

UDC 330.5; 338.26; 343.973  
DOI 10.31733/2786-491X-2022-1-118-126



**Lyudmila  
RYBALCHENKO**<sup>©</sup>  
Ph.D. (Economics),  
Associate Professor  
(*Dnipropetrovsk State  
University of Internal  
Affairs*),  
Ukraine



**Eduard  
RYZHKOV**<sup>©</sup>  
Ph.D. (Law),  
Professor  
(*Dnipropetrovsk State  
University of Internal  
Affairs*),  
Ukraine



**Ghenadie  
CIOBAN**<sup>©</sup>  
D.Sc. in Economics  
(*National Institute for  
Scientific Research in the  
field of labor and social  
protection, Bucuresti  
Artifex University of  
Bucharest*), Romania

## GLOBAL CONSEQUENCES OF THE LOSS OF BUSINESS IN COUNTRIES AROUND THE WORLD CAUSED BY FRAUD

**Abstract.** Fraud is one of the types of financial crimes, which occupies an important place in the research of scientists from around the world. Relevance of this issue is growing rapidly, due to the increased level of losses in enterprises, institutions, banks, large corporations at both the private and state levels. The consequences from fraudulent activity leads to the loss of significant financial resources in enterprises, which causes a threat to their activities. The resolution of many of the criminal issues that are occurring is difficult, and therefore requires exchange of the experience of many countries worldwide.

According to Ukrainian legislation, there is a criminal responsibility for fraudsters, who misuse financial resources on a large scale and by their malicious actions provide to material damage of enterprises, banks and institutions in large amounts by their malicious actions.

To detect the fact of embezzlement, it is needed to conduct an internal audit in the company, which must be carried out by the relevant department, e.g.: security services department, involving internal audit or internal control; legal department; HR-service department.

Identification of the persons who may be involved in fraudulent actions is a complex issue for which there is a criminal responsibility. Different companies impose disciplinary

---

© Rybalchenko L., 2022  
ORCID iD: <https://orcid.org/0000-0003-0413-8296>  
luda\_r@ukr.net

© Ryzhkov E., 2022  
ORCID iD: <https://orcid.org/0000-0002-6661-4617>  
revord924@ukr.net

© Cioban G., 2022  
universitate@artifex.org.ro

liability, penalties or criminal liability on employees.

The most vulnerable spheres of fraud are: banks, industry, construction, medicine, transport and procurement. It is in these sectors are concentrated most cash flows and there is no proper control of the inspection of counterparties. In addition, for such work must be professionally trained staff, the availability of which in large companies is small or completely absent.

More often than not, companies suffer from abusive actions of customers, competitors and co-workers of the company.

**Keywords:** *fraud in enterprises, confidentiality of information, copyright infringement, interference in enterprise data systems, data protection*

**Introduction.** The current conditions of economic development of the countries are characterized by various crises, which occur in the economy. The consequences of such crises are political phenomena in the country and beyond its borders, global economic crises, competitiveness, foreign policy, loss of business reputation and trust in enterprises, etc. One of these issues includes corporate misconduct in enterprises. That is why special attention is paid to research and monitoring of risks and threats that occur in enterprises through fraud. A large number of enterprises lose significant amounts of money as a result of various types of malpractice, business reputation, credibility and competitive position in the market, and sometimes the entire business. An inefficient system of internal control is the main reason for the emergence of risks and threats from corporate fraud.

Domestic and foreign researchers believe that every other company that has incurred financial losses and reported them has lost its reputation and credibility through corporate misbehavior.

Incidents of corporate malfeasance negatively affect the financial condition of the company, undermine its credibility and business reputation. The scale of fraud is growing quickly. Therefore, it is necessary to develop and implement more effective legislation and regulations that would regulate the fight against vandalism, development of measures for the functioning of the system of internal control in enterprises and sectors of the economy.

The research object is the processes of increasing the level of insecurity that affect the economic security of domestic enterprises and enterprises of the world.

The subject of the study detection of the consequences of losses in the enterprises of the countries of the world and creation of measures for their minimization and avoidance.

**The purpose of this work** the monitoring of the consequences of threats to business activities and measures to prevent them.

**Formulation of the main material.** Ukrainian companies often face questions about risks that were caused by negligence. Negative consequences of negligence lead to economic losses, inefficient management, low privatization of the company for investors, low level of corporate culture and significant financial losses, which are caused by negligence and lead to economic risks and closure of enterprises, companies, corporations.

Reliable and efficient development of the state depends on the economic development of the enterprise. Lack of effective monitoring and assessment of threats to the enterprise does not allow the enterprises to effectively develop a system of struggle, to reveal and prevent the facts of corporate misconduct in the future (Rybalchenko & Ryzhkov, 2021).

Violations against the confidentiality and integrity of information, fraud,

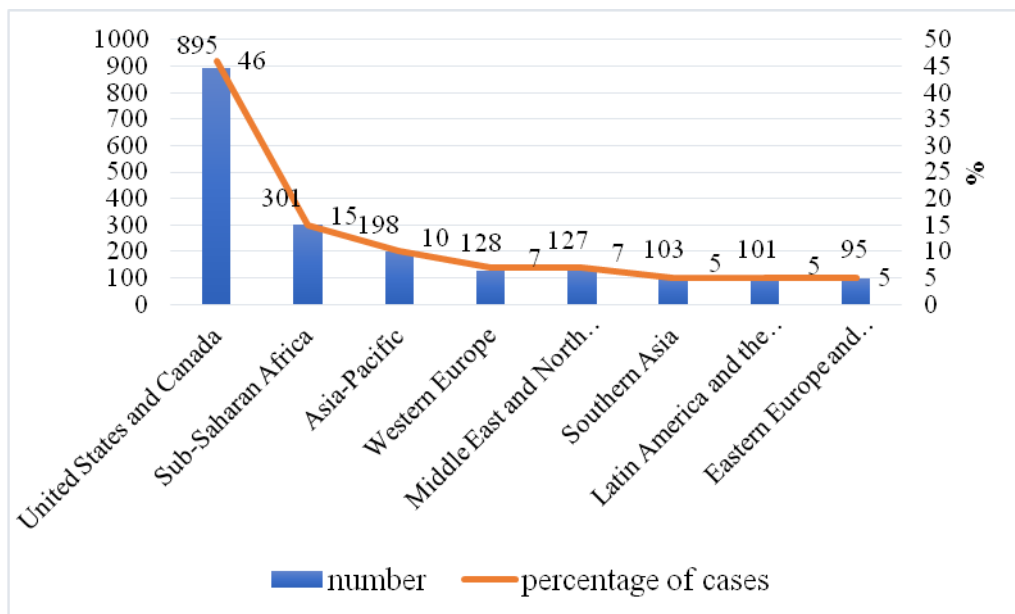
copyright infringement, interference in the data systems of corporate enterprises, banks and institutions are becoming more common (Rybalchenko & Ryzhkov, 2019).

According to research by the Association of Certified Fraud Experts (ACFE), the loss of professional fraud to enterprises is estimated at \$ 1.5 million, which is an average of 5 % of annual revenue. In 2020, there were 2504 cases of fraud in enterprises in 125 countries. Considering the period of fraud, which lasted about 14 months until they were discovered, the average loss of enterprises was \$ 8 300 per month.

In detecting fraudulent activities, companies prefer litigation and internal punishment, rather than the transfer of fraudulent crimes to law enforcement agencies. The number of companies that have chosen lawsuits has grown to 28 % in 2020 compared to 23 % in previous years. The number of appeals to law enforcement agencies decreased from 69 % in 2008 to 59 % in 2020. Most companies have taken steps to improve domestic discipline and civil justice rather than prosecute.

In recent years, the growth of order and requirements for improving internal discipline in enterprises has led to a reduction in fraud. The introduction of a hotline, the establishment of anti-fraud policies, and the strengthening of enterprise data protection tools have led to a 13 % reduction in the consequences of fraud.

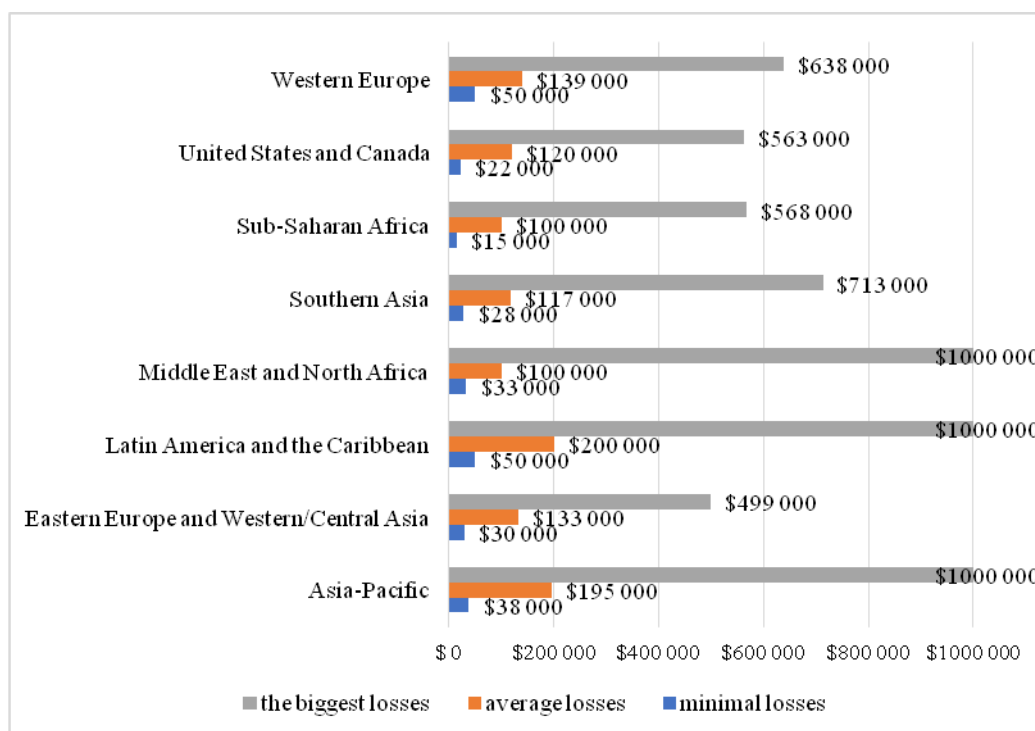
Fraud is a global issue for businesses around the world. Professional fraud is often undetectable, so it leads to large-scale costs, which is a global threat. Figure 1 shows the number and percentage of cases of fraud in the world (Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse).



**Figure 1** – Professional fraud in the world in 2020

Source: built by the authors according to the data (Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse)

Losses from professional fraud are growing every year, which has a significant impact on the ability to create jobs, production of goods and services, providing reliable service (Figure 2).



**Figure 2** – Losses from fraud in the world in 2020

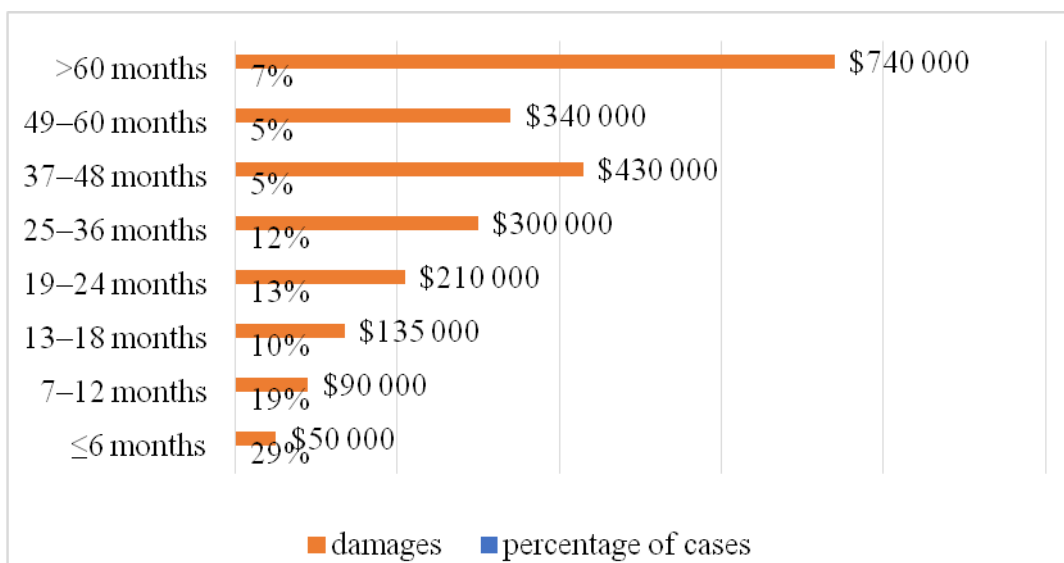
Source: built by the authors according to the data (*Report To The Nations, 2021 Global Study On Occupational Fraud And Abuse*)

There are three main categories of professional fraud. Misappropriation of assets, which includes theft by employees or misuse of resources by employers, which is the case in 86 % of fraud schemes. Such schemes lead to the smallest losses – 100 thousand US dollars. The second category of professional fraud includes corruption, which includes crimes such as bribery, conflict of interest and extortion, which cause financial losses to 43 % of enterprises with an average loss of 200 thousand US dollars (*Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse*).

Financial reporting fraud is the lowest, in 10 % of cases, but leads to the largest losses, 954 thousand US dollars.

Examining the duration of fraud schemes, it must be said that not all fraud can be stopped and prevented. Even in the most dangerous enterprises, it is likely that in time, fraud will occur on the part of employees. Therefore, early detection of fraud is essential to protect the organization from potential threats and losses. The average duration of fraud from the beginning of fraud to its detection is 14 months.

Figure 3 shows that the longer the fraud remains undetected, the greater is the financial loss to the company.



**Figure 3** – Duration of fraud schemes and financial loss

Source: built by the authors according to the data (Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse)

According to the speed of various professional fraud schemes, the fraud with financial reporting leads to the greatest loss, the average level of which is 39.8 thousand US dollars per month. Next are corruption schemes, with a loss of 11.1 thousand US dollars per month. It is these schemes that cause the greatest losses and occur very quickly. Therefore, companies need to take measures to create priority areas for rapid prevention and detection of such types of fraud.

The following types of fraud and their losses (per month) are:

- non-cash – 6 thousand dollars;
- falsification of checks and payments of 4.6 thousand dollars;
- billing – 4.2 thousand dollars;
- theft of cash 4.0 thousand dollars;
- skimming 2.9 thousand dollars;
- salary 2.6 thousand dollars;
- cash in the box office 1.7 thousand dollars;
- reimbursement of expenses 1.4 thousand dollars;
- registration of payments of 0.8 thousand dollars (General Prosecutor of Ukraine).

Thus, if the losses in the company are not so fast and their level is not so significant, the company has more time to stop such fraudulent actions.

Corporate fraud is an economic criminal activity that benefits from deception, trickery, abuse of trust, concealment of the truth, and so on.

Economic crimes are more common in countries where the level of shadowing of the economy is quite high. Corporate fraud is common in developed countries with high economies. Ukraine ranks sixth in the national ranking of corporate fraud (45 %); Russia – 1<sup>st</sup> place (71 %), South Africa – 2<sup>nd</sup> (62 %), Kenya – 3<sup>rd</sup> (57 %), Canada – 4<sup>th</sup> (56 %), Mexico – 5<sup>th</sup> place (51 %) (according to a study by PwC “Economic Crimes” during the economic

downturn”). 59 % of domestic companies have been victims of economic crimes in the last two years, which is higher than the world average (43 %).

According to recent studies, 67 % of all fraud cases are committed by persons aged 31-40 years (*Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse*). Employees (77 %) who work in the fields of finance, accounting, sales, procurement, and senior management have the best chances of fraud. According to Ukrainian companies, the most common types of corporate fraud are corruption, abuse of office and misappropriation of assets.

The high level of economic crime in society is due to the reasons for the imperfect structure of government, personnel policy, legal shortcomings, rising unemployment, rising prices for goods and services, high inflation and significantly lower wages.

The fraud level in enterprises is growing because the level of detection of such crimes is very low and difficult to identify. More often than not, corporate fraudsters commit crimes in large companies, so the losses of companies become very significant.

Fraud is a problem for corporations, manufacturing companies, organizations and institutions, misappropriating their assets, manipulating money, taking large amounts of them out of the country.

In 2020, about 70 % of all enterprises in the world suffered from professional fraud (*Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse*), 44 % of which were private organizations and 26 % were public companies, 16 % were government enterprises and 9 % were non-profit. Private and public companies suffered an average loss of \$ 150 000, government ones losses \$ 100 000, and nonprofits suffered the least \$ 75 000.

Enterprises with annual revenues of less than \$ 50 million USA, have a loss of 114 thousand US dollars (this includes 38 % of enterprises). The biggest losses are enterprises (*Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse*), whose revenue is more than 1 billion US dollars. US \$ 150 000 (26 % of enterprises).

Professional fraud leads to material loss, legal costs and can lead to bankruptcy. By creating a strategic plan and monitoring the planning of activities and development of the enterprise, you can reduce the risks that may occur in enterprises and take measures to avoid professional fraud. Modern policy of corporations and enterprises should be aimed at applying modern methods and tools to prevent fraud and ensure their sound economic development (“On National Security of Ukraine” Law of Ukraine of June 21, 2018 № 2469-VIII).

There are money laundering schemes published by the National Bank of Ukraine, which include (*Information and consulting platform*) :

- “withdrawal of capital”. This scheme has little effect on the exchange rate and allows them to move outside the state;
- “cash transfer”. This scheme allows you to withdraw cash and is a form of payment for any work performed by an individual;
- “corruption”. This scheme belongs to illegal activities, is not regulated by economic laws and is aimed at committing crimes;
- “boiler”. These are transactions that are illegal and intended to transfer funds in cash. For this purpose the banking system is used and the interest for carrying out illegal operation is received, as a reward;
- “receiving cash”. Companies pay for raw materials for the manufacture

of products and receive cash through the bank;

– “cash without cash”. Non-cash conversion without cash collection is used.

It has been studied that the modern international practice of crime prevention is the most advanced, innovative and effective methods of combating crime and its individual manifestations mainly occur in developed and prosperous Western countries. This can be interpreted as:

1) the financial capacity of the government and law enforcement agencies, the competent authorities of these countries ensure the rule of law and maintain law and order;

2) it is connected with the existing scientific developments, established criminological traditions and theories, the basis of the practice of crime prevention;

3) long-term strategy for the introduction of public influence, the combatting crime through the formulation and implementation of various prevention plans and projects.

In recent years, there has been a general decline in crime in Europe, with a few exceptions. An analysis of data provided by Eurostat in 2020, as well as data from the latest edition of the European Collection of Crime and Criminal Justice Statistics, allows us to examine the level of crime and some of them: criminal activity in EU member states until 2019, including (*Eurostat – Crime statistics*).

In particular, the highest absolute indicators of the number of crimes recorded by the police in 2019 are observed in such EU member states as: Great Britain – 6.54 million, Germany – 6.5 million, France – 4.11 million, Italy – 2.23 million, Spain – 2.18 million crimes. The lowest absolute figures for the number of crimes registered in 2019 are: in Cyprus – 4.8 thousand, in Malta – 17 thousand, in Luxembourg – 26 thousand, in Latvia – 49.3 thousand, in Estonia – 53.3 thousand of crimes (*Eurostat – Crime statistics*).

Despite the rather optimistic trends in European crime, it should be noted that during 2017-2019, the number of convicts serving sentences in prisons increased in 17 of the 28 EU member states. At the same time, the number of police officers has increased in half of European countries during this period.

In the context of the crisis of EU migration policy, a significant increase in the number of illegal migrants trying to find employment in the most economically developed European countries, as well as increasing property crimes, European authorities are trying to strengthen the criminal justice system's response to recent crime in Europe.

Thus, as the analysis and generalization of the leading modern approaches to crime prevention in the leading European countries shows, the main element of this activity is not government repression for the committed crime, but the expansion of private sector participation. Society keeps silence in all its manifestations. This concept is based on:

– first, on a regulatory framework for crime prevention across Europe;

– secondly, on the criteria of economic feasibility, as it helps to save public spending on prevention through the use of free state aid;

– thirdly, it meets the requirements of those times, which are characterized by the humanization of criminal penalties and the expansion of prevention activities (*Eurostat – Crime statistics*).

Ensuring national economic security is based on the creation of political

and legal international conditions of the country existence, providing free choice and implementation of strategic objectives of economic development, ensuring the achievement of macroeconomic goals at national and regional levels by creating domestic subsystem of economic security and protection of economic entities from illegal encroachments, unfair competition with the use of forces and means of all government institutions of power, including the objects of protection (The crime rate in the world).

Ensuring the national economic security is one of the main functions of the state, which serves as a guarantee of state independence, implementation of the strategy of social and economic development, stability and reliable protection against possible threats (Fighting fraud: A never-ending battle. PwC's Global Economic Crime and Fraud Survey).

The economic security of the state is aimed at ensuring the independence of the national economy, creating stability and sustainability, ensuring effective economic development and improving the living standards of the population.

Legal guarantees for the economic security of the state are stable legal regulation of relations in all sectors of the economy, regulation of market relations, and prevention of economic and financial crises, minimization of shadow economy, reducing fraud and increasing product competitiveness (Report to the Nations on Occupational Fraud and Abuse. 2021. Global Fraud Study. Association of Certified Fraud Examiners, Inc).

The state policy on economic security must ensure the stable functioning of all its components. In addition, it should be aimed at reducing inflation, reducing external and domestic debt, the stability of the national currency, increasing incomes and improving the quality of life.

International economic security will contribute to the improvement of its international law on the basis of these principles through the conclusion of multilateral and bilateral treaties and agreements, the establishment and operation of international (especially interstate) organizations to promote cooperation and economic security of member states. The implementation of the concept of international economic security will ensure the cooperation of states in solving not only national problems but also global problems of mankind and will become the material basis of peaceful existence in the world, a guarantee of progress in eliminating economic backwardness of individual countries.

National economic security, at first glance, is the protection of the country's economy from dangerous influences, which can be both a deliberate source of danger and a consequence of natural market relations. Danger also arises when the economic situation of any state deteriorates to a critical level and so on.

**Conclusions.** Thus, at the state level it is important to develop appropriate mechanisms to monitor threats to economic security and develop measures to minimize them, improve existing legislation in the field of economic security, create a system to guarantee protection of economic security from possible threats, identify factors influencing economic security, will ensure the creation of sustainable economic development and a reliable competitive state in the international economic space.

To ensure an adequate level of national economic security, it is necessary to improve the legal regulation of the judiciary, which does not have the appropriate level of public confidence, protection from poor competition from monopolists and importers, reducing the shadow economy and shadow

employment, preventing and combating corruption, control over the use of state and local budgets, increase professionalism and responsibility in the national security and defense sector, and create a system for assessing risks and threats in the economic area for criminal prosecution of persons whose criminal activities threaten the economic security of the state.

### *Conflict of Interest and other Ethics Statements*

The authors declare no conflict of interest.

### **References**

- “On National Security of Ukraine” Law of Ukraine of June 21, 2018 № 2469-VIII. <https://zakon.rada.gov.ua/laws/show/2469-19>.
- Eurostat – Crime statistics, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Crime\\_statistics#Total\\_recorded\\_crime](http://ec.europa.eu/eurostat/statistics-explained/index.php/Crime_statistics#Total_recorded_crime).
- Fighting fraud: A never-ending battle. PwC’s Global Economic Crime and Fraud Survey. <https://www.pwc.com/gx/en/forensics/gecs-2020/pdf/global-economic-crime-and-fraud-survey-2020.pdf>.
- General Prosecutor of Ukraine, <https://www.gp.gov.ua>.
- Information and consulting platform, <https://zakon.help>.
- Report to the Nations on Occupational Fraud and Abuse. 2021. Global Fraud Study. Association of Certified Fraud Examiners, Inc.
- Report To The Nations. 2021 Global Study On Occupational Fraud And Abuse, <https://www.acfe.com/report-to-the-nations/2021/#download>.
- Rybalchenko L., & Ryzhkov E. (2019) Ensuring enterprise economic security. *Scientific Bulletin of the Dnipropetrovsk State University of Internal Affairs 1*, pp. 268-271.
- Rybalchenko, L., & Ryzhkov, E. (2021). Modeling economic component of national security. *Scientific journal «Philosophy, Economics and Law Review» 1(1)*, pp. 25-36.

**Людмила РИБАЛЬЧЕНКО, Едуард РИЖКОВ, Генадій ЧАБАНОВ**

### **ГЛОБАЛЬНІ НАСЛІДКИ ЗБИТКОВОСТІ ПІДПРИЄМСТВ КРАЇН СВІТУ ЧЕРЕЗ ШАХРАЙСТВО**

**Анотація.** Шахрайство виступає одним із видів фінансових злочинів, які займають важливе місце в дослідженнях вчених усіх країн світу. Актуальність цього питання щорічно зростає у зв’язку з підвищенням рівня збитковості на підприємствах, установах, банках, великих корпораціях, у приватних та державних компаніях. Злочинність від шахрайства призводить до втрати значних фінансових ресурсів на підприємствах, що спричиняє загрозу їх діяльності. Вирішення таких проблем є складним і потребує досвіду багатьох країн світу для їх усунення.

Згідно з українським законодавством, передбачено кримінальну відповідальність за шахрайство з фінансовими ресурсами, що завдають матеріальних збитків своїми злочинними діями підприємствам, банкам та установам у великих розмірах.

Для виявлення факту розкрадання у компанії необхідно проводити службові перевірки, які мають проводитися відповідними службами безпеки із залученням внутрішнього аудиту чи внутрішнього контролю, юридичного відділу, служби управління персоналом.

Виявлення осіб, причетних до шахрайських дій, є складним питанням, за неправомірні дії яких передбачено кримінальну відповідальність. Різні компанії залучають до працівників дисциплінарну відповідальність, штрафні санкції чи кримінальну відповідальність.

Найбільш уразливими сферами шахрайства є банки, промисловість, будівництво, медицина, транспорт та закупівлі. Саме у цих галузях сконцентровані найбільші потоки коштів і немає належного контролю за контрагентами. Крім того, для такої роботи має бути професійно підготовлений персонал, якого у великих компаніях мало або зовсім відсутні. Найчастіше компанії страждають від шахрайських дій клієнтів, конкурентів та співробітників компанії.

**Ключові слова:** шахрайство на підприємствах, конфіденційність інформації, порушення авторських прав, втручання у системи даних підприємств, захист даних