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FACTORS AND MOTIVATION OF FRAUD IN THE CORPORATE SECTOR: A LITERATURE REVIEW

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Abstract ***Purpose:*** *In the wake of big corporates houses failing to evade corporate frauds, a study was needed to identify primary factors leading to fraud. The main purpose of this paper is to identify the major factors and motivations for fraud in the corporate sector.*

Design/Methodology/Approach: *There is a big pool of literature regarding the motivation of fraud. This paper aims to consolidate and conduct a literature review to identify the most prominent motivation factors resulting into fraud in the corporate sector. The data for the study was collected from secondary sources such as books, journals, reports etc.*

Findings: *The study formulated a new fraud motivation model, where the integrity of the manager or the individual is given more importance than other factors. The study also identified various individual and business pressures that could motivate the managers or individuals that could lead to irrational behavior and fraud. The study identifies integrity as the most important factor for that motivates an individual to commit fraud.*

Research Limitation/Implications: *The study is based on secondary source of data. The model prepared is yet to be applied.*

Originality/Value: *A new fraud motivation model based on integrity, pressure, opportunity, capability and rationalization was structured.*

Keywords: *Fraud Motivation, Fraud Models, Integrity*

INTRODUCTION

No one is born-fraudster; it is the situation and environment that motivates a person to become one. The study is conducted to identify these extraordinary situations which lead to frauds in the corporate sector. Scandals such as WorldCom, Enron, Satyam Computers, Lehman Brothers etc. have taken the corporate sector by storm. Frauds are basically motivated due to the individual's or group's current situation and environment. The behavior and attitude towards a particular situation by an individual or a group and their integrity plays a vital role in the occurrence of fraud. A study found 66% of the reported frauds were motivated by personal financial gain and greed (Ross, 2016).

MEANING OF FRAUD

According to International Standard of Auditing 240 (2009), fraud is an intentional act by one or more individuals, including management and those charged with governance, employees or third parties, which involves the use of deception to obtain an unjust or illegal advantage. The act (act of fraud) will be considered as fraud if the perpetrator has the knowledge about the act and has the intent to deceive, and the victim has suffered loss or damage due to such act (Fisher, 2015). Hence, in corporate sector, fraud means any act done or withholding the knowledge of such act being done, to get an unjust and illegal advantage. Ramamoorti and Olsen (2007) defined fraud as a human endeavor, involving deception, purposeful intent, intensity of desire, risk of apprehension, violation of trust, rationalization, etc.

METHODOLOGY

The objective of the study is to identify the factors that motivate frauds in the corporate sector. There is a big pool of knowledge regarding motivations for committing fraud. This paper aims to consolidate and conduct a literature review to identify the most prominent motivation factors resulting into fraud in the corporate sector. The study also aims to find out prevention and detection techniques for such fraud in an organization. The data for the study was collected from 66 different secondary sources such as books, journals, reports etc.

FRAUD MOTIVATION MODELS: A BRIEF HISTORY

Dorminey, Fleming, Kranacher, and Riley (2012) studied the evolution of fraud theories. The study found that the basic model for financially motivated crime in the 1600s and 1700s was just the characteristics of the perpetrator. Sutherland

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(1940) segregated white-collar crimes from other violent crimes as they were less obvious and the prediction was difficult. Cressey (1950; 1953) hypothesized that for fraud to occur, each of the three criteria must be present: perceived pressure, perceived opportunity, and rationalization which eventually became the Fraud Triangle. Albrecht et al. (1984) proposed the fraud scale, which relies on two components of the Fraud Triangle, pressure and opportunity, but replaces rationalization with personal integrity and proposed a Fraud Scale model. Wolfe and Hermanson (2004) argue that the Fraud Triangle could be enhanced to improve both fraud prevention and detection by considering the fourth element as 'capability' and proposed a new model called the Fraud Diamond theory. The researchers pointed out capability of a person as an important force of motivation for a fraudster. The researchers explained their point by giving an example of a company, where, if a fraud opportunity arises, it can be exploited only if the right person is at the right place. The CEO of the company can easily exploit this opportunity by using coercion on CFO and sales manager to manipulate sales contract dates and consistently lie to the analyst and board members about the growth. But if there was no such CEO, the fraud would have never happened. Hence the capabilities of the CEO is an important factor whether an opportunity will ultimately lead to fraud. Albrecht et al. (2006) and Kranacher et al. (2011) found a corollary of Fraud Triangle, Triangle of Fraud Action. The three components of the Triangle of Fraud Action are the act, concealment, and conversion. The act represents the execution and methodology of the fraud, such as embezzlement, check kiting, or material fraudulent financial reporting. Concealment represents hiding the fraud act. Conversion is the process of turning the ill-gotten gains into something usable by the perpetrator in a way that appears to be legitimate (Association of Certified Fraud Examiners, 2009). Ramamoorti, Morrison, and Koletar (2009) found that the typical fraudster is often depicted as a first-time offender, middle-aged, well-educated, trusted employee, in a position of responsibility, and/or considered a good citizen through work in the community. There are two kinds of Fraudster, Predators and Accidental Fraudsters. The accidental fraudster is considered to be a good, law-abiding person, who under normal circumstances would never consider theft, break felonious laws, or harm others. The Fraud Triangle would suit such Accidental Fraudsters but for Predators only an opportunity is enough to motivate them to commit fraudulent activities. A New Fraud Triangle covering the attributes of Predators were established. The New Fraud Triangle included Opportunity, Criminal Mindset and Arrogance. Kranacher et al. (2011) identified money, ideology, coercion and ego as the prime motivation for committing a fraud and proposed a new model, the M.I.C.E model. Sorunke (2016), in his study, analyzed the 'Fraud Triangle' and 'Fraud Diamond' theories and found that personal ethics is the missing link between the two theories. Individuals with low personal ethics are more attracted towards greed rather those with high personal ethics. He therefore introduced a new model named as the Fraud Pentagon Model.

Kassem and Higson (2012) studied different fraud models with an aim to enhance external auditor's knowledge about fraud and reason for their occurrences. The study found that auditors should consider all fraud models to better understand the reasons behind the fraud. The study combined four fraud models and theories to form a fraud model using Fraud Triangle Theory, Fraud Diamond Theory, Fraud Scale and M.I.C.E. and formed the New Fraud Triangle Model. It was found that fraud triangle's pressure and rationalization cannot be observed. Hence, rationalization was replaced with Personal Integrity of Fraud Scale Model. The study found that Motivation indicators of M.I.C.E, such as Money, Ideology, Coercion, and Ego, are more appropriate than those in the Fraud Triangle Theory's Pressure. The study also took Fraudster's Capabilities from Fraud Diamond Theory. Hence the New Fraud Triangle Model has four elements Motivation (Money, ideology, coercion, and ego), Personal Integrity (Fraud Scale), Opportunity (Fraud Triangle Theory) and Fraudster's Capabilities (Fraud Diamond Theory).

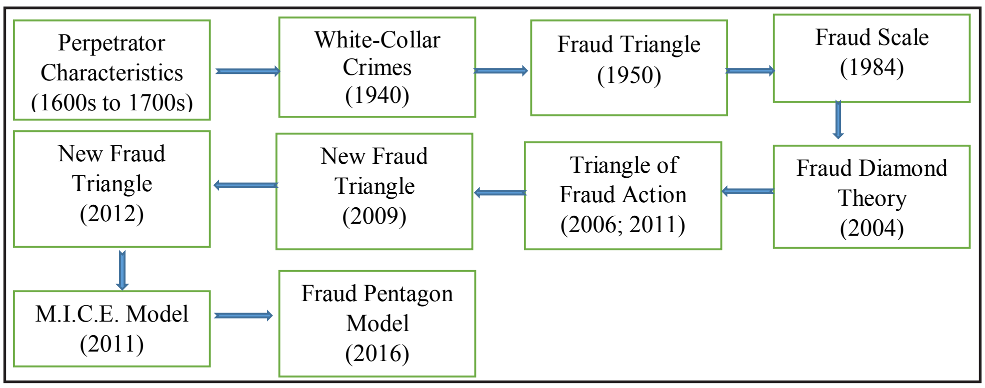


Fig. 1: History of Fraud Model

Factors and Motivations for Fraud in a Firm

Tippett (n.d) examined the 'perceived pressure' element of the fraud triangle. The study found Need, Greed and Vices as the prime factors of motivation for an individual. These three factors are linked together in a cycle and often progressive from one activity to another. Bonny, Goode, and Lacey (2015) in their extensive study found that living beyond means, gambling, sudden external financial pressure, naturally dishonest person, external pressure from others to steal (colleagues at other organizations, family members or social acquaintances), drug dependency, alcohol problem and internal pressure from work-mates to steal are the most common pressures and motivation to commit frauds for an individual. Parallel results were found in case of firms. Mawanza (2014) conducted a study in Zimbabwe to identify fraud motivation and found similar factors. The study found results similar to Tippett (n.d.) and Bonny, Goode, and Lacey (2015) for pressure. Ross (2016) found that the prime motivating factors for committing fraud.

Manurung and Hardika (2015) studied the used financial stability, external pressure, and financial targets as the variable for 'Pressure', ineffective monitoring and nature of the industry as the variables for 'Opportunity', switching the auditors as a variable for 'Rationalization' and change in directors as a variable for 'Capability'. The study found that only change in directors, the variable for Capability, had significant correlation with financial statement fraud. Cohen, Ding, Lesage, and Stolowy (2010), examined the role of manager's behavior in the commitment of fraud. The study holds the question whether the actual reasons behind fraud are in line with the categories of fraud triangle theory and Theory of planned behavior. The study identified five conditions each under Incentive/Pressure and Opportunities which would lead to fraudulent activities by the managers. Condition such as (1) expectations of investment analyst, institutional investors, significant creditors etc.; (2) the existence of significant financial interests in the entity; (3) a significant portion of the compensation being contingent upon achieving aggressive targets for stock price operating results, financial position or cash flow; (4) a high degree of competition or market saturation and (5) the need to obtain debt or equity financing to stay competitive pressurizes the managers to commit fraud.

Baker, Cohanier, and Leo (2016) studied whether there may have been additional factors beyond those of the traditional "fraud triangle" which contributed to the breakdowns in internal controls of Société Générale, a French multinational banking and financial services company. The study found the following factors

- Cultural and Ideological Factors as Motives for Committing Fraud.
- Collusive Behavior as a Factor in Perceived Opportunity.
- Willful Blindness as a Factor in Breakdowns in Internal Controls.
- Capabilities of the Perpetuator as a Factor in Breakdowns in Internal Controls.
- Ambivalence and ambiguity may have also Contributed to Breakdowns in Internal Controls.

LexisNexisRiskSolutions(2012)foundIntegrity,Opportunity, Incentive, motivation or pressure, Rationalization or attitude and Capability as different characteristics and warning signs of fraud. The author combines the Fraud Triangle and Fraud Diamond to form a new Fraud Model. The study also identifies few vulnerabilities that a fraudster may exploit viz. Poor coordination in the top management, Weak ethical culture, Lack of adequate internal controls, Poor training, Poor supervision and Ineffective anti-fraud programs, policies and procedures. The study concludes that if someone wants to catch a fraudster, he must think like one.

Wolfe and Hermanson (2004) describes six capabilities that can lead to the commitment of fraud, which are:

- The person's position or function within the organization may furnish the ability to create or exploit an opportunity for fraud not available to others.
- The right person for a fraud is smart enough to understand and exploit internal control weaknesses and to use position, function, or authorized access to the greatest advantage.
- The right person has a strong ego and great confidence that he will not be detected, or the person believes that he could easily talk himself out of trouble if caught.
- A successful fraudster can coerce others to commit or conceal a fraud.
- A successful fraudster lies effectively and consistently.
- A successful fraudster deals very well with stress.

Ross (2016) suggested that there are external pressures that motivate fraudulent conducts which include 'Pressure from analysts and investors to meet expectations or maintain financial results', 'Meeting debt covenants, liquidity and financing requirements' and 'Meeting or exceeding competitors' performance'. As fraudulent financial reporting attempts to bolster a company's position by exaggerating or painting an incorrect picture of its financial results and position, management tends to follow these pressures and hide the truth.

KPMG's (2016) global fraud survey indicated that weak internal controls were the factors in 61 percent of the fraud cases. The fraudster finds opportunities where internal control is weak or finds ways to evade the internal control. Mawanza (2014) also found similar findings as KPMG's (2016) global fraud survey where weak internal controls and poor management oversight were found to be major opportunities to a fraudster.

Ding, Lesage, and Stolowy (2010) found that the managers find opportunities such as significant related-party transactions not in the ordinary course of business; strong financial presence or ability to dominate an industry; accounting figures based on significant estimates; significant, unusual, or highly complex transactions; domination of management by a single person or small group, to commit fraud. Ghazali, Rahim, Ali, and Abidin (2014) found that misappropriation of funds, false claims for hours worked/overtime and accountant manipulation were the major opportunities for the fraudsters. Grant Thornton India LLP (2016) in their report on Financial and Corporate Frauds identified the various fraudulent threats to an organization such as fraudulent financial reporting, related party transactions, tax evasion and money laundering, misappropriation of Assets etc. Most of the studies have found related-party transactions as a big red flag for fraudulent activities.

Hussain, Kennedy, and Kierstead (2010) found that improper revenue recognition, understatement of expenses/liabilities and overstated and misappropriation of assets the most common methods of fraudulent financial reporting. Lou and Wang (2009) found that financial pressure on the firm or on their supervisors, a high ratio of complex transactions, the integrity of firm's managers and switching of auditors are positively correlated to fraudulent financial reporting. The study also found that the firm size negatively correlates with fraud. This indicates that smaller firms are more likely to commit fraudulent financial reporting. The financial pressure of a firm or its managers drives the firm or the manager to report fraudulent financial reporting. Frequent switch between auditors shows the deterioration in the relationship between the firm and its auditors and would be an indicator of differences of opinion on the financial statement. A high ratio of complex transactions such as transactions with related party transaction raises red flags for fraudulent financial reporting.

Amara, Amar, and Anis (2013) in their study concluded that the performance issue exerted on the manager is a factor of pressure leading to commit fraud in the financial statements. Mohd-Sanusi, Khalid, and Mahir (2015) investigated the effects of pressure, internal control system and type of auditors (internal and external) on the auditors' fraud risk assessment judgment. The study found that internal control system and pressure have a significant relationship with the auditors' fraud risk assessment judgment.

A report by Deloitte (2015) identified three major causes of the rise in fraudulent activities in India as:

- Lack of oversight by line managers/ senior manager on deviations from existing process/ controls.
- Business pressure to meet targets.
- Collusion between employees and external parties.

Fraud risk identified in the Indian Banking sectors are Internet banking and ATM fraud, Credit Cards frauds, Identity theft, and bribery and corruption. Kundu and Rao (2014) studied the reasons for banking fraud in India. The study found that the major type of banking frauds are forged title-deeds, stolen cheques and demand draft and staff fraud. It generally takes more than one year to detect a fraud. The study also found that there are three elements of fraud detection, Theft, Concealment and Conversion. Frauds can be detected in all the three process. First, in the theft act, someone is a witness to the perpetrator taking cash or other assets. Second, in concealment, altered records or miscounts of cash or inventory can be recognized. Third, in conversion, the lifestyle changes that perpetrators almost inevitably make when they convert their embezzled funds are visible. The study also suggested a model for fraud management solution. The components of the model are Training, Data analytics profiling and alerts, audit and investigation and Framework of fraud and risk management structure and guideline. Kalera and D'cruz (2016) found that identity theft is the largest contributor to fraud in India, accounting for 77 percent of fraud cases in the first quarter of 2015. The study found that financial products, auto loans, mortgage loans and credit cards are the industries which are most affected by identity theft. It was found that falsification of address proof was the most popular behavior to be seen amongst the fraudsters. Swain and Pani (2016) in his study found the evolution of frauds in the banking sector of India. The study found that from 1990 to 1999, fake currency, cheque forgery, Loan without diligence were the major types frauds, while from 2000 to 2015, cybercrime, Benami accounts, KYC violations were the major types of frauds. The study also found that frauds may be primarily due to lack of adequate supervision of top management, faulty incentive mechanism in place for employees, collusion between the staff, corporate borrowers and third party agencies, weak regulatory system, lack of appropriate tools and technologies in place to detect early warning signals of a fraud, lack of awareness of bank employees and customers; and lack of coordination among different banks across India and abroad.

Fraud Prevention and Detection Measures

KPMG's (2016) global fraud survey found that the fraudster generally finds opportunities where internal control is weak or finds ways to evade the internal control. The study found reduction or restructure of staff performing important control functions tends to weaken the internal control and provide an opportunity for the fraudster. Olaniyi, Saad, Abiola, and Adebayo (2013) found that motivational factors such as salary, perquisites and timely promotion could reduce fraud activities among the state employees. The study also found that increase in allowance, conduciveness of the environment and providing training does not prevent an employee from committing a fraud. Ghazali, Rahim, Ali, and Abidin (2014) in their study found that frauds are detected generally in the internal audit or by employee notification (whistle-blowing) or through accidental discovery. The researchers also found that measures such as reporting fraud policy, redressal of conflict of interest are found to ineffective, while computer security system, pre-employment criminal background check and training helps in preventing frauds (Hussain, Kennedy, & Kierstead, 2010). Ross (2016) provided suggestive measures to prevent fraud such as supervising and watching change in employee behavior, implementation of strong support system establishing and managing a secure, efficient and impartial reporting channel for whistleblowing and proactive data monitoring.

Wolfe and Hermanson (2004), in their study also provide ways to mitigate the risk. Following are the steps:

- Explicitly assess the capabilities of top executives and key personnel.
- If there are concerns about capability, respond accordingly.
- Reassess the capabilities of top executives and key personnel.

The study suggested reassessing the capability of top executives and key personnel as it is believed that people can develop new capabilities over time and also the organizational process, controls and circumstances change over time. Mawanza (2014) found that the internal audit and tip of anonymous are prime sources of fraud detection.

A report by Grant Thornton India LLP (2016) suggested the organizations to have fraud prevention policies such as extensive background checks during new recruitment, promotion of candidates, suppliers, customers and business partners (including international third parties); segregation of duties; position rotations; limitations of physical access to assets; and whistleblower mechanism. The study found that the majority of the whistle-blowers are employees followed by customers.

A report by Helenne Doody and Technical Information Service (2009) found that an effective anti-fraud strategy has four main components, namely, prevention, detection, deterrence, response. Fraud can be prevented with the help of sound ethical culture and sound internal control systems. Fraud can be prevented before it actually takes place. Fraud can be prevented with the help of sound ethical culture and sound internal control systems. Many fraudsters can by-pass the control systems. However, if an organization pays greater attention to the most common indicators, warning signs and fraud alerts, it would increase the likelihood of discovering the fraudster. An organization's approach to dealing with fraud should be clearly described in its fraud policy and fraud response plan. The plan is intended to provide procedures which allow for evidence gathering and collation. Fraud detection acts as a deterrent by sending a message to likely fraudsters that the organization is actively fighting fraud and that procedures are in place to identify any illegal activity. The possibility of being caught will often persuade a potential perpetrator not to commit a fraud.

PWC (2015) identified various techniques to detect and prevent fraud in an organization. Techniques like data visualization, behavioral analytics, deep learning, flexible audit plan etc. are very effective to detect fraud. Tools like benchmarking, automated controls, benchmarking and effective internal controls helps in prevention of fraud in an organization. KPMG (2017) also report similar techniques as PWC (2015), in their report on Supply Chain Fraud, identifying ways to prevent and detect fraud.

With the introduction of data analytics, fraud identification and prevention has been easier. Tools like Belford law (ACL, 2013), Decision trees, Neural Networking, Support Vector Machines etc. have been popular among fraud analysts (West, Bhattacharya, & Islam, 2015). Although these techniques are not 100% accurate to be, but many researchers have found the accuracy to be between 80 to 90% (Zareapoor, Seeja, & Alam, 2012). Techniques like social network analysis are also being used to detect fraud. Community mining, Neighborhood metrics, centrality metrics etc. are few techniques of social network analysis (Beasens, Vlasselaer, & Verbeke, 2015).

FINDINGS AND DISCUSSION

From the above study, following individual and business pressures were identified to be motivating fraudulent activities by a manager or an individual.

Individual Factors of Motivation Fraud

Table 1: Summary Table for Individual Factors of Fraud Motivation

S.no	Factors	Authors
1.	Personal Gains	(Ross, 2016; Mawanza, 2014; LexisNexis Risk Solutions, 2012)
2.	Financial Difficulties	(Ross, 2016; Mawanza, 2014; Bonny, Goode, & Lacey, 2015)
3.	Gambling, Drugs or Alcohol	(Bonny, Goode, & Lacey, 2015; Mawanza, 2014)
4.	Naturally Dishonest person	(Bonny, Goode, & Lacey, 2015)
5.	Personal Reputation	(Ross, 2016; Mawanza, 2014)
6.	Living Beyond Means	(Bonny, Goode, & Lacey, 2015; Mawanza, 2014)
7.	Pressure from others	(Bonny, Goode, & Lacey, 2015)
8.	Job Discontent	(Mawanza, 2014)

Business Factors

Table 2: Summary Table for Business Factors of Fraud Motivation

S.No.	Factors	Authors
1.	Financial Pressure from Investors and Analyst	(Ross, 2016; Cohen, Ding, Lesage, & Stolowy, 2010)
2.	High Competition in market	(Cohen, Ding, Lesage, & Stolowy, 2010)
3.	Integrity of the Individual Responsible (Manager)	(Ross, 2016; LexisNexis Risk Solutions, 2012)
4.	Obtaining Finance (Equity or Debt)	(Ross, 2016; Cohen, Ding, Lesage, & Stolowy, 2010)
5.	Achieving aggressive Targets- stock price, operating results, financial position, cash flow etc.	(Cohen, Ding, Lesage, & Stolowy, 2010; Amara, Amar, & Anis, 2013; Deloitte, 2015)

Fraud Prevention and Detection

Table 3: Summary Table of Prevention and Detection of Fraud

S.No.	Measures	Authors
1	Continuous re-staffing and reassessing capabilities of people in important role	(KPMG, 2016; Wolfe & Hermanson, 2004; PricewaterhouseCoopers Private Limited, 2015; KPMG, 2017)
2	Internal Control: Computer security system check; background check of employees, during training and pre-employment processes, customers, supplier and partners.	(Hussain, Kennedy, & Kierstead, 2010; Ghazali, Rahim, Ali, & Abidin, 2014; Grant Thornton India LLP, 2016; ACL, 2013; PricewaterhouseCoopers Private Limited, 2015; KPMG, 2017).
3	Supervising change in employee behavior with the help of behavior analytics.	(Ross, 2016; PricewaterhouseCoopers Private Limited, 2015; KPMG, 2017)
4	Secure, efficient and impartial reporting channel for whistleblowers.	(Mawanza, 2014; Ross, 2016)
5	Data Analytics tools	(ACL, 2013; West, Bhattacharya, & Islam, 2015; KPMG, 2017; PricewaterhouseCoopers Private Limited, 2015)
6	Sound ethical culture; Fraud policy and Fraud response plan	(Helenne Doody and Technical Information Service, 2009; PricewaterhouseCoopers Private Limited, 2015)

The study found that in Fraud Diamond Theory, ethical, moral and integrity part is missing. An individual with high integrity would not react in the same way as an individual with low integrity would in a particular situation. Also it is possible that pressure is not necessary for an individual to commit fraud, he/she can commit a fraud whenever an opportunity is detected. A person suffering from Kleptomania doesn't need a reason to steal, likewise, manager or individuals might not need a reason to steal.

Hence, from the observation, a model is prepared to understand the motivational factors to commit fraud.

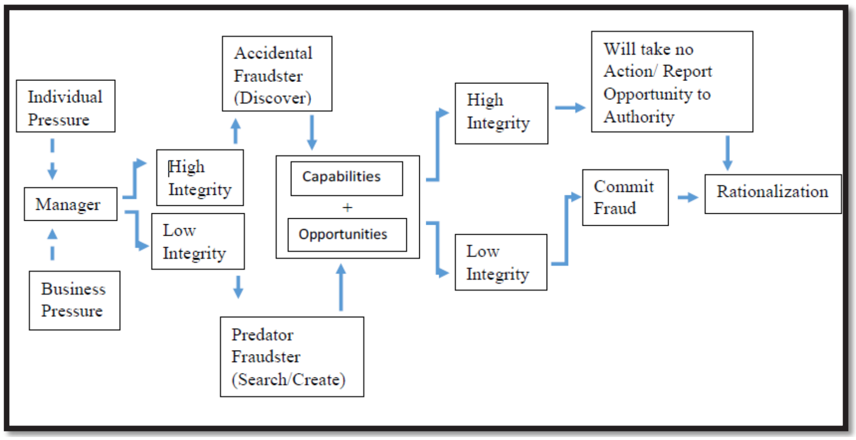


Fig. 2: New Fraud Motivation Model

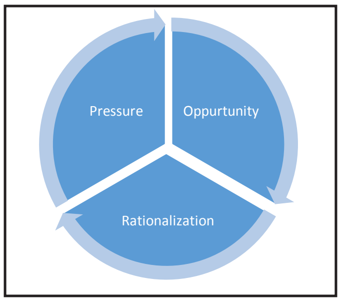
The New Fraud Motivation Model – 'PICOIR'

The above model shows the complete process of individual's attitude towards committing a fraud.

- The process starts with Manager's Individual Pressure and the Business Pressure.
- A manager with High Integrity could also discover Capabilities and Opportunity to commit the fraud as an Accidental Fraudster (Ramamoorti, Morrison, & Koletar, 2009).
- A manager with Low Integrity would rather search for opportunities or create one with his capabilities to commit a fraud as Predator (Ramamoorti, Morrison, & Koletar, 2009).
- The manager with High Integrity would not commit any fraud or report the discovered opportunity to his/her higher authority.
- The manager with a Low Integrity would go ahead and commit the fraud he/she found the opportunity for, and rationalize it.

The model is derived from the Fraud Triangle. The 'PICOIR' Model flattened the process of Fraud Triangle Model and included integrity as an integral part of it. PICOIR stands for Pressure, Integrity, Capabilities, Opportunity, Integrity and Rationalization. The model has integrity variable twice in it. Unlike other models, this model test the integrity of the manager twice. First, when he intentionally or unintentionally identifies opportunities to commit fraud and second when he finally decide to commit the fraud or report the opportunity to the appropriate authorities.

The model assumes that an individual with high integrity will act rationally, whereas an individual with low integrity will act irrationally.



Source: Cressey (1950; 1953)

Fig. 3: Fraud Triangle Model

The model suggests that pressure is not optional, everyone has some kind of pressure whether personal or business. A manager with high and low integrity both could find opportunities to commit fraud with his/her capabilities. A manager with low integrity would exploit any opportunity or create a weakness that could be exploited to satisfy his pressure factors, on the other hand, an individual with high integrity would not commit any sort of crime instead report it, if found any. Hence, this model focuses on the integrity of manager. The integrity of an individual is an important factor for a fraud to be committed (Sorunke, 2016; Albrecht, Howe, & Romney, 1984; LexisNexis Risk Solutions, 2012; Lou & Wang, 2009). Any individual can come under any pressures such as personal gains, financial difficulties, job discontent, business performance etc. It doesn't mean that the individual would commit a crime, it is his integrity that will motivate him/her to act rationally or irrationally.

The integrity of an individual is the quality of being honest to his/ her profession and having strong moral principles towards any irrational activities. The fraud triangle, fraud diamond and other models have given importance to factors such as pressure, opportunities, capabilities etc. but integrity has not been given much of an importance in the models. The integrity of an individual can trigger the rational and irrational activities in an extraordinary situation. A person with high integrity would not search for opportunities but might discover in the course of time. A person with such a morality and ethics would either avoid the situation or report about the weakness to his/her immediate supervisor.

Instead of using reactive techniques business houses should go for proactive methods and techniques i.e. should act before the fraud or theft actually takes place. The recruitment and selection of employees should not be only on the basis of qualification, experience and merit, but their morality, ethics and integrity should also be tested. This would help the organization in two ways, first, the probability of fraud would reduce and second the weakness in the internal control could be detected. During the selection process both 'overt' and 'covert' methods and tests should be applied. Overt test are direct question but covert test are indirect questions. Covert test are primarily based on the personal characteristics of an individual which is sometimes also called personality-based tests. The personality-based test is conducted upon the big five personality traits (Goodstein & Lanyon, 1999) which are openness to experience, conscientiousness, extraversion, agreeableness and neuroticism.

There are many types of integrity tests such as:

Table 4: List of Integrity Tests

S.NO	Overt Test	Covert/Personality-Based Test
1	Personnel Selection Inventory (London House Press, 1989)	Personnel Reaction Blank (Gough, Manual for the personnel reaction blank, 1972)
2	The Stanton Survey (Harris & Gentry, 1992)	Employment Inventory (Paajanen, 1985)
3	Reid Report (Reid Psychological Systems, 1951)	Reliability Scale of the Hogan Personality Inventory (Hogan & Hogan, 1986)
4	Trustworthiness Attitude Survey (Cormack & Stand, 1970)	Personal Outlook Inventory (Science Research Associates, 1989)
5	Milby Profile (Miller & Bradley, 1975)	
6	Phase II Profile (Lousig-Nont, 1989)	
7	Employee Attitude Inventory (London House Press, 1980)	

Source: (Goodstein & Lanyon, 1999; Neuman & Baydoun, 1998; Bukoski, 1997; Nicol & Paunonen, 2002; Byle & Holtgraves, 2008; Ones, Viswesvaran, & Schmidt, 1993)

Apart from the above tests there are many such tests such as Biographical Case History (Betts, Biographical Case History, 1947), California Psychological Inventory (Gough, 1975), The Employment Productivity Index (London House, Inc., 1986), Life Experience Inventory (Betts & Cassel, 1957), Accutrac Evaluation System (Durbrow, 1983) etc. Mostly both overt and covert types of test are conducted through paper-and-pencil tests (Saxe, 1994; Sackett, 1994) and personal interviews. The problem with these kind of tests are that with the help of faking and coaching, identifying individual with potential to commit fraud is difficult (Berry, Sackett, & Wiem, 2007).

Hence, only one particular method for assessing the integrity cannot be used over a period of time. The organizations must act proactively and devise new tests and techniques to assess the integrity of new employees as well as periodically assess the existing employees. They can also use background check and behavior analytics should be used appropriately.

CONCLUSION

The paper first discusses various models indicating various factors and motivation of an individual to commit a fraud from the 1600s to 2000s. Later a review was conducted based on the available literature on fraud motivation of an individual and of an organization. The paper also discusses various measures to prevent and detect fraud in an organization. A New Fraud Motivation Model is prepared using the existing literature review. The model is based on conceptual studies, practical application of the model is yet to be validated.

Further exploratory and descriptive research could be conducted on integrity factor of the new fraud model. Also studies on procedures for identifying integrity, moral and ethics could be studied.

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