of protecting from fraud. Therefore, it will ensure long-term stability in the financial industry. The findings also reveal that sixty per cent of participants find 'forensic accounting' a novel concept in the banking arena. Most respondents (85%) believe using 'forensic accounting' in India can help stop bank fraud. Some problems in using it, like cost and keeping things secret, are similar to what other studies found (Akinbowale et al., 2023; Bassey et al., 2017; Matenda et al., 2023). The demands of the forensic accounting profession result from a greater emphasis on innovative data mining methods, expert witness services, ethics, legal counsel, computer forensics, and creative data mining methods. A certification in professional forensic accounting would also be beneficial in addressing the participants' reported lack of abilities by ensuring that forensic services professionals have access to continuous education and specialised forensic expertise. The findings also reveal that "banking frauds are increasing", although government and regulatory measures seem accurate, as eighty per cent of the respondents opined.

Managerial implications and way ahead

In the Indian banking industry, forensic accounting significantly impacts identifying fraudulent activities, regulatory compliance, financial stability, and sustainability. It is an important instrument that helps to protect stakeholders' interests, improve transparency, and uncover financial irregularities. Forensic accounting may be seen as a cornerstone of sustainable corporate governance. Within the company, financial analysis can be used as a governance management tool to satisfy shareholders. Forensic accounting can identify fraud, its perpetrators, and its foundation and provide controls to lessen the impact of fraud. Sustainable corporate governance can produce the intended outcomes when the company is free of fraud and fraudulent activity. Forensic accounting is essential for risk detection and mitigation in the Indian banking industry, which deals with non-performing assets and fraudulent operations. By improving risk management frameworks, its implementation can increase the financial system's overall resilience. Forensic accounting plays a vital role in upholding the integrity of the banking industry and promoting a more favourable economic environment by detecting and resolving financial fraud. To fully achieve the advantages of forensic accounting in the Indian banking environment, however, obstacles, including a lack of skilled personnel and the requirement for ongoing innovation in forensic methodologies, must be overcome. Furthermore, the mandatory appointment of forensic accountants in the Indian banking industry holds various advantages. Firstly, it ensures a preventive approach to fraud prevention and detection, safeguarding the financial sustainability of banks.

Secondly, it promotes a culture of transparency and accountability, as forensic accountants specialise in uncovering financial discrepancies and irregularities. Thirdly, mandatory forensic audits serve as a hindrance to potential wrongdoers, reducing the likelihood of fraudulent activities within the banking industry. Further, Forensic accounting's role in controlling activities and preventing fraud in the systems of banks, organisations, and businesses ultimately protects against adverse effects on society and helps achieve sustainable corporate governance. Forensic accounting is a possible activity that can satisfy shareholders and function as governance management within the company. Similar to how forensic accounting can uncover fraud, its perpetrators, its foundation, and how to create controls to lessen its impact, corporate governance can produce the intended outcomes after the business is accessible of fraud and fraudulent activity. If we talk from the future perspective, the future of forensic accounting in Indian banking holds significant promise as it is of the utmost importance in ensuring financial integrity and sustainability and preventing fraudulent activities. As financial transactions get more complex and the digitalisation of banking systems, accountants are expected to be in more demand. These professionals will contribute to investigating financial discrepancies, identifying irregularities, and ensuring compliance with regulatory standards. Further, banks should make policies to recruit forensic accountants and develop their expertise in detecting cybercrimes and digital fraud. As rising awareness of financial crimes grows, the duty of forensic accountants in uncovering and mitigating risks will become even more crucial, positioning them as key players in safeguarding the integrity of India's banking industry for years to come.

Limitations and future study

This research is limited to a sample size of seventy respondents and sixteen interviews. Therefore, further studies can be taken with an increased sample size through probability sampling to validate results. Additional research can also be done to explore the specific training and programs required for forensic accountants in the banking sector. This research paper was only confined to leading Indian Banks in Delhi, India's national capital region (NCR). Future researchers might take a broader perspective by including rural or foreign banks to strengthen the analysis. The findings' relevance to other countries or regions may be limited because the study is limited to Indian Banks. The benefits and challenges of forensic accounting are analysed with particular reference to the banking industry. Future research might go beyond banking to other organisations to enrich the scope of knowledge. The necessity of carrying out forensic accounting study in India and the world. Not many studies on this topic are currently accessible, as too many people are still confused about what forensic accounting is. Furthermore, by using various forensic accounting methods, researchers in the future can advance our knowledge and understanding of forensic accounting and how it relates to business and socioeconomic growth.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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The Authors declare that there is no conflict of interest.

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Джамал А., Сінгх Х.

ВИВЧЕННЯ РОЛІ СУДОВО-БУХГАЛТЕРСЬКОЇ ЕКСПЕРТИЗИ В ЗАБЕЗПЕЧЕННІ БАНКІВСЬКОЇ ДОБРОЧЕСНОСТІ В ІНДІЇ

Економічна стійкість необхідна для досягнення всеосяжного зростання в індійському банківському секторі. Стійка, надійна та здорова банківська система тримає країну на економічних колесах. Це дослідження висвітлює широко обговорювані, але менш вивчені аспекти судово-бухгалтерської експертизи в індійському банківському секторі. У ньому розглянуто вплив судово-бухгалтерської експертизи на результати діяльності банків державного та приватного секторів. Перспективи керівників і посадових осіб банків, які працюють у Національному столичному регіоні Делі (NCR), – основні фокусні моменти цього дослідження. Крім того, у дослідницькій роботі наголошено на важливості висвітлення переваг. Його результати свідчать про те, що попит на судових бухгалтерів також зростає з упродовженням практики судово-бухгалтерської експертизи в Індії. Оскільки судово-бухгалтерська експертиза ще не є обов'язковою, більшість фахівців із бухгалтерського обліку не практикують судово-бухгалтерської експертизи. Тому існує гостра потреба в поширенні обізнаності в колі фахівців бухгалтерського обліку, додавши стійке корпоративне управління та зробивши судово-бухгалтерську експертизу необхідним компонентом системи управління.

Ключові слова: сталий банкінг, судово-бухгалтерська експертиза, банківництво в Індії, бухгалтерське шахрайство, фахівці з бухгалтерського обліку

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