EFFECT OF ECONOMIC AND FINANCIAL CRIMES ON NIGERIA ECONOMY: THE ROLE OF EFCC.

BY

UJILIBO Stanley Unung
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A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, NASARAWA STATE UNIVERSITY, KEFFI, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS IN BUSINESS ADMINISTRATION (MBA FINANCE)

DEPARTMENT OF BUSINESS ADMINSTRATION,
FACULTY OF ADMINISTRATION
NASARAWA STATE UNIVERSITY, KEFFI
NIGERIA

DECLARATION

I hereby declare that this dissertation has been written by me and it is a report of my research work. It has not been presented in any previous application for any Masters in Business Administration. All quotations are indicated and sources of information specifically acknowledged by means of references.

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UJILIBO STANLEY UNUNG **DATE**
NSU/ADM/MBA/BUS/468/15/16

CERTIFICATION

This dissertation "**Effect Of Economic And Financial Crimes on Nigeria Economy: The Role Of EFCC.**" meets the regulations governing the award of Masters in Business Administration (MBA Finance) of the School of Postgraduate Studies, Nasarawa State University, Keffi, and is approved for its contribution to knowledge.

_____	_____
Dr. Ibrahim Yusuf Ohida Supervisor	Date
_____	_____
Dr. J.E.I. Abbah Head of Department	Date
_____	_____
Dr. Hassan Ibrahim Dean of Faculty	Date
_____	_____
External Examiner	Date
_____	_____
Prof. S.A.S. Aruwa Dean, School of Postgraduate Studies	Date

DEDICATION

This dissertation is dedicated to my Late Grandfather, Mr. Dennis Akawu Ukaa for all his support throughout my school days. May his soul continue to rest in peace

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ABSTRACT

The study examined the effect of Economic and Financial Crimes on Nigerian Economy. The research adopted content analytical method and revealed that lack of societal cooperation, poor staff training, pre-bargaining and systemic disorder affect the effectiveness of the Economic and Financial Crimes Commission (EFCC) in their fight against corruption and impact in Nigeria Economy. The study discovered that the factors responsible for money laundering in Nigeria are Corruption, Mismanagement of Public Funds, Lack of transparency and Accountability in an organization and Acquisitiveness. Thus, the analysis further examined the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC) which are Political Instability, Ineffective Policy Formulation, Immunity Clause and Corruption.. The study recommended that Federal government should make all the anti corruption commission more effective as a result of empowering them and funding the agencies, Federal Government should make all the anti corruption agencies to be independent so as to enforce laws without interference, The internal auditor should, on discovery of irregularities, recommend a good control system to the management.This is so that they can put up the necessary controls against fraud and irregularities in place.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Economic and financial crimes take the form of fraudulent and corrupt practices; these have been adjudged the strongest weapon ravaging the economic advancement of Nigeria as it has stultified growth and national development, subverted the nation‘s values, and generated a culture of illegality and impunity in public service among other ethical lapses credited to it (Ogbodo, 2013).

Section 46 of the EFCC Act 2004 defines Economic and Financial Crimes to mean the non – violent criminal and illicit activity committed with the objective of earning wealth illegally either individually or in a group or organized manner thereby violating existing legislation governing economic activities of Government and its administration and includes any form of fraud, narcotic drug trafficking, money laundering, embezzlement, bribery, looting, and any form of corrupt malpractices, illegal arms deal, smuggling, human trafficking and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractice including counterfeiting currency, theft of intellectual property and piracy, open market abuse, dumping of toxic wastes and prohibited goods e.t.c. (Nuhu, 2004).

From the foregoing, fraud and corruption are found to be the subsets of economic and financial crime. In this study, the key points of discussion center on fraud and corruption and are used to represent economic and financial crimes, the obvious differences in their scopes notwithstanding. Also, fraud and corruption are commonly used interchangeably by scholars

irrespective of their conceptual differences. Therefore, fraud and corruption are taken to imply the same thing in this study. With a quantum of fund from her oil, coupled with huge non-oil revenue at the her disposal, Nigeria should have joined the league of advanced economies of the world but for the greed and unfaithfulness of her leaders and public officers which manifest in the various forms of fraudulent activities and corrupt dispositions by these public office holders (Nwagwu, 2011)

The reality and the obvious setbacks associated with this deadly economic cankerworm has long dawn on the Nigerian government hence, the establishment of some economic and financial crime control institutions (the anti-graft agencies) by the Federal Government. These fraud fighting agencies include the Independent Corrupt Practices & Other offences related Commission (ICPC), Economic and Financial Crimes Commission (EFCC) and Code of Conduct Bureau (CCB) among other government established institutions that checkmate crimes in the economy. These institutions were established by law and saddled with the mandate to fight fraud and other corrupt practices to a standstill (Kalubanga, 2013)

However, the wave of economic and financial crimes in the Nigerian economy generally and the public sector in particular, in the face of these institutions, remain untamed. This is evidenced by fraudulent dispositions of some public officers as witnessed in the recent revelation of unaccounted US$1.48bn by the Nigerian National Petroleum Corporation (NNPC) through a forensic audit conducted by the Price Water Company (PWC) (Okunola, 2014) with no serious measures taken by these financial/economic crime control agencies to

nail the culprits. This and other corruption saga in the economy without immediate summary litigation against the culprits raise doubt on the potency and effectiveness of these crime fighting agencies of government.

More than a decade of their establishments, frauds and corruption have seemingly become endemic in the fabrics of the Nigerian economy, especially the public sector. Hence, Osisioma (2012) observed that the Nigerian dilemma on fraud and corruption is best summarized by the UNDP Human Development Report (2009) ―Nigeria surely has a scorecard; but it is an unimpressive one relative to its contemporaries in the 1960s and 1970s. What is different about Nigeria is that its poverty and human development performance are largely avoidable. Forty-nine years (as at the time of his publication) of managing its own affairs has shown that the country has immense potential, is blessed with human and natural resources, yet exhibiting significant deprivation in the midst of plenty. ―... In many respects, the economy has shown traits of a complex colouration that defies conventional classification. It is a country of extremes - extreme wealth on the one hand and extreme want on the other - which makes it possible for some 20 per cent of the population to own 65 per cent of its national wealth (Ajie, 2015).

Expectedly, with these anti-graft agencies of government, a stiff contention against all forms of economic crimes and fraudulent/corrupt practices in the economy should be the order of the day but the obvious is that these institutions have been criticized for poor performance judging by the increase wave of corruption and fraudulent practices pervading the economy

today, particularly the public sector (Nnado, 2015). According to them, there are different school of thoughts and varying degree of discordant voices in regard to the poor performance of these institutions. Some school of thoughts are of the opinion that the institutions were established to antagonize and silence government critiques and oppositions. This is evident in their selective and self-styled prosecution of crime offenders. Besides, other school of thoughts believed that the institutions are like a toothless barking dog that can only bark but could not bite. They based their argument on the fact that they do not have the political will to prosecute some offenders, simply because they were not strengthened/ empowered legally enough. To worsen the situation and as a testimony, in the recent past, the chairman of the EFCC lamented and cried out that the commission is incapacitated to pay their lawyers who are to prosecute crime offenders due to lack of funds (Nnado, 2015).

This study is therefore developed to evaluate the essence of the existence of these anti-graft agencies/institutions in the face of the glaring devastating effect of economic and financial crimes in Nigeria as it evaluates the implications of the operations of these agencies on economic development of Nigeria. The study covers periods from 2005 to 2014; that is ten years. It utilizes the Nigeria‘s Federal Government‘s budgetary provisions on the activities and operations of the Independent Corrupt Practices and other related offences Commission (ICPC), Economic and Financial Crimes Commission (EFCC) and Code of Conduct Bureau (CCB) for the ten years.

1.2 Statement of the Problem

The limited resources at the disposal of the government vis-à-vis the glaring lapses in the nation‘s socio-infrastructural status against the backdrop of overridden level of fraudulent/corrupt practices in the public sector has become a thing of worry to both government and the citizens ever than before, particularly in view of the teething effect of the recent global economic downturn on world economies (Nigeria inclusive) and other present harsh economic climate confronting Nigerian economy like Naira devaluation, fall in oil revenue, etc; prudent management of available public resources thus becomes inevitable if the economy must survive.

Nevertheless, fraudulent and corrupt practices have long been features of Nigeria‘s economic and political landscape; systemic corruption which engenders low levels of transparency and accountability by public officers has been identified as the major source of development failure (National Planning Commission, 2005 in Nna and Jacob, 2012). The effects and implications of this ugly scenario in Nigeria‘s social, political and economic development are myriad. Achebe (1983) in Chukwuemeka, (2012) observed that generally, as much as sixty percent of the wealth of Nigeria is regularly consumed by corruption. The Transparency International specifically reported that over 500 billion dollars has been removed from the coffers of the Nigerian government through corruption between 1960 and 2009 (Chukwuemeka, 2012).

As a consequence, Derin (2007) in Chukwuemeka, (2012) asserts that corruption in Nigeria constitutes a serious barrier to effective resource mobilization and allocation as it diverts resources away from activities that are vital to poverty eradication and economic and sustainable development. This has warranted a significant reduction in the quality and quantity of goods and services available to the public as evidenced by poor infrastructures, poor quality of education standards, poor health facilities and high cost of living and rising social insecurity. Hence, Inokoba (2011) asserts that fraud has stultified growth and national development, subverted the nation‘s values and norms, and generated a culture of illegality and impunity in public service while Okoye (2013) opined that fraud has become one of the greatest threats to the world economy.

Fagbadebo, (2007) in Nna and Jacob (2012) believed that the evil which corruption portends are many: it stunts growth and development, creates political instability, destroys the social economic life of the nation, undermines the legitimacy of the state, makes fiscal planning almost impossible, places the wealth of the nation in the wrong hands and leads to an uneven distribution of the amenities and perquisites of life. Premised on the above, one can be sure that huge funds that would have warranted massive developmental boom and outstanding economic growth if properly utilized have hitherto gone into the hands of fraudsters in the disguise of government officials; the consequence of this on our nation‘s economy cannot altogether be wished away.

The concern of this study thus bothers on the real essence of the existence of and the justification of the jumbo annual budgetary provisions and allocations to the various anti-graft agencies of government in view of the prevailing incidences of economic and financial crimes in the economy, particularly the public sector, as typified in the case of the recent forensic audit on the activities of NNPC which reported a missing (unremitted) sum of $1.48bn (Kanu, 2013) with no serious measures taken by the financial/economic crime control agencies to nail the culprits. One therefore wonders whether these crime fighting agencies of the government are better regarded as ―toothless dogs‖ that only bark but cannot bite as asserted by Nwagwu (2011).

It is in the light of the above highlights, that the study therefore seeks to establish the relevance or otherwise of the existence of these anti-graft agencies, as it evaluates the implications of the agencies 'existence on the Nigerian economic development. On the other hand, many studies on the subject area focused on the effect of fraud and/or corruption on the economic development of Nigeria; little or no attention has been paid on the real contribution of the various anti-graft agencies on the economic development of the Nigerian nation. A closely related attempt in this regard was the study conducted by Ogbodo (2013); however, their study assessed the effectiveness of the external control institutions (anti-graft agencies) on public fund management, taking Ondo state as a reference point. Thus, there is an obvious research gap in the area of the real impact of the operations and activities of these economic

and financial crime control institutions on the general economic development of Nigeria. This study thus targets to bridge this gap

1.3 Research Questions

In order to achieve the set objective, the following research questions have been carefully structured to guide and keep the researcher in focus:

1. What are the remote causes of Economic and Financial Crimes in Nigeria?

2. What are the effects of Economic and Financial Crimes on Nigerian Economy?

3. What are the roles of EFCC in the fight against economic and financial crimes in Nigeria?

4. What are the challenges facing this agencies and other stakeholders?

1.4 Objectives of the Study

The main objective of the study is to examine the effect of Economic and Financial Crimes on Nigerian Economy.

The specific objectives are as follows;

1. To examine the remote causes of Economic and Financial Crimes on Nigeria economy.

2. To investigate the effect of Economic and Financial Crimes on Nigerian Economic Development.

3. To examine the roles play by EFCC in the fight against Economic and Financial Crimes in Nigeria.

4. To examine the challenges faced by EFCC and other stakeholders.

1.5 Statement of Hypotheses

Ho1: There are no remote causes of Economic and Financial Crimes in Nigeria.

Ho2: There are no effects Economic and Financial Crimes on Nigeria Economy.

Ho3: There are no visible or tangible roles so far carried out by EFCC in the fight against Economic and Financial Crimes.

HO4: There are no challenges faces by these Agencies.

1.6 Significance of the Study

This research work on the effect of Economic and Financial Crimes on Nigerian Economy will be most relevant to the government as it will provide practical means of fighting money laundering in the country and also compliment government effort of Anti Economic and Financial Crimes campaign.

The research will also add to the body of literature on Economic and Financial Crimes as it will bridge the research gap that exist between Economic and Financial Crimes and economic development and appraise government effort in fighting this menace. The findings of this research will assist the Anti-Graft agencies to be better informed of the modern techniques and new innovations in preventing the commission of economic and financial crimes in Nigeria and get them acquainted with the global best practice.

1.7 Scope and Limitations of the Study

This study covers the effect of Economic and Financial Crimes on Nigerian Economy, the roles of EFCC from inception to date.

The major limitation of the study experienced by the researcher was the problem of getting the relevant textbooks, journals and other materials which posed a threat to the quality of this research and unavailability of some vital data from the respondents.

1.8 Operational Definition of Terms

Money Laundering: Means concealing the source of illegally gotten money. the conversion or transfer of property, knowing that such property is derived from any offence or offences or from an act of participation in such offence or offences, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such offence or offences to evade the legal consequences of his actions

Economic Crimes: Refers to illegal acts committed by an individual or a group of individuals to obtain a financial or professional advantage. In such **crimes**, the offender's principal motive is **economic** gain

Financial Crimes: These are **crimes** against property, involving the unlawful conversion of the ownership of property (belonging to one person) to one's own personal use and benefit

Economic Growth: Steady growth in the productive capacity of the economy (and so a growth of national income)

Accountability: The state of being accountable; liability to be called on to render an account; accountableness.

Corruption: Means lack of integrity or honesty; use of a position of trust for dishonest gain, Moral perversion; impairment of virtue and moral principles.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

Economic and Financial crime requires existing financial system and operation. Money is laundered in Nigeria through but not limited to the following; currency exchange houses, stock brokerage houses, casinos, automobile dealership, and trading companies. These institutions are capable of masking proceeds acquired from illegal criminal activities. The overall effects of these activities on the socio-political lives and economic wellbeing of the people of the developing countries and Nigeria in particular could be well imagined.

Economic and financial crimes generally has been viewed as the non – violent criminal and illicit activity committed with the objective of earning wealth illegally either individually or in a group or organized manner thereby violating existing legislation governing economic activities of Government and its administration and includes any form of fraud, narcotic drug trafficking, money laundering, embezzlement, bribery, looting, and any form of corrupt malpractices, illegal arms deal, smuggling, human trafficking and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractice including counterfeiting currency, theft of intellectual property and piracy, open market abuse, dumping of toxic wastes and prohibited goods etc., ‖ (Section 46 of the EFCC Act 2004 in Ribadu, 2004).

From the foregoing, fraud and Economic and Financial Crimes are found to be the subsets of economic and financial crime; hence, the central points of discussion in this study center on

fraud and Economic and Financial Crimes; which are used to represent economic and financial crimes, the obvious differences in their scopes notwithstanding. Also, fraud and Economic and Financial Crimes are commonly used interchangeably by scholars irrespective of their conceptual differences. Okunola, Lawal etal (2014) and Kehinde (2014) argued that though the two concepts (fraud and Economic and Financial Crimes) are often used interchangeably, there is a need to make a distinction between them, at least for the sake of clarity and for better appreciation of their import in the study. They assert that Economic and Financial Crimes is mostly associated with public sector and public officials in view of Joubert's definition of Economic and Financial Crimes as the practice of misuse of public positions (Joubert, 1993 in Okunola, et al 2014). Conversely, Rossouw and Arkhuysn (2000) in Okunola et al (2014) are of the view that fraud is a phenomenon that is not limited to the public sector. They maintained that public officials, any employee or even outsiders, can be perpetrators of fraud. In view of this, the distinction between Economic and Financial Crimes and fraud is that Economic and Financial Crimes implies a third party involvement while fraud does not necessarily imply third-party involvement. In the case of Economic and Financial Crimes, employees violate duty to principals, they abuse their positions by either accepting or demanding a bribe offered by or demanded from a third party (Coleman, 1989 in Okunola et al, 2014).

Thus, Fraud is a type of criminal activity, defined as: 'abuse of position, or false representation, or prejudicing someone's rights for personal gain'. Put simply, fraud is an act

of deception intended for personal gain or to cause a loss to another party. Chizea (2011) sees fraud as any premeditated act of criminal deceit, trickery or falsification by a person or group of persons with the intention of altering facts in order to obtain undue personal monetary advantage.

Distinctly, fraud means wrongful or criminal deception intended to result in financial or personal gains or a person or thing intended to deceive others, typically by unjustifiably claiming or being credited with accomplishments or qualities. A more detailed definition of fraud is given as an act or course of deception, an intentional concealment, omission, or perversion of truth, to (1) gain unlawful or unfair advantage, (2) include another to part with some valuable item or surrender a legal right, or (3) inflict injury in some manner; where wilful fraud is a criminal offense which calls for severe penalties, and its prosecution and punishment (like that of a murder) is not bound by statute of limitations. (Kalubanga, Kakwezi and Kayiise, 2013).

Chamber English Dictionary (2002) in Owolabi (2010) describes fraud as an act of deliberate deception with the intention of gaining some benefit, in other words it is the act of dishonestly pretending to be something that one is not. Similarly, Webster‘s Collegiate dictionary of current English defines fraud as: ―deceit, trickery, specifically: international pervasion of truth in order to induce another to part with something of value or to surrender a legal right‖. This definition more specifically focuses on 419ners, or con-men and other forms of commercial dishonesty (Okoye and Gbegi, 2013).

The Association of Certified Fraud Examiners defines fraud as any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent on the application of threat of violence or of physical force‖. Boniface (2011) describes fraud as ―any premeditated act of criminal deceit, trickery or falsification by a person or group of persons with the intention of altering facts in order to obtain undue personal monetary advantage‖. Ojo (2008) opines that fraudulent practice usually involve the perpetration of some forgery or falsification of documents or illegal authorization of signature.

Black (1979) in Okoye and Gbegi (2013) defines fraud as all multifarious means which human ingenuity can devise, and which are resorted to by one individual to get an advantage over another by false suggestions or suppression of the truth. It includes all surprises, tricks, cunning or dissembling, and any unfair way which another is cheated. Under common law, three elements are required to prove fraud; a material false statement made with intent to deceive (scanter), a victim‘s reliance on the statement and damages.

Adeyemo (2012) asserts that fraud arises when a person in a position of trust and responsibility digresses from agreed standards, breaks the rules to advance his personal interest at the expense of the interest of the public. For Abdullahi and Mansor (2015) fraud is an attempt of subverting the rule of the game using trick to take public funds and using them

for one‘s personal interest. However, the criminal code section 380 sub-section one stated that everyone who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretence with the meaning of this Act, defrauds the public or any person, whether ascertained or not, of any property, money or valuable security or any service. This means that fraud is criminal deception intended to financially benefit the deceiver (Okoye and Gbegi, 2013).

Olurankinse and Bayo (2014) noted that the word Economic and Financial Crimes is derived from a Latin word Economic and Financial Crimes which means to break or destroy. It literarily means to break away or depart from morality, ethics and civics virtues. Hence,World Bank (1997) and UNDP (1999) in APEC (2006) opined that Economic and Financial Crimes is most commonly defined as the misuse or the abuse of public office for private gain. It can come in various forms and a wide array of illicit behavior, such as bribery, extortion, fraud, nepotism, graft, speed money, pilferage, theft, embezzlement, falsification of records, kickbacks, influence peddling, and campaign contributions (APEC, 2006).[

Section 2 of the Independent Corrupt Practices and other related offences Commission Act 2000 in Olurankinse and Bayo (2014) defines Economic and Financial Crimes to include bribery, fraud and other related offences. The authors further highlighted that the cause of Economic and Financial Crimes is multifarious but generally, Economic and Financial Crimes is caused by Greed, lack of positive values, porous system, weak enforcement and oversight mechanism, excessive materialism, societal pressure, lack of virile welfare structures, insecurity of employment tenure, indiscipline, inordinate desire for welt

accumulation, poverty of the mind, nepotism and lack of genuine fear of God. Okoye and Okoye (2014) assert that Economic and Financial Crimes is a disease, which eats into the cultural, political and economic growth of any country and as well destroys the functioning of various organs of the government.

According to Onimode (2008), Money laundering is the procedure by which the proceeds of illegal activities are converted into apparent legal activities thereby concealing their criminal origin. It is the act of concealing the criminal origin of a fund, and disguising the nature and source of same. This entails the conversion and transfer of property knowing that such property is derived from a criminal offence, the purpose of doing so, being to conceal and disguise its illicit origin and with intent to averting the consequences of the law. Money laundering war, I totality is the attempt to deny criminals of the opportunity of enjoying the gains they have made from crime.

The negative economic effects of money laundering on economic development are difficult to quantify, yet it is clear that such activity damages the financial-sector institutions that are critical to economic growth, reduces productivity in the economy's real sector by diverting resources and encouraging crime and Economic and Financial Crimes, which slow economic growth, and can distort the economy's external sector—international trade and capital flows—to the detriment of long-term economic development. Developing countries'

strategies to establish offshore financial centers (OFCs) as vehicles for economic development are also impaired by significant money-laundering activity through OFC channels. Effective anti-money-laundering policies, on the other hand, reinforce a variety of other good-governance policies that help sustain economic development, particularly through the strengthening of the financial sector (Lichtblau, 2012)

A broad range of recent economic analyses points to the conclusion that strong developing-country financial institutions—such as banks, nonblank financial institutions (NBFIs), and equity markets—are critical to economic growth. Such institutions allow for the concentration of capital resources from domestic savings—and perhaps even funds from abroad—and the efficient allocation of such resources to investment projects that generate sustained economic development (Lander 2012)

Money laundering impairs the development of these important financial institutions for two reasons. First, money laundering erodes financial institutions themselves. Within these institutions, there is often a correlation between money laundering and fraudulent activities undertaken by employees. At higher volumes of money-laundering activity, entire financial institutions in developing countries are vulnerable to Economic and Financial Crimes by criminal elements seeking to gain further influence over their money-laundering channels. Second, particularly in developing countries, customer trust is fundamental to the growth of sound financial institutions, and the perceived risk to depositors and investors from

institutional fraud and Economic and Financial Crimes is an obstacle to such trust (Blunden, 2010).

By contrast, beyond protecting such institutions from the negative effects of money laundering itself, the adoption of anti-money-laundering policies by government financial supervisors and regulators, as well as by banks, NBFIs, and equity markets themselves, reinforce the other good-governance practices that are important to the development of these economically critical institutions. Indeed, several of the basic anti-money - laundering policies—such as know-your-customer rules and strong internal controls—are also fundamental, longstanding principles of prudential banking operation, supervision, and regulation. Aside from money laundering's negative effect on economic growth through its erosion of developing countries' financial sectors, money laundering has a more direct negative effect on economic growth in the real sector by diverting resources to less-productive activity, and by facilitating domestic Economic and Financial Crimes and crime, which in turn depress economic growth (Osoba, 2012)

The phenomenon of money laundering takes a myriad of dimensions, and therefore, its impact on the society are enormous and multi-dimensional. I have no intention of going into the details of the theoretical explanation of the implications of money laundering, suffice it however, to examine briefly some of the economic, socio-political and security implications of the problem: Money laundering has a direct impact on the Foreign Exchange Market in any economy. This has been recognized by the European Union (EU) in what is called the

EU directive on money laundering. The FOREX Market is vulnerable due to the volume of cash involved in the trade. The apparent funds movement, especially from illegal sources, from one jurisdiction to another is capable of exacerbating the exchange rate volatility. This can be very devastating especially when there is no corresponding increase in production: Hence the domino effect on regulating cash flow and inflation. Another economic implication of money laundering is that it could affect overall income distribution, thereby creating distorted economic indices and consequently misallocation of scarce resources (Robinson, 2008)

Apart from the above impact on capital formation, money laundering could lead to increase in the liability and heighten the risks for assets quality in the financial system. When this happens, it may create systemic risks for the financial services industry and consequently to the loss of confidence and credibility in the system; At the political level, money laundering would, short of the use of violence; penetrate the political structure in society. This could be through the infiltration of law enforcement or political parties through the massive funding of political campaigns. It may be recalled that President Ernesto Samper, of Columbia was accused of funding his political campaign with about US$6million donated by the Cali Cocaine Cartel in the 2012 elections. As a last resort, Money Launderers could even confront a constituted political authority physically and undermine its legitimacy. Above all, the fact that organized crime recognizes no territorial boundaries or the niceties of sovereignty pose a fundamental challenge for the global society (Savla, 2008)

There is evidence, for example, of increasing cross-border cash shipments to markets with loose arrangements for detecting and recording the placement of cash in the financial system and of growing investment by organized crime groups in real estate and businesses in emerging markets. Unfortunately, the negative impacts of money laundering tend to be magnified in emerging markets. The techniques used to launder money are essentially the same as those used to conceal the sources of, and uses for, terrorist financing. Funds used to support terrorism may originate from legitimate sources, criminal activities, or both. According to Roth (2011), the primary objective of terrorism is “to intimidate a population, or to compel a Government or an International Organization to do or abstain from doing an act”. This is in contrast to other types of criminal activity where financial gain is generally the ultimate objective.

Money laundering also facilitates crime and Economic and Financial Crimes within developing economies, which is antithetical to sustainable economic growth. Just as an efficient financial sector is a key "input" to other productive processes in a developing economy— such as manufacturing—an efficient money-laundering channel is a key "input" to crime because the financial proceeds from crime are less valuable to the criminal (in a sense, an "unfinished product") than are laundered funds. The less expensive the money-laundering "input" to crime is as a result of lax anti-money-laundering policies, the more "productive" (active) the criminal element will be, just as in any industry or business. As numerous studies have demonstrated from statistical and anecdotal evidence, substantial

crime and Economic and Financial Crimes act as a brake on economic development, while other studies have shown that anti-money-laundering policies can deter such activity (Schneider, 2012)

The phenomenon of money laundering is an aspect of organized crime .It is a derivative crime; meaning it's predicate on other criminal endeavours. Some experts estimate that the global crime economy constitutes about US$100 billion; while the British Intelligence estimated that the total amount being laundered annually is about US$500 billion. The illicit drug trade alone is estimated to generate about US$300 billion of which a significant part would require laundering . By far, organized crime poses one of the greatest challenges to the stability and prosperity of the global system short of military warfare (Stessens,, 2012)

Although the phenomenon of money laundering has attracted increasing attention, the concept is yet a subject of controversy in criminological parlance. This is so because there is no consensus on the definition of the concept. Most definitions, including the United Nation's definition, conceive and relate money laundering to drug trafficking only. This is understandable because a greater chunk of the suspicious wealth being laundered may have originated from or is associated with drug trafficking. Nonetheless, a holistic definition of money laundering should be all encompassing to capture in the criminological index other forms of organized crime which also generate substantial profits that would require laundering. Furthermore, the concept would remain a subject of controversy because, whereas some states believe it is harmful to the stability of the system, others on the other

hand, overlook it as a source of foreign investment in a free market environment (Woods, 2011)

However, for this purpose, the conceptualization by the U. N .may suffice –it defines money laundering in more or less simplistic legal context to mean "the conversion or transfer of property knowing that such property is derived from an offence, for the purpose of concealing or disguising the illicit origin of the property, or of assisting any person who is involved in the commission of such an offence to evade the legal consequences of his actions. In other words, it is the concealment or disguising of the true nature, source, location, disposition, movement rights with respect to or ownership of property, knowing that such property is derived from an offence (Williams, 2009)

However, Nigerian government like many other governments of developing countries until recently has been very slow in putting in place strict policy measures and legislative framework in combating the effects of economic and financial crimes. As a result economic and financial crimes have eroded the integrity of Nigerian financial institutions since sizeable numbers of them were actively involved in money laundering and other financial criminal activities. Be that as it may, this research examines the impact of economic and financial crimes on the economy and socio-political development of Nigeria as a developing nation. It is instructive to stress from onset that this study is not intended to delve into details legal discussion on the concept of economic and financial crimes and the relevant provisions of Nigerian law regulating same. This of course will not obviate occasional reference being

made to various forms of economic and financial crimes as known to Nigerian law and relevant statutory laws regulating those forms of crimes (Smith, 2010)

Today, most financial institutions globally, and many non-financial institutions, are required to identify and report transactions of a suspicious nature to the financial intelligence unit in the respective country. For example, a bank must verify a customer's identity and, if necessary, monitor transactions for suspicious activity. This means, to begin with, knowing the identity of the customers, and further, understanding the kinds of transactions in which the customer is likely to engage. By knowing one's customers, financial institutions will often be able to identify unusual or suspicious behavior, termed anomalies, which may be an indication of money laundering (Roth, 2011).

Bank employees, such as tellers and customer account representatives, are trained in anti-money laundering and are instructed to report activities that they deem suspicious. Additionally, anti-money laundering software filters customer data, classifies it according to level of suspicion, and inspects it for anomalies. Such anomalies would include any sudden and substantial increase in funds, a large withdrawal, or moving money to a bank secrecy jurisdiction. Smaller transactions that meet certain criteria may be also flagged as suspicious. For example, structuring can lead to flagged transactions. The software will also flag names that have been placed on government "blacklists" and transactions involving countries that are thought to be hostile to the host nation. Once the software has mined data and flagged suspect

transactions, it alerts bank management, who must then determine whether to file a report with the government (Baker, 2011)

Most of the formal economic analysis brought to bear on money laundering has been for the purpose of quantifying the extent of the activity rather than its effects. Money-laundering funds flow from developed economies to developing economies, and therefore money laundering results in a flow of capital to developing countries (Savla, 2008). To the extent that money laundering encourages economy-depressing crime, that crime occurs in developed economies, and developing –country governments should not be spending their limited resources on preventing crime in developed economies (Stessen, 2012)

The imposition of anti-money-laundering financial regulations discourages the use of developing-country banks and encourages citizens to move their savings offshore." On the contrary, there is evidence that a stronger financial regulatory regime encourages the use of the financial system subject to such regulation and, indeed, a review of net financial flows from banking systems during periods in which anti-money-laundering policies have been imposed shows no evidence of savings -flight in response to such policies (Stessen, 2012)

Although money laundering does not require the use of formal financial institutions, reviews of money-laundering typologies consistently indicate that banks, equity markets, and non-bank financial institutions (NBFIs), such as insurance companies, are a favored means of laundering illicit funds both internationally and within developing countries. The reason for this preference lies in the efficiency that financial institutions can provide for the money

launderer: just as financial institutions are a critical component in the financing of the legitimate economy, they can be a low-cost vehicle for the illicit economy to launder funds (Robinson, 2008). From an economic development standpoint, the central importance of money laundering through financial institutions is threefold. First, money laundering erodes financial institutions themselves. Second, the development of sound, reliable banks and NBFIs is a crucial element in overall economic development: indeed, such institutions have come to be recognized as essential for such development and—particularly in developing countries—customer trust is fundamental to the growth of sound financial institutions. Third, beyond protecting such institutions from the negative effects of money laundering itself, the adoption of anti-money-laundering policies by government financial supervisors and regulators, as well as by banks and NBFIs, can reinforce the other good governance practices that are important to the development of these economically critical institutions (Robinson, 2008)

Pervasive money laundering through developing-country financial institutions erodes these institutions in 3 broad ways: by increasing the probability individual customers will be defrauded by corrupt individuals within the institution; by increasing the probability that the institution itself will become corrupt or even controlled by criminal interests, again leading to customers being defrauded; and by increasing the risk of financial failure faced by the institution as a result of the institution itself being defrauded. Such dangers come under the formal heading of operational risk, and can contribute significantly to reputational risks faced

by banks (Lilley, 2009). The adverse effects of money laundering on developing-country financial institutions discussed above constitute clear operational risks to the financial soundness of the institution. But such risks also give rise to, and are compounded by, another adverse factor: reputational risk, or the loss of a reputation for integrity. Financial experts often emphasize the role of a financial institution's reputation in promoting the soundness of that institution (Lilley, 2009)

According to Morris-Cotterillm (2012), to assess the implications of this problem for economic development, it is useful to review the linkage between the strength of developing-country financial institutions and economic growth in developing economies. In particular, in developing countries investor confidence—which is diminished by money laundering activity—plays a special role in the linkage between financial institutions and economic growth. Strong developing-country financial institutions are critical to economic growth. Although a comprehensive review of the linkage between strong financial institutions and developing-country growth is beyond the scope of this paper, the detrimental effects that money laundering has on developing-country financial institutions makes it necessary to review the importance of this linkage. Over the past decade, several in-depth studies have been undertaken to assess the role of financial institutions in economic growth, and the results have been consistent and unambiguous: economic growth depends on sound domestic financial institutions (Morris-Cotterillm, 2012)

A large body of research finds that financial development exerts a large positive impact on economic growth. The conclusion emerges from cross-country studies, industry-level studies, firm-level studies, and time-series evaluations. Furthermore, the positive link between financial development and economic growth hold after controlling for other growth determinants (Blunden, 2008)

The study further notes that this strong linkage has been found to be causal: it is not simply that faster-growing economies have stronger financial institutions, but that stronger financial institutions drive faster economic growth. since the first studies into the linkage between financial institutions and economic growth began in the 1960s, researchers have believed that the *form* of a developing country's dominant financial institutions—banks vs. equity markets vs. NBFIs—would prove to be the critical factor in economic growth; yet the preponderance of the research shows that it is the strength of the financial institutions— regardless of the form they take—that is the most important factor. The critical role that banks, NBFIs, and equity markets play in economic development is through their function in capital formation and allocation—a particularly crucial role in developing economies where such capital is scarce when compared to its greater availability in industrialized economies. Indeed, the World Bank identifies "developing local capital markets and banking systems"25 as one of the 3 fundamental tasks necessary for economic development (IMF, 2008).

Money laundering's negative impact on financial institutions is of particular concern in a developing-country context for at least 2 reasons. First, in many of these countries the largest,

most sophisticated financial institutions have historically relied heavily on public funds rather than private deposits, and the success of wide- ranging financial reforms will depend in part on the sustained expansion of individual savers' trust in these institutions as private capital replaces public capital. As the World Bank notes in its mission statement, "sound financial systems [are] essential for private entrepreneurs to emerge, for business to flourish, and for local people and investors from abroad to find the *confidence* to invest, and create wealth, income, and jobs (FSA, 2009). Financial institutions in developing countries are often undergoing a transition from being state-owned to private-investor ownership and control. Yet, studies have shown that private investors are more reluctant to commit funds to obtain ownership in enterprises cited for Economic and Financial Crimes (Blunden, 2008). From a developing country's policymaking standpoint, there are other issues that must be taken into account, and foremost among these is the effect that international anti-money-laundering measures are likely to have on the developing country's economy. In the extreme, a country with lax anti-money-laundering enforcement measures can be subject to formal legal sanctions by important trade and investment partners. Such sanctions need not involve governments directly, as demonstrated by the damaging international-bank ban on U.S. dollar transactions with Vanuatu undertaken in response to the inadequacy of anti-money-laundering measures in that jurisdiction (Blunden, 2008)

Even outside the realm of anti-money-laundering efforts, developing countries may be unable to gain full access to international economic resources as a result of money laundering

problems—actual or perceived—as shown by suggestions that the IMF should reconsider its continuing financial assistance to the Russian Federation in light of evidence that such assistance was being misappropriated on a large scale and laundered "outbound" by criminals in the form of capital flight (Bentham, 2010)

The flow of laundered illicit funds follows a path through the economy that is different than those such funds would take if they were not being laundered. As can be seen from the various money-laundering mechanism typologies reports, money laundered through channels other than financial institutions is often placed in what are known as "sterile" investments, or investments that do not generate additional productivity for the broader economy. Real estate is the foremost example of such sterile investments; others include art, antiques, jewelry, and high-value consumption assets such as luxury automobiles. Criminal organizations can transform productive enterprises into sterile investments by operating them for the purposes of laundering illicit proceeds rather than as profit-maximizing enterprises responsive to consumer demand and worthy of legitimate investment capital. Commitment of the economy's resources to sterile, as opposed to productive, investments (or to normal consumption expenditures that drive productive investments through higher demand) ultimately reduces the productivity of the overall economy. Finally, funds that are being laundered through the purchase of certain targeted assets—real estate is often favored—will drive the prices of such assets up, causing overpayment for them throughout the economy, thus "crowding-out" productive investment to less-productive uses (Raymond, 2009),

The economic effect of illegal drug exports from Colombia on the Colombian economy reported that the macroeconomic benefits that would otherwise be expected from the narcotics' export revenues were, in fact, significantly offset "by concentrating [illegal proceeds] spending in real estate [and therefore] drug traffickers' money created distortions in the resource allocation process. Reduced economic activity from excess expenditure on more "sterile" sectors such as real estate can be seen in the input-output matrices of developing economies. Expenditure in sectors more often appearing in money laundering typology reports are associated with lower-than-average economic output. An efficient financial sector is a key "input" to other productive processes in a developing economy—such as manufacturing—an efficient money-laundering channel is a key "input" to crime because the financial proceeds from crime are less valuable to the criminal (in a sense, an "unfinished product") than are laundered funds. The less expensive the money-laundering "input" to crime is as a result of lax anti-money-laundering policies, the more "productive" (active) the criminal element will be, just as in any industry or business (Williams, 2009)

Prior to the enactment of the Economic and Financial Crimes Commission (Establishment) Act of 2009 as amended by Economic and Financial Crimes Commission (Establishment) Act of 2011 (herein after referred to as "EFCC Act 2011"), no comprehensive definition of what constitutes economic and financial crime can be readily gleaned from any of the existing Nigerian criminal legislations and even the English Common Law. Economic and financial crime is a generic term for non-violent illicit criminal activities committed with the

aim of earning wealth illegally individually or in concert with others in a manner which amounts to violation of laid down statutory provisions regulating economic and other activities in the society. Thus, for practical intent and purposes almost any definition of economic and financial crime is unlikely to be adequate or too wide for convenient typological delimitation of the crime.

Thus Section 46 of the EFCC Act 2011 defines the crime as follows; Economic and Financial Crimes means the non-violent criminal and illicit activity committed with the objectives of earning wealth illegally either individually or in a group or organized manner thereby violating existing legislation governing the economic activities of government and its administration and includes any form of fraud, narcotic drug trafficking, money laundering, embezzlements, bribery, looting and any form of corrupt malpractices, illegal arms deal, smuggling, human trafficking and child labour, illegal oil bunkering and illegal mining, tax evasion, foreign exchange malpractices including counterfeiting of currency , theft of intellectual property and piracy, open market abuse, dumping of toxic wastes and prohibited goods, etc.

The above statutory definition of the term “economic and financial crimes” ending with the article “etc” reveals that the crime could reasonably include a wide variety of criminal offences. It is therefore correct to say that the concept of economic and financial crimes which money laundering is an aspect is a nebulous one, Naylor, (2010). There have been divergences of opinion on the proper choice of terminology to describe the kind of criminal

activities envisaged by the Act and corresponding legislations elsewhere, (IMF), 2008. The above section as presently worded widens the scope of the crime. However, for an act to be properly described as constituting economic and financial crime under the EFCC Act 2011, it must have the consequences of violating the economic activities of the government and its administration.

The Section 46 of the EFCC Act, 2011 defines economic and financial crimes as nonviolent criminal activities with the primary objective of earning wealth illegally by violating legislation governing government's economic activities and administration. In other words, EFCC Act 2011 defines economic and financial crimes by its consequences and effects. It is submitted that the aftermath effects and consequences of economic and financial crimes are not limited to economic activities of government alone. On the contrary, individuals and the private sector are the worst victims of the crime, Janine Wilson, (2012). Recognizing the inherent difficulty in the above statutory definition, the former Executive Chairman of the Nigerian Economic and Financial Crimes Commission once said that economic and financial crimes are kindred offences with extremely thin line separating them and that all economic crimes are financial crimes but not all financial crimes are economic crimes. (Osoba, 2012).

Generally, economic and financial crimes encompass a variety of criminal conduct as fairly enumerated in the above Section 46 of EFCC Act. These offences are particularly subversive of the socio-economic and political life of a nation, Onimode, (2008). There is relatively a close connection between such crimes and organized crime, "through which such offences

infiltrate legitimate business activities, thereby providing legitimate frontal machineries for the laundering of ill gotten gains, as a result of which they seriously undermine the overall legitimate economic life of a nation." Onimode, (2008). However without any deliberate intention to paint an unfortunate picture of the state of economic crimes in Nigeria, the reality today is that many of these offences have been internationalized as trans-national crimes. Among those are offences of money laundering and advance fee fraud popularly known as "419 or Nigerian Scam".

Against the above backdrop, the proceeding paragraphs examine the impact of economic and financial crimes on the economy of Nigeria and the extent to which the government is addressing this unfortunate phenomenon.

2.1.1 Effects of Economic and Financial Crimes on Economic Development of Nigeria

Fraud has its root firmly entrenched in the social setting and the extent of growth depends on our wrong sense of value we choose to cultivate in terms of acquisition of wealth. Similarly, as observed by APEC (2006), corruption has a far reaching negative effect on the national psyche which eventually goes back to undermine the whole system of good governance itself. Dada, Owolabi and Okwu (2013) opine that fraudulent practices among Nigerians are major challenges facing the development of the country. On the other hand, Uchenna and Agbo (2013) assert that fraud losses continue to pose a significant problem to many industries despite significant advances in fraud detection technologies. Therefore, the high propensity to defraud of the average Nigerian is the direct product of our materialistic society. In fact,

frauds constitute a threat to the continued corporate existence of an organization (Ikpefan, 2006). Consequently, Archibong (1993) cited in Ikpefan (2006) noted that the long-term survival and growth of any organization depends on how the issue of fraud and fraudulent practices in any organization is handled.

Ogbeidi (2012) in Nageri, Umar and Abdul (2013) examined political leadership and corruption in Nigeria since 1960; he opined that it is an incontrovertible fact that corruption has been the bane of Nigeria‘s development. Thus, without mincing words the phenomenon has ravaged the country and destroyed most of what is held as cherished national values. Unfortunately, the political class saddled with the responsibility of directing the affairs of the country have been the major culprit in perpetrating this act. (Nageri, Umar and Abdul, 2013)

According to Wurim (2013), fraud and other financial crimes constitute a very serious threat to the survival of the Nigerian nation state. It is very widespread and manifests itself in virtually all aspects of national life. The nation, organizations and individuals have lost huge funds to fraudulent practices. (AbdulRasheed, et al., 2012 in Wurim, 2013).

Savuth (2012) in Kalubanga, et al (2013) argued that Economic and Financial Crimes pose serious threats to the ability of the organization to achieve its operational objectives. They can hamper the implementation of programmes and projects. Owolabi (2010) highlighted huge parameters put in place in financial sector of the Nigerian economy and affirms that the parameters constitute symbol of adequate preparation of the financial sector to jump-start the

Nigerian economic development. However, he points out that the major feasible impediment to the attainment of this laudable objective is fraud.

In illustrating the effect of fraud, Okoye and Gbegi (2013) assert that in the developed economies of the West, evidence emerged (which was at first difficult to believe) that the criminal manipulation of Company balance sheets created a much more favourable picture about their finances than was the reality. The Enron Company which unexpectedly went bust is probably the best known example of accounting books manipulation in our time. According to NDIC (2004), seven commonest types of fraud and forgeries cases are prominent (mainly in banking operations) which include: forged cheque, granting of unauthorized loans, posting of fictitious credits, suppression of cash/cheques, fraudulent transfer and withdrawals, cheques and cash defalcation, loss of money to armed robbers and outright theft of money. Consequentially therefore, it has been argued that unethical behaviour, which is precursor to fraud and criminality, can be destructive where no proactive action is taken and may lead to collapse of the entire system. (Okunola, Lawal and Kehinde, 2014).

2.1.2 Characteristics/Causes of Economic and Financial Crimes

In fraud literature, the key features and causal factors that enable fraudulent practices in organizations have been summarized in the works of Cressey (1950) where three elements are identified as being the root factors why frauds are committed. These include Pressure/motive, Opportunity and Rationalization, which have been referred to as ―The

Fraud Triangle‖. This has been amplified by Wolfe and Hermanson (2004) in their ―Fraud Diamond‖ theory, in which case an additional element of capability has been identified.

However, scholars have given different interpretations to these highlighted elements. For instance, Lister (2007) sees pressure/motive to commit fraud as ―the source of heat for the fire‖. However, he holds that the presence of these pressures in someone's life does not mean the individual is given to committing fraud. Lister further classified Pressure/Motivation into three types; viz: Personal pressure to pay for lifestyle, employment pressure from continuous compensation structures, or management's financial interest, and external pressure such as threats to the business financial stability, financier covenants, and market expectations. He considers opportunity (the second side of the fraud triangle), as ―the fuel that keeps the fire going‖. Here he holds that a person cannot commit fraud except that he has the opportunity even with the motive to commit fraud. He also gave some examples of opportunities that can lead to fraud like high turnover of management in key roles, lack of segregation of duties, and complex transactions or organizational structures. On ―Rationalization‖, the third component of the fraud triangle, Lister sees it as the oxygen that keeps the fire burning‖. He believes that even though auditors and fraud dictators may not be able to assess the personal value systems of each individual in the organization, they can assess the corporate culture.

On their own part, Okoye and Gbegi (2013), while characterizing fraud by the following elements: (i) Intent to commit a wrongful act or to achieve a purpose inconsistent with law or public policy; (ii) Disguise of (purpose): falsifications and misrepresentations employed to

accomplish the purpose; (iii) Reliance by the offender on the ignorance or carelessness of the victim (s); (iv) Concealment of the violation; see the fraud triangle as explaining three factors that are present in every situation of fraud and define the elements as: (i) Motive (or pressure) – the need for committing fraud (need for money etc). (ii) Rationalization – the mindset of the fraudsters that justifies them to commit fraud; and (iii) Opportunitythe situation that enables fraud to occur (often when internal controls are weak or nonexistent). Therefore, breaking the fraud triangle is the key to fraud deterrence. Breaking the fraud triangle implies that an organization must remove one of the elements in the fraud triangle in order to reduce the likelihood of fraudulent activities. ―Of the three elements, removal of opportunity is most directly affected by the system of internal controls and generally provides the most achievable route to deterrence of fraud‖. (htt://en.wikipedia.org/wiki/fraud deterrence in Okoye and Gbegi, 2013). Commer (2008) observed that motivations for corporate fraud include: Personal greed; Possibility of getting away; Low prosecution rate; societal pressures; Opportunity; Staff morale problems and Antiinstitutional posture.

For Kalubanga, et al (2013), there are five basic elements which are required for something to be termed fraudulent: (1) a representation about a material fact, (2) that is false or misleading, (3) made intentionally, knowingly or recklessly, (4) which is believed and acted upon by the victim, (5) to the victim‘s damage.

Vona (2008) opines that the motive to commit fraud is often associated with personal pressures or corporate pressures on the individual. He asserts that the motive to commit fraud

may be driven by the pressures influencing the individual, by rationalization, or by sheer opportunity; hence a person‘s position in the organization contribute to the opportunity to commit fraud. He also believed there is a direct correlation between opportunity to commit fraud and the ability to conceal the fraud. Thus, understanding the opportunity for fraud to occur allows auditors to identify, which fraud schemes an individual can commit, and how fraud risks occur when the controls do not operate as intended by management. Albrecht et al. (2008, 2010) in Kassem and Higson (2012), however, mentioned that pressure/motive can be financial or non-financial and they gave examples of perceived financial pressures that can motivate fraud like; personal financial losses, falling sales, inability to compete with other companies, greed, living beyond one‘s means, personal debt, poor credit, the need to meet short-term credit crises, inability to meet financial forecasts, and unexpected financial needs. They also gave examples of non-financial pressure, such as; the need to report results better than actual performance, frustration with work, or even a challenge to beat the system. They believed that even with very strong perceived pressures, executives who believe they will be caught and punished rarely commit fraud. They also mentioned some examples of rationalizations that executives can use to commit fraud, like; ―we need to keep the stock price high‖, all companies use aggressive accounting practices, or it is for the good of the company. As for perceived opportunities to commit fraud examples include; a weak board of directors, a lack of or circumvention of controls that prevent/detect fraudulent behavior,

failure to discipline fraud perpetrators, lack of access to information, and the lack of an audit trail.

Murdock (2008) in Kassem and Higson (2012) also argued that pressure can be a financial pressure, non-financial, or political and social pressure. Non-financial pressure can be derived from a lack of personal discipline or other weaknesses such as gambling habit, drug addiction. While, political and social pressure occurs when people feel they cannot appear to fail due to their status or reputation. For Rae and Subramaniam (2008), pressure relates to employees motivation to commit fraud as a result of greed or personal financial pressure, and opportunity refers to a weakness in the system where the employee has the power or ability to exploit, making fraud possible, while rationalization is a justification of fraudulent behavior as a result of an employee‘s lack of personal integrity, or other moral reasoning. Hur-Yagba (2003) opined that there is a general consensus among criminologists that fraud is caused by three elements called: Will, Opportunity, Exit (WOE) i.e. the will to commit frauds by the individual, the opportunity to execute the fraud and the exit which is the escape from sanctions against successful or attempted fraud or deviant behavior.

Ikpefan (2006) on his part presents the following as the core causes of fraudulent practices in organizations with particular reference to the banking industry: (i) Lack of Experienced and Adequate Personnel (ii) Internal Audit and Control (iii) Inadequate Book Keeping/Accounting Procedure (iv) Poor Credit Administration (v) Inadequate Job Rotation/ Segregation of Duties (vi) Ineffective Bank Management (vii) Poor Knowledge of the Job

(viii) Clearing Fraud (ix) Society Expectation (x) Delay Justice (xi) Other Miscellaneous Issues.

Olurankinse and Bayo (2014) highlighted that the cause of corruption is multifarious but that generally, corruption is caused by Greed, lack of positive values, porous system, weak enforcement and oversight mechanism, excessive materialism, societal pressure, lack of virile welfare structures, insecurity of employment tenure, indiscipline, inordinate

2.1.3 Types/Classification of Economic and Financial Crimes

Chizea (2011) observes the following are typical manifestation of fraud: cash thefts from the tills of bank by staff, forgeries of a customer‘s signature, use of forged cheque to withdraw money from his account with the bank, unauthorized and illegal transfer of fund from a customer‘s account, opening and operating of fictitious (ghost) account for illegal transactions, lending to fictitious borrowers through fictitious account opened at a branch, suppression of cheque by disloyal staff, payment against unclear effects, granting loans without adequate information and security from borrowers or lenders. The list continues. Financial fraud in an entity, according to Okoye and Gbegi (2013) can be divided into three categories: Those perpetrated by chief executives; by political office holders and; by public servants and employees of entities Fraud perpetrated by chief executive is management fraud while those perpetrated by political office holders and public servant/employees are regarded as condonable fraud and staff fraud respectively.

Condonable or staff fraud can be perpetrated by circumventing internal control arrangement or by breaching internal control regulations. Mainoma (2009) in Okoye and Gbegi (2013) assert that condonable fraud occurs where the employee diverts the employer‘s property which was given to enhance the performance of the employee. The use of employer‘s photocopying machines and computer facilities for persona gains or benefits is an example of condonable fraud. This class of fraud is tagged condonable because any effort to eradicate it is expensive and counterproductive. In this case, the employer will condone the class of fraud and thus allow the fraud and the organization to co-exist. However, condonable frauds are difficult to eradicate but they can be minimized. Staff frauds are perpetrated by employees involved in the theft, misappropriation or embezzlement of the employer‘s funds, stock of goods or other assets. The type of fraud is characterized by: inclusion of ghost names in payroll, over booking of hours worked and overpaying of allowances, keeping inadequate records and therefore incurring loss, misappropriating unclaimed wages, pilferages of currency notes from the bundles, misappropriation of revenues collected. The third category, leadership fraud is analogous to management fraud in the private sector and undermines the entire fabric of public accountability. Since it is mitigated from above and may be executive from outside the organization, it operates outside the internal control system (Oshisami, 1994) in Okoye and Gbegi (2013). When it is executed within the organization, example, defalcation and misappropriations, it may be caught within the web of internal control, i.e.

when this is not deliberately shifted by the leadership. Whatever the reason, it often creates problems for the internal audit and may be arrested by external audit. Some common example of management/leadership fraud includes: Fictitious transaction; Wrong project evaluation; Wrong project award; Erroneous reporting of level of project executed; Loans to relatives leading to bad debts. (Okoye and Gbegi, 2013).

Okoye and Gbegi (2013) affirm that the most prominent of frauds in banks and agencies of government detected in Nigeria in the recent times includes: Fraudulent transfer and withdrawals; Use of unauthorized overdraft; Posting of fictitious credits; Presentation of forged cheques; Conversion of banks money into personal use; Granting of unauthorized loans; Abuse of medical scheme; Insider abuse; Illegal conversion of pension funds in various agencies and ministries; Ghost workers fraud resulting into millions of naira paid into private pockets; Abuse of political office leading to contract over billings and over invoicing.

Duffield and Grabosky (2001) highlight the following categories of fraud:

i. Fraud committed against an organization by a principal or senior official of that organization. Examples of this include offences against shareholders or creditors by errant ―high-flying entrepreneurs‖ or corrupt practices by senior public officials.
ii. Fraud committed against an organization by a client (an ―outsider‖) or employee (an ―insider‖). This category includes embezzlement, insurance fraud, tax evasion and other fraud against government.

iii. Fraud committed against one individual by another in the context of direct face-to-face interaction. This would include classic ―con games‖, frauds by sales staff, and predatory activities against clients or customers by unethical investment advisers, shady roof repairers and others who prey directly on a consumer.

iv. Fraud committed against a number of individuals through print or electronic media, or by other indirect means. This would include Nigerian advance fee frauds (Smith, Holmes & Kaufmann 1999), share market manipulation, and deceptive advertising or investment solicitations pitched at a relatively large number of prospective victims.

UNDP in APEC (2006) classifies corruption into two types: spontaneous and institutionalized (or systemic). Spontaneous corruption is usually found in societies observing strong ethics and morals in public service. Institutionalized corruption, on the other hand, is found in societies where corrupt behaviors are perennially extensive or pervasive. In these societies, corruption has become a way of life, a goal, and an outlook towards public office.

Obua (2010) classified corruption into political, bureaucratic, electoral and corporate corruption.

Political Corruption: This is the sale by government officials of government property for personal gain. It involves the use of public office by politicians both for financial gain and purposes of remaining in office. It is further facilitated by the creation of rent seeking projects.

Bureaucratic Corruption: This involves the use of public office for pecuniary gain. Bureaucratic corruption is common in Nigeria because the government plays crucial roles in the development process, especially intervening in the domestic economy. It is also common where there is instability in government and lack of tenure, which drive bureaucrats to engage in rent seeking opportunities for personal aggrandizement. Socio-economic conditions, such as poverty and inequality, cultural norms and practices, such as kinship loyalty not only impinge directly on public officials but also shape their behavior.

Electoral Corruption: Electoral corruption occurs when people, whether endowed with political clout or not, illegally try to buy influence through illegal payoffs such as illegal funding of campaigns, illegal campaign contributions, bribes, buying of votes for cash or other inducements (i.e. paying voters to vote, thereby influencing their choices), promise of contracts or other favors etc. Electoral corruption may also take coercive forms, such as paying thugs to intimidate or threaten supporters of a candidate in order to compel supporters to vote for the candidate who employed the thugs or stop them from voting entirely.

Electoral corruption can lead to outright rigging of elections; expectation of reward once victory is achieved, or encouraging quid pro quo deals (Etzioni, 1988 in Obua, 2010). It can include weak credible opposition politics, and the undermining of democratic values, especially where there is a conflict between the politicians 'interests and those of the public.

Corporate Corruption: Corporate corruption occurs in the relationship between private business corporations and their vendors or clients. It can also take place within a corporation

when officers use company‘s resources for private aggrandizement, at the expense of the shareholders (Bhargava, 2005 in Obua, 2010).

Corruption in the government involves three broad layers. First is the corruption within the broader political system. This includes the demands of electoral politics, the extensive use of patronage in political appointments, and the existence use of ―pork barrel‖ funds. Second, is the corruption within the public sector, which is usually focused on three major problems: spotty performance of mechanisms for identifying and sanctioning employees engaged in corrupt and illicit behavior, considerations of pay and employment, and government procurement. Third is the corruption within specific agencies, which involves grand corruption (involving widespread syndicates and millions of pesos); and petty corruption (which involves smaller amounts of money, such as grease money to facilitate the delivery of goods and services. (APEC, 2006).

2.2 Empirical Review

A few of researchers has discussed the level of Economic and Financial Crimes on economic growth in both developed and developing countries. Such authors include Abiodum, Elijah and Obayelu (2007) that use descriptive survey and content analysis to investigate the effect of Economic and Financial Crimes and economic reforms on economic growth and development in Nigeria. It was revealed that there have been significant reductions in the level of Economic and Financial Crimes in Nigeria through the introduction of the anti-Economic and Financial Crimes team or instruments. But the study also found negative

Economic and Financial Crimes between the levels of Economic and Financial Crimes and economic growth, thereby making it difficult for Nigeria to develop fast. This means that Economic and Financial Crimes in Nigeria reduces economic growth, efficiency and development despite the huge resources in the country. This is also because Economic and Financial Crimes reduces or create negative image in a nation and as well losses much needed revenue.

Rotini, Obasaju, Lawal and Ise, (2013) used ordinary least square (OLS) and granger causality method to determine the relationship between Economic and Financial Crimes and economic growth in Nigeria. The study observed that Economic and Financial Crimes impairs and impacts economic growth. The study fails to establish the level of impact of Economic and Financial Crimes on economic growth by stating whether it is positive or negative.

Adewale, (2011) investigated the crowding out effects of Economic and Financial Crimes in Nigeria using parsimonious error correction mechanism and employed experimental research design approach for the data analysis and revealed that there is a negative relationship between Economic and Financial Crimes and output growth in Nigeria. The implication of this is that Nigeria government should introduce a national re-orientation program to educate people on the crucial need to eradicate Economic and Financial Crimes in all sectors of Nigeria economy and socio-political system.

Akinpelu, Ogunseye, Bada, and Agbayangi (2013) examined the Socio-Economic Determinants of Economic and Financial Crimes in Nigeria using co-integration test and vector error correction model. The study discovered that there is a long-run relationship between conception and the social economic variables in Nigeria. This study falls to establish the level of relationship like whether significant positive or negative relationship which has policy implication in the short and long run.

Muhuda (2013) investigating the relationship between Economic and Financial Crimes, poverty and economic growth in Nigeria. The study employed regression analysis and granger causality test, it was discovered that there is an existence of cointegration chance tanging a long run causality relationship between Economic and Financial Crimes, poverty and economic growth in Nigeria.

Ade, Babatude and Awoniyi (2011) in the study of Economic and Financial Crimes, foreign direct investment and Economic growth in Nigeria: An empirical investigation employing granger causality test and Ordinary Least Square Method in testing FDI inflow, Economic and Financial Crimes index, Exchange rate, Inflation rate, GDP for model one. For two, the variables are Gross Domestic Product, Government Expenditure, FDI and Gross fixed capital formation. The OLS result reveals that there is an inverse relationship between FDI inflow and Economic and Financial Crimes. This means that a large volume of FDI inflow is

associated with a low level of Economic and Financial Crimes in the host countries. Exchange rate depreciation and inflation rate are significant determinations of FDI inflow in Nigeria.

In the study carried out by Boluwaji (2008), he examined "Transparency and accountability in the public sector and the role of the anti-graft agencies". A descriptive survey research design was adopted. He found out that; lots of accounting and financial control failures exist in the public sector and the public sector officials use these lapses as a shield for their actions. Also in his findings is that so many actions that are not in line with the code of conduct in the public sector are not investigated by the anti-graft agencies, some officials are not even queried at all when at fault and some when queried are not given adequate punishment because they have godfathers. He recommended that the government should install good account control to avoid embezzlement and/or mismanagement of funds in the public sector. He also recommended that the government should publish code of ethics to engender accountability and transparency in the conduct of any public sector officer. He urged the government to help tackle the problem of godfathers and sacred cows in the country and provide management with the techniques that will ensure proper accountability in the public sector in Nigeria.

Babatunde (2009) examined "Economic and Financial Crimes Commission (EFCC) and the fight against corruption in Nigeria public sector". He adopted a survey research design and used questionnaire to generate data. He found that economic and financial crimes are most

times not disclosed to the economic and financial crimes commission (EFCC) either out of no confidence in the commission to administer justice or as a result of patron-client relationship (godfatherism). Also in his findings is the lack of commitment on the part of the government to appraise and review the financial performance of the public sector parastatals, making it impossible for public officers to give account of their actions. He recommended that the government should invest more in the procurement of equipments for the commission (EFCC) and create enabling environment for them to be able to stop economic and financial crimes before they are committed and be able to achieve maximum result. He also recommended that the government should as a point of duty appraise and review the financial performance of the public sector as a way to avoid sharp practices by the public officers.

Lanre and Tomola (2010), in their own study looked at the "Public sector accountability; the implication of the conspiratorial relationship between political appointees and civil servants in Nigeria". The study used survey research design by means of questionnaire. They found that the high level of corruption in Nigeria has been aidedby the conspiratorial relationship between political office holders/appointees and civil servants (mostly the accounting officers). They are of the view that the conspiratorial relationship has led to flagrant and deliberate abuse of best practices and due process all in a bid to steal public funds. They recommend that; there should be a total administrative reform and good governance, encompassing public accountability to ensure that the people are held accountable for their behaviors as a deterrent to corrupt practices.

Ezeibe and Iwuoha (2011), examined in their study; “The political economy of public sector accountability in Nigeria”. The study adopted survey research design. They found out that; the public sector in Nigeria failed to measure up with their counterparts across the globe because it lacks in accountability and transparency. They recommended that to ensure sanity, progress and development in the public sector, code of ethics, values and accountability are tripartite essentiality and that the institution of enforcement and mechanisms is always crucial in achieving this.

2.3 Theoretical Framework

2.3.1 Theories of Corruption and Economic Growth.

This section highlights some basic theories that have been used to support the effects of corruption on economic growth. Such theories amongst others are:

2.3.2 A Policy-Oriented Theory of Corruption

This theory was developed by Teveik, Albert and Charles in 1986, in explaining the role of government in fighting corruption. They states that despite corruption frequent occurrence, government involvement in corruption has undergone surprisingly with its effect of the growth of the economy which needs serious investigation. The theory opine that he high level of corruption in any country whether developed or developing countries will not allow the country’s economy to grow and that if the field of administrative corruption is to become more theoretical and less descriptive, it must develop a framework and methodology that will help to measure its effect on economic growth.

2.3.3 Economic Growth Theory

This theory was propounded in reactions to the deficiencies in the Solow-Swan growth theory or model by Arrow (1962); Lucas (1988); and Romer (1990). This theory as propounded lay more emphasis on the long-run growth rate of an economy and on the basis of endogenous factors rather than exogenous factors of the neoclassical growth theory. The Solow-Swan model explains that the long-run growth rate of output is based on two basic exogenous variables such as population growth rate and level of corruption in the country. The growth theory emphasizes on technical progress resulting from the rate of capital stock, human capital development, reduction in corruption and investment rate.

Policy Implications of the theory

This theories, believes that economic growth is linked with improvement in productivity and reduction in corruption which ultimately result to a faster pace of innovation and extra investment in human capital. The theory predicted that externalities and spill over on corruption fight from developed countries will help to develop and maintain a competitive advantage in economic growth in Nigeria.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

Research design is the plan on how the researcher intends to carry out his research work. It is a systematic plan of what is to be done, how it will be done and how the data will be analyzed. Research design basically shows what the major topics in the research are and their details. It provides an outline of how the research will be carried out and the methods that will be used. It includes an abstract of the research study, descriptors of the research design, dependent and independent variables, the assumptions and limitations of the research, research question hierarchy, sampling design and a format for the dummy data showing how data will be presented.

The survey research design which is used in this study aims at evaluating the effect of Economic and Financial Crimes on Nigerian Economy. It is a Survey Research Study using questionnaire and personal interview as the instrument of drawing information from respondents.

3.2 Population, Sample and Sampling Techniques

The population of this study comprise of the staff of Economic and Financial Crimes Commission (EFCC) in Abuja.The population size of the study comprised of four hundred (400) staff of Economic and Financial Crimes Commission (EFCC) in Abuja.

Sampling techniques is a process used in statistical analysis in which a predetermined number of observations will be taken from a larger population. The methodology used to sample from

a larger population will depend on the type of analysis being performed, but will include simple random sampling, systematic sampling and observational sampling. The simple random sample was used in this study. A sample of 200 out of 400 staff working in Economic and Financial Crimes Commission (EFCC) in Abuja was selected for the investigation.

The sample size (200) was taken from the 400 staff of Economic and Financial Crimes Commission (EFCC) in Abuja. The sample size was calculated using 95% confidence interval.

$$n = \frac{N}{1 + N\,(e)^2}$$

Where:

N = Population
n = Sample size
e = (0.05)

$$n = \frac{400}{1 + 400\,(0.05)^2}$$

Sample size = 200

3.3 Methods of Data Collection

The gathering of relevant data, using appropriate instrument is the bedrock of any research. In this study questionnaire method was employed on gathering the requisite data,

The questionnaire serves as a major tool for the collection of data for the study. It is divided into two sections. Section A Which provided Bio-data about the respondents and section B provided information which was used in the analysis and test of hypothesis formulated for the study. The questionnaire of the study would be distributed to the staff of Economic and Financial Crimes Commission (EFCC) in Abuja and later collected for analysis.

3.4 Technique for Data Analysis and Model Specification

The study will employ the use of linear regression using Binary Logit to estimate the above equation. The binary logit becomes necessary since the researcher will source his data from the response of the respondents on the questionnaire administered. The Binary Logit method takes the dependent variable data to range from 0 to 1 while other variables can take any number for the coding.

Some statistical and econometric test will be used to evaluate the regression. These include, Multiple R, which is the correlation coefficient. This measure the extent of relationship

between variables, R – squares is the coefficient of determination that measures the percentage (proportion) of variation in the dependent variable that can be attributed to the independent variables. The F-statistics, the "t" statistics coefficient (measures the relative significance of each of the independent variable) and Durbin-Watson test, test for auto correlation of errors in the regression equation.

3.5 Justification of Methods

The method of data collection that will be applied in this study will be primary method. The method will be applied because it is a statistical process for estimating the relationships among variables. Also, regression analysis will be adopted for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is concerned with the presentation and analysis of data collected for this research. In addition, the hypothesis formulated for this study are analyzed and tested. Also data collected from questions are presented and analyzed. The results are presented and analyzed. The questions are calculated and their percentage defined. Therefore, the method of data analysis of this research is a qualitative method.

In questionnaire analysis, attempt is made in discovering and establishing of the existing relationship between the different variables involved in the analysis. To this extent, this chapter evaluates "the effect of Economic and Financial Crimes on Nigerian Economy" This is done through the use of Chi-Square Analysis. The computational device is the statistical package for the social sciences software programme.

4.2 Data Presentation

Table 4.2.1: Sex of the Respondents

	Frequency	Percent
Male	132	66
Female	68	34
Total	200	100

Source: Field Survey, 2017

The above table shows the sex distribution of the respondents. 33 percent of the respondents are male while 17 percent of the respondents are female.

Table 4.2.2: Age of the Respondents

	Frequency	Percent
18-30	80	40
31-40	60	30
41-50	48	24
51 and above	12	6
Total	200	100

Source: Field Survey, 2017

The above table shows that, 40 percent of the respondents are in the age bracket 18 – 30, 30 percent are in the age range 31 – 40, 24 percent of the respondents are in age bracket 41 – 50 while 51 and above are in the age bracket 51 and above.

Table 4.2.3: Marital Status of the Respondents

	Frequency	Percent
Single	84	42
Married	116	58
Total	200	100

Source: Field Survey, 2017

From the above table, 42 percent of the respondents are single while 58 percent are married.

Table 4.2.4: Educational Qualification

	Frequency	Percent
OND/NCE	52	26
HND/B.SC	108	54
M.SC / PGD	36	18
PHD	4	2
Total	200	100

Source: Field Survey, 2017

The table above shows that 26 percent of the respondents had OND/NCE certificate, 54 percent of the respondents had HND/B.SC degrees, 18 percent of the respondents had M.Sc/PGD degrees while 2 percent of the respondents had P.HD.

Table 4.2.5: How long have you been working in the organization?

	Frequency	Percent
6months – 1yr	40	20
1-2years	20	10
2-3years	52	26
6yrs and above	88	44
Total	200	100

Source: Field Survey, 2017

From the table above, 20 percent of the respondents said they have been working in the organization for the past 6 months, 10 percent of the respondents said they have been working in the organization for the past 1 year, 26 percent of the respondents said they have

been working in the organization for the past 2 years while 44 percent of the respondents said they have been in the organization for the past 6 years.

4.3 Data Analysis and Interpretation of Results

Table 4.3.1: What is the performance of money laundering regulation in Nigeria?

	Frequency	Percent
Good	44	22
Satisfactory	128	64
Fair	20	10
Poor	8	4
Total	200	100

Source: Field Survey, 2017

From the above table, 22 percent of the respondents said the performance of money laundering regulation in Nigeria is good, 64 percent of the respondents said the performance of money laundering regulation in Nigeria is satisfactory, 10 percent of the respondents said the performance of money laundering regulation in Nigeria is fair while 4 percent of the respondents said the performance of money laundering regulation in Nigeria is poor.

Table 4.3.2: Is the anti money laundering campaign of Economic and Financial Crimes Commission (EFCC) effective in preventing money laundering in Nigeria?

	Frequency	Percent
Yes	152	76
No	48	24
Total	200	100

Source: Field Survey, 2017

From the table above, 76 percent of the respondents said the anti money laundering campaign of Economic and Financial Crimes Commission (EFCC) is effective in preventing money laundering in Nigeria while 24 percent of the respondents said the anti money laundering campaign of Economic and Financial Crimes Commission (EFCC) is ineffective in preventing money laundering in Nigeria.

Table 4.3.3: Can the public office holders ever operate without an incidence of money laundering?

	Frequency	Percent
Yes	108	54
No	92	46
Total	200	100

Source: Field Survey, 2017

The above analysis shows that 54 percent of the respondents said the public office holders can operate without an incidence of money laundering while 23 percent of the respondents said the public office holders can never operate without an incidence of money laundering

Table 4.3.4: What are the factors responsible for money laundering in Nigeria?

	Frequency	Percent
Corruption	68	34
Mismanagement of Public Funds	52	26
Lack of transparency and Accountability in an organization	40	20
Acquisitiveness	40	20
Total	200	100

Source: Field Survey, 2017

From the above analysis, 34 percent of the respondents said one of the factors responsible for money laundering in Nigeria is corruption, 26 percent of the respondents said one of the factors responsible for money laundering in Nigeria is mismanagement of public funds, 20 percent of the respondents said one of the factors responsible for money laundering in Nigeria is lack of transparency and Accountability in an organization while 20 percent of the respondents said one of the factors responsible for money laundering in Nigeria is acquisitiveness.

Table 4.3.5: What are the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC)?

	Frequency	Percent
Political Instability	52	26
Ineffective Policy Formulation	56	28
Immunity Clause	52	26
Corruption	40	20
Total	200	100

Source: Field Survey, 2017

From the above analysis, 26 percent of the respondents said one of the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC) is political instability, 28 percent of the respondents said one of the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC) is ineffective policy formulation , 26 percent of the respondents said one of the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC) is immunity clause while 20 percent of the respondents said one of the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC) is corruption.

Table 4.3.6: How effective are the contributions of the anti money laundering agencies in Nigeria?

	Frequency	Percent
Effective	124	62
Ineffective	76	38
Total	200	100

Source: Field Survey, 2017

The table above shows that 62 percent of the respondents said the contributions of the anti money laundering agencies in Nigeria are effective while 38 percent of the respondents said the contributions of the anti money laundering agencies in Nigeria are ineffective.

Table 4.3.7: There is a reduction in Money Laundering in Nigeria as a result of efficient Regulation by Economic and Financial Crimes Commission (EFCC)

	Frequency	Percent
Yes	172	86
No	28	14
Total	200	100

Source: Field Survey, 2017

The table above shows that 86 percent of the respondents said there is a reduction in Money Laundering in Nigeria as a result of efficient Regulation by Economic and Financial Crimes Commission (EFCC) while 14 percent of the respondents said there is no reduction in Money Laundering in Nigeria as a result of efficient Regulation by Economic and Financial Crimes Commission (EFCC).

Table 4.3.8: The performance rating of Economic and Financial Crimes Commission (EFCC) in their statutory function of money laundering regulation is high between 2005 and 2016

	Frequency	Percent
Yes	156	78
No	44	22
Total	200	100

Source: Field Survey, 2017

The table above shows that 78 percent of the respondents said the performance rating of Economic and Financial Crimes Commission (EFCC) in their statutory function of money laundering regulation is high between 2005 and 2016 while 22 percent of the respondents said the performance rating of Economic and Financial Crimes Commission (EFCC) in their statutory function of money laundering regulation is low between 2005 and 2016

Table 4.3.9: The activities of the Economic and Financial Crimes Commission (EFCC) have helped to encourage public confidence in Money Laundering Regulation in Nigeria

	Frequency	Percent
Yes	140	70
No	60	30
Total	200	100

Source: Field Survey, 2017

The table above shows that 70 percent of the respondents said the activities of the Economic and Financial Crimes Commission (EFCC) has helped to encourage public confidence in Money Laundering Regulation in Nigeria while 30 percent of the respondents said the activities of the Economic and Financial Crimes Commission (EFCC) has not helped to encourage public confidence in Money Laundering Regulation in Nigeria.

Table 4.3.10: Effective Money Laundering Regulation has helped to address corporate governance issues in Nigeria

	Frequency	Percent
Yes	152	76
No	48	24
Total	200	100

Source: Field Survey, 2017

The table above shows that 76 percent of the respondents said effective Money Laundering Regulation has helped to address corporate governance issues in Nigeria while 24 percent of

the respondents said effective Money Laundering Regulation has helped to address corporate governance issues in Nigeria.

Table 4.3.11: The regulatory functions of Economic and Financial Crimes Commission (EFCC) have been effective in curtailing Money Laundering in Nigerian States and Public Offices.

	Frequency	Percent
Yes	132	66
No	68	34
Total	200	100

Source: Field Survey, 2017

The table above shows that 66 percent of the respondents said the regulatory functions of Economic and Financial Crimes Commission (EFCC) have been effective in curtailing Money Laundering in Nigerian States and Public Offices while 34 percent of the respondents said the regulatory functions of Economic and Financial Crimes Commission (EFCC) have not been effective in curtailing Money Laundering in Nigerian States and Public Offices.

Table 4.3.12: The Regulatory activities of the Economic and Financial Crimes Commission (EFCC) have boosted depositors' confidence in the Banking System.

	Frequency	Percent
Yes	164	82
No	36	18
Total	200	100

Source: Field Survey, 2017

From the table above, 82 percent of the respondents said the Regulatory activities of the Economic and Financial Crimes Commission (EFCC) have boosted depositors' confidence in

the Banking System while 18 percent of the respondents said the Regulatory activities of the Economic and Financial Crimes Commission (EFCC) have not boosted depositors' confidence in the Banking System

Table 4.3.13: Money laundering has a negative effect on the Nigerian economy

	Frequency	Percent
Yes	136	68
No	64	32
Total	200	100

Source: Field Survey, 2017

From the table above, 68 percent of the respondents said Money laundering has a negative effect on the Nigerian economy while 32 percent of the respondents said Money laundering has no effect on the Nigerian economy.

Table 4.3.14: The Anti-Money Laundering Laws and agencies in Nigeria are effective in preventing, detecting and prosecuting money launderers

	Frequency	Percent
Yes	144	72
No	56	28
Total	200	100

Source: Field Survey, 2017

The above analysis shows that 72 percent of the respondents said the Anti-Money Laundering Laws and agencies in Nigeria are effective in preventing, detecting and prosecuting money

launderers while 28 percent of the respondents said the Anti-Money Laundering Laws and agencies in Nigeria are not effective in preventing, detecting and prosecuting money launderers.

Table 4.3.15: There is a Socio-Economic effect of Money Laundering on Infrastructural development in Nigeria

	Frequency	Percent
Yes	140	70
No	60	30
Total	200	100

Source: Field Survey, 2017

The above analysis shows that 70 percent of the respondents said there is a Socio-Economic effect of Money Laundering on Infrastructural development in Nigeria while 30 percent of the respondents said there is no Socio-Economic effect of Money Laundering on Infrastructural development in Nigeria.

Table 4.3.16: There is a relationship between Money Laundering and Economic Development

	Frequency	Percent
Yes	150	75
No	50	25
Total	200	100

Source: Field Survey, 2017

The above analysis shows that 75 percent of the respondents said there is a relationship between Money Laundering and Economic Development while 25 percent of the respondents said there is no relationship between Money Laundering and Economic Development

Table 4.3.17: There are challenges of Economic and Financial Crimes in Nigeria

	Frequency	Percent
Yes	160	80
No	40	20
Total	200	100

Source: Field Survey, 2017

The above analysis shows that 80 percent of the respondents said there are challenges of Economic and Financial Crimes in Nigeria while 20 percent of the respondents said there are no challenges of Economic and Financial Crimes in Nigeria

4.4 Test of Hypothesis

4.4.1 Test of Hypothesis 1

Table 4.3.15 of the Questionnaire will be used: There is a Socio-Economic effect of Money Laundering on Infrastructural development in Nigeria.

	Male	Female	
Yes	110	30	140
No	22	38	60
Total	132	68	200

Observe	Expected	0-E	$(0-E)^2$	$(0-E)^2/E$
110	92.4	17.6	309.76	3.35
30	47.6	-17.6	309.76	6.51
22	39.6	-17.6	309.76	7.82
38	20.4	17.6	309.76	15.18
				32.86

$X^2 = 32.86$

The hypothesis formulated is tested by means of the Chi-square.

The chi-square is 32.86, which shows that the chi square calculated is less than the chi-square tabulated (3.84)

As a decision rule, if the computed value of Chi-square is less than the critical value of X^2 at 5% level of significance, the null hypothesis (H_o) is accepted, while the alternative hypothesis (H_i) is rejected. The reverse is however the case if the computed value of X^2 is greater than the critical value at the chosen level of significance.

Conclusion: since the computed value of chi - square (32.86) is greater than the critical value (3.84), therefore the Alternative hypothesis (Hi) "There is a Socio-Economic effect of Money Laundering on Infrastructural development in Nigeria" is accepted.

4.4.2 Test of Hypothesis 2

Table 4.3.16 of the Questionnaire will be used: There is a relationship between Money Laundering and Economic Development

	Male	Female	
Yes	120	30	150
No	12	38	50
Total	132	68	200

Observe	Expected	0-E	$(0-E)^2$	$(0-E)^2/E$
120	99	21	441	4.25
30	51	-21	441	8.65
12	33	-21	441	13.36
38	17	21	441	25.94
				52.4

X^2 = 52.4

The hypothesis formulated is tested by means of the Chi-square.

The chi-square is 52.4, which shows that the chi square calculated is less than the chi-square tabulated (3.84)

As a decision rule, if the computed value of Chi-square is less than the critical value of X^2 at 5% level of significance, the null hypothesis (H_o) is accepted, while the alternative hypothesis (H_i) is rejected. The reverse is however the case if the computed value of X^2 is greater than the critical value at the chosen level of significance.

Conclusion: since the computed value of chi - square (52.4) is greater than the critical value (3.84), therefore the Alternative hypothesis (Hi) "There is a relationship between Money Laundering and Economic Development" is accepted.

4.4.3 Test of Hypothesis 3

Table 4.3.17 of the Questionnaire will be used: There are challenges of Economic and Financial Crimes in Nigeria

	Male	Female	
Yes	125	35	160
No	7	33	40
Total	132	68	200

Observe	Expected	0-E	$(0-E)^2$	$(0-E)^2/E$
125	105.6	19.4	376.36	3.56
35	54.2	-19.4	376.36	6.92
7	26.4	-19.4	376.36	14.26
33	13.6	19.4	376.36	27.67
				52.41

$X^2 = 52.41$

The hypothesis formulated is tested by means of the Chi-square.

The chi-square is 52.4, which shows that the chi square calculated is less than the chi-square tabulated (3.84)

As a decision rule, if the computed value of Chi-square is less than the critical value of X^2 at 5% level of significance, the null hypothesis (H_o) is accepted, while the alternative hypothesis (H_i) is rejected. The reverse is however the case if the computed value of X^2 is greater than the critical value at the chosen level of significance.

Conclusion: since the computed value of chi - square (52.41) is greater than the critical value (3.84), therefore the Alternative hypothesis (Hi) "There are challenges of Economic and Financial Crimes in Nigeria" is accepted.

4.5 Discussion of Findings

The study evaluated the impact of money laundering on the Nigerian economic growth. The study discovered that the factors responsible for money laundering in Nigeria are Corruption, Mismanagement of Public Funds, Lack of transparency and Accountability in an organization and Acquisitiveness. Thus, the analysis further examined the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC) which are Political Instability, Ineffective Policy Formulation, Immunity Clause and Corruption.

Based on the study, above 75 percent of the respondents said there is a reduction in Money Laundering in Nigeria as a result of efficient Regulation by Economic and Financial Crimes Commission (EFCC) and that the performance rating of Economic and Financial Crimes Commission (EFCC) in their statutory function of money laundering regulation is high between 2005 and 2016 respectively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study attempted to analyze the effect of Economic and Financial Crimes on Nigerian Economy. The analysis in chapter four shows that 68 percent of the respondents said there is a positive and significant relationship between Money Laundering Regulation and Nigerian economic development while 32 percent of the respondents said there is a negative and insignificant relationship between Money Laundering Regulation and Nigerian economic development. Also, 72 percent of the respondents said Money laundering regulation in Nigeria is effective while 28 percent of the respondents said Money laundering regulation in Nigeria is ineffective.

Moreover, 82 percent of the respondents said the Regulatory activities of the Economic and Financial Crimes Commission (EFCC) have boosted depositors' confidence in the Banking System while 18 percent of the respondents said the Regulatory activities of the Economic and Financial Crimes Commission (EFCC) have not boosted depositors' confidence in the Banking System.

The negative economic effects of money laundering on economic development are difficult to quantify, yet it is clear that such activity damages the financial-sector institutions that are critical to economic growth, reduces productivity in the economy's real sector by diverting resources and encouraging crime and corruption, which slow economic growth, and can

distort the economy's external sector—international trade and capital flows—to the detriment of long-term economic development. Developing countries' strategies to establish offshore financial centers (OFCs) as vehicles for economic development are also impaired by significant money-laundering activity through OFC channels. Effective anti-money-laundering policies, on the other hand, reinforce a variety of other good-governance policies that help sustain economic development, particularly through the strengthening of the financial sector.

5.2 Conclusion

Money Laundering is a process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities thereby avoiding prosecution, conviction and confiscation of criminal funds. As a derivative, it flows from the following crimes amongst others; "illegal arms sales, smuggling, activities of organized crime, including for example drug trafficking and prostitution rings, embezzlement, insider trading, bribery and computer fraud schemes.". Funds acquired from these sources that cannot be pushed through banks and other financial institutions by eluding financial regulators and law enforcement agencies around the world are laundered through trade malpractices such as; massive importation of all kinds of goods like; spare parts, pharmaceutical products, chemicals, automobiles.

Aside from money laundering's negative effect on economic growth through its erosion of developing countries' financial sectors, money laundering has a more direct negative effect on

economic growth in the real sector by diverting resources to less-productive activity, and by facilitating domestic corruption and crime, which in turn depress economic growth.

Money laundering also facilitates crime and corruption within developing economies, which is antithetical to sustainable economic growth. Just as an efficient financial sector is a key "input" to other productive processes in a developing economy— such as manufacturing—an efficient money-laundering channel is a key "input" to crime because the financial proceeds from crime are less valuable to the criminal (in a sense, an "unfinished product") than are laundered funds. The less expensive the money-laundering "input" to crime is as a result of lax anti-money-laundering policies, the more "productive" (active) the criminal element will be, just as in any industry or business. As numerous studies have demonstrated from statistical and anecdotal evidence, substantial crime and corruption act as a brake on economic development, while other studies have shown that anti-money-laundering policies can deter such activity

5.3 Recommendations

Based on the findings of the study, the following recommendations are made:

1. Federal government should implement the promulgated laws like Advance Fee Fraud (otherwise known as 419) and Related Offences Act of 1995, Failed Bank (Recovery of Debts) and Financial Malpractices in Banks Act of 1996, Banks and other Financial Institutions Act of 1991, Miscellaneous Offences, Act 1985 and Foreign Exchange Act of 1995 to combat money laundering in Nigeria.

2. Federal government should make all the anti corruption commission more effective as a result of empowering them and funding the agencies.

3. Federal Government should make all the anti corruption agencies to be independent so as to enforce laws without interference.

4. The internal auditor should, on discovery of irregularities, recommend a good control system to the management. This is so that they can put up the necessary controls against fraud and irregularities in place.

5. There should be adequate interaction between the internal auditors and the business organization employees so that the business organization employees do not see the internal auditors as intruders or someone who has come to hurt or exploit them in the process of examining the financial statements.

6. Business Organization in Nigeria should ensure that they treat fraud cases to serve as a deterrent to its further occurrence and not just merely being concerned about their reputation and public image.

7. Banks in Nigeria should have better lending skills, and able to engage in arms-length lending and resist government pressures, and, potentially, impose fewer demands on government for bailouts than the intermediaries they replaced.

8. Commercial banks should adopt efficient and effective risk management practices for better banking performance

5.4 Suggestion for Further Studies

Researchers should investigate the impact of EFCC on the Control and Eradication of Money Laundering Challenges and Prospects in Nigeria. A comprehensive study should be done on EFCC and its Performance in Curbing Corrupt Practices among Public Servants in Nigeria.

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APPENDIX
QUESTIONNAIR

SECTION ‘’A’’: BIO-DATA/ PERSONAL INFORMATION

INSRUCTION: Please circle or fill in the blank space

(i) Sex: (a) Male (b) Female

(ii) Age:.....

(iii) Marital Status: (a) Single (b) Married

(iv) Educational Qualification:.....

(v) How long have you been working in the organization?

a) 6months b) 1 – 2years c) 2- 3 years d) 6 years and above

SECTION B

1. What is the performance of money laundering regulation in Nigeria?

a) Good b) satisfactory c) fair d) poor

2. Is the anti money laundering campaign of Economic and Financial Crimes Commission (EFCC) effective in preventing money laundering in Nigeria?

a) Yes b) no

3. Can the public office holders ever operate without an incidence of money laundering?

a) Yes b) no

4. What are the factors responsible for money laundering in Nigeria?

a……..

b……..

c……..

d……..

5. What are the challenges facing anti money laundering campaign by the Economic and Financial Crimes Commission (EFCC)?

a……..

b……..

c……..

d……..

6. How effective are the contributions of the anti money laundering agencies in Nigeria?

a) Effective b) Ineffective

7. There is a reduction in Money Laundering in Nigeria as a result of efficient Regulation by Economic and Financial Crimes Commission (EFCC)

a) Yes b) No

8. The performance rating of Economic and Financial Crimes Commission (EFCC) in their statutory function of money laundering regulation is high between 2005 and 2016.

a) Yes b) No

9. The activities of the Economic and Financial Crimes Commission (EFCC) has helped to encourage public confidence in Money Laundering Regulation in Nigeria.

a) Yes b) No

10. Effective Money Laundering Regulation has helped to address corporate governance issues in Nigeria

a) Yes b) No

11. The regulatory functions of Economic and Financial Crimes Commission (EFCC) have been effective in curtailing Money Laundering in Nigerian States and Public Offices.

a) Yes b) No

12. The Regulatory activities of the Economic and Financial Crimes Commission (EFCC) have boosted depositors' confidence in the Banking System.

a) Yes b) No

13. There is a positive and significant relationship between Money Laundering Regulation and Nigerian economic development

a) Yes b) No

14. Money laundering regulation in Nigeria is effective.

a) Yes b) No

15. There is a Socio-Economic effect of Money Laundering on Infrastructural development in Nigeria

a) Yes b) No

16. There is a relationship between Money Laundering and Economic Development

a) Yes b) No

17. There are challenges of Economic and Financial Crimes in Nigeria

a) Yes b) No