

Study urges more accurate estimates of financial fraud

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If you're visiting your elderly mom or dad and see an excessive amount of junk mail or hear a lot of telemarketing calls, take note: Your elderly parent might be a prime target for fraud.

But whether they would ever report being a victim is another question – and one that Stanford Center on Longevity researchers examined in their

new study, which explores why measuring the incidence of [fraud](#) is so difficult.

"Without accurate and reliable estimates of fraud," wrote Martha Deevy, director of the Financial Security Division at the Stanford Center on Longevity, "it is difficult to understand what works or does not work to protect victims from harm."

Fraud is 'vastly underestimated'

Financial fraud costs range in the billions, yet the true extent of the overall problem is unknown, making it hard for law enforcement, policymakers and researchers to effectively address the issue. Many victims are the elderly – one source pegged the financial exploitation of older adults at \$2.9 billion in 2011. The problem is, Deevy said, that official measures from police reports or consumer protection files "vastly underestimate" the scope and costs of [financial fraud](#).

Another issue is that the most common ways to detect fraud – survey measurements and self-reporting to authorities – rely on people admitting to being victims. And many people, especially the elderly, are unwilling to discuss "stigmatizing or traumatizing events" like being a victim of fraud.

Reasons for underreporting range from lack of confidence in the authorities to embarrassment, Deevy said. And, "some recent research suggests that one of the main reasons people don't report is that they don't know where to report."

Better detection possible

What can be done to fight – or at least better understand – fraud?

To start, bring the "hidden crime" of fraud out into the open, Deevy said. Efforts to do so, however, can be hampered by con artists constantly changing scams in response to new technology and trends. While this is an obstacle to [fraud detection](#), the report includes recommendations such as:

- Improving survey designs: Changes in wording and context can influence how people report fraud. The report recommends future research on how certain survey designs might affect how respondents answer questions about fraud victimization.
- Analyzing underreporting: "We advocate more research investigating why people fail to report victimization to authorities," Deevy said. "Having a better understanding of why people don't [report](#) their victimization is the first step in figuring out ways to encourage them to step forward."
- Monitoring fraud trends: Surveying the general population about their experiences with fraud and understanding those trends is important. A broader, more comprehensive national effort to track fraud could be invaluable.

"Clarifying the proper reporting mechanism would certainly be valuable, both to help victims find resources and to get a more accurate count of fraud instances," Deevy said, adding this involves integrated data systems, data-sharing and more uniform definitions of what constitutes a particular form of fraud.

"To gain a big-picture understanding of the scope of the problem, it is necessary to study multiple types of data from multiple sources, all the while keeping in mind that the measurable instances of fraud may be just the tip of the iceberg," said Deevy.

Provided by Stanford University

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