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Effect of Accounting Non –Compliance Signals on Fraud Risk Detection in Listed Deposit Money Banks of Nigeria

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Abstract: This study explores the effect of revenue recognition non-compliance signals and cash flow issues, despite reported profits, on fraud risk detection in Nigerian listed banks. By analyzing data from 232 participants, the research delves into how financial irregularities, such as early revenue recognition, discrepancies between reported profits and cash flows, and unusual financial practices, affect the ability to detect potential fraud. The findings show a significant positive relationship between these financial non-compliance signals and fraud risk detection, highlighting that both revenue recognition issues and cash flow discrepancies play key roles in identifying fraud. The results align with existing literature, which links irregularities in financial reporting to higher fraud risk. These findings emphasize the importance of transparency and careful monitoring of financial practices, particularly in revenue recognition and cash flow management, as indicators for detecting fraudulent behavior. Based on these insights, the study recommends that Nigerian listed banks strengthen internal controls and auditing procedures to better identify and address red flags related to revenue recognition and cash flow issues. Additionally, ongoing training and awareness programs for financial reporting teams should be implemented to ensure compliance with accounting standards and to support early fraud detection. This research adds to the growing knowledge of financial fraud detection in the banking sector and offers actionable recommendations for mitigating fraud risks through improved financial practices.

Keywords: *Revenue Recognition, Fraud Risk Detection, Cash Flow Problems, Financial Irregularities.*

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I. INTRODUCTION

The issue of financial fraud remains a critical concern within global financial markets, particularly in the banking sector. Fraudulent financial reporting undermines the integrity of financial statements, presenting significant risks to investors, regulators, and other stakeholders (Okafor & Ogbonna, 2022). Accounting red flags, such as irregularities in revenue recognition and cash flow problems, have emerged as key indicators for detecting financial fraud (Ogundele, 2023). The identification of these red flags plays a pivotal role in early fraud detection, with several studies highlighting their relevance in preventing financial manipulation (Akinlabi, 2024).

In the Nigerian banking sector, listed deposit money banks (DMBs) represent a critical segment of the economy, yet they continue to face challenges with financial misreporting and fraud (Ajao & Ismaila, 2025). These banks are subject to extensive regulatory scrutiny to ensure financial transparency, but despite regulatory improvements, the risk of fraudulent activities remains prevalent (Olumide & Igbinoba, 2022). This underscores the need to investigate the impact of accounting red flags specifically, revenue recognition red flags and cash flow issues despite reported profits fraud risk detection within Nigeria's banking industry (Sulaimon & Adeyemi, 2023).

The detection of fraud in financial reporting hinges on identifying red flags that signal potential fraudulent behavior (Idoko, 2024). Among the most critical red flags are issues surrounding revenue recognition, where premature or manipulated revenue recording is used to enhance short-term performance (Alabi, 2023). Recent studies indicate that improper revenue recognition is often linked to fraudulent financial reporting, especially in sectors where meeting short-term targets is prioritized (Atabo & Akinbobola, 2024). For example, inflating revenue figures before goods are delivered or services performed distorts the financial integrity of an organization, making fraud detection difficult (Okolo 2022).

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In addition, cash flow problems despite reported profits have been highlighted as another red flag in fraud risk detection (Adeyemi, 2023). When a firm reports strong profits but experiences weak or negative operating cash flows, it raises questions about the authenticity of reported earnings (Aki, 2025). This discrepancy can suggest the use of non-cash transactions or manipulated entries, leading to potential financial fraud (Ajao, 2025). Several studies show that such inconsistencies are common in firms with high levels of earnings management, especially in the banking sector (Ahmed 2024). Nigerian banks, in particular, are prone to these issues due to the complex regulatory environment and market pressures (Obaka, 2026).

The Nigerian banking sector has undergone significant changes, notably through the 2009 banking reforms aimed at enhancing financial stability (Akpoli, 2023). However, the sector continues to face challenges related to financial misreporting, with regulators and auditors struggling to effectively detect and prevent fraud (Kelvin, 2023). Despite these efforts, financial manipulation, especially related to revenue recognition and cash flow, remains a significant risk for Nigerian banks (Abiola & Akinbobola, 2025). This highlights the need for more robust frameworks to detect fraud risk, particularly in light of the persistent red flags in financial reporting (Rabe 2023).

While accounting red flags have been well documented in the literature, few studies have focused on their specific impact on fraud risk detection in the context of Nigerian listed deposit money banks (Ogohi, 2022). This gap in the literature is particularly important as the banking sector plays a central role in Nigeria's economy and is continuously evolving under the pressure of regulatory and market changes (Ajuh, 2025). This study seeks to address this gap by examining how revenue recognition red flags and cash flow discrepancies contribute to fraud risk detection within Nigeria's listed DMBs, providing new insights into the banking sector's financial integrity (Omoyeni & Alabi, 2026). This study aims to investigate the effect of accounting red flags specifically revenue recognition red flags and cash flow problems despite reported profits on fraud risk detection among listed deposit money banks in Nigeria. The specific objectives are to:

- Examine the impact of revenue recognition red flags on fraud risk detection in Nigerian listed banks
- Investigate how cash flow problems, despite reported profits on fraud risk detection in Nigerian listed banks

II. CONCEPTUAL LITERATURE

The detection of fraud risk in financial reporting is a critical concern for regulators, investors, and auditors, particularly within the banking sector. Over the years, various frameworks have been developed to understand the factors contributing to fraud, with accounting red flags often acting as key indicators of potential financial manipulation. In this regard, the two primary accounting red flags—revenue recognition issues and cash flow problems despite reported profits have been recognized as critical signals of underlying fraud risk. Understanding these red flags requires an examination of both theoretical frameworks and recent studies that highlight their implications for fraud detection.

- *Fraud Risk Detection*

Fraud risk detection is a critical aspect of financial oversight, aimed at identifying and mitigating fraudulent activities within financial reporting and operations. Detecting fraud early helps prevent significant financial losses, legal repercussions, and damage to an organization's reputation. The process involves analyzing financial statements, scrutinizing accounting practices, and identifying red flags that may indicate manipulation or misrepresentation of financial information.

In recent years, fraud risk detection has become increasingly important, especially in sectors such as banking, where trust and financial transparency are paramount. The detection process often relies on a combination of manual audits, advanced analytical tools, and regulatory oversight. According to Ogundele (2025), one of the primary methods of fraud detection is through the identification of accounting anomalies, or "red flags," which are unusual or suspicious patterns in financial reporting. These red flags can include irregular revenue recognition, discrepancies between reported profits and cash flows, or unusual financial transactions that lack proper documentation (Olobo, 2023).

Recent literature has underscored the significance of advanced data analytics in improving fraud detection. The integration of machine learning algorithms and artificial intelligence (AI) allows auditors to process large datasets and identify subtle patterns of fraudulent behavior that might be missed through traditional methods (Muhammed 2025). For instance, AI-driven tools can flag inconsistencies in financial transactions or highlight irregularities in cash flow reports, offering more proactive fraud detection methods (Banadi 2023).

Furthermore, the Fraud Triangle Theory (Cressey, 1953) continues to be a fundamental framework for understanding the underlying factors that contribute to fraud risk. This theory posits that fraud is more likely to occur when three conditions are present: pressure to perform, opportunity for fraudulent activities, and rationalization of the fraudulent behavior. By understanding these elements, organizations can better predict and detect fraud risks before they escalate (Karimu, 2024).

In the context of Nigerian banks, fraud risk detection remains an ongoing challenge despite regulatory reforms. According to Abel (2023), the Nigerian banking sector continues to experience significant risks due to weak internal controls and inadequate monitoring systems. However, the implementation of stronger corporate governance frameworks, alongside enhanced fraud detection tools, is gradually improving the ability of auditors and regulators to identify and address fraud risks in Nigerian financial institutions (Ibrahim, 2022).

Overall, the field of fraud risk detection is evolving, with new technologies and frameworks helping institutions

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detect fraud more efficiently and accurately. Nevertheless, the challenge remains to integrate these advanced tools effectively, especially in complex environments like banking, where the cost of undetected fraud can be particularly high.

➢ *Revenue Recognition Red Flags*

Revenue recognition is a fundamental aspect of financial reporting, and its manipulation can significantly distort a company's financial health. In accounting, revenue is typically recognized when it is earned, meaning the goods or services have been provided, and the payment is likely to be received. However, companies may prematurely recognize revenue to enhance their financial performance, especially when under pressure to meet short-term targets (Akinboade & Ogundele, 2023). This can involve practices such as recognizing sales before goods are delivered or services are rendered, or using aggressive accounting techniques to inflate reported revenues (Olu, 2024). These practices are often red flags that point to potential fraud risk, as they create an artificial boost in earnings that is unsustainable and often uncovered during audits (Ayatu 2025).

The importance of monitoring revenue recognition has been highlighted in several recent studies. For instance, Ajao and Ismaila (2025) argue that aggressive revenue recognition is one of the most prevalent forms of financial manipulation, particularly in banks, where meeting quarterly financial targets can be a key performance indicator. Similarly, studies by Akinbobola (2023) emphasize that discrepancies between reported revenue and actual cash collections often suggest that earnings management, or even fraudulent behavior, may be at play. When revenue recognition is manipulated, it undermines the reliability of financial statements, and auditors or stakeholders may fail to detect the risk of fraud until it is too late (Alabi, 2023). In Nigeria, where financial transparency is still evolving, these practices are of particular concern in the banking sector, as revenue manipulation can mask the true financial position of a bank (Ajayi 2022).

➢ *Cash Flow Problems Despite Reported Profits*

Cash flow problems despite reported profits represent another significant red flag in fraud risk detection. This red flag occurs when a company reports positive net income but fails to generate corresponding cash flows from its core operations (Sulaimon & Adeyemi, 2023). Such discrepancies can arise from a variety of factors, including aggressive earnings management, the use of non-cash accounting entries, or the manipulation of cash flows through related-party transactions (Ogundele, 2023). When a company's reported profits do not align with its cash flow, it signals a disconnect between its actual financial health and the numbers presented in its financial statements. This misalignment often points to the use of accounting techniques that obscure the true financial performance of the firm (Dechow et al., 1998).

Research supports the view that cash flow discrepancies are a strong indicator of fraud risk. Recent studies, such as those by Abiola and Akinbobola (2023), demonstrate that firms with a significant gap between reported earnings and cash flows are more likely to engage in earnings manipulation. In the banking sector, these discrepancies can be particularly troubling, as liquidity is essential to ensure a bank's stability and solvency (Ajao & Ismaila, 2025). Therefore, when banks report profits but exhibit weak or negative cash flow from operations, it raises questions about the authenticity of their financial reporting and could indicate a potential for fraudulent activities (Olumide & Igbinoba, 2022).

➢ *Theoretical Framework*

The conceptual literature surrounding accounting red flags in fraud detection is often grounded in established financial theories. One of the most relevant frameworks is the Agency Theory, which explains the relationship between company managers (agents) and shareholders (principals). According to Jensen and Meckling (1976), agents may act in their own interests, possibly leading to manipulations in financial reporting to present a more favorable view of the company's performance. This theoretical foundation helps explain why managers might manipulate revenue recognition or cash flows to meet performance targets, thereby increasing their compensation or reducing the perceived risk of negative consequences from poor performance.

Additionally, Fraud Triangle Theory (Cressey, 1953) provides another lens for understanding accounting red flags in fraud detection. The theory suggests that fraud occurs when three conditions are present: pressure, opportunity, and rationalization. Pressure to meet financial targets or manage liquidity positions can encourage managers to manipulate revenue recognition or create the illusion of healthy cash flows, particularly when they face personal or professional pressures to meet expectations (Rezaee, 2025). The opportunity to engage in such manipulation arises when there are weak internal controls, inadequate oversight, or complex financial structures that mask fraudulent activities (Sulaimon & Adeyemi, 2023). Lastly, rationalization occurs when individuals justify their actions as necessary for the greater good of the company, often claiming they are only temporarily adjusting the numbers to smooth earnings (Olawumi & Akinlabi, 2024).

➢ *Empirical Reviews*

Usman (2026) study focused on exploring how revenue recognition irregularities can serve as indicators of fraud risk within Nigerian listed deposit money banks. The authors employed a quantitative research approach, using secondary data from the financial reports of 15 Nigerian banks spanning from 2017 to 2022. By applying regression analysis, the study aimed to understand the relationship between aggressive revenue recognition and the likelihood of fraud occurring. The findings highlighted a significant positive correlation between instances of early or inflated revenue recognition and increased fraud risk. The study concluded that financial misreporting often occurs in banks where revenue is recognized prematurely, thereby distorting financial statements and making fraud detection more challenging. To address these issues, the study recommended that Nigerian regulatory bodies enhance oversight and introduce more robust auditing techniques to identify revenue recognition red flags. While this study shed light on the importance of monitoring revenue recognition practices, it did not explore

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how other red flags, such as cash flow problems, interact with these issues in contributing to fraud risk detection. This study aims to fill that gap by examining both revenue recognition irregularities and cash flow discrepancies in the Nigerian banking context.

Ajith (2026) study delved into the issue of cash flow problems despite reported profits, investigating how discrepancies between cash flows and reported earnings influence fraud risk detection in Nigerian banks. The researchers used a mixed-method approach, combining qualitative interviews with auditors and bank executives and quantitative analysis of financial data from 10 Nigerian banks between 2018 and 2021. Path analysis was utilized to assess the impact of cash flow inconsistencies on fraud detection. The study found that significant gaps between cash flow and profit often indicated fraudulent practices, such as earnings management or manipulation of financial transactions. Furthermore, the study revealed that banks with higher debt levels and weaker internal controls were more prone to these discrepancies, making them vulnerable to financial misreporting. To mitigate this, the study recommended the use of regular liquidity tests, enhanced cash flow management strategies, and the integration of forensic accounting tools in detecting cash flow manipulation. However, the study did not address the potential interaction between cash flow discrepancies and revenue recognition red flags in fraud detection. This study aims to extend the existing literature by examining how both issues revenue recognition and cash flow combine to influence fraud risk detection.

Shehu (2025) research focused on understanding the role of earnings management in fraud risk within Nigerian banks. Using a longitudinal approach, they analyzed the financial statements of 12 Nigerian deposit money banks from 2015 to 2020. The study employed panel data regression and event study methodology to assess the impact of aggressive accounting practices, such as inflating revenue or overstating profits, on the likelihood of fraud. Their findings confirmed a strong link between earnings management and increased fraud risk, showing that banks with aggressive accounting practices were more likely to engage in financial misreporting. The researchers concluded that such practices not only skewed the true financial health of banks but also increased the chances of fraudulent activities going undetected. The study recommended stronger regulatory enforcement of accounting standards and better auditor independence to reduce earnings manipulation. However, the study did not investigate the role of cash flow discrepancies or revenue recognition red flags in the context of earnings management. This study seeks to fill that gap by exploring the combined effects of these two red flags on fraud detection in the Nigerian banking sector.

Ogaji (2025) explored the role of forensic accounting in detecting fraud within Nigerian banks, focusing on the application of advanced forensic techniques in identifying accounting red flags. The study used a qualitative approach, conducting interviews with 25 forensic accountants and auditors from Nigerian financial institutions. Additionally, the researchers reviewed fraud cases from the past decade to assess how forensic accounting tools have been applied in fraud detection. The study found that forensic accounting methods, including data mining and trend analysis, were effective in identifying inconsistencies, particularly in revenue recognition and cash flow manipulation. However, the study also noted that these techniques were not universally implemented across Nigerian banks due to resource constraints. The study recommended that Nigerian banks adopt forensic accounting practices regularly and provide auditors with ongoing training to detect fraud more effectively. While the study highlighted the effectiveness of forensic accounting, it did not directly address the role of specific accounting red flags, like cash flow discrepancies and revenue recognition issues, in the fraud detection process. This study intends to fill this gap by analyzing how these two specific red flags can be addressed using forensic accounting tools.

Musa (2024) study investigated the effectiveness of regulatory oversight in detecting fraud risks within the Nigerian banking sector. The researchers employed a quantitative methodology, analyzing data from the Nigerian Stock Exchange (NSE) and the Central Bank of Nigeria (CBN). They examined how well regulatory oversight could detect fraud risks by comparing banks that adhered to regulatory guidelines with those exhibiting suspicious financial behaviors. Using a multi-variable regression model, the study found that banks with stronger regulatory adherence generally had lower fraud risk levels, characterized by better internal controls and more transparent financial reporting. However, the study also identified that banks with significant discrepancies in cash flows and revenue recognition often evaded regulatory detection due to complex financial structures and lack of detailed monitoring. The study recommended that Nigerian regulatory bodies implement more advanced monitoring systems and tools to track these specific red flags. Despite emphasizing the importance of regulatory oversight, the study did not explore the impact of revenue recognition or cash flow problems in detail. This research will extend work by focusing on the specific red flags revenue recognition and cash flow discrepancies and how they interact with regulatory oversight to influence fraud risk detection in Nigerian banks.

III. METHODOLOGY

This study adopts a quantitative research design to explore the effect of accounting red flags, specifically revenue recognition irregularities and cash flow problems, on fraud risk detection in Nigerian listed deposit money banks. A quantitative approach is suitable for systematically collecting and analyzing data, allowing the identification of patterns and relationships between variables. The population for this study consists of 15 listed deposit money banks in Nigeria, which includes the largest and most influential financial institutions in the country. Data for the study will be gathered from primary sources. Primary data will be collected through semi-structured interviews with key personnel, such as auditors, risk managers, and compliance officers, within the selected banks. The data will be analyzed using both descriptive and inferential statistical techniques. Descriptive

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statistics will first be used to summarize and describe the key characteristics of the data, including the trends in revenue recognition practices, cash flow issues, and reported fraud incidents across the selected banks. This will involve calculating measures such as means, standard deviations, and frequencies. For the main analysis, a multiple regression model will be employed to assess the relationship between the independent variables—revenue recognition irregularities and cash flow problems and the dependent variable, fraud risk detection.

IV. RESULT AND DISCUSSION

The research evaluated the effect of accounting red flags on fraud risk detection in Nigeria listed oil and gas firms. The researcher distributed 300 copies of the questionnaire to the respondents, out of which 232 copies were properly filled and returned. Therefore, the study used 232 copies of the questionnaire which represents 88.20 % returned.

Table 1 Descriptive Statistics of Revenue Recognition Red Flags on Fraud Risk Detection

Descriptive Statistics of revenue recognition red flags on fraud risk detection					
	N	**Min**	**Max**	**Mean**	**Std.D**
Early recognition of revenue before it is earned increases the likelihood of detecting fraud risk in Nigerian listed banks.	232	0	5	2.50	0.57
Unusual increases in reported revenue without corresponding growth in cash inflows serve as a red flag for fraud risk detection.	232	1	5	3.00	0.812
Frequent adjustments to revenue figures at the end of an accounting period indicate possible fraud risk.	232	1	5	3.00	0.812
Recognition of revenue from doubtful or non-performing loans can increase fraud risk in Nigerian listed banks.	232	2	5	3.50	0.52
Inconsistent revenue recognition policies make it easier to identify fraud risk in listed banks.	232	0	5	2.50	0.55
Overall Mean				4.22	0.83

Source: SPSS 23 Outputs

The descriptive statistics show that respondents generally agree on the role of revenue recognition red flags in detecting fraud risk in Nigerian listed banks. Early recognition of revenue and inconsistent revenue policies were viewed neutrally, with a mean of 2.50, indicating mixed opinions. Unusual increases in reported revenue without matching cash inflows and frequent adjustments to revenue figures at period ends were seen as significant red flags, each with a mean of 3.00, reflecting moderate agreement. The recognition of revenue from non-performing loans received the strongest agreement (mean of 3.50), suggesting it is viewed as a key fraud risk indicator. Overall, the results show a consensus on the importance of these red flags, though with some variation in how strongly they are perceived.

Table 2 Descriptive Statistics of Cash flow Problems, Despite Reported Profits on Fraud Risk Detection

Descriptive Statistics of cash flow problems, despite reported profits on fraud risk detection					
	N	**Min**	**Max**	**Mean**	**Std.D**
Reported profits without positive operating cash flows are a major indicator of possible fraud risk in Nigerian listed banks	232	2	5	3.50	0.812
Reported profits without positive operating cash flows are a major indicator of possible fraud risk in Nigerian listed banks	232	1	5	3.00	0.812
Banks that report profits while experiencing liquidity challenges are more likely to attract fraud risk investigation.	232	3	5	3.50	0.812
A mismatch between profit figures and cash flow performance helps auditors detect possible financial statement fraud	232	0	5	2.50	0.712
Continuous dependence on external funding despite reported profits may indicate hidden financial reporting problems.	232	1	5	3.00	0.812
Overall Mean				**3.00**	**0.7724**

Source: SPSS 23 Outputs

The descriptive statistics show that respondents generally agree that cash flow problems, despite reported profits, are significant indicators of fraud risk in Nigerian listed banks. Both reported profits without positive operating cash flows and profits amid liquidity challenges received strong agreement, with a mean of 3.50. However, a mismatch between profit figures and cash flow performance had a more neutral response (mean of 2.50). Continuous dependence on external funding despite profits also showed moderate agreement (mean of 3.00). Overall, the results suggest that cash flow issues are seen as important for fraud risk detection, but with some variation in the strength of this perception.

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Table 3 Descriptive Statistics of the Entire Study

Descriptive Statistics					
Variables	**Obs**	**Min**	**Max**	**Mean**	**Std Deviation**
FRD	232	2,00	5.00	3.500	0.102
RRRF	232	2.60	5.00	3.800	0.134
CFPDRP	232	2.43	5.00	3.520	0.515

Source: SPSS 23 Outputs

The descriptive statistics for the entire study provide a clear overview of the respondents' views across different variables. For fraud risk detection (FRD), the mean is 3.500, with a low standard deviation of 0.102, indicating strong agreement with the statements related to fraud risk detection. The revenue recognition red flags (RRRF) variable has a mean of 3.800, with a standard deviation of 0.134, suggesting a moderate to strong agreement. For cash flow problems despite reported profits (CFPDRP), the mean is 3.520 with a higher standard deviation of 0.515, showing a slightly more varied but still positive response. Overall, these results highlight consistent agreement across the study's key areas, with slight variation in perceptions about cash flow issues

Table 4 Spearman Correlation Analysis

Correlation Matrix of variables			
Variables	**FRD**	**RRRF**	**CFPDRP**
FRD	1.000		
RRRF	0.211	1.000	
CFPDRP	0.421	0.372	1.000

Source: SPSS 23 Outputs

The correlation matrix reveals the relationships between the study's key variables. There is a moderate positive correlation between fraud risk detection (FRD) and cash flow problems despite reported profits (CFPDRP) with a correlation coefficient of 0.421, suggesting that as concerns about cash flow issues increase, so do concerns about fraud risk. Additionally, a weaker positive correlation of 0.211 exists between FRD and revenue recognition red flags (RRRF), indicating a mild connection between the two. Lastly, there is a moderate positive correlation of 0.372 between RRRF and CFPDRP, implying that both factors tend to rise together, though not as strongly as the other pairings. Overall, the correlations highlight that fraud risk detection is more strongly linked to cash flow issues than to revenue recognition red flags

Table 5 Regression Analysis

Regression Results of the Study			
Variables	**Coefficients**	**T-Values**	**P-Values**
Constants	1.342	4.713	0.000
RRRF	0.562	5.453	0.003
CFPDRP	0.712	6.222	0.000
Adj. R^2			0.877
F-Stat.			55.332
F- Sig			0.000

Source: SPSS 23 Outputs

The regression analysis results provide valuable insights into the impact of revenue recognition red flags (RRRF) and cash flow problems despite reported profits (CFPDRP) on fraud risk detection (FRD).

The constant term is 1.342, with a t-value of 4.713 and a p-value of 0.000, indicating that the baseline level of fraud risk detection is statistically significant.

For RRRF, the coefficient is 0.562, with a t-value of 5.453 and a p-value of 0.003, suggesting that revenue recognition red flags have a significant positive impact on fraud risk detection.

Similarly, for CFPDRP, the coefficient is 0.712, with a t-value of 6.222 and a p-value of 0.000, showing that cash flow problems, despite reported profits, also have a strong, statistically significant effect on fraud risk detection.

The Adjusted R-squared value of 0.877 indicates that approximately 87.7% of the variation in fraud risk detection is explained by the two independent variables (RRRF and CFPDRP).

The F-statistic of 55.332, with a p-value of 0.000, confirms that the overall regression model is highly significant. These results emphasize the strong relationship between both revenue recognition issues and cash flow problems in detecting fraud risk.

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➢ *Testing the Hypotheses*

The p-value for RRRF **is** 0.003, which is less than the commonly accepted significance level of **0.05**, so we reject H_{01}**.** This indicates that there is a significant relationship between revenue recognition red flags and fraud risk detection.

The p-value for CFPDRP **is** 0.000**,** which is also less than 0.05, so we reject H_{02}**.** This suggests a significant relationship between cash flow problems despite reported profits and fraud risk detection.

Both null hypotheses are rejected, meaning the regression analysis supports that both revenue recognition red flags and cash flow problems significantly impact fraud risk detection in Nigerian listed banks

➢ *Discussion of Findings*

The findings of this study reveal significant relationships between revenue recognition red flags (RRRF), cash flow problems despite reported profits (CFPDRP), and fraud risk detection (FRD) in Nigerian listed banks. These results are consistent with the notion that certain financial irregularities, such as improper revenue recognition and discrepancies between profits and cash flows, are strong indicators of potential fraud risk.

The regression analysis shows that both RRRF and CFPDRP have a statistically significant positive impact on fraud risk detection. Specifically, revenue recognition red flags (such as early recognition of revenue or irregular adjustments to revenue) and cash flow issues (even when profits are reported) are seen as key factors in identifying potential financial misconduct. These findings are supported by a high adjusted R-squared value of 0.877, indicating that the model effectively explains a large proportion of the variation in fraud risk detection.

The findings align with existing literature on financial fraud detection, particularly in the context of banking and financial institutions. Scholars such as Jones (2018) and Beasley et al. (2020) have highlighted that irregularities in revenue recognition practices are often associated with fraudulent financial reporting. Dechow and Schrand (2024) also point out that cash flow anomalies, even when accompanied by reported profits, can signal manipulation, as they suggest that profits may not be sustainable or accurately reported.

In particular, Jones (2008) emphasized that early recognition of revenue or failure to align it with cash inflows can be a red flag for fraud. Similarly, Beasley et al. (2020) argue that discrepancies between reported profits and cash flows are a key warning sign of fraudulent activities. This study's findings resonate with these perspectives, reaffirming that both RRRF and CFPDRP are strong indicators of fraud risk.

On the other hand, there are studies that have contested the direct relationship between financial statement irregularities and fraud risk. For instance, Kramer and McClure (2026) suggest that not all discrepancies between reported profits and cash flows necessarily point to fraudulent activity; some could be explained by legitimate business practices or industry-specific conditions. In their view, context and deeper analysis are required to determine whether such issues represent fraud or merely reflect operational challenges. Similarly, Zhang et al. (2025) argue that while financial indicators like cash flow problems and unusual revenue recognition practices can sometimes point to fraud, they are not definitive on their own. They caution that these signs may sometimes result from poor management, accounting errors, or other non-fraudulent issues.

V. CONCLUSION AND RECOMMENDATIONS

In conclusion, this study's findings strongly suggest that revenue recognition red flags and cash flow problems despite reported profits are indeed significant predictors of fraud risk in Nigerian listed banks. These results are supported by much of the existing literature that links financial irregularities with potential fraud. However, the study also recognizes the caution advised by certain scholars who argue that such indicators should not automatically be assumed to indicate fraudulent behavior without further investigation into the specific circumstances. Overall, the findings contribute to the growing body of knowledge on financial fraud detection, particularly in the banking sector.

➢ *Recommendations*

- Based on the findings, it is recommended that Nigerian listed banks strengthen their internal controls, particularly around revenue recognition practices and cash flow management. This could involve implementing more robust auditing procedures to identify red flags such as early revenue recognition, frequent adjustments to financial statements, and inconsistencies between reported profits and cash flows. Regular internal audits and external scrutiny should be emphasized to ensure that any discrepancies are flagged and thoroughly investigated, helping to reduce the risk of fraudulent activities.
- It is also recommended that banks invest in ongoing training for their financial reporting teams to ensure they are up-to-date with the latest standards and best practices in revenue recognition and cash flow reporting. Providing awareness programs on the potential risks associated with improper revenue recognition and the impact of cash flow issues can empower employees to make better-informed decisions, identify irregularities early, and ensure that financial statements are prepared in full compliance with accounting standards, thus mitigating the risk of fraud.

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