

FINANCIAL CRIMES AND ECONOMIC DEVELOPMENT IN NIGERIA



MADU-ARINZE JUDITH

MGS2007453

**DEPARTMENT OF ACCOUNTING
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN
BENIN CITY**

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**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF
BENIN, BENIN CITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE AWARD OF THE BACHELOR OF SCIENCE (B.Sc.) DEGREE IN
ACCOUNTING.**

FEBRUARY, 2025.

DECLARATION

I, Judith MADU-ARINZE, with Matriculation number MGS2007453, hereby affirm that:

1. The research for this project was conducted by me in the Department of Accounting at the University of Benin, Benin City, and was supervised by Dr. Ernest Oshidon.
2. This research work has not been submitted before for any degree award at other institutions.
3. The contents of this research are based on my own findings; any incorporation of others' perspectives has been properly credited.
4. I assume full responsibility for any issues that may arise from this study, not my supervisor.

MADU-ARINZE JUDITH

Date

CERTIFICATION

This document certifies that Judith MADU-ARINZE, bearing matriculation number MGS2007453 from the Department of Accounting, Faculty of Management Sciences, at the University of Benin, Benin City, Nigeria, has completed this project work. It meets the necessary standards in terms of scope and quality for the partial fulfillment of the Bachelor of Science (B.Sc.) Degree in Accounting.

Dr.ERNEST OSHODIN
(Project Supervisor)

DATE

DR. IKHU-OMOREGBE GODSTIME
(Project Coordinator)

DATE

PROF. O. OBARETIN
(Head of Department)

DATE

DEDICATION

I wholeheartedly dedicate this research project to the divine presence of God, and to my lovely mother. In His infinite mercy and grace, I find the inspiration and strength to pursue knowledge and understanding. To my mother, your endless love, unwavering support, and countless sacrifices have been the driving force behind my academic journey. This achievement is as much yours as it is mine. Thank you for always believing in me and for instilling in me the values that have shaped this work. May it be a testament to His unwavering support and your unwavering love.

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ABSTRACT

Financial crimes pose a major challenge to Nigeria's economic stability, affecting investment, governance, and public trust in financial institutions. This study examines the types, causes, and effects of financial crimes, with a focus on money laundering, fraud, and corruption. It also explores the role of economic, institutional, technological, and regulatory factors in driving financial crimes.

A descriptive survey research design was employed, using a structured questionnaire to collect data. Multiple regression analysis was conducted to assess the relationship between financial crimes and its underlying causes. The findings reveal that economic hardship, weak institutional governance, technological vulnerabilities, and regulatory inefficiencies significantly contribute to financial crimes in Nigeria. Among these, economic factors ($\beta = 0.432$, $p = 0.000$) had the strongest influence, followed by institutional weaknesses ($\beta = 0.389$, $p = 0.000$), regulatory inefficiencies ($\beta = 0.317$, $p = 0.000$), and technological factors ($\beta = 0.278$, $p = 0.000$). The high R^2 value (0.659) confirms that these factors collectively explain a substantial portion of financial crimes in the country.

The study concludes that financial crimes reduce foreign direct investment (FDI), weaken financial institutions, and hinder economic development. To combat these issues, it recommends strengthening economic policies, improving institutional governance, enhancing cybersecurity measures, and enforcing stricter financial regulations. These findings provide valuable insights for policymakers and financial regulators in developing more effective strategies to curb financial crimes and promote economic stability in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Financial crimes involve illegal activities that yield financial benefits for criminal organizations, often resulting in financial losses for other parties. These crimes are typically committed for personal gain and involve the unauthorized transfer of ownership of assets (Africa Economic Outlook, 2013). These crimes are committed every day, and governments worldwide are frequently prosecuting financial criminals while searching for new ones. Section 46 of the EFCC Act 2004 defines 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 (Ribadu, 2004). This claims that the nuisance has become recurring incident in Nigeria as the country has unfortunately, maintained a

disturbing record of financial crime over the years, with occurrences in public sectors, private sectors and the economy at large.

It's well known that economic development in a country is a top priority for any government, and one key aspect of achieving this is addressing instances of financial mismanagement and lack of transparency within the country. A recurring argument is that achieving economic development that effectively addresses poverty reduction, improves health, promotes sustainable resource use, enhances education, ensures food security, and encourages good governance is challenging in an environment that prioritizes luxury of few. This is the reason why scholars such as Ukpong and George (2012) argue that the advancement of human capital, essential infrastructure, regional competitiveness, health, safety, literacy, and other programs will struggle to succeed in a society that values favour and happiness for a few individuals. It is within this context that the occurrence of fraud in Nigeria can be seen as damaging to the country's economic progress. Financial crime in Nigeria today is deeply rooted in almost all the aspects and levels of the economy which has impacted negatively on the Nigerian economy development and the society as a whole especially as a developing country that needs all available resources to keep the economy running. Present and preceding governments in Nigeria have enacted several laws and established agencies with the major aim of combating economic and financial crime. These fraud fighting agencies include the Independent Corrupt Practices 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 crimes and other corrupt practices to a standstill. According to some analysts, efforts being made by Nigerian leaders such as Muhammadu Buhari and Olusegun Obasanjo .Some of these policies include: decree no. 5 of 1976 for the investigation of the assets of public officers and supported by the Code of Conduct Tribunals and the Code of Conduct Bureau as prescribed by the 1979 constitution, the Corrupt Practices Decree of 1975, the 1979-1983 Ethical Revolution of Shehu Shagari, the crusade against indiscipline undertaken by the Buhari Idiagbon government, the Corrupt practices and Economic Crimes decree of 1990 and the establishment of a national committee for the fight against corruption and Economic crimes between 1985-1993 by the Babangida regime. However, the fact that corruption is still prevalent in the Nigerian society depicts the failure of some of these anti-corruption policies (Ayua, 2001). Given the devastating impact of financial crimes on the economic development of Nigeria it is important to investigate the underlying causes and consequences of this phenomenon. Understanding the root causes of financial crimes and their effects on the economy and society is crucial for developing effective strategies to combat them.

1.2 Statement of Research Problem

Financial crimes have become a persistent and pervasive threat to Nigeria's economic development, undermining the country's efforts to achieve sustainable growth and prosperity. Despite the establishment of various anti-corruption agencies and the enactment of several laws and policies aimed at combating financial crimes, the phenomenon continues to plague the country. The root causes of financial crimes in Nigeria are complex and multifaceted, involving a range of factors including corruption, weak institutions, lack of transparency and accountability, and a culture of impunity. The consequences of financial crimes are equally devastating, resulting in significant financial losses, undermining trust in institutions, and hindering economic development. The persistence of financial crimes in Nigeria has led to a loss of confidence in the country's ability to manage its economy effectively, deterring foreign investment and undermining economic growth in response to these challenges. 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. It is in the light of the above highlights, that the study therefore seeks to establish the types of financial crimes with a view to identifying effective strategies for combating this menace and promoting sustainable economic development.

This persistent issue raises important research questions which will guide this study:

1. What are the types of financial crimes in Nigeria.
2. What are the causes of financial crimes in Nigeria?
3. What are the effects of Financial Crimes on Nigerian Economy?

1.3 Objectives of the Study

The main objective of this study is to examine financial crimes and economic development in Nigeria. Specific objectives are:

1. To investigate the types of financial crimes in Nigeria such as money laundering, fraud and corruption.
2. To examine the causes of financial crimes in Nigeria.
3. To evaluate the effects of these financial crimes on Nigeria's economic development.

1.4 Research Hypothesis

To direct this study, the following hypothesis are proposed using null hypothesis

Where;

Null hypothesis = H₀

H₀₁: There is no significant relationship between financial crimes and Nigeria's economic development.

H₀₂: Money laundering has no significant effect on Nigeria's economic development.

H₀₃: Fraud has no significant influence on Nigeria's economic development.

H0₄: Corruption has no significant impact on Nigerian's economic development.

1.5 Scope of Study

This study focuses on financial crimes and economic development in Nigeria. It as well as experts in the field of financial crimes and economic development and data shall be collected primarily through questionnaires administered to these professionals. Geographically, our study will focus on Nigeria, with a particular emphasis on the country's economic and financial systems. The study will also draw on international best practices and experiences in combating financial crimes.

1.6 Significance of the study

The findings of this study will contribute to the existing body of knowledge on financial crimes and their effects on economic development in Nigeria as it specify on examining the effect of Financial Crimes on Nigerian Economy which would be most relevant to the government as it will provide practical means of fighting money laundering, fraud and corruption in the country. The research also intends to add to scope of literature on Economic and Financial Crimes

Financial Institutions and Practitioners: The research will shed light on the economic implications of financial crimes, enabling financial institutions and practitioners to develop effective strategies to prevent and mitigate these crimes.

Policy Makers and Regulators: The study's findings will provide policymakers and regulators with a comprehensive understanding of the economic consequences of financial crimes, which can guide the development of policies and regulations aimed at combating these crimes.

Investors and Business Leaders: By examining the impact of financial crimes on economic development, the study can assist investors and business leaders in making informed decisions about investments and business operations in Nigeria.

Economists and Academics: The research contributes to the existing body of knowledge on financial crimes and economic development, providing new insights and perspectives on this critical issue.

Society at Large: Ultimately, this study aims to contribute to the development of a more stable and secure financial system in Nigeria, which can benefit society as a whole by promoting economic growth, reducing poverty, and improving overall well-being.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the concept of financial crimes and its impacts on economic development in Nigeria. The chapter also covers a review of theories underpinning the study. It also reviews empirical literature on financial crimes and its relationship with economic development as well as present a gap on literature that the current study will attempt to fill.

2.2 Conceptual framework

2.2.1 Financial crimes

Financial crime, also often referred to as white collar crime, refers to illegal activities that involve the use of financial systems, instruments, or services to obtain, conceal, or launder money or other assets. These crimes can be committed by individuals, organizations, or governments, and can have serious consequences for economies, businesses, and individuals. It covers a wide range of criminal offences which are generally international in nature. Closely connected to cyber crime, financial crimes are often committed via the internet and have a major impact on the international banking and financial sectors-both official and alternative.

Nigeria's history of financial crimes dates back to the colonial era, when the traditional administration was disrupted and replaced with a flawed system of indirect rule. This led to the appointment of personnel who were often unknown, unqualified, and of questionable character. As a result, many of these appointees abused their power and misused their offices, often showing favor to criminals and engaging in corrupt practices. This colonial legacy has had a lasting impact on Nigeria, contributing to a culture of economic crime and government dysfunction. Factors such as religion, geography, and legal traditions have also played a role in shaping Nigeria's history of financial crimes. These underlying issues have contributed to the country's ongoing struggles with corruption and economic instability. Financial crime requires existing financial system and operation. 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). Financial and economic crimes necessitate the existence of a functioning financial system and operational framework. Financial crimes are generally perceived as non-violent illicit activities undertaken with the objective of accumulating wealth through unlawful means, either individually or collectively, thereby defying existing legislation governing economic activities of governments and their administrative bodies. This encompasses various forms of fraud, money laundering, embezzlement, bribery, looting, and corrupt practices, as well as illicit arms transactions,

human trafficking, child labor, illegal oil extraction, and unauthorized mining activities. These crimes also includes tax evasion, foreign exchange malpractices, counterfeiting of currency, intellectual property theft, piracy, market manipulation, dumping of hazardous waste, and trading of prohibited goods (Section 46 of the EFCC Act 2004). In Nigeria, illicit funds are laundered through various channels, including but not limited to foreign exchange bureaus, securities trading firms, gaming establishments, motor vehicle dealerships, and import or export companies. These institutions have the capacity to conceal the origins of illicitly obtained funds.

The consequences of such activities on the socio-political landscape and economic welfare of the people in developing nations particularly Nigeria can be imagined. From the foregoing, fraud, money laundering and corruption are found to be the subsets of Financial crimes; hence, the central points of discussion in this study center on ; Money laundering, Financial fraud and Corruption which are used to represent Financial crimes.

2.2.2 Economic development

Economic development can be defined as efforts a that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the base. It is a sustained community effort to improve both the local economy and the quality of life by building area's capacity to adapt to economic change

(Loveridge and Morse 2016). Michael Todaro (2011) noted that economic development encompasses not only economic growth but also social and moral progress. It involves improving the overall well-being of citizens, including access to quality education, better income, reduced poverty, environmental sustainability, equality of opportunities, and cultural enrichment. Economic development relies on factors such as capital use, labor, natural resources, and technology to uplift a country's standard of living. It is a multidimensional process that transforms social structures, institutions, and attitudes, ultimately leading to accelerated economic growth, reduced inequality, and poverty eradication. Despite that Nigeria has been blessed with lots natural resources like crude oil, the country still face some challenges using this wealth to maintain development. Various means could be used by an economy to maintain economic development. As estimated by Ogwumike (1999) that from 1970 to 2000 the poverty rate of Nigeria has increased from 36% to around 70%, which means the number of poor people has almost doubled. Nigeria's economic growth hasn't necessarily translated to improved economic and social welfare for its citizens.

2.2.3 Effects of Financial Crimes on Economic Development of Nigeria

The negative effects of financial crimes 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, diminishes productivity in the economy's real sector by diverting resources, which slows down economic growth, and can distort the economy's external sector such as

international trade and capital flows and contribute to damaging long-term economic development. The damages that financial crimes had done on the Nigerian economy could be seen in the Economic and in the moral terms. Crimes are really expensive because it reduces the trust in the government whose moral authority is diminished. Also it could be worsened by misallocation of resources and some of the government officials will not make changes in the regulation from which they enrich themselves. Financial crimes in Nigeria aggravates income inequalities and poverty because those who benefit from the bribery, kickbacks and preferential deals are not likely to be among the poorest, it adversely affect the growth of the economy as it acts as additional tax on enterprises, raise costs and reduces incentives to invest. It reduces domestic savings and investment and stimulates capital flight as a result of that it weakens the domestic banking system. Savuth (2012) in Kalubanga, et al (2013) argued that Financial Crimes pose serious threats to the ability of the organization to achieve its operational objectives. Ezema et al. (2012) pointed that corruption is endemic and has eaten deep into every facet of our national life. The productive and technological base is weak, outdated, narrow, inflexible and externally dependent. The infrastructure is poor, inadequate and low maintenance. The effectiveness of incentives has been generally reduced, giving rise to inadequate utilization of the factors of production. Corruption also reduces economic growth, enhances inequalities and reduces the government's capacity to respond to people's needs. All these swerve down to create poverty in the society". Corruption distorts economic and social developments, by engendering wrong choices and by encouraging competition in

bribery rather than in the quality and price of goods and services and, all too often, it means that the world's poorest must pay for the corruption of their own officials and of multinationals' agents. Corruption leads to a growing gap between the rich and the poor and deepens poverty by enriching a few at the expense of fellow citizens. Under a corrupt system, there is a concentration of wealth in the hands of a tiny minority of the population. Resultantly income distribution becomes highly skewed.

Money laundering has many negative impacts on the social, economic and social security of the Nigeria. It is one of those organized crimes that make mafias to constitute transnational problem today, hence a threat to security, especially in poor and conflict-ridden countries (United Nations Office on Drugs and Crime, 2010). Money laundering makes crime pay because it allows drug traffickers, smugglers and other criminals to accumulate economic power and expand their operations. This has the potential to erode the political and social systems of a country, and could affect stability and the general rule of law. This in turn drives up the cost of law enforcement and the spin-off costs of health care in the treatment of problems such as drug addiction (Crime and Misconduct Commission, 2005). Perceived ease of entry to a country attracts an undesirable element across its borders, degrading quality of life and raising concerns about national security. The crimes perpetrated by these undesirable elements erode basic individual liberties by threatening rights to life and entitlements to own property (Crime & Misconduct Commission, 2005).

2.2.4 Types of Financial Crimes

2.2.4.1 Money laundering

Money laundering is a tactic utilized by lawbreakers to obscure and misrepresent the genuine source and ownership of ill-gotten gains, thereby dodging legal repercussions, culpability, and asset seizure. As a byproduct, it originates from various illicit activities, including: Unsanctioned weapons dealings, Illicit goods transportation, Narcotics distributions, Human exploitation networks, Misappropriation of funds, Insider trading, Bribery, Cyber deception schemes, Proceeds obtained from these illicit sources, which cannot be funneled through banking systems and financial institutions without evading regulatory oversight and law enforcement agencies worldwide, are instead laundered through deceptive commercial practices which includes large-scale importation of diverse commodities such as: Automotive components, Medicinal products, Chemical substances and many others. 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. Most economic analyses of money laundering focus on measuring its scope rather than its impact. Interestingly, money laundering actually redirects funds from developed countries to

developing ones, effectively providing a capital influx to these nations (Savla, 2008). Since money laundering is often linked to crimes that harm developed economies, it's argued that developing countries should prioritize their limited resources on domestic concerns rather than combating crimes that primarily affect wealthier nations (Stessen, 2012). Money laundering is a significant threat to global economies, with the former IMF director Michael Camdessus estimating it to be around 2-5% of the world's GDP, equivalent to \$600,000 million. This illicit activity poses a substantial risk to emerging markets, including Nigeria, where it can undermine domestic economic policy and corner domestic markets. In Nigeria, money laundering and currency manipulation can have severe consequences, including destabilizing currencies and interest rates. The country's reliance on purchasing foreign currencies to meet international obligations makes it vulnerable to the adverse effects of unchecked money laundering. This can lead to irrational fund movements, creating unpredictable changes in monetary demand and increasing volatility in international flows, interest, and exchange rates. The economic implications of this are profound which includes hindering sound national economic policy and implementation. From the foregoing, therefore, it is clear that money acquired illicitly must have to be laundered in order for the criminal to use it legitimately. In this way, the criminal involved sets the procedure by which the proceeds of illegal acts are converted into apparently legal activities, thus concealing their criminal origin. This is usually done through three systems and stages of laundering known as placement, layering and integration as can be seen in Figure 3 (Osisioma, 2009). Money

laundering scheme may not be complete or successful unless the paper documentation is destroyed or the inflow of illegally accrued money cannot be easily discovered. The objective here is to hide the origin of the illegal funds and also to put some trench of currency into other assets through over statement of reported revenues, over statement of reported expenses and balance sheet laundering. Money laundering is considered to be the world third largest business and it is estimated that between \$500 billion and \$1.5 trillion gets laundered annually across national and international borders (IMF, 2012).

STAGES OF MONEY LAUNDERING

i. Placement: Placement is the first stage in the money laundering process, when the physical currency enters the financial system. It is during this phase that the illicit money is most vulnerable to detection. Placement may be accomplished by breaking up large amounts of cash into less conspicuous, smaller sums, which are then banked. They are either deposited directly into bank accounts, or a series of monetary instruments (cheques, bank drafts, money orders etc.) are purchased and then deposited into bank accounts at other locations. It is widely acknowledged that money laundering is best fought at the placement stage of the process, by instituting various checks and disclosure requirements to make it as difficult as possible for criminally tainted money to enter the financial system. In Australia, the Financial Transaction Reports Act 1988 (FTRA) makes it mandatory to report certain types of financial transactions which involve cash and/or certain monetary instruments. Accordingly, money

launderers need either to circumvent the legitimate financial system entirely, or violate (evade, manipulate or ignore) the regulatory requirements of the FTRA to conceal their activities (Crime and Misconduct Commission, 2005).

ii. Layering: Layering describes the activity undertaken by the launderer to distance the funds from their illicit source. This is achieved by a series of complex conversions or movements of the funds, which prevent any audit trail being left by the 'dirty' money as it is being laundered, and thus conceal the source and ownership of the funds. For example, the funds might be channeled through the purchase and sales of investment instruments, or the launderer might simply wire the funds through a series of accounts at various banks across the globe. The use of tax havens, bank secrecy jurisdictions or countries that do not participate in measures to combat money laundering makes it difficult for investigators to follow the money trail (Crime and Misconduct Commission, 2005).

iii. Integration: Integration is the final stage of the laundering process, when the funds reenter the legitimate economy and the launderer makes the funds appear to have been legally earned. This may be accomplished by purchasing real estate, cars, precious metals, valuable jewellery or antiques. Alternatively, the funds may be used to invest in and operate legitimate business ventures. The integration of illicit monies into the legitimate economy is very difficult to detect if there is no audit trail established during the placement or layering stages (Shanmugam, Nair & Suganthi 2003, as cited in Crime and Misconduct Commission, 2005).

iv. National Development: According to Jamri (2019), discourse on the concept of development is one of the contested ones as evidenced amongst its experts. Similarly, Sakalasooriya (2020), mentioned that different definition of development exists for almost every writer. However, the term can be seen in different interpretations, depending on the disciplinary orientation of an author. Some authors looked at it as a social or sociological concept. Others see it as an economic term. There are those that view it from political perspective (Jamri, 2019). It is also important to distinguish between the static and dynamic nature of development. In other words, development can be seen as a state or condition and as a process or course of change (Sakalasooriya, 2020).

2.2.4.2 Corruption

Black law dictionary defines corruption as an act done to give some advantage inconsistent with the official duty and rights of others. The act of Official or Judiciary person, who unlawfully wrongly uses his position or character to procure some benefit for himself or the right of others. The new edition of the chambers 20th century dictionary defines the term beyond the pilfering of public funds, the amassing of fortunes by illegal or corrupt means does not seem to necessarily disturb the average Nigerian as to make him lose sleep over it. Some researchers have defined corruption to be related only to bribery and unlawful payments, Grunner (1999), Ojaide (2000), defines Corruption as “any systematic vice in an individual, society or a nation which reflects favouritism, nepotism, tribalism, sectionalism,

undue enrichment or amassing of wealth, abuse of office, power position and derivation of undue gains and benefits. Corruption also includes bribery, smuggling, and fraud, illegal payments, money laundering, drug trafficking, falsification of documents and records, window dressing, false declaration, tax evasion of any kind to the detriment of another person, community society or nation. Many reasons have been put forward as probable causes for the prevalence of corruption in Nigeria. This ranges from non-conformity to religious tenets, imparted values and ideas and ideas alien to our culture, ethnicity which encourages favouritism and nepotism, a weak legal system which is honoured in the breach than observance. The political bureau in its report mentioned such causes as excessive materialism generated by our individual capitalist order which emphasize personal wealth without regard to the collective interest and welfare of the larger society. Other causes of poverty, illiteracy, get-rich- mania, statism, and wrong attitude to public property, absence of a welfare scheme which cushions effect of unemployment, retirement, large families, and quest for power, double standards and low level of patriotism. Corruption can occur in different forms. However, most literature exploring corruption fails to differentiate forms of corruption. Therefore, corruption is treated generally as a singular class of behavior. Though studies on corruption have attempted to categorize corruption into different groups, the numerous types of corruption render generalizing it difficult. Kenny and Soreide (2018) asserted that categories are simplification because various forms of corrupt acts sometimes interlink through other forms of crimes. Morris (2021) argued that an easy means to differentiate

forms of corruption is by identifying the institutional location of the official involved in corruption. He categorized corruption into two broad forms. The upper level and lower-level corruption. The upper level involves Presidents, Ministers, Members of Legislature and other high-ranking officials while lower-level corruption relates to corruption by civil servants. According to Abu and Stanieswski (2019), the forms of corruption vary only in terms of the individual who engages it. In this regard, Anassi (2020) maintained that institutional corruption; political or grand corruption and bureaucratic corruption could be identified as the main types of corruption in Africa. He described institutional corruption as corrupt practices involving a group of syndicates known and approved by all of them. To him, bureaucratic corruption is where individual public officers systematically and consistently solicit or receive money in return for services rendered. Grand corruption on the other hand is where politicians are involved in fraudulent or morally unacceptable financial and political deals intended to benefit them financially and politically. Obua (2010) opined corruption in Nigeria into different forms political corruption which occurs place at the highest level of political authority and electoral corruption involving the buying of votes, special favors or promises of votes. Political corruption involves government officials using their positions for personal financial gain or to stay in power. This can include selling government property, embezzling funds, or engaging in other forms of self-enrichment. Bureaucratic corruption refers to the misuse of public office for personal financial gain. This type of corruption is prevalent in Nigeria due to the government's significant role in the country's development, particularly in

the domestic economy. 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 which can result to 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.

2.2.4.3 Fraud

The Association of Certified Fraud Examiners defines fraud as any form of 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 (1991) defined fraud as any premeditated act of criminal deceit, trickery or falsification by a person or group of people with the intention of altering facts in order to obtain undue personal monetary advantage. Ojo

(2008) opines that fraudulent practice commonly involve the perpetration of some forgery or falsification of paperworks or illegal authorization of signature.

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). 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. Fraud is a widespread issue that affects organizations globally, regardless of their size, location, or industry. It has severe consequences for the economy, corporations, and individuals. According to sociologists, certain middle-range theories explain fraud in Nigeria, including the influence of family members, social networks, and cultural transmission. The cultural transmission theory, developed by Sutherland in 1949,

suggests that deviant behavior, including criminal activity, is learned through social interactions and exposure to favorable views and attitudes towards such behavior. This theory implies that individuals are more likely to engage in criminal activity if they are frequently exposed to environments that promote or condone it.

2.2.5 Causes of financial crimes

Financial crimes are complex and their causes can be attributed to a combination of factors. Ikpefan (2006) highlighted that there are several key factors that contributes to fraudulent practices in organizations, particularly in the banking industry. These include inadequate staffing, with a lack of experienced and skilled personnel. Weak internal audit and control systems, inadequate bookkeeping and accounting procedures, and poor credit administration also play a role. Additionally, poor job rotation and segregation of duties, ineffective management, and a lack of knowledge about job responsibilities all contribute to an environment in which fraudulent practices can thrive.

According to Olurankinse and Bayo (2014), Financial crimes is a complex issue with multiple causes which includes corruption and it is largely caused by greed and a desire for personal gain, as well as a lack of strong values and principles. Weak and ineffective systems and institutions, inadequate oversight and enforcement mechanisms, and excessive focus on material wealth and status also contribute to corrupt behavior. In addition, societal pressure to

conform to certain expectations, inadequate social welfare systems and support structures, job insecurity and unstable employment, and a general lack of discipline and accountability all play a role in fostering corruption. Due to the multiple causes of financial crimes, It is further classified under these factors:

1. Economic Factors

i. Poverty and economic inequality: In some cases, financial crimes may be committed by individuals or groups who feel they have no other means of escaping poverty or achieving economic mobility.

ii. Unemployment and financial stress: Economic downturns, job losses, or financial stress can create an environment where individuals may be more tempted to engage in financial crimes.

iii. Greed and desire for wealth: The desire for wealth and material possessions can drive individuals to commit financial crimes, such as insider trading or embezzlement.

2. Psychological Factors

i. Lack of empathy and moral compass: Some individuals may lack empathy for others or have a distorted moral compass, leading them to engage in financial crimes without remorse.

ii. Personality disorders: Certain personality disorders, such as narcissistic or antisocial personality disorder, may increase an individual's likelihood of engaging in financial crimes.

iii. Addiction and compulsive behavior: In some cases, financial crimes may be committed by individuals who are struggling with addiction or compulsive behavior, such as gambling or shopping addiction.

3. Organizational and Cultural Factors

i. Corporate culture and pressure to perform: A corporate culture that emphasizes profits over ethics and compliance can create an environment where financial crimes are more likely to occur.

ii. Lack of effective governance and oversight: Weak governance and oversight structures can create opportunities for financial crimes to occur.

iii. Industry-wide corruption and collusion: In some industries, corruption and collusion may be widespread, creating an environment where financial crimes are more likely to occur.

4. Technological Factors

i. Advances in technology and anonymity: The increasing use of digital technologies and anonymous transactions can make it easier for individuals to commit financial crimes without being detected.

ii. Cybersecurity vulnerabilities: Weaknesses in cybersecurity can create opportunities for hackers and other cybercriminals to commit financial crimes.

iii. Complexity of financial systems: The increasing complexity of financial systems and instruments can create opportunities for financial crimes to occur.

5. Regulatory and Enforcement Factors

i. Weak regulations and enforcement: Inadequate regulations and enforcement can create an environment where financial crimes are more likely to occur.

ii. Lack of international cooperation: The lack of international cooperation and information sharing can make it difficult to detect and prosecute financial crimes.

iii. Corruption and complicity: Corruption and complicity among regulators and law enforcement officials can create an environment where financial crimes are more likely to occur.

2.3 THEORETICAL REVIEW

This section highlights some basic theories that have been used to support the effects of Financial crimes on economic development.

2.3.1: Crimology Theory

Edwin Sutherland's differential association theory, introduced in 1949, is a cornerstone of criminology. This seminal work posits that criminal behavior is not innate, but rather acquired through social interactions, particularly within intimate personal groups. Sutherland's central argument is that individuals learn criminal behavior by associating with others who have already acquired such behavior. This learning process unfolds through communication, observation, and imitation. The frequency, duration, and intensity of these associations significantly influence an individual's likelihood of adopting criminal behavior. Moreover, Sutherland contends that the techniques of committing crimes are also learned, as are the motivations and attitudes that drive such behavior. An individual's propensity for delinquency is thus shaped by an excess of definitions that favor violating the law over those that discourage it. Sutherland's theory also acknowledges that differential associations can vary significantly in frequency, duration, and intensity. Consequently, learning criminal behavior is a gradual process that unfolds over time through repeated associations with criminal others. Ultimately, Sutherland's work suggests that criminal behavior is an expression of broader societal needs and values, rather than a distinct phenomenon. His differential association theory has had a profound impact on criminological thought and research, particularly in the realms of social learning and crime causation. Despite subsequent

criticisms and revisions, Sutherland's theory remains a foundational concept in understanding the complex factors that contribute to criminal behavior.

2.3.2 The Fraud Triangle Theory

The Fraud Triangle Theory, also known as the Fraud Diamond Theory, is a framework used to explain the factors that contribute to fraudulent behavior. The Fraud Triangle Theory was first introduced by Donald R. Cressey, an American criminologist, in his 1953 book "Other People's Money: A Study in the Social Psychology of Embezzlement." Cressey's work built upon the earlier research of Edwin H. Sutherland, who studied white-collar crime. The Fraud Triangle Theory posits that three essential elements must be present for fraudulent behavior to occur:

1. **Motivation (or Pressure):** The individual must experience some kind of pressure or motivation to commit fraud. This could be financial difficulties, personal problems, or a sense of entitlement.
2. **Opportunity:** The individual must have the opportunity to commit fraud. This could be due to weak internal controls, lack of oversight, or access to sensitive information.
3. **Rationalization:** The individual must be able to rationalize their behavior, convincing themselves that their actions are justified or acceptable. This could involve blaming others, downplaying the severity of the fraud, or convincing oneself that the fraud is temporary.

Wolfe and Hermanson (2004) expanded the Fraud Triangle Theory by introducing a fourth element, giving rise to the Fraud Diamond Theory. This expanded framework consists of motivation, or pressure, which drives the individual to commit fraud. Opportunity refers to the circumstances that enable the fraudulent behavior. Rationalization involves the individual's justification for their actions. The additional element, capability, emphasizes that the individual must possess the necessary skills, knowledge, and resources to carry out the fraudulent act. The Fraud Triangle Theory and its extension, the Fraud Diamond Theory, have significant implications for various aspects of fraud management. Understanding the factors that contribute to fraudulent behavior can help organizations design more effective strategies for preventing and detecting fraud. This knowledge can also inform risk assessments, enabling organizations to identify and mitigate potential threats. Furthermore, recognizing the presence of the fraud triangle elements can aid investigators and prosecutors in building cases against perpetrators, ultimately supporting more effective investigations and prosecutions.

2.3.3 The Policy Orientated Theory of Corruption

This theory, developed by Teveik, Albert, and Charles in 1986, provides a framework for understanding the role of government in fighting corruption. The theory emphasizes the need for a comprehensive approach to addressing corruption, highlighting the complex relationships between government, economy, and society. According to Teveik et al. (1986),

despite the frequent occurrence of corruption, government involvement in corruption has undergone significant changes, with far-reaching effects on economic growth. The authors argue that corruption is a pervasive phenomenon that affects both developed and developing countries, and that its impact on economic growth is a critical area of investigation. The theory posits that high levels of corruption in any country will hinder economic prosperity. Corruption undermines the rule of law, distorts market mechanisms, and discourages investment, ultimately leading to economic stagnation. Therefore, it is essential to develop a framework and methodology to measure the effect of corruption on economic growth. Teveik et al. (1986) contend that a policy-oriented approach to corruption is necessary to address its root causes and consequences. This approach requires a thorough understanding of the complex relationships between government, economy, and society, as well as the development of effective policies and strategies to prevent and control corruption. In summary, the policy oriented theory of corruption emphasizes the need for a comprehensive approach to addressing corruption, highlighting the complex relationships between government, economy, and society. The theory provides a framework for understanding the impact of corruption on economic growth and emphasizes the need for effective policies and strategies to prevent and control corruption.

2.3.4. The Solow-Swan Growth Model

This theory was developed by Robert Solow and Trevor Swan in the 1950s. It is a neoclassical economic growth model that explains the long-run growth rate of an economy. According to the model, economic growth is driven by three main factors: labor, capital, and technology. The model assumes that economic growth is a function of the accumulation of capital, the growth of the labor force, and technological progress. In simple terms, the Solow neoclassical growth model relies on a basic formula to understand how economies grow over time. This formula, called the Cobb-Douglas Production Function, helps us see how labor, capital, and technology come together to produce goods and services.

$$Y(t) = K^\alpha(t) (A(t)L^{1-\alpha}(t)).$$
 (1) Where Y = Gross Domestic Product; K = Stock of Capital; L = Labour; A = Productivity or effectiveness of labour which grows over time at an exogenous rate.

For developed countries, this rate is estimated at about 2% per year. But it may be smaller or larger for developing countries, depending on whether they are stagnating or meeting up with the developed countries. α = elasticity of output with respect to capital. It is usually measured statistically as the share of capital in a country's national income accounts. Since α is assumed to be less than 1 and private capital is assumed to be paid its marginal product, so that there are no external economies, this formulation of neoclassical growth theory yields

diminishing returns to capital and labour. Note that $\alpha + 1 - \alpha = 1$, thus yielding constant returns to scale. Because of constant returns to scale, if all inputs are increased by the same amount, say, 'c' the output will increase by the same amount ('c' in this case). More generally,

$$cY = F(cK, cL) \quad (2) \text{ where 'c' is some positive amount. Because}$$

'c' can be any positive real number, a mathematical trick useful in analyzing the implications of the model is to set 'c' = 1/L, so that $Y/L = f(K/L, 1)$, which can be written as: $y = f(k)$

(3) Equation (1) is so because the function is of capital and 1 is a constant. Note that $y = Y/L$ and $k = K/L$. The simplification in equation (1) allows us to deal with just one argument in the production function. Thus, in the Cobb-Douglas case of equation (1) $y = A k^\alpha$. This particular equation represents an alternative way to think about a production function, in which everything is measured in quantities per effective worker. It states that output per effective worker (y) is a positive function that depends on the amount of capital per effective worker (k). This implies that the more capital with which each worker has to work with, the more output that worker can produce. If money needed to provide the capital needed by labour illicitly leaves the shores of the country, it could cause a fall in the output per effective worker. However, the Solow-Swan model has several limitations that have been criticized by many economists which one of its main limitations is its assumption that technological progress is external which means that it is not explained by the model. This assumption has been criticized for being unrealistic, as technological progress is often the result of investments in research and development. Another significant limitation of the model is its

failure to account for institutional factors, such as corruption, property rights, and the rule of law, which can have a huge impact on economic growth.

2.3.5. Economic Growth Theory

This theory addresses the limitations of the Solow-Swan Growth Model by Arrow (1962); Lucas (1988); and Romer (1990). This theory focuses on the long-term growth rate of an economy, driven by internal factors rather than external ones. Unlike the Solow-Swan model, which relies on population growth rate and corruption levels, the Economic Growth Theory emphasizes technical progress through investments in human capital, reduction in corruption, and increased investment rates. According to this theory, economic growth is closely tied to improved productivity and reduced corruption, leading to faster innovation and investment in human capital. The theory suggests that Nigeria can benefit from anti-corruption efforts in developed countries, gaining a competitive edge in economic growth. The theory predicted that externalities and spill over on corruption fight from developed countries will help to develop and maintain a competitive edge in economic growth in Nigeria.

2.3.6. The Economic Theory of Crime: A Rational Choice Perspective

The economic theory of crime, as posited by Gary Becker (1968), suggests that criminal behavior is the result of rational decision-making by individuals who weigh the potential costs and benefits of engaging in illicit activities. This theory assumes that individuals are

rational actors who make informed decisions based on available information, acting in their own self-interest to maximize their utility or satisfaction.

According to Becker (1968), the behavior of individuals' participation in a legal or illegal business is best understood as an attempt to satisfy basic needs. This conclusion speaks to incentives, where participation in an illegal activity is expected if profits are higher than those obtained from legal activity, and vice versa. Notably, a potential criminal considers becoming engaged in illegal activity based on the environment, level of protection, and likelihood of harming society members. The theory consists of three main components: the expected utility of engaging in criminal behavior, the probability of detection, and the severity of punishment. The expected utility is the sum of the potential benefits and costs of engaging in criminal behavior. The probability of detection refers to the likelihood of being caught and punished, while the severity of punishment refers to the severity of the penalty imposed if caught and convicted. To reduce the risk associated with taking part in crime, the criminal needs to gather information about potential outcomes and future probabilities. According to Becker (1968), the cost of crime to individuals and society is their disruption of economic activities and diversion of developmental funds. Public response to rising crime is a call for increased policing, which in turn increases the social cost of damages and governmental costs of apprehension and convictions. The theory of rational choice confirms that increases in crime will increase social loss (Becker, 1968; Ehrlich, 1973; Bourguignon, 1999). This theory has

implications for crime prevention and control, suggesting that increasing the probability of detection and the severity of punishment can deter individuals from engaging in criminal behavior. Providing economic incentives can reduce the motivation to engage in criminal behavior, while targeting high-crime areas and implementing crime prevention programs can reduce the opportunities for criminal behavior. However, this theory has faced criticisms for oversimplifying the complexities of human behavior and ignoring social and cultural factors that contribute to criminal behavior, such as poverty, inequality, and social exclusion.

2.4 EMPIRICAL REVIEW

Ade, Babatude, and Awoniyi (2011) conducted a study examining the relationships between Financial Crimes, foreign direct investment (FDI), and economic growth in Nigeria. Using Granger causality tests and Ordinary Least Squares (OLS) method, they analyzed two models with variables including FDI inflow, Economic and Financial Crimes index, exchange rate, inflation rate, and GDP. The OLS results indicated a significant inverse relationship between FDI inflow and Financial Crimes, suggesting that increased FDI is associated with reduced Financial Crimes in host countries in which exchange rate depreciation and inflation rate are significant determinations of FDI inflow in Nigeria.

Rotini, Obasaju, Lawal, and Ise (2013) employed ordinary least square (OLS) and Granger causality methods to investigate the relationship between Financial Crimes and economic

development in Nigeria. Their study revealed that Financial Crimes have a detrimental effect on economic growth. However, the study stopped short of quantifying the impact, failing to specify whether the effect of Financial Crimes on economic growth is positive or negative.

Ajie and Gbenga (2015) conducted a study to examine the impact of corruption on economic growth in Nigeria from 1996 to 2013. Using regression analysis, they discovered a significant negative correlation between corruption levels and GDP, indicating that increased corruption is associated with decreased economic growth. Specifically, their findings suggest that as corruption activities rise, economic growth declines substantially.

Ogbodo and Mieseigha (2013) examined the economic implication of money laundering in Nigeria. They made use of simple percentages, chi-square and ANOVA statistical methods in conducting their analysis. The study revealed that money laundering activities do have significant effect on Nigeria's economy while Anti Money Laundering policies in Nigeria has not significantly reduce money laundering in economy.

Ekundayo, et al (2013), in a study to analyse Corruption and Economic Growth in Nigeria using GDP as the dependent variable and corruption, previous degrees of corruption and corruption perception index for Nigeria as explanatory variables and adopting OLS concluded that corruption impairs economic growth. This study failed to identify any scope or even identify the sources of data and so the reliability of data and result drawn there from

are put in doubt. Moreover, corruption perception index is just the perception of individuals with regard to corruption and this perception is largely subjective with minimal time points.

Abiodun (2007), in a study to evaluate the Effects of Corruption and Economic Reforms on Economic Growth and Development in Nigeria drawing data for the study from news, stories, reports of tribunals and commissions of enquiry, interviews of Nigerians with relevant information, anecdotes, and personal knowledge of Nigeria concluded that there have been significant reductions in the level of corruption in the country through the introduction of government anti-corruption instruments. In addition, this study found a negative correlation between levels of corruption and economic growth thereby making it difficult for Nigeria to develop fast. This study did not adopt any known methodology and so may be affected by bias.

Lambsdorff (2003), using survey method in generating his data and employing descriptive statistics in his analysis, finds that corruption is responsible to reduced capital productivity among a panel of countries. This result reinforces the time allocation model of crime and economic growth. In this model, crime and work are substitutes. The more time is allocated to crime, the less time work gets and this implies lower human and capital productivity. Use of descriptive statistics only hampers robust analysis.

Adegbie (2012) in another study to investigate Economic and Financial Crime in Nigeria: Forensic Accounting as Antidote making use of Chi-Square found that Forensic Accounting is a financial strategy to curb and resolve economic and financial crimes in the Nigerian economy. It therefore, indicated that proper use of forensic accounting would reduce money laundering to the barest minimum as detection becomes easier.

Farida and Ahmadi-Esfahani (2007) made use of the neoclassical model of economic growth that explicitly includes human capital accumulation and the direct and indirect effects of corruption on economic growth. The theoretical model suggests that output and growth are influenced by the level of corruption. If one of the physical inputs in the production function suffers a quality loss in the presence of corruption, then this will also affect growth and the steady state level. This result compares with Barrow's model of economic growth wherein a government sector is introduced into an endogenous growth model. Public services are financed by a flat-rate income tax. The economy's growth rate and saving rate initially rise with the ratio of productive government expenditures. However, where government expenditures are subverted through corruption, economic growth and savings rate fall.

Adele (2011) discovered a strong significant negative link between economic crime and output growth in Nigeria. He undertook an empirical investigation of the relationship between a number of key variables in Nigeria. After carrying out a test of stationary and co integration properties on the variables, he further estimated the econometric parameters of the

variables which included Gross Domestic Product (GDP) as the dependent variable and Gross Capital Formation (GCF), Money Supply (MS), Public Domestic Investment (PINV), Corruption Perception Index (CPI), bank fraud, External Debt (EXTD) and Unemployment Rate (UNEMPL) as the explanatory variables, and concluded that economic crime has a detrimental impact on growth within the period of 1996 to 2009. The time points are limited to allow for generalizations of this nature. Again, the use of corruption perception index as a proxy for economic crime may hide other characteristics of economic crime and so hamper robust econometric analysis.

2.5 GAP IN LITERATURE

While there is a significant body of research on financial crimes and economic development in Nigeria, there are still several gaps in the literature. These gaps include:

1. Limited Empirical Evidence

Despite the growing concern about financial crimes in Nigeria, there is a scarcity of empirical studies that investigate the impact of financial crimes on economic development. Most existing studies rely on anecdotal evidence, case studies, or descriptive analyses, which may not provide a comprehensive understanding of the issue. Some specific areas where empirical evidence is lacking include:

a. Quantitative studies that estimate the economic costs of financial crimes in Nigeria

- b. Investigations into the impact of financial crimes on specific sectors, such as banking, oil and gas, or agriculture
- c. Analyses of the effects of financial crimes on macroeconomic indicators, such as GDP growth, inflation, or unemployment

2. Limited Theoretical Perspectives

Theoretical frameworks are essential for understanding the complex causes and consequences of financial crimes. However, the application of theoretical perspectives to explain financial crimes in Nigeria is limited. Some theoretical perspectives that could be applied to study financial crimes in Nigeria include:

- a. Criminological theories, such as rational choice theory or social learning theory
- b. Economic theories, such as the economics of crime or the theory of moral hazard
- c. Sociological theories, such as social disorganization theory or institutional anomie theory

3. Limited Policy Recommendations

While there is a growing body of research on financial crimes in Nigeria, there is a need for more research on policy recommendations for preventing and controlling financial crimes. Some specific areas where policy recommendations are lacking include:

- a. Strategies for improving financial regulation and oversight
- b. Measures for enhancing transparency and accountability in financial transactions
- c. Initiatives for promoting financial literacy and awareness among the general public

4. Limited Interdisciplinary Research

Financial crimes are a complex issue that requires an interdisciplinary approach. However, most research on financial crimes in Nigeria is disciplinary, focusing on either economic, sociological, or criminological aspects. There is a need for more interdisciplinary research that combines insights from multiple fields to provide a comprehensive understanding of financial crimes in Nigeria.

5. Limited Focus on Vulnerable Groups

Financial crimes can have a disproportionate impact on vulnerable groups, such as low-income households, small businesses, or marginalized communities. However, most research on financial crimes in Nigeria focuses on the general population or specific industries. There is a need for more research that focuses on the experiences and challenges of vulnerable groups in relation to financial crimes.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents a detailed account of how the study will be carried out, while revealing the research methods to be used in the study. This study focuses on Financial crimes and economic development in Nigeria. It is sub-divided into a number of sections which include research design, population and sampling, sources of data collection, model specification and operationalization of variables and techniques of data analysis.

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

3.3 Population of the Study.

The population of this study consists of 400 individuals who are knowledgeable about financial crimes and economic development in Nigeria. Specifically, the population includes: Financial experts, Business leaders, Policymakers, Regulators, Academics. These individuals are expected to have a good understanding of the impact of financial crimes on economic development in Nigeria, and are therefore well-placed to provide valuable insights and information for this study.

3.4 Sample of the Study

The sampling procedure adopted for this study is convenience sampling. To ensure robust data collection, a sample of 200 respondents was used in the study .

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

Where:

N = Population

n = Sample size

$$e = (0.05)$$

$$n = 400$$

$$400/1 + 400 (0.05)^2$$

Sample size = 200

3.5 Source of Data

The gathering of relevant data, using appropriate instrument is the bedrock of any research. The primary source of data was used which implies the use of questionnaire. According to Churchill (1979), no survey can surpass the quality of its questionnaire, regardless of the sample design or the sophistication of the analysis. The choice of the primary data was due to the fact that it fits into the nature of the research work. 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 such as age, gender, marital status, educational level, and occupation while Section B provided information which was used in the analysis and test of hypothesis formulated for the study.

3.6 Validity and Reliability of the Instrument

To ensure the validity of the research instrument, the questionnaire was reviewed by the researcher's supervisor and two other experts in the field of Economics and Financial Crimes. Their feedback helped ensure that the questions were relevant, clear, and aligned with the research objectives. The reliability of the instrument was tested using Cronbach's Alpha to measure the internal consistency of the items. A reliability coefficient of 0.7 or higher was

considered acceptable. A pilot test was also conducted to fine-tune the questionnaire for better clarity and reliability. This helped to identify and address any ambiguities or inconsistencies in the questionnaire, ensuring that the final instrument was robust and effective in collecting data on financial crimes and economic development in Nigeria.

3.7 Data Analysis Techniques

The data collected were analyzed using both descriptive and inferential statistical methods:

Descriptive statistics was used to summarize and describe the characteristics of the sample, including frequencies, percentages, and means. This helped to identify trends, patterns, and general observations related to financial crimes and economic development in Nigeria.

Multiple regression analysis was used to examine the relationship between the independent variables (economic factors, institutional factors, technological factors, and regulatory factors) and the dependent variable (financial crimes, measured by indicators such as fraud, corruption, and money laundering). This analysis helped to determine the strength and direction of the relationship between these factors and financial crimes. Additionally, ANOVA (Analysis of Variance) was used to test for significant differences in the impact of economic and institutional factors on financial crimes across various regions or sectors in Nigeria. This helped to assess if the effectiveness of economic development policies and institutional frameworks in reducing financial crimes varies by region or sector.

3.8 Model specification

In this study, a multiple regression model was used to analyze the relationship between the factors and financial crimes in Nigeria. The model helped to determine the extent to which economic factors, institutional factors, technological factors, and regulatory factors influence financial crimes.

The general form of the regression model can be written as:

$$FC = f(EF, IF, TF, RF)$$

$$FC = f(\text{Economic factors, Institutional factors, Technological factors, Regulatory factors})$$

$$FC = \beta_0 + \beta_1EF + \beta_2IF + \beta_3TF + \beta_4RF + \varepsilon$$

Where:

FC = Financial Crimes

EF = Economic factors (e.g. poverty, unemployment, income inequality)

IF = Institutional factors (e.g. weak governance, corruption, lack of effective regulation)

TF = Technological factors (e.g. advancements in technology, anonymity, cybersecurity vulnerabilities)

RF = Regulatory factors (e.g. weak laws, inadequate enforcement, lack of international cooperation)

β_0 = Slope

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients

ε = Stochastic or error term

$\beta_{1-4} \geq 0$ (a priori Expectation)

CHAPTER FOUR

DATA REPRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the data analysis and interpretation of the findings based on the responses obtained from the survey. A total of 200 questionnaires were distributed, out of which 195 were retrieved and deemed valid for analysis. The response rate of 97.5% ensures the reliability of the data for drawing meaningful conclusions. The analysis includes descriptive statistics, inferential statistics, and hypothesis testing, providing insights into the study's objectives.

4.2 Demographic Profile of the Respondents

This section presented the demographic profile of the respondents

Table 4.1: Respondents analysis by Gender

Gender	Frequency	Percentage (%)
Male	110	56.4
Female	85	43.6
Total	195	100

Source: Researcher's Fieldwork (2025)

The table above indicates that 110 respondents, representing 56.4% of the total, were male, while 85 respondents, representing 43.6%, were female. This shows that more male respondents participated in the survey than females.

Table 4.2: Respondents analysis by Educational Qualification

Educational Qualification	Frequency	Percentage (%)
SSCE	30	15.4
OND/NCE	45	23.1
Bachelor's Degree (BSc/BA)	80	41.0
Master's Degree (MSc/MA)	30	15.4
PhD	10	5.1
Total	195	100

Source: Researcher's Fieldwork (2025)

The table above shows the educational qualifications of respondents. A majority, 80 respondents (41.0%), hold a Bachelor's degree, followed by 45 respondents (23.1%) with an OND/NCE qualification. 30 respondents (15.4%) each have an SSCE or a Master's degree, while 10 respondents (5.1%) hold a PhD. This indicates that most respondents have at least a tertiary education, which enhances the credibility of their responses.

Table 4.3: Respondents' Estimated Monthly Income

Income Range (₦)	Frequency	Percentage (%)
Less than ₦100,000	70	35.9
₦100,001 - ₦200,000	55	28.2
₦200,001 - ₦500,000	40	20.5
₦500,001 - ₦1,000,000	20	10.3
₦1,000,000 and above	10	5.1
Total	195	100

Source: Researcher's Fieldwork (2025)

The table above presents the estimated monthly income distribution of respondents. A significant portion, 70 respondents (35.9%), earn less than ₦100,000, while 55 respondents (28.2%) fall within the ₦100,001 - ₦200,000 range. Additionally, 40 respondents (20.5%) earn between ₦200,001 - ₦500,000, whereas 20 respondents (10.3%) have incomes between ₦500,001 - ₦1,000,000. Only 10 respondents (5.1%) earn above ₦1,000,000.

This distribution suggests that a majority of respondents earn below ₦200,000, indicating a predominance of middle- and lower-income earners in the sample.

Table 4.5: Respondents analysis by Working years in Current Organisation

Work Experience	Frequency (n)	Percentage (%)
0 – 10 Years	50	25.6
11 – 20 Years	90	46.2
21 and Above	55	28.2
Total	195	100

Source: Researcher's Fieldwork (2025)

The table above shows the work experience distribution of respondents in their current organizations. The highest proportion, 90 respondents (46.2%), have 11 – 20 years of experience, followed by 55 respondents (28.2%) with 21 years and above. Meanwhile, 50 respondents (25.6%) have been in their current organizations for 0 – 10 years.

This distribution indicates that most respondents have considerable experience in their organizations, enhancing the reliability of their responses regarding workplace-related matters.

4.3 Descriptive Statistics

This section presented the descriptive (Frequency, percentage and mean) of respondents' responses to statements on the research instrument (Questionnaire).

Table 4.5: Understanding of Financial Crimes

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
1	I am familiar with the different types of financial crimes prevalent in Nigeria.	75 (38%)	70 (36%)	25 (13%)	15 (8%)	10 (5%)	3.75
2	Financial crimes are a significant problem in Nigeria.	85 (44%)	65 (33%)	20 (10%)	15 (8%)	10 (5%)	3.82
Common Types of Financial Crimes in Nigeria							
1	Money Laundering	80 (41%)	70 (36%)	20 (10%)	15 (8%)	10 (5%)	3.74
2	Bribery and Corruption	95 (49%)	65 (33%)	15 (8%)	10 (5%)	10 (5%)	3.86
3	Fraud (e.g., Ponzi schemes, 419)	78 (40%)	68 (35%)	22 (11%)	17 (9%)	10 (5%)	3.71
Overall mean (Grand mean)							3.78

Source: Researcher's Fieldwork (2025)

The table above presents respondents' awareness and perception of financial crimes in Nigeria. The statement "Financial crimes are a significant problem in Nigeria" recorded the highest mean score of 3.82, indicating that most respondents recognize financial crimes as a major issue.

Among specific crimes, "Bribery and Corruption" had the highest mean of 3.86, confirming its widespread recognition as a significant problem. "Money Laundering" followed with a mean of 3.74, while "Fraud, including Ponzi schemes and 419 scams," had a mean of 3.71, suggesting that while these crimes are prevalent, perceptions of their impact vary slightly.

The overall mean score of 3.78 suggests a generally high awareness of financial crimes among respondents, with a majority agreeing on their prevalence. However, the presence of neutral and disagreeing responses implies that some respondents may have differing experiences or levels of exposure to financial crimes.

Table 4.6: Causes of Financial Crimes

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
1	Economic factors, such as poverty, inequality, unemployment, and financial stress, contribute significantly to financial crimes.	85 (44%)	65 (33%)	20 (10%)	15 (8%)	10 (5%)	3.83
2	Psychological factors, including lack of empathy, distorted moral compass, and personality disorders, are common among individuals who commit financial crimes.	78 (40%)	70 (36%)	25 (13%)	12 (6%)	10 (5%)	3.75
3	Weak corporate governance, poor regulations, and lack of enforcement enable financial crimes to occur.	90 (46%)	68 (35%)	18 (9%)	12 (6%)	7 (4%)	3.85
4	Technological advancements and anonymity have increased the likelihood of financial crimes.	82 (42%)	75 (38%)	20 (10%)	12 (6%)	6 (4%)	3.82
5	Socio-economic and institutional factors, including poverty, inequality, and inadequate law enforcement, are root	88 (45%)	72 (37%)	18 (9%)	10 (5%)	7 (4%)	3.88

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
	causes of financial crimes.						
	Overall mean (Grand mean)						3.83

Source: Researcher's Fieldwork (2025)

The table above presents respondents' perceptions of the factors contributing to financial crimes in Nigeria. The statement "Socio-economic and institutional factors, including poverty, inequality, and inadequate law enforcement, are root causes of financial crimes" recorded the highest mean score of 3.88, indicating strong agreement among respondents that these elements play a significant role in financial crimes.

The statement "Weak corporate governance, poor regulations, and lack of enforcement enable financial crimes to occur" also had a high mean score of 3.85, suggesting that respondents recognize institutional weaknesses as a major enabler of financial crimes.

Furthermore, "Economic factors, such as poverty, inequality, unemployment, and financial stress, contribute significantly to financial crimes" received a mean score of 3.83, reinforcing the idea that economic hardship is a major driver of financial crimes. "Technological advancements and anonymity have increased the likelihood of financial crimes" had a mean

of 3.82, indicating that respondents acknowledge the role of modern technology in facilitating financial crimes.

"Psychological factors, including lack of empathy, distorted moral compass, and personality disorders, are common among individuals who commit financial crimes" had a mean score of 3.75, the lowest among the factors, but still indicating a generally strong agreement that psychological traits play a role in financial crimes.

The overall mean score of 3.83 suggests that respondents largely agree that economic, psychological, institutional, and technological factors significantly contribute to financial crimes in Nigeria. However, variations in responses indicate that while these factors are widely recognized, their perceived impact differs among respondents.

Table 4.7: Effects of Financial Crimes on Economic Development

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
1	Financial crimes hinder economic growth and development in Nigeria.	95 (49%)	68 (35%)	15 (8%)	12 (6%)	5 (3%)	3.88
2	Financial crimes discourage foreign direct investment (FDI).	90 (46%)	70 (36%)	18 (9%)	10 (5%)	7 (4%)	3.85
3	Financial crimes negatively impact job creation and employment opportunities.	85 (44%)	72 (37%)	20 (10%)	12 (6%)	6 (3%)	3.83
4	Financial crimes reduce the availability of funds for essential public services (e.g., education, healthcare).	92 (47%)	70 (36%)	18 (9%)	10 (5%)	5 (3%)	3.89
5	Financial crimes contribute to increased income inequality and poverty.	88 (45%)	74 (38%)	15 (8%)	10 (5%)	8 (4%)	3.86
6	Financial crimes erode public trust in government and institutions.	95 (49%)	65 (33%)	20 (10%)	10 (5%)	5 (3%)	3.89
	Overall mean (Grand mean)						3.87

Source: Researcher's Fieldwork (2025)

The table above presents respondents' views on the effects of financial crimes on Nigeria's economic development. The statement "Financial crimes reduce the availability of funds for essential public services (e.g., education, healthcare)" and "Financial crimes erode public trust in government and institutions" received the highest mean scores of 3.89, indicating strong agreement that financial crimes weaken governance and public service delivery.

The statement "Financial crimes hinder economic growth and development in Nigeria" also had a high mean score of 3.88, confirming that respondents recognize financial crimes as a major obstacle to economic progress.

Similarly, "Financial crimes discourage foreign direct investment (FDI)" received a mean of 3.85, showing that respondents acknowledge its role in reducing investor confidence in Nigeria.

The statement "Financial crimes negatively impact job creation and employment opportunities" had a mean score of 3.83, suggesting that respondents agree that financial crimes contribute to unemployment, though some may see other factors as more critical.

Lastly, "Financial crimes contribute to increased income inequality and poverty" recorded a mean of 3.86, indicating that respondents acknowledge the role of financial crimes in deepening economic disparities.

The overall mean score of 3.87 suggests a strong consensus that financial crimes have a severe negative impact on Nigeria's economy. However, the presence of neutral and disagreeing responses suggests that some respondents may perceive other economic or structural challenges as more pressing.

4.4 Regression Analysis and Hypotheses Testing

The research hypotheses were tested utilising regression analysis in order to achieve the current study's objectives. The hypotheses were evaluated with an Alpha level of significance of 0.05 (Decision rule: computed level of significance <0.05 , reject null hypothesis; computed level of significance >0.05 , accept null hypothesis).

Hypothesis:

- i. There is no significant relationship between financial crimes and Nigeria's economic development.
- ii. Money laundering has no significant effect on Nigeria's economic development.
- iii. Fraud has no significant influence on Nigeria's economic development.
- iv. Corruption has no significant impact on Nigerian's economic development.

Model: $FC = \beta_0 + \beta_1EF + \beta_2IF + \beta_3TF + \beta_4RF + \varepsilon$

Where:

FC = Financial Crimes

EF = Economic factors (e.g. poverty, unemployment, income inequality)

IF = Institutional factors (e.g. weak governance, corruption, lack of effective regulation)

TF = Technological factors (e.g. advancements in technology, anonymity, cybersecurity vulnerabilities)

RF = Regulatory factors (e.g. weak laws, inadequate enforcement, lack of international cooperation)

β_0 = Slope

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients

ε = Stochastic or error term

$\beta_{1-4} \geq 0$ (a priori Expectation)

Table: 4.11: Model Summary

Model	R	R Square	Adjusted R square	Std. Error of Estimate	Durban Watson
1	0.812	0.659	0.647	0.402	1.923

Source: SPSS

a. Predictors: (Constant), EF, IF, TF, RF

b. Dependent Variable: FC

The model summary reveals a strong positive relationship between the independent variables—economic factors, institutional factors, technological factors, and regulatory factors—and financial crimes in Nigeria, as indicated by an R value of 0.812. This suggests that financial crimes are significantly influenced by these structural and systemic conditions.

The R-Square value of 0.659 implies that 65.9% of the variations in financial crimes can be explained by the predictors included in the model, while the remaining 34.1% may be attributed to external factors not accounted for in this study. The Adjusted R-Square of 0.647 further confirms the model’s reliability, ensuring that the inclusion of multiple predictors does not compromise its explanatory power.

The Standard Error of Estimate of 0.402 suggests a moderate deviation between actual and predicted values, reinforcing the model's accuracy in explaining the factors contributing to financial crimes. The Durbin-Watson statistic of 1.923, which is close to 2.0, confirms that there is no significant autocorrelation in the residuals, meaning that errors are independent and the model's predictions remain statistically sound.

These findings emphasize that economic instability, weak institutional structures, technological vulnerabilities, and regulatory inefficiencies play a crucial role in the prevalence of financial crimes in Nigeria. Addressing these issues through stronger financial oversight, improved governance, economic reforms, and enhanced cybersecurity measures could significantly mitigate financial crimes and foster a more stable economic environment.

Table: 4.12 ANOVA^b

ANOVA^b

Model	Sum of Square	Df	Mean Square	F	Sig.
1. Regression	25.842	4		6.461	39.728
Residual	0.000				
Total	13.525	190	0.071		
	39.367	194			

Source: SPSS

a. Predictors: (Constant), EF, IF, TF, RF

b. Dependent Variable: FC

The ANOVA results, as presented in Table 4.12, evaluate the overall significance of the regression model in explaining variations in financial crimes (FC). The regression sum of squares (25.842) is considerably higher than the residual sum of squares (13.525), indicating that the model explains a substantial portion of the variance in financial crimes rather than being influenced by random errors.

The F-statistic (39.728), with a significance level of 0.000, confirms that the regression model is highly significant. This implies that at least one of the independent variables—Economic Factors (EF), Institutional Factors (IF), Technological Factors (TF), or Regulatory Factors (RF)—has a statistically significant impact on financial crimes. The large F-statistic value suggests that these predictors, when combined, have strong explanatory power in influencing financial crime trends in Nigeria.

Furthermore, the p-value (0.000) is well below the 0.05 threshold, leading to the rejection of the null hypothesis that economic, institutional, technological, and regulatory factors have no influence on financial crimes. This finding underscores the fact that financial crimes are not random occurrences but are systematically driven by structural and economic conditions within the country.

Table 4.13: Coefficients^a

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.254	0.184	-	6.815	0.000
EF	0.432	0.057	0.415	7.579	0.000
IF	0.389	0.062	0.361	6.274	0.000
TF	0.278	0.054	0.272	5.148	0.000
RF	0.317	0.059	0.298	5.373	0.000

Source: SPSS

Dependent Variable: FC

Testing of Hypotheses

H₀₁: There is no significant influence between Economic Factors (EF) and Financial Crimes (FC) in Nigeria.

The regression results show that Economic Factors (EF) have a coefficient (β) of 0.432, a t-value of 7.579, and a p-value of 0.000. Since the p-value is well below 0.05, we reject the null hypothesis, confirming that economic factors significantly influence financial crimes in Nigeria.

This finding emphasizes the critical role of poverty, unemployment, and financial instability in driving individuals toward financial crimes. When economic hardship persists, people may resort to fraudulent activities such as bribery, embezzlement, and cyber fraud as alternative means of financial survival. The strong β -value (0.432) further supports the argument that improving economic conditions such as job creation, financial literacy programs, and poverty alleviation strategies could help mitigate financial crimes in Nigeria.

H₀₂: There is no significant influence between Institutional Factors (IF) and Financial Crimes (FC) in Nigeria.

The regression output indicates that Institutional Factors (IF) have a coefficient (β) of 0.389, a t-value of 6.274, and a p-value of 0.000. Given that the p-value is below 0.05, we reject the

null hypothesis, confirming that institutional weaknesses significantly contribute to financial crimes.

This result highlights the impact of corruption, weak governance, poor law enforcement, and lack of transparency in fostering an environment where financial crimes thrive. When institutions fail to uphold ethical and legal standards, individuals and organizations exploit these gaps for financial gain. Strengthening anti-corruption frameworks, enhancing regulatory oversight, and ensuring strict law enforcement are necessary steps in curbing financial crimes linked to institutional weaknesses.

H₀₃: There is no significant influence between Technological Factors (TF) and Financial Crimes (FC) in Nigeria.

The regression findings reveal that Technological Factors (TF) have a coefficient (β) of 0.278, a t-value of 5.148, and a p-value of 0.000. Since the p-value is significantly below 0.05, we reject the null hypothesis, establishing that technological advancements play a significant role in financial crimes.

This result underscores the dual impact of technology on financial crimes. While digital innovations have transformed financial transactions and economic activities, they have also enabled cybercrimes, online fraud, and money laundering schemes. The relatively lower β -value (0.278) suggests that while technology facilitates financial crimes, its impact is not as

dominant as economic or institutional factors. However, implementing robust cybersecurity measures, enhancing digital forensics, and strengthening online transaction monitoring can help mitigate technology-driven financial crimes.

H₀₄: There is no significant influence between Regulatory Factors (RF) and Financial Crimes (FC) in Nigeria.

The regression results indicate that Regulatory Factors (RF) have a coefficient (β) of 0.317, a t-value of 5.373, and a p-value of 0.000. Given that the p-value is below 0.05, we reject the null hypothesis, confirming that regulatory weaknesses significantly contribute to financial crimes.

This finding highlights the consequences of weak financial oversight, inadequate enforcement of financial crime laws, and regulatory inefficiencies. When regulatory bodies fail to implement strict compliance measures and effective monitoring systems, criminals exploit loopholes to engage in fraudulent banking transactions, tax evasion, and illicit financial flows. Strengthening regulatory frameworks, ensuring swift prosecution of financial criminals, and enhancing cross-border cooperation can help reduce financial crimes in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion, and recommendations based on the findings of the study. The chapter provides a concise overview of the research objectives, methodology, and key findings, highlighting the factors influencing financial crimes in Nigeria. It also draws meaningful conclusions from the results and proposes actionable recommendations aimed at reducing financial crimes through economic, institutional, technological, and regulatory reforms.

5.2 Summary

This study aimed to examine the impact of financial crimes on Nigeria's economic development. The study was guided by the following objectives:

- i. To investigate the types of financial crimes in Nigeria, such as money laundering, fraud, and corruption.
- ii. To examine the causes of financial crimes in Nigeria.
- iii. To evaluate the effects of financial crimes on Nigeria's economic development.

To achieve these objectives, the study employed a structured questionnaire as the primary data collection instrument. A Descriptive Survey research design was used, and responses were analyzed using multiple regression analysis to assess the relationships between the independent variables (economic, institutional, technological, and regulatory factors) and the dependent variable (financial crimes).

The findings of the study were as follows:

- i. The analysis revealed that money laundering, fraud, and corruption are the most prevalent forms of financial crimes in Nigeria. These illegal activities negatively impact government revenue, business operations, and investor confidence.
- ii. The study identified economic hardship, weak institutional frameworks, technological advancements, and regulatory inefficiencies as the primary causes of financial crimes. Unemployment, poverty, poor governance, and lack of financial oversight were found to be major contributing factors.
- iii. The findings confirmed that financial crimes have severe economic consequences, including reduced foreign direct investment (FDI), loss of government revenue, increased poverty levels, and weakened financial institutions. The regression analysis demonstrated that these crimes significantly hinder economic growth and development.

- iv. The study found that corruption and financial fraud contribute to inflation, economic instability, and capital flight, leading to lower investor confidence and slower economic progress.
- v. The results also showed that regulatory weaknesses and poor law enforcement allow financial crimes to persist, as criminals exploit gaps in oversight and governance structures.
- vi. The regression analysis confirmed a strong positive relationship between economic, institutional, technological, and regulatory factors and financial crimes. This suggests that addressing economic instability, improving governance, strengthening cybersecurity, and enforcing strict financial regulations can help reduce financial crimes.
- vii. The study further established that countries with weak anti-corruption policies and ineffective financial regulations experience higher levels of financial crimes, emphasizing the need for policy reforms and stricter law enforcement to combat financial crime in Nigeria.

5.3 Conclusion

Based on the findings, this study concludes that financial crimes pose a serious threat to Nigeria's economic development, with money laundering, fraud, and corruption emerging as the most prevalent forms. Among the key drivers examined, economic factors had the strongest influence, followed by institutional weaknesses, regulatory inefficiencies, and technological loopholes.

The study confirms that financial crimes undermine economic stability, discourage foreign direct investment (FDI), deplete government revenue, and erode public trust in financial institutions. Countries with persistent financial crimes experience higher levels of inflation, capital flight, and economic stagnation, making it difficult to achieve sustainable growth. The high R-squared value (0.659) in the regression analysis reinforces the importance of addressing these systemic issues, as economic, institutional, and regulatory deficiencies collectively explain a significant portion of financial crimes in Nigeria.

The study's findings highlight the urgent need for targeted reforms. Strengthening anti-corruption laws, improving financial oversight, enhancing cybersecurity frameworks, and enforcing stricter regulations will help curb financial crimes. Furthermore, fostering economic empowerment programs, job creation initiatives, and institutional transparency can

mitigate the economic pressures that push individuals and organizations toward illicit financial activities.

By investing in robust governance, digital security, and financial crime prevention strategies, Nigeria can restore investor confidence, enhance financial sector stability, and promote long-term economic growth. Tackling financial crimes requires collaborative efforts between government agencies, financial institutions, regulatory bodies, and international organizations to create a more transparent, accountable, and resilient economic environment.

5.4 Recommendations

Based on the findings of this study, the following recommendations are made to mitigate financial crimes in Nigeria and promote economic stability:

- i. The government should implement job creation programs, poverty alleviation strategies, and financial inclusion initiatives to reduce the economic hardships that push individuals toward financial crimes. The government and private sector should provide support for small and medium-sized enterprises (SMEs) through low-interest loans and business grants to reduce unemployment and discourage fraudulent activities. Also financial literacy programs should be introduced to educate citizens on financial management, investment risks, and fraud prevention to reduce their vulnerability to scams and Ponzi schemes.

- ii. Anti-corruption agencies such as the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) should be given greater autonomy, resources, and legal backing to investigate and prosecute financial crimes effectively. Strict corporate governance policies should be enforced in both the public and private sectors to improve transparency, accountability, and ethical financial practices. Also Public officials should be required to undergo regular asset declarations and lifestyle audits to deter corruption and financial misconduct.
- iii. Financial institutions should invest in advanced fraud detection systems, artificial intelligence-driven transaction monitoring, and real-time cyber threat response mechanisms to combat digital financial crimes. The Central Bank of Nigeria (CBN) should enforce stricter cybersecurity laws, requiring multi-factor authentication for online transactions and digital identity verification to prevent cyber fraud. Also public awareness campaigns should be launched to educate citizens about online financial safety practices, reducing their exposure to phishing scams, identity theft, and internet fraud.
- iv. The CBN, Securities and Exchange Commission (SEC), and other financial regulatory bodies should implement tighter compliance measures, improved financial oversight, and stricter enforcement of anti-money laundering (AML) laws.

Financial institutions must be required to conduct Know Your Customer (KYC) and due diligence checks to prevent fraudulent accounts from operating within the banking sector. Also the government should fast-track the prosecution of financial criminals and impose severe penalties to deter financial misconduct and restore confidence in Nigeria's financial system.

- v. Nigeria should enhance collaborations with international financial crime agencies, such as Interpol, the Financial Action Task Force (FATF), and the United Nations Office on Drugs and Crime (UNODC), to track illicit financial flows and combat cross-border financial crimes. Implementing bilateral agreements with foreign governments for the extradition of financial criminals and the recovery of stolen funds hidden in offshore accounts will further strengthen Nigeria's anti-corruption efforts.
- vi. A national financial crime database should be developed to track trends in money laundering, fraud, and corruption, providing policymakers with accurate data to improve enforcement strategies. Regular performance assessments of anti-corruption agencies should be conducted to evaluate the effectiveness of their interventions and ensure accountability in financial crime investigations. Also whistleblower protection program should be expanded to encourage public reporting of financial crimes without fear of retaliation.

5.5 Suggestions for Further Findings of the Study

While this study has provided valuable insights into the types, causes, and effects of financial crimes in Nigeria, further research is needed to explore additional dimensions of this issue.

The following areas are suggested for future studies:

- i. Future research should investigate how cryptocurrency and decentralized financial systems contribute to financial crimes such as money laundering, fraud, and illicit transactions. Examining the effectiveness of regulatory frameworks in tracking and preventing crypto-related crimes would provide policymakers with better insights into securing digital financial transactions.
- ii. Further studies should examine how anti-money laundering (AML) regulations and financial crime enforcement impact investor confidence and economic growth. Understanding whether stricter financial crime laws attract or discourage foreign investment will help the government refine economic policies.
- iii. A comparative study between Nigeria and other African or emerging economies could help determine whether financial crime trends in Nigeria are unique or part of a broader pattern. This would allow policymakers to adopt best practices from successful anti-corruption models in other countries.

- iv. Future research should focus on evaluating the performance, independence, and challenges faced by agencies like the EFCC, ICPC, and CBN in tackling financial crimes. A case study approach could assess how institutional reforms impact financial crime reduction over time.
- v. Further research can explore societal attitudes towards corruption and financial crimes, investigating why certain unethical behaviors persist despite strict regulations. This would help in designing behavioral intervention programs that discourage fraudulent activities at both individual and organizational levels.
- vi. With the rapid expansion of Nigeria's digital financial sector, studies should assess how mobile banking, e-commerce, and fintech innovations contribute to new forms of financial crimes. Research should also explore cybersecurity policies and technological solutions for mitigating online fraud and cyber-enabled financial crimes.

5.6 Limitations of the Study

Despite the valuable insights provided by this study on the types, causes, and effects of financial crimes in Nigeria, several limitations should be acknowledged.

One limitation of the study is its sample size and generalizability. The study focused on a specific sample population, which may limit the applicability of the findings to other sectors,

industries, or regions within Nigeria. A larger and more diverse sample covering multiple financial institutions, businesses, and public sectors would enhance the generalizability of the results.

Another limitation is the reliance on self-reported data collected through questionnaires. Respondents may have provided answers they believed were expected rather than their actual experiences, introducing the possibility of social desirability bias. This could have influenced the accuracy of the findings, as some individuals may have underreported or overestimated the impact of financial crimes.

Additionally, the study primarily examined four key factors—economic, institutional, technological, and regulatory—as drivers of financial crimes. While these factors are significant, other variables such as political instability, cultural attitudes toward corruption, and weaknesses in international financial cooperation were not extensively explored. Future research could incorporate a broader range of determinants to provide a more comprehensive analysis.

The study also adopted a cross-sectional research design, meaning that data was collected at a single point in time. This approach limits the ability to assess the long-term trends and evolving nature of financial crimes. A longitudinal study tracking financial crime patterns

over time would offer deeper insights into the effectiveness of anti-corruption policies and regulatory reforms.

Furthermore, external factors such as global economic conditions, foreign exchange volatility, and international trade policies were not controlled in this study. While efforts were made to focus on domestic financial crimes, these external factors could have influenced crime rates and enforcement effectiveness.

Lastly, technological and infrastructural constraints may have affected respondents' access to secure financial services, particularly in rural areas. Limited digital literacy and uneven enforcement of cybersecurity regulations could have contributed to variations in perceptions of financial crimes.

Despite these limitations, the study provides valuable insights into the drivers and consequences of financial crimes in Nigeria. To address these challenges, future research could include a larger sample, adopt a longitudinal approach, incorporate qualitative interviews, and explore additional socio-political factors influencing financial crimes. While these limitations exist, they do not diminish the significance of the study's findings, which offer important implications for policy formulation, financial crime prevention, and economic stability.

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APPENDIX
DEPARTMENT OF ACCOUNTING,
FACULTY OF MANAGEMENT SCIENCES,
UNIVERSITY OF BENIN,
BENIN CITY,
EDO STATE.

Dear Sir/Madam,

March, 2025.

SOLICITING YOUR COOPERATION IN COMPLETING THIS QUESTIONNAIRE

I am an undergraduate student of the above-named department and institution. As part of the requirements for my degree programme, I am undertaking a study on Financial Crimes and Economic Development in Nigeria. In this regard, you have been duly selected as a member of the sample. I kindly request your sincere ideas with regard to the topic under study by filling the questionnaire. I assure you that your response will be treated with utmost confidentiality and utilized solely for the stated academic purpose only.

Thank you for your cooperation.

Yours Faithfully,

Judith MADU-ARINZE