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The Role of Forensic Accounting in Fraud Detection and Prevention in Developing Economies

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Abstract

Regulatory bodies in developing countries are often less well-established, making forensic accounting increasingly important for detecting and preventing financial crime. This research examines how the adoption of forensic accounting methods can enhance transparency, prevent corruption, and strengthen accountability in regions with limited regulatory infrastructure. Through case studies and real-world examples, the analysis highlights both the challenges and benefits that forensic accountants encounter in environments characterized by political influence and constrained resources. Forensic accounting has proven effective in uncovering financial irregularities and deterring fraud. When coordinated with government regulations and legal frameworks, forensic accounting significantly reduces fraud, thereby supporting economic stability and fostering investor confidence. The study underscores the importance of capacity building, legislative support, and international collaboration to improve the application of forensic accounting in developing countries. Recent advancements, such as the integration of blockchain analysis and forensic data mining, have expanded the scope and accuracy of forensic investigations. These innovations have made it easier to conduct effective monitoring and detect fraud in financial activities, reinforcing the ongoing relevance of forensic accounting. As financial crimes become increasingly complex globally, forensic accounting remains essential for ensuring economic security, promoting accountability, and restoring public trust in developing countries. However, the study is limited by its regional focus and reliance on publicly available data.

Keywords: Forensic Accounting, Financial Crime, Transparency, Developing Countries

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Introduction

Fraud poses a serious challenge for both businesses and governments, especially in countries with limited oversight and weak governance structures. The consequences of fraud are far-reaching, undermining financial stability and eroding public confidence in both markets and institutions (Transparency International, 2022). As financial transactions grow more complex globally, advanced methods for identifying and preventing fraud are more critical than ever (ACFE, 2023). Forensic accounting has become central to addressing these challenges by providing the investigative and analytical tools needed to identify and track illicit activities (Hopwood et al., 2012).

Forensic accounting integrates accounting, auditing, and investigative techniques to analyze financial data for use in legal proceedings (Singleton & Singleton, 2010). While traditional audits focus on detecting errors, theft, and financial crimes such as money laundering, forensic accounting is particularly valuable in developing economies where mismanagement and corruption are prevalent, helping ensure transparency and accountability (Umar & Anandarajan, 2004; Amir et al., 2025). According to the Association of Certified Fraud Examiners, organizations lose approximately 5% of their annual revenue to fraud, underscoring the need for robust detection measures (ACFE, 2023).

Demand for forensic accounting has increased significantly in recent years, particularly in economies undergoing transformation and greater integration with the global financial system. These markets are especially vulnerable to fraud due to weak enforcement, insufficiently trained personnel, and a lack of internal controls (Omar & Bakar, 2012; Farras et al., 2025). The rise of cross-border financial crimes and cyber fraud has further complicated the landscape, necessitating multi-dimensional approaches to detection and prevention. Forensic accountants are therefore essential not only for mitigating fraud and strengthening governance, but also for fostering investor confidence and supporting legal proceedings. As organizations expand internationally and adopt digital financial systems, risks related to digital manipulation, identity theft, and financial misstatement rise. Forensic accounting helps bridge the trust gap by promoting transparency and adherence to both local and international laws (Singleton & Singleton, 2010; Shaukat et al., 2025). This study adds to the literature by focusing on developing countries, where systemic challenges create both opportunities and barriers for the advancement of forensic accounting.

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The introduction of whistleblower systems, enhanced governance practices, and evolving financial reporting regulations has reaffirmed the role of forensic accountants in safeguarding institutional integrity. They play a key role in fraud risk management by tracing illegal transactions, estimating economic losses, and providing expert testimony (Transparency International, 2022). Forensic accounting is a crucial tool for advancing justice and economic recovery in developing economies, particularly where traditional justice mechanisms are less effective.

Beyond detecting fraud, forensic accountants proactively identify weaknesses in financial controls and recommend stronger governance structures (DiGabriele, 2008; Zafar et al., 2025). In environments marked by high corruption and limited legal protections, forensic accounting helps restore trust by promoting responsible conduct (Albrecht et al., 2012; Karim et al., 2025). However, the effectiveness of forensic accountants depends on their independence and access to advanced technological resources. Modern tools such as blockchain technology, digital forensics, and data analytics have enabled real-time monitoring and the rapid detection of anomalies (World Bank, 2022). Despite its value, forensic accounting faces challenges in developing countries, including resource shortages, inadequate regulation, and political interference. Weak legal frameworks can make prosecution difficult and limit the deterrent effect of investigations. This paper aims to examine how forensic accounting contributes to the identification and prevention of fraud in less-developed nations and to recommend strategies for maximizing its impact. Through case analysis and empirical data, the study demonstrates the potential of forensic accounting to promote economic stability and strengthen government institutions.

Literature Review

Fraud is a significant challenge for financial systems, and in developing countries, its impact is exacerbated by institutional weaknesses, governance gaps, and underdeveloped technology. Forensic accounting merges accounting, auditing, and investigative skills to address issues related to fraud. This paper examines the function, evolution, and effectiveness of forensic accounting in combating and preventing fraud in developing countries, with emphasis on relevant frameworks, theories, and empirical findings from the global South. Forensic accounting draws on both accounting expertise and investigative techniques to resolve disputes, uncover fraud, and present financial evidence in court (Hopwood et al., 2012; Ali et al., 2025). While traditional accounting focuses on recording and reporting

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information, forensic accounting investigates irregularities, supports litigation, and works to prevent or mitigate fraud. It addresses both retrospective errors in financial statements and the prevention of emerging forms of fraud. The role of forensic accounting is especially important in environments characterized by unreliable financial management and limited government transparency, as is often the case in developing countries. Widespread corruption, limited transaction tracking, and weak regulatory frameworks are common problems in these contexts (Transparency International, 2022). Forensic accountants in these regions are vital for uncovering and preventing financial misconduct, providing expert testimony, risk reports, and compliance oversight (Singleton & Singleton, 2010; Khalid et al., 2025). The effectiveness of forensic accounting depends on adapting methods to the unique laws, cultures, and regulations of each location.

Several theoretical frameworks guide the development and practice of forensic accounting. The Fraud Triangle Theory (Cressey, 1953) identifies pressure, opportunity, and rationalization as key drivers of fraudulent behavior, helping forensic professionals identify system and cultural vulnerabilities—an especially relevant model in countries with weak oversight and high financial need (Albrecht et al., 2012; Khalil et al., 2024). Agency Theory highlights conflicts of interest between owners and managers, suggesting that forensic audits can help bridge the information gap and restore trust in financial reporting (Jensen & Meckling, 1976). Institutional Theory further explains how formal and informal rules, norms, and external pressures—such as foreign donors or civil society—drive the adoption of forensic audits in the interest of transparency and legitimacy (DiMaggio & Powell, 1983; Othman et al., 2015; Kar & Dasgupta, 2024).

Fraud in developing economies takes many forms, including procurement fraud, payroll fraud, income diversion, financial statement manipulation, and cybercrime. The United Nations Office on Drugs and Crime (2019) reports that public procurement and tax management are particularly vulnerable to fraud in countries with weak governance. According to a recent PwC survey, 46% of companies in developing economies have experienced economic crime in the last two years, higher than in most other regions. Poor internal controls, minimal audit scrutiny, weak anti-fraud laws, and low financial literacy all contribute to the problem (ACFE, 2023). The rise of digital payments, while convenient, has also enabled new forms of cyber fraud, especially in countries lacking robust data protection (IFAC, 2021). Increasingly, forensic accountants use data mining, blockchain analysis, and predictive analytics to combat these evolving risks.

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Over the last decade, forensic accounting has expanded to include anti-corruption investigations, asset tracing, anti-money laundering (AML) audits, and cybersecurity cases. Its importance in developing countries grew after 2010, following major scandals such as Nigeria's fuel subsidy fraud, India's Satyam case, and South Africa's Gupta affair (Oyewobi et al., 2022). Forensic accountants now play crucial roles in government auditing agencies, uncovering issues such as ghost workers and inflated contracts using forensic data analytics and interviews. Case studies from Iraq, Bangladesh, and Kenya show that forensic accounting has helped improve procurement efficiency and support legal actions (TI, 2022). Companies in Malaysia, Indonesia, and Egypt have increasingly adopted forensic audit teams to bolster investor confidence and improve transparency (Haniffa & Hudaib, 2007; Mate, 2022).

Proper training and certification significantly enhance the effectiveness of forensic accountants. While global standards such as ISA 240 and the IFAC Code provide general guidelines, several developing countries have tailored their frameworks, such as ICAP in Pakistan and the Financial Reporting Council in Nigeria (ICAP, 2021). Challenges remain, however: many countries do not formally recognize forensic accounting as a profession, and practitioners may lack credentials such as Certified Forensic Accountant (Cr.FA) or Certified Fraud Examiner (CFE). According to the ACFE (2023), fewer than 20% of forensic auditors in low-income countries have international qualifications, potentially undermining credibility in legal contexts. Collaboration between forensic accountants and law enforcement is also limited by underdeveloped procedures for evidence handling and expert testimony (Asare et al., 2020).

Technological advancements have significantly improved forensic accounting. Digital forensics, blockchain analysis, forensic data mining, and machine learning have transformed fraud detection. Although adoption is uneven due to cost and resource constraints, countries such as India, Brazil, and Kenya are leveraging forensic data analytics to improve public financial management (World Bank, 2022). Studies from Nigeria and Bangladesh report that digital monitoring of transactions has reduced procurement fraud by approximately 30% (U4 Anti-Corruption Resource Centre, 2021), and new mobile forensic tools are being implemented for oversight in Uganda. Despite its potential, forensic accounting faces practical obstacles in developing countries. Outdated or incomplete legal frameworks can make it difficult to use forensic evidence in court (Asare & Wright, 2019). There is a shortage of multidisciplinary experts qualified in law,

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information technology, and accountancy. Forensic audit functions are often embedded within executive agencies or oversight bodies, sometimes limiting their independence and effectiveness. Nevertheless, with appropriate frameworks and support, forensic accounting can greatly enhance accountability, transparency, and financial integrity.

Empirical studies continue to demonstrate the value of forensic accounting. Okoye & Gbegi (2013) found that greater use of forensic audits improved fraud detection in Nigerian government agencies. Modugu & Anyaduba (2013) showed that forensic audit units reduce financial statement fraud in SMEs. Comparative studies indicate that countries with established forensic audit policies, such as South Africa, Malaysia, and Ghana, experience higher rates of fraud recovery and prosecution (ACCA, 2021). These findings support the argument that integrating forensic accounting into audit systems strengthens governance.

Despite growing recognition of forensic accounting's importance in combating fraud and promoting transparency in developing economies (Transparency International, 2022; ACFE, 2023; Hopwood et al., 2012), substantial research gaps remain regarding its effective integration and measurable impact within varied institutional and regulatory settings (Singleton & Singleton, 2010; Umar & Anandarajan, 2004). While studies have demonstrated the rising demand for forensic accounting in contexts with weak governance, limited oversight, and increasing financial complexity (Omar & Bakar, 2012; ACFE, 2023), much of the existing literature focuses on case-based or descriptive analyses rather than robust, comparative, or longitudinal evidence (Oyewobi et al., 2022; Haniffa & Hudaib, 2007). Theoretical models such as the Fraud Triangle Theory (Cressey, 1953), Agency Theory (Jensen & Meckling, 1976), and Institutional Theory (DiMaggio & Powell, 1983; Othman et al., 2015) provide valuable frameworks for understanding fraud and the adoption of forensic audits, but empirical studies examining how these theories translate into practice across different legal, cultural, and economic environments are scarce (Albrecht et al., 2012; Singleton & Singleton, 2010). Furthermore, while research documents the benefits of advanced technologies—such as blockchain analysis, forensic data mining, and digital forensics—in strengthening fraud detection (World Bank, 2022; U4 Anti-Corruption Resource Centre, 2021; IFAC, 2021), there is limited quantitative evidence on the extent to which these innovations have been adopted and their actual effectiveness in resource-constrained, politically influenced environments (Asare & Wright, 2019; Asare et al., 2020). Existing studies often highlight

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challenges such as skills shortages, lack of professional recognition, insufficient legal frameworks, and limited collaboration with law enforcement (ACFE, 2023; ICAP, 2021; Asare et al., 2020), yet few systematically assess how these obstacles impact forensic accounting outcomes or how capacity-building efforts influence fraud prevention over time. While case studies from Nigeria, Bangladesh, Iraq, Malaysia, and Kenya demonstrate localized successes in fraud recovery and legal actions (Okoye & Gbegi, 2013; Modugu & Anyaduba, 2013; TI, 2022; Haniffa & Hudaib, 2007), there is still a need for comparative, multi-country analyses that evaluate the scalability and sustainability of forensic accounting practices, especially in countries with high corruption and weak enforcement (PwC, 2022; Transparency International, 2022; ACCA, 2021). The literature also lacks critical exploration of how forensic accounting contributes to economic stability, investor confidence, and public trust in the long term (Singleton & Singleton, 2010; DiGabriele, 2008; Albrecht et al., 2012). Moreover, few studies systematically compare forensic accounting outcomes across different legal or institutional contexts, limiting generalizability. This research aims to address these gaps by offering a comprehensive, empirical investigation of forensic accounting's role in fraud detection and prevention in developing economies, utilizing recent advancements in technology and cross-country case analysis to provide evidence-based recommendations for maximizing impact on financial transparency, accountability, and governance.

Theoretical Framework

Our model is primarily grounded in the Fraud Triangle Theory (Cressey, 1953) and the Agency Theory (Jensen & Meckling, 1976). The Fraud Triangle Theory posits that fraud arises when opportunity, incentive, and rationalization converge, emphasizing the importance of robust controls and oversight. Forensic accounting, as an investigative and analytical approach, directly addresses the "opportunity" aspect by introducing advanced detection and prevention mechanisms (Bologna & Lindquist, 1995; DiGabriele, 2008). Internal controls effectiveness is highlighted in both the Committee of Sponsoring Organizations (COSO) framework (COSO, 2013) and agency theory as a principal means of mitigating agency costs and curtailing managerial opportunism. Strong internal controls reduce the risk of fraud by limiting the opportunity for misappropriation and manipulation (Skaife, Collins, LaFond, & Wolfe, 2006). Governance score, representing the quality of corporate governance structures and processes, is another critical factor. Effective governance aligns interests between managers and stakeholders and ensures

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transparency, accountability, and ethical conduct, all of which deter fraudulent activity (Beasley, 1996; Agrawal & Chadha, 2005). Governance theory and empirical studies consistently link robust governance with reduced incidence and severity of corporate fraud. The recovery rate, which measures the effectiveness of recovering assets lost to fraud, is supported by the deterrence theory and practical findings in forensic and auditing research. Higher recovery rates not only mitigate losses but also strengthen the perceived risks and consequences of engaging in fraud, thereby reinforcing preventive mechanisms (Singleton & Singleton, 2010). Empirical research conducted in the context of developing economies underscores the importance of these factors, showing that the application of forensic accounting techniques and the strengthening of institutional frameworks are pivotal in environments with elevated fraud risk (Okoye & Gbegi, 2013; Modugu & Anyaduba, 2013). The functional form that the model uses is:

$F = f(FA, IC, GS, RR)$

Where:

- F = Fraud Reduction Score (dependent variable)
- FA = Forensic Accounting Integration
- IC = Internal Controls Effectiveness
- GS = Governance Score
- RR = Recovery Rate

The corresponding regression equation used to evaluate the predictive relationship is given by:

$$F = \alpha + \beta_1 (FA) + \beta_2 (IC) + \beta_3 (GS) + \beta_4 (RR) + \varepsilon$$

Where:

- α is the intercept,
- β_1 -β_4 are the coefficients indicating the strength and direction of the independent variables' influence on the dependent variable,
- ε is the error term capturing unexplained variance.

Based on this framework, we hypothesize that increased forensic accounting integration, stronger internal controls, higher governance scores, and better recovery rates are all positively associated with fraud reduction.

This study focuses on Pakistan, Nigeria, Bangladesh, and Kenya—countries characterized by frequent financial irregularities, evolving regulatory environments, and increasing adoption of forensic accounting practices. These nations were selected for their diversity in government structures, organizational maturity, and transparency, offering valuable comparative cases for examining

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forensic audit effectiveness. The sample included both public and private institutions, such as state-owned enterprises, commercial banks, procurement departments, and privately owned medium-sized corporations. Institutions were selected based on prior exposure to financial irregularities or utilization of forensic accounting interventions. The sampling design comprised 10 public and 10 private sector entities, further categorized by size: 6 large organizations (3 public, 3 private), 8 medium-sized (4 public, 4 private), and 6 small or specialized institutions (3 public, 3 private). Data were obtained from publicly available financial statements, forensic audit reports, Anti-Corruption Commission records, Auditor General reports, and publications from financial regulatory authorities. The data covered the period from 2018 to 2023, which allowed for analysis of trends both before and after the onset of the COVID-19 pandemic and its impact on fraud risk management practices.

The research centered on five key dimensions of fraud risk management, including detection measures such as whistleblower systems, red flag indicators, and forensic audits; prevention strategies like internal controls, compliance standards, and staff training; oversight in terms of audit committee structure and independence, board involvement, and organizational reporting culture; financial impact, which was measured by losses incurred, recovery rates, penalties, and settlements; and capacity, reflected in the availability of advanced technologies and thorough training of personnel. To ensure data validity and comprehensiveness, sources included the IFAC Knowledge Gateway, the 2022 ACFE Report to the Nations, national anti-corruption websites, and public audit systems.

Descriptive statistics and Pearson correlation coefficients were applied to examine the relationships among variables. This approach was chosen because it effectively estimates both the overall and specific effects of forensic accounting processes on reducing fraud frequency and associated financial losses. Qualitative sources were also incorporated to enrich the interpretation of the statistical findings. NVivo software was used to identify recurring themes and patterns in the data. Coding revealed a growing forensic culture within organizations, increased readiness for investigations, and adoption of digital forensic techniques such as Benford's Law and financial data mining. The analysis highlighted the significant roles played by organizational leaders and audit committees in fraud risk governance, while also identifying persistent challenges such as regulatory gaps, resistance to change, and limited technological capacity in some institutions. The

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findings suggest that the effectiveness of forensic accounting is largely influenced by organizational culture, regulatory frameworks, and the technological tools employed. Notably, mid-sized organizations, while lacking advanced digital forensic capabilities, were more agile than large organizations in implementing new audit committee regulations.

Multiple safeguards were implemented to ensure the reliability and validity of the study's results. Data were triangulated using various sources, including audit reports, investigative files, and regulatory public records (Creswell, 2013). The analyses followed standardized procedures following the ACFE Fraud Framework and ISRS 4400 from the International Federation of Accountants, ensuring methodological consistency (IFAC, 2020). For the qualitative component, all data were independently coded by three analysts, and a Cohen's Kappa score of 0.81 indicated a high level of inter-coder agreement. Additionally, findings were cross-validated with legal cases, media reports, and publicly available information to minimize errors or bias. Only results from public records were included, thereby ensuring objectivity in the analysis.

Results and Findings

This section presents the empirical findings of the study, analyzing the contribution of forensic accounting approaches to the detection and prevention of fraud in selected developing economies, specifically Pakistan, Bangladesh, Nigeria, and Kenya. Descriptive statistics (Table 1) offer valuable information regarding institutional practices focused on fraud risk management. The average score for forensic accounting integration was 6.12 out of 10, indicating a moderate level of adoption of forensic practices among institutions in these emerging economies. The mean value for internal controls effectiveness was 6.75, suggesting that most institutions have reasonably well-established mechanisms for preventing and detecting fraud. The mean governance score was 6.30, reflecting a consistent emphasis on board oversight, audit committees, and ethical reporting practices. The recovery rate, measuring the percentage of funds recovered following incidents of fraud, showed considerable variation, with a mean of 53.4 percent, a minimum of 12 percent, and a maximum of 89 percent. Finally, the dependent variable, fraud reduction score, had a mean value of 6.58, which supports the observation that institutions are achieving moderate success in controlling fraud through various mechanisms.

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Table 1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
FA	6.12	1.93	2.1	11.9
IC	6.75	1.82	2.3	11
GS	6.3	2.05	1.8	11.2
RR (%)	53.4	17.8	12	90
F	6.58	1.87	2.5	12.6

Table 2 presents the correlation matrix of the variables. The analysis showed a positive and significant correlation between each of the independent variables and the fraud reduction score. Governance score and fraud reduction score (r = 0.78) had the strongest association, indicating that robust oversight frameworks are closely linked to reductions in fraud cases. Forensic accounting integration and internal controls effectiveness also exhibited strong correlations with the fraud reduction score, at 0.74 and 0.70, respectively, suggesting that both professional forensic practices and well-established internal controls are important factors in fraud prevention. The Recovery Rate, while somewhat less correlated (r = 0.65), still demonstrated a meaningful positive relationship, underlining its relevance as a responsive measure in mitigating the effects of fraud after its occurrence.

Table 2: Correlation Analysis

Variable	FA	IC	GS	RR	F
FA	1				
IC	0.62	1			
GS	0.68	0.64	1		
RR	0.55	0.58	0.61	1	
F	0.74	0.7	0.78	0.65	1

The results in Table 3 indicate that increased investment in forensic accounting is associated with a coefficient of 0.38, meaning that a one-point rise in forensic accounting efforts corresponds to a 0.38-point increase in the fraud reduction score. This statistically significant outcome demonstrates that forensic audit practices in Pakistan play a meaningful role in detecting and preventing institutional fraud. Internal controls also have a positive effect, with a coefficient of 0.26, indicating that checks, balances, and internal monitoring systems contribute to reducing fraudulent activity, though to a slightly lesser extent than forensic accounting. Governance quality emerges as the most significant predictor, with a coefficient of 0.31, suggesting that institutions characterized by higher standards of accountability, transparency, and ethical administration experience

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fewer instances of fraud. The recovery rate of lost assets also shows a positive coefficient of 0.011, implying that institutions with a greater capacity to recover misappropriated funds achieve better outcomes in fraud prevention. This effect may reflect both the deterrent impact of recovery efforts and the increased confidence these mechanisms inspire in accountability systems.

Table 3: Regression Analysis for Pakistan

Dependent Variable: Fraud Reduction Score

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	1.85	0.72	2.57	0.014
Forensic Accounting	0.38	0.1	3.8	0.001
Internal Controls	0.26	0.12	2.17	0.035
Governance Score	0.31	0.09	3.44	0.002
Recovery Rate	0.011	0.005	2.2	0.032
R-squared	0.74			

Table 4 shows that the coefficient of 0.42 indicates that a one-unit increase in the forensic accounting index results in a 0.42-point rise in the Fraud Reduction Score, holding other variables constant. This statistically significant finding confirms that improvements in forensic accounting procedures in Bangladeshi institutions play a substantial role in reducing fraud. Internal control mechanisms also contribute positively to fraud reduction, with a coefficient of 0.30, which is significant. This suggests that stronger internal controls are associated with greater decreases in fraudulent activity, reinforcing the view that robust checks and balances are vital for financial transparency. The governance score has a positive effect on fraud reduction, with a coefficient of 0.22. While this relationship is statistically significant, it is somewhat less pronounced than the effects of forensic accounting and internal controls. This indicates that institutions with stronger governance systems are generally better able to prevent and detect fraud. The recovery rate of lost assets also shows a positive but relatively weaker effect (0.015) on fraud reduction. This suggests that improved asset recovery supports the prevention of fraudulent behaviour, likely due to greater accountability and a deterrent effect.

Table 4: Regression Analysis for Bangladesh

Dependent Variable: Fraud Reduction Score

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	2.15	0.6	3.58	0.001

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Forensic Accounting	0.42	0.09	4.67	0
Internal Controls	0.3	0.11	2.73	0.008
Governance Score	0.22	0.1	2.2	0.031
Recovery Rate	0.015	0.006	2.5	0.014
R-squared	0.78			

Table 5 indicates that forensic accounting exerts the strongest effect on fraud reduction in Kenya, as reflected by a coefficient of 0.44, the highest among all predictors. A one-unit increase in forensic accounting leads to a 0.44-point rise in the fraud reduction score, and this result is statistically significant. This finding underscores the critical role that effective forensic auditing procedures play in both detecting and deterring fraud. Internal controls also have a positive relationship with fraud reduction, with a coefficient of 0.33. This supports the view that audit trails, segregation of duties, and regular internal checks are important mechanisms for minimizing the risk of financial wrongdoing. Governance score has a positive impact on fraud reduction as well, with a coefficient of 0.28 and a high level of statistical significance. This suggests that institutions with stronger ethics, greater transparency, and better regulatory compliance are more effective at deterring fraudulent activity. The recovery rate has a small but significant impact (coefficient of 0.012) on fraud reduction. This finding implies that institutions that are effective in recovering misappropriated assets may be more successful in preventing fraud, likely because the increased likelihood of recovery acts as a deterrent to potential perpetrators.

Table 5: Regression Analysis for Kenya

Dependent Variable: Fraud Reduction Score

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	2.05	0.68	3.01	0.005
Forensic Accounting	0.44	0.11	4	0
Internal Controls	0.33	0.1	3.3	0.002
Governance Score	0.28	0.08	3.5	0.001
Recovery Rate	0.012	0.005	2.4	0.019
R-squared	0.76			

Table 6 shows that in Nigeria, the effect of forensic accounting on fraud reduction is both positive and statistically significant, with a coefficient of 0.40. This indicates that increased intensity of forensic activities leads to notable improvements in deterring fraud, and forensic accounting remains one of the most influential variables, consistent with findings from the other countries examined.

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Internal control systems also exhibit a moderate but significant effect on reducing fraud, with a coefficient of 0.28. This underscores the value of well-structured procedures, internal audit activities, and effective risk management systems in minimizing the likelihood of fraudulent practices in Nigerian financial and public institutions. The governance score is likewise associated with a reduction in fraud, with a coefficient of 0.26. This finding highlights the importance of governance quality, encompassing leadership integrity, regulatory compliance, and accountability mechanisms, in inhibiting unethical and fraudulent behavior. The recovery rate also has a significant and positive influence on fraud reduction (0.014). This suggests that successful asset recovery contributes to deterring fraud, as it reinforces follow-up and accountability measures. Although its impact is not as strong as the other predictors, the recovery rate remains relevant for informing policy and designing effective anti-fraud strategies.

Table 6: Regression Analysis for Nigeria

Dependent Variable: Fraud Reduction Score

Variable	Coefficient	Std. Error	t-Statistic	p-Value
Constant	1.95	0.65	3	0.006
Forensic Accounting	0.4	0.1	4	0
Internal Controls	0.28	0.11	2.55	0.014
Governance Score	0.26	0.09	2.89	0.007
Recovery Rate	0.014	0.006	2.33	0.023
R-squared	0.72			

Discussion

The findings of this study confirm the central role of forensic accounting as a powerful tool in combating fraud within resource-constrained economies. The empirical results are consistent with previous research that highlights the growing importance of forensic accounting in promoting transparency and strong governance models in financial affairs (Hopwood et al., 2012; Singleton & Singleton, 2010). Across all four countries, i.e., Pakistan, Bangladesh, Kenya, and Nigeria, the integration of forensic accounting practices consistently emerged as the strongest predictor of fraud reduction, with coefficients ranging from 0.38 to 0.44. This supports Bhasin's (2015) assertion that tools such as fraud investigation, litigation support, and digital audit trails have become indispensable, especially in contexts where traditional auditing approaches are insufficient. The effective performance of forensic accounting in all sampled countries also reinforces the theoretical foundations laid out in the Fraud Triangle Theory (Cressey, 1953) and

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Agency Theory (Jensen & Meckling, 1976). The presence of forensic accounting mechanisms appears to diminish both the opportunity for fraud and the rationalisation of fraudulent acts, making detection and legal accountability more likely. This is especially critical in developing countries, where governance and oversight systems are frequently weak (Transparency International, 2022).

In Pakistan, the model's high explanatory power (R^2 = 0.74) and the significant impact of forensic accounting (coefficient 0.38) mirror findings by Umar and Anandarajan (2004), who emphasized the value of forensic audits in state-owned enterprises in South Asia. The governance score also demonstrated a strong influence (coefficient 0.31), consistent with DiMaggio and Powell's (1983) argument that regulatory and normative pressures increase institutional compliance and ethical conduct. Similarly, in Bangladesh, the highest R^2 value (0.78) was observed, with forensic accounting (coefficient 0.42) and internal controls (coefficient 0.30) serving as the principal contributors. These findings support ACFE (2023), which maintains that effective fraud control relies on a combination of professional audit functions and strong monitoring. The moderate yet significant effect of the governance score (coefficient 0.22) reflects ongoing challenges with institutional integrity in the country, which are also noted in international anti-corruption assessments (IFAC, 2020; TI, 2022).

Kenya demonstrated the highest coefficient for forensic accounting (0.44), with Oyewobi et al. (2022) reporting that the implementation of forensic analytics tools yielded the most significant effects in Kenya, Nigeria, and Rwanda. In these contexts, public procurement systems and digital fraud-tracking mechanisms responded robustly to forensic interventions. Kenya's relatively high governance score (0.28) aligns with Haniffa and Hudaib's (2007) view that ethical governance is fundamental for preventing fraud.

In Nigeria, the strong predictive value of forensic accounting (coefficient 0.40) supports findings by Okoye and Gbegi (2013) and Modugu and Anyaduba (2013), who found that government agencies with forensic auditing departments were better equipped to prevent and detect fraud. Positive associations with lower fraud were also seen in governance (coefficient 0.26) and internal controls (coefficient 0.28), suggesting that forensic measures are most effective when embedded within a comprehensive framework of compliance and regulation (Asare et al., 2020).

Internal controls consistently played a vital role across all countries, supporting previous claims that risk management, segregation of duties, and robust audit

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controls reduce vulnerability to fraud (Albrecht et al., 2012; Omar & Bakar, 2012). These results reinforce the view that preventive mechanisms, when combined with forensic accounting, contribute to a more resilient financial environment. The recovery rate, while the least influential factor, remained significant, particularly in Bangladesh (coefficient 0.015) and Nigeria (coefficient 0.014). This supports ACFE (2023), IFAC (2021), and U4 Anti-Corruption Resource Centre (2021), which note the deterrent value and long-term compliance benefits of successful asset recovery and digital procurement tracking. The regression analyses were validated by solid diagnostic tests, confirming the absence of multicollinearity (VIF < 5), normality of residuals, and independence of errors (Durbin-Watson ≈ 2). The triangulation of data sources—from ACFE, national audit offices, and IFAC datasets—further enhances the reliability and credibility of the findings (Creswell, 2013).

Qualitative results from NVivo analysis complemented the quantitative findings, demonstrating that the effectiveness of forensic accounting is context-dependent, influenced by organizational culture, technological readiness, and the maturity of regulatory frameworks. The adoption of tools such as Benford's Law, forensic blockchain, and data mining was limited in mid-sized institutions due to capacity constraints, though these organizations were often more flexible in adapting audit committee rules under structural challenges (World Bank, 2022). Institutional Theory (DiMaggio & Powell, 1983) further supports these results, emphasizing that regulatory, normative, and cultural factors shape organizational behavior. Regulatory pressure and the adoption of international standards, particularly in Kenya and Bangladesh, have driven the adoption of forensic accounting from a reactive measure to a proactive strategy for ensuring transparency (Haniffa & Hudaib, 2007; IFAC, 2020).

Despite these positive outcomes, persistent challenges remain. The absence of a formal body for certifying forensic professionals (ACFE, 2023), weak cross-agency collaboration (Asare & Wright, 2019), and outdated legal frameworks limit the further institutionalization of forensic accounting. Political influences—especially where audit committees are politically appointed—also restrict the independence and reach of forensic operations (Oyewobi et al., 2022). These effects are consistent across different institutional contexts, demonstrating the scalability and adaptability of forensic accounting even in emerging markets. However, lasting progress requires not only investment in technology and training

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but also a fundamental shift in institutional culture and political will to uphold financial accountability.

Conclusions

This research affirms that forensic accounting is a vital and effective instrument for the detection and prevention of financial fraud, particularly within developing countries such as Pakistan, Bangladesh, Nigeria, and Kenya. These countries, often characterized by widespread financial malpractice, weak regulatory regimes, and persistent political interference, stand to benefit significantly from the rigorous and systematic approaches of forensic accounting. The combination of accounting expertise, investigative skill, legal procedure, and inquiry allows forensic accountants to uncover fraudulent activities, trace missing assets, and provide robust evidence for prosecution. The statistical results demonstrate that forensic accounting, internal control mechanisms, governance quality, and asset recovery rates are all strongly and positively associated with fraud reduction. Among these, forensic accounting consistently emerges as the most influential predictor, highlighting its central role within institutional anti-fraud frameworks. Nevertheless, the effectiveness of forensic accounting is contingent upon the availability of adequately trained professionals, operational independence, the adoption of advanced technologies, and the enforcement of robust policies. The integration of digital forensic tools, such as blockchain analysis, data mining, and predictive modeling, further empowers forensic accountants to address more sophisticated financial crimes. However, limitations in resources, insufficient training, and outdated legal frameworks continue to impede progress. It is therefore essential to strengthen institutional, legal, and technological environments to fully realize the benefits of forensic accounting. This study contributes to the empirical literature on fraud detection and offers actionable insights for policymakers, regulatory authorities, and institutional leaders seeking to foster accountability and financial integrity. In resource-constrained economies, forensic accounting stands out as a key strategy for achieving sustainable governance and bolstering economic resilience. Despite these promising results, the study has limitations. First, the reliance on publicly available data may underrepresent fraud not formally reported. Second, the sample includes only four countries, which, while diverse, limits broader applicability. Third, technological integration levels were based on reported practices rather than observed usage, which may affect interpretation. Future research could incorporate longitudinal data and primary interviews for deeper insights.

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