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Silas Kiprop Limo, Dr. Benson Gathoni (PhD) and Dr. Sammy Kimungunyi (PhD)

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Influence of Pressure on Occurrence of Occupational Fraud Loss in Public Secondary Schools in Nairobi County, Kenya

[1*]Silas Kiprop Limo
Master of Forensics and Security Management, Institute of Criminology, Forensics and Security Studies, Dedan Kimathi University of Technology

[2]Dr. Benson Gathoni (PhD)
Lecturer, Department of Physical Education, Exercise and Sports Science, Kenyatta University

[3]Dr. Sammy Kimungunyi (PhD)
Institute of Criminology, Forensic and Security Studies, Dedan Kimathi University of Technology

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Abstract

Purpose: The purpose of this study was to determine the influence of pressure on occurrence of occupational fraud loss in public secondary schools in Nairobi County, Kenya.

Methodology: The study adopted a positive paradigm with a descriptive design which targeted a sample of 101 public secondary schools in Nairobi County. An audit team leader from the government was the respondent for each school. Fishers sampling formulae was used to get a sample of 96 respondents. Stratified random sampling was used to ensure that all sub-counties were fairly represented in the sample. Primary data was used in this study through the administration of a semi-structured questionnaire. Data collected was analyzed using the statistical package for social sciences software (SPSS) version 21, using the linear regression analysis. The results collected were presented in form of descriptive statistics, that is, mean and standard deviation in tables, charts and figures.

Findings: The study found that occupational fraud loss in public secondary schools is significantly influenced by pressure ($\beta = 0.324$; $p<0.05$).

Unique Contribution to Theory, Practice and Policy: The study was guided by Donald Cressey's theory of the fraud triangle. In terms of practice, school administrations should focus on fostering an ethical work environment that minimizes financial pressure on employees while limiting opportunities for fraudulent behavior.

Keywords: *Financial Pressure, Fraud Opportunity, Occupational Fraud Loss, Fraud, Predictors.*

JEL Codes: *K42, H75*

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INTRODUCTION

Fraud involves a conscious decision to act, or to refrain from acting, with the goal of gaining an unauthorized benefit, either personally or for an institution. As articulated by Gitonga (2022), occupational fraud refers to fraudulent acts that are initiated internally within an organization by individuals who have been given responsibility over its assets. This concept is further endorsed by the Association of Certified Fraud Examiners (ACFE, 2018). Cressey's (1953) model of fraud identifies three critical factors that contribute to the commission of fraud: pressure, rationalization, and opportunity. When a potential fraudster identifies an opportunity, they may feel compelled by external pressures to engage in fraudulent activities, subsequently rationalizing their actions with the notion that they can do so without being apprehended. Occupational fraud is the use of one's occupation for personal enrichment through the deliberate misuse or misappropriation of the employing organization resource or asset (Davis, 2019). ACFE (2020) classified occupational fraud into three typologies which include asset misappropriation which entails using organizations assets for personal gain, financial statement fraud which involves employees causing a material misstatement or omission and corruption which involves using one's position to influence decision. Fraud is not a new phenomenon as it is one of the most serious corporate problem and challenges today (Palshikar, 2022). Despite measures put in place to fight fraud is increasing in frequency and severity, it cuts a wide swath across business and organizations.

Moreover, there are three types of occupational fraud; first, the predominant type of fraud encountered within organizations is the misappropriation of assets, wherein an employee, executive, or owner exploits their position to unlawfully take resources from the company. According to the Association of Certified Fraud Examiners' Report to The Nations: 2018 Global Study on Occupational Fraud and Abuse, 85 percent of reported employee fraud cases in Canada were attributed to asset misappropriation. It is important to note that certain instances of misappropriation may also fall under the categories of corruption or financial statement fraud. Illustrative examples of such misconduct include: theft of cash, services, inventory, time, or intellectual property, falsification of expense reports, schemes involving purchase orders that result in payments to fictitious vendors, misuse of company credit cards for personal expenditures, forgery and alteration of cheques, manipulation of sales figures to earn commissions on those sales, falsified time sheets, unauthorized personal use of company vehicles or equipment (Zahari, Said, & Muhamad, 2022).

The second type of occupational fraud is Financial statement fraud constitutes a significant portion of reported occupational fraud cases. This type of fraud occurs when an employee manipulates financial documents such as balance sheets, income statements, or cash flow statements with the intent to mislead stakeholders. The motivations behind such actions may include personal financial gain, securing loans for the organization, or maintaining the viability of the business. Additionally, certain instances of financial statement fraud may overlap with misappropriation of assets or corruption, which can involve activities such as falsifying sales records, delaying the recognition of expenses to enhance current earnings, or artificially inflating asset values. (Kabiru & Muthinja, 2022; Agyemang et al., 2023; Sa'id, Abubakar & Umar, 2024).

The last occupational fraud is corruption. Corruption is characterized by the misuse of power by an owner, executive, or employee to distort the decision-making process for personal or corporate advantage. This phenomenon may also manifest in forms of misappropriation or fraudulent financial statements. Specific examples include collusion with vendors to generate false payments for goods or services that were not actually delivered, cooperation with healthcare providers to produce fraudulent health insurance claims, and kickbacks, where an employee receives payments from external parties in exchange for business favours. Furthermore, product substitution occurs when an employee collaborates with a supplier to replace legitimate goods with inferior or counterfeit products, while bribery involves the diversion of company funds to benefit another business or individual in return for business advantages or personal profit. (Maulidi, 2023; Maulidi & Ansell, 2022).

Further, this phenomenon is empirically supported by several studies for example (ACFE, 2020) reported that typical organizations lose 5% of their revenue to fraud annually, according to (KPMG, 2020) 74% of all organizations were victims of fraud or abuse at a time. KPMG (2020) found that fraud that occurred in Australia in 2015 to 2016 had a value that exceeded $300 billion, the estimated GDP lost due to fraud equates to $ 3.8 trillion worldwide. The average loss due to fraud ranges from as low as 700,000 cases reported in India to as high as 20 million cases reported in America (Kroll, 2019). According to (Warfield, 2022) 75% of the global staff perpetrated fraud estimated to approximately $ 2.9 trillion per year. Kroll (2019) survey on occupational fraud prevalence estimated fraud to be between these levels; North America 23%, Canada 16%, Mexico 23%, Latin America 18%, Middle East 19%, India 23%, China 20%, and Africa 33%.

According to the Association of Certified Fraud Examiners (ACFE), the median loss from occupational fraud in sub-Saharan Africa is around $90,000 per case, highlighting the significant cost of such fraud in the region; with the most common types being corruption and cash-related fraud, often perpetrated by employees and managers. Occupational fraud is highest in Africa with a prevalence of 33% (Kroll, 2019). KPMG (2020) went ahead to explain that fraud is a major challenge, for example the central Bank of Nigeria (CBN) reported that cases of fraud in banks as at half year 2017 exceeded what was recorded in the whole of 2016. Fraud is also unique in Eat Africa in that it ranks number two out of twenty-five risks when rated in order of severity (PWC, 2018). Kenya is not isolated from susceptibility of fraud as it is the most affected compared to Uganda, Tanzania and Zambia (PWC, 2018).

In Kenya, incidents of occupational fraud surpass those perpetrated by external entities. According to Kenyan respondents, procurement fraud was reported at a notable 39%, significantly higher than the global average of 19%. This type of fraud is identified as the second most prevalent and financially burdensome form of economic crime. Over the past five years, the incidence of economic crimes in Kenya has risen, contrasting with the global average (PWC, 2018). Fraud leads to decline in public confidence which can result to withdrawal of funds from institutions due to erosion of customer's confidence (Alghamdi et al, 2015). The Ministry of Education has, over time, established strategies to ensure that the procurement processes for goods, services, and works in secondary schools are conducted with transparency and accountability, thereby preventing occupational fraud. The fundamental aims of internal control within Kenyan secondary schools are to guarantee that all financial transactions are properly documented and recorded, and that the accounting records provide a clear and accurate depiction of the school's financial situation (Omondi, 2021).

The risk of fraud within any corporation cannot be underestimated; they include immediate risk to the company affected, which can fail completely, managing, and mitigating fraud is a significant challenge (Adam, 2011). A lot of resources are used in developing corporate governance policies, implementing internal control risk management, and training employees to adhere to those measures. Fraud is also increasing in size, and it is difficult to know what percentage of perpetrators are caught (Albrecht, 2012). Also, more worrying is the rise in number of employees who are involved in fraud but have ease with which to escape detection thus encouraging others to perpetrate fraud (PWC, 2018). These are the factors that motivated this study in order to understand how employees will act towards perceived pressure, opportunity and Rationalization, this will in turn help managers and fraud professionals in streamlining efforts to prevent, detect and resolve fraud so as to reduce the magnitude and frequencies of occupational fraud losses.

Problem Statement

Secondary education in Kenya constitutes one of the most vital fields in society. Kenya's Vision 2030 asserts education is integral to investment in the economy. They help in resource mobilization, marketing of products and creation of employment which helps in alleviating poverty (Karanja, 2013). However, fraud loss has become a challenge in Kenya (ACFE, 2020). It has led to interest and trust loss in institutions, reduced number of investors and it has lowered customer's confidentiality.

ACFE (2020) estimated that commercial banks lose approximately 20.9 billion shillings to fraud annually, Kenya has become a target for fraudsters. Kenya had the highest incidence of fraud in the world (PWC, 2018). Fraud in Kenya is estimated to have tripled by 3 billion in 2017. PWC (2018), fraud statistics showed that fraud in Kenya nearly Surpassed the worldwide average of 34% by a factor of two and was markedly elevated compared to the 57% fraud prevalence in Africa. These figures indicate that fraud losses are increasing in Kenya.

Empirically, few studies have explained on the predictors of occupational fraud loss, most studies have focused on the individual profile, prior history or causes of fraud. Researchers have also for long disagreed on the predictors of occupational fraud loss (Aprilia, 2017). No study has been done on the predictors of occupational fraud loss in secondary schools in Kenya.

From prior studies, much has not been done to establish what accounts for fraud loss in the corporate sector. Furthermore, studies done have focused in developing countries using different theories. This study draws the predictors of fraud loss in Kenya, a developing country using the fraud triangle theory which guides fraud professionals to implement policies that help maintain the financial profit of their organizations by reducing fraud loss.

Specific Objectives

i. To explore the influence of pressure on occurrence of occupational fraud loss in public secondary schools in Nairobi County, Kenya.

LITERATURE REVIEW

Predictors of Occupational Fraud Loss

This study focused on the predictors of occupational fraud loss secondary schools using the fraud triangle which is a primary theory in research (Schuchter, 2013).

Pressure

The fraud triangle, introduced by Cressey (1953), remains a foundational theory in understanding occupational fraud. Among its three components—pressure, opportunity, and rationalization—pressure is often considered the most immediate predictor of fraud, particularly financial pressure (Kassem & Higson, 2012). Pressure refers to circumstances, both internal and external, that compel individuals to act unethically to resolve perceived or actual hardships (Abdullahi & Mansoor, 2015).

Cressey (1953) posited that non-shareable financial pressure drives individuals toward fraudulent behaviors, a notion widely accepted and elaborated in subsequent literature. For instance, Zhang and Skoussen (2009) emphasized that personal financial stress—ranging from debts to extravagant lifestyles—accounts for a significant proportion of fraud cases in corporate settings. The Association of Certified Fraud Examiners (ACFE, 2020) estimates that financial pressure influences approximately 95% of all occupational fraud cases. However, these findings are largely drawn from corporate environments, not educational institutions, thus presenting a contextual limitation.

In the Kenyan context, more recent studies have begun to explore fraud within public service sectors. Ouma, Gathoni, and Musumba (2024) investigated perceived financial pressures within referral public hospitals in Nairobi County and found a statistically significant correlation between financial stress and procurement fraud. This is particularly relevant, as public institutions in Kenya—including schools—share similar structural and accountability challenges. Although specific studies focusing on secondary schools are still limited, the parallels in governance and procurement mechanisms make findings from the healthcare sector transferable to educational institutions, warranting more targeted research in this area.

Several scholars have attempted to categorize the sources of pressure that lead to fraud. PwC (2018) distinguishes between financial and non-financial pressures, including lifestyle pressures and addiction, while Chen and Elder (2007) identify six dimensions of pressure, such as position achievement and personal problems. Notably, Huan, Chiu, and Yen (2007) assert that pressure is the most dominant of the three fraud triangle elements, often leading to financial statement manipulation. This is echoed in studies conducted in public organizations in sub-Saharan Africa, where systemic underfunding and low wages are key drivers of financial stress among employees (Ngugi et al., 2017).

However, not all scholars agree on the primacy of pressure in fraud. Said et al. (2013) and Kranacher et al. (2011) argue that modern fraud does not necessarily stem from pressure but can occur in its absence, driven instead by opportunity or rationalization. Rachmawati and Marsono (2014) similarly concluded that fraud loss is significantly influenced by opportunity and rationalization, downplaying pressure's role. These contradictions suggest that fraud may be more context-dependent than previously thought. For example, in environments where internal controls are weak and ethical training is lacking—as is often the case in public schools in developing countries—opportunity and rationalization might play more influential roles than financial pressure.

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The conflicting perspectives on the role of pressure highlight several research gaps. First, the over-reliance on corporate data in global literature leaves a critical void in understanding fraud in educational institutions, particularly in low-resource settings like Kenya. Second, the lack of sector-specific empirical studies on secondary schools limits our ability to generalize findings from hospitals or corporations to educational contexts. Third, while some studies acknowledge the role of cultural and institutional differences in shaping fraud drivers, few have empirically examined how these interact with elements of the fraud triangle in Kenyan public schools.

Theoretical Framework

Fraud Tree Triangle

The Fraud Triangle Theory, developed by Cressey (1953), identifies three critical conditions that must coexist for fraud to occur: perceived pressure, perceived opportunity, and rationalization. Among these, *perceived financial pressure* is often the initial trigger that motivates individuals to commit unethical or illegal acts. In public secondary schools in Kenya, financial pressure is a key concern due to systemic funding challenges and operational inefficiencies.

Public secondary schools operate under tight budgets, often receiving inadequate capitation from the government relative to rising student enrollment and operational demands. These financial pressures manifest in practical ways that increase the risk of occupational fraud. For instance, headteachers or bursars may divert school funds to cover deficits in budget allocations, or to fulfill unofficial demands from stakeholders. Procurement fraud is also common, with inflated quotations or fictitious suppliers used to siphon funds meant for learning materials or infrastructure projects.

Studies such as Omata, Gathoni, and Musumba (2024) show that public sector financial strain, driven by constrained revenue streams, economic downturns, and political interference, has direct implications for fraud vulnerability. While their research focused on healthcare, similar dynamics apply to the education sector. For example, pressure to maintain school infrastructure with limited funding can lead school administrators to engage in collusive tendering or kickback arrangements with contractors.

Cressey (1953) emphasized that fraud often stems from *non-shareable financial pressures,* personal or organizational financial problems that individuals believe cannot be resolved through legitimate means or disclosed to others. In school settings, this could involve a school principal who misappropriates school funds to pay off personal debts or cover operational costs that exceed budget allocations. Homer (2019) supports this view, stating that individuals entrusted with financial responsibilities may exploit institutional weaknesses to meet pressing needs.

Further, Albrecht (2012) outlined key financial motivators behind fraud, such as low salaries, debt, and unrealistic performance expectations all of which are relevant in Kenya’s education sector. Teachers and school administrators facing delayed salaries or lack of promotion prospects may rationalize fraud as a form of compensation for their perceived underappreciation. Cheizey (2013) similarly argued that all fraud perpetrators experience some form of financial need that serves as a catalyst for unethical behavior.

Therefore, in the context of Kenyan secondary schools, financial pressure does not only stem from macroeconomic or public sector-level issues; it translates into everyday operational challenges that

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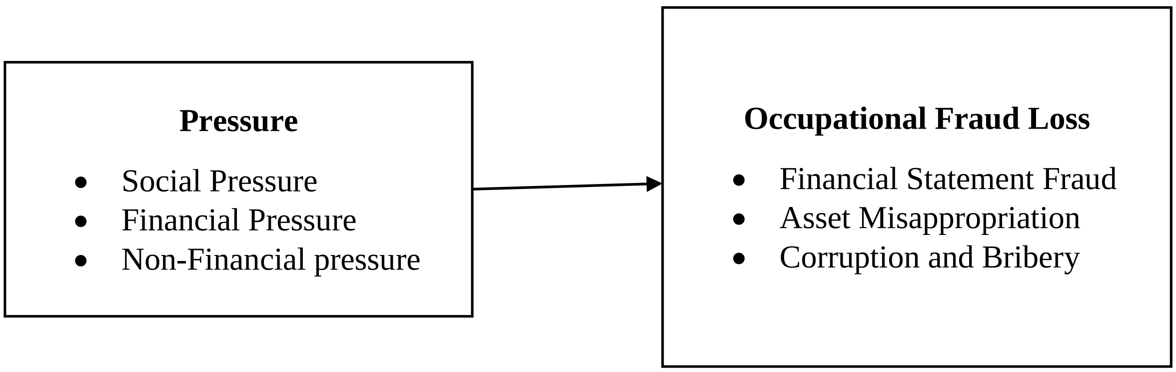
encourage fraudulent behaviors at the institutional level. These pressures make fraud a tempting solution, particularly when combined with weak internal controls and minimal oversight.

Conceptual Framework

Independent Variables **Dependent Variable**



METHODOLOGY

This study employed a descriptive survey research design**,** which is quantitative in nature. A descriptive design is used to collect data to answer questions regarding the current state of a subject (Kothari, 2004). It helps researchers understand group characteristics and propose solutions to identified problems (Kombo & Tromp, 2006). The study examined how pressure, opportunity, and rationalization influence occupational fraud loss.

The target population consisted of 101 public secondary schools in Nairobi County, with an audit team leader from each school serving as the respondent. To determine the sample size**,** Fischer's formula was used, yielding a sample of 96 schools. A stratified random sampling technique was employed to ensure all sub-counties were proportionally represented. Schools were grouped by sub-county, and selections were made randomly within each stratum to maintain fairness and prevent bias. This method enhances the generalizability of the findings.

The study utilized primary data collection techniques**,** specifically a structured and semi-structured questionnaire**.** Questionnaires were chosen because they are cost-effective, provide respondents ample time to answer accurately, and are suitable for literate participants (Mugenda & Mugenda, 2003). Responses were measured using a four-point Likert scale ranging from strongly disagrees to strongly agree**.**

A pilot study was conducted to test the reliability and validity of the questionnaire. According to Mugenda and Mugenda (2003), a pilot study should include at least 10% of the sample size**.** Therefore**,** 10 respondents from public secondary schools in Kiambu County participated. Their responses helped refine the questionnaire before the main study, ensuring it effectively captured the required data.

Overall, this research design ensured that data collection and analysis were systematic, reliable, and representative of the target population, allowing for meaningful conclusions on occupational fraud loss in public secondary schools.

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FINDINGS, ANALYSIS AND INTERPRETATION

Descriptive Statistics

Descriptive statistics describes a subject by outlining problems, through collecting data and tabulating their relationships.

Descriptive Analysis for Pressure

The respondents were asked to indicate the extent to which they agreed with statements on pressure as a predictor of occupational fraud loss in public secondary schools. From the results presented in Table 1, a substantial proportion of respondents agreed and strongly agreed that social expectations played a major role in fraudulent activities. Specifically, 53.3% of respondents agreed and 38.9% strongly agreed that perpetrators engaged in fraud due to pressure from family and friends to maintain a certain social status. This suggests that societal expectations and the need to uphold a specific image contribute to financial dishonesty in schools. Similarly, 41.1% agreed and 51.1% strongly agreed that perpetrators felt compelled to commit fraud to meet the expectations of their peers and community members. This finding underscores the influence of social networks and community pressure in motivating fraudulent behaviors.

Financial strain emerged as another key pressure factor, with 47.8% agreeing and 44.4% strongly agreeing that perpetrators resorted to fraud due to excessive personal financial burdens, such as debts and loans. This aligns with the idea that economic hardships increase the likelihood of unethical financial practices. Additionally, 46.7% agreed and 44.4% strongly agreed that insufficient salaries and benefits forced individuals to engage in fraud. This highlights the role of inadequate compensation in creating financial distress, which may push employees towards unethical behavior.

Moreover, 60% of respondents strongly agreed and 31.1% agreed that perpetrators committed fraud due to unrealistic performance expectations set by their superiors. This suggests that unattainable targets and excessive workplace demands may create pressure that drives individuals to engage in fraudulent activities to meet these expectations. Job insecurity was also found to be a significant pressure factor, with 43.3% agreeing and 48.9% strongly agreeing that perpetrators engaged in fraud due to fear of losing their positions. This implies that uncertain employment conditions may compel employees to commit fraud as a means of financial security.

Overall, the mean scores for all the statements ranged between 3.26 and 3.48, with an average mean of 3.36 and a standard deviation of 0.730. These findings indicate that, on average, respondents tended to agree that various forms of pressure contributed to occupational fraud loss in public secondary schools. The relatively low standard deviations suggest that the responses were not widely dispersed, meaning there was general consensus among respondents regarding the influence of pressure on fraudulent behavior.

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Table 1: Descriptive Analysis for Pressure

Statement	Strongly disagree	Disagree	Agree	Strongly agree	Mean	Std Dev
Most of the perpetrators of fraud indicated that they engaged in fraudulent activities due to pressure from family and friends to maintain a certain social status.	5.6%	2.2%	53.3%	38.9%	3.26	0.758
Most of the perpetrators of fraud indicated that they felt compelled to commit fraud to meet expectations from peers and community members.	0.0%	7.8%	41.1%	51.1%	3.43	0.637
Most of the perpetrators of fraud indicated that they engaged in fraudulent activities due to excessive personal financial burdens, such as debts and loan obligations.	4.4%	3.3%	47.8%	44.4%	3.32	0.747
Most of the perpetrators of fraud indicated that they committed fraud because their salary and benefits were insufficient to meet their financial needs.	5.6%	3.3%	46.7%	44.4%	3.3	0.785
Most of the perpetrators of fraud indicated that they committed fraud due to unrealistic performance expectations set by their superiors.	3.3%	5.6%	31.1%	60%	3.48	0.753
Most of the perpetrators of fraud indicated that they engaged in fraud due to job insecurity and fear of losing their positions.	2.2%	5.6%	43.3%	48.9%	3.39	0.698
Average					**3.36**	**0.730**

Correlation Analysis

The research study focused on obtaining the correlation between occupational fraud loss and its predictor (Pressure). Correlation analysis results are presented in Table 2. The correlation coefficient between Pressure and Fraud Loss was 0.808, indicating a strong positive correlation. This suggests that as pressure increases the likelihood of fraud loss also rises. The significance value (p = 0.000) confirms that this relationship is statistically significant. These results agree with those of Skoussen and Wright (2006) who examined the role of fraud triangle elements in detecting and preventing fraud cases. The study found a significant relationship between financial stability and, external pressure and personal financial needs as having an impact on occurrence of fraud loss.

Table 2: Correlation Analysis

		Pressure	Fraud Loss
Pressure	Pearson Correlation	1	.808**
	Sig. (2-tailed)		0
	N	90	90
Fraud Loss	Pearson Correlation	.808**	1
	Sig. (2-tailed)	0	
	N	90	90

** Correlation is significant at the 0.01 level (2-tailed).

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Regression Analysis

Bivariate Regression analysis was conducted to explain the relationship between occupational fraud loss and its predictors (Pressure).

Bivariate Regression Analysis for Pressure

The regression analysis results in Table 3 indicate that pressure is a significant predictor of fraud loss in public secondary schools. The R-squared value of 0.653 suggests that 65.3% of the variance in fraud loss can be explained by pressure, indicating a strong relationship between the two variables. This also implies that other factors contribute 34.7% of the factors of occupational fraud loss.

The ANOVA results show that the regression model is statistically significant (F = 165.847, p < 0.001), meaning that pressure has a significant impact on fraud loss.

In terms of coefficients, the unstandardized coefficient (B) for pressure is 0.839, indicating that for every one-unit increase in pressure, fraud loss increases by 0.839 units. The standardized beta coefficient (0.808) shows that pressure has a strong positive influence on fraud loss. Additionally, the t-value (12.878) and the significance level (p < 0.001) confirm that pressure is a highly significant predictor of fraud loss.

The model was;

Occupational Fraud Loss = 0.484 + 0.839 Pressure + ε

These results conquered with those of Huan, Chiu & Yen (2007) whose results showed that pressure was the strongest among the three tree fraud triangle factors and it allows perpetrators to manipulate financial statements which make them look better than in reality.

Table 3: Bivariate Regression Analysis for Pressure

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.808a	0.653	0.649	0.342899		
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	19.5	1	19.500	165.847	.000b
	Residual	10.347	88	0.118		
	Total	**29.847**	**89**			
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	0.484	0.222		2.179	0.032
	Pressure	0.839	0.065	0.808	12.878	0.000

a Dependent Variable: Fraud Loss

b Predictors: (Constant), Pressure

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SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The study aimed to investigate the factors contributing to occupational fraud loss in public secondary schools in Nairobi County, with a focus on pressure as key predictors. The findings revealed a strong consensus among respondents that these factors significantly influence fraudulent activities in schools.

Descriptive analysis showed that pressure plays a crucial role in fraud occurrence. A majority of respondents agreed that social expectations, financial burdens, insufficient salaries, job insecurity, and unrealistic performance expectations contributed to fraudulent behavior. The average mean score of 3.36 suggested strong agreement among respondents, with relatively low standard deviations, indicating a high level of consistency in responses.

Conclusion

The study concludes that occupational fraud loss in public secondary schools is significantly influenced by pressure. Pressure arises from social expectations, financial hardships, job insecurity, and unrealistic performance demands, which drive individuals toward fraudulent activities.

Recommendations

The study recommends institutions to provide a favorable working condition environment so as to adopt a positive work environment without excess pressure, stress, minimal opportunities such as job separation to reduce chances for fraud and also reducing the chances of employees to justifying their criminal activities.

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