Financial Crime on the Nigerian Economy: Issues And Challenges

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ABSTRACT
The aim of this study is to examine the impact of financial crime on the Nigerian economy. To achieve this, current literature on various fact of corruption such as advance fee fraud, money laundering and looting has been examined to have an understanding of its impact any how such impact can be minimized in our society. Examination and reviewing of these facts was enhanced by the adoption of Survey research and a structured questionnaire will be distributed for the study. The research study is geographically limited to Bauchi state ministry of finance Nigeria, to facilitate the study empirically hypothesis was drawn on financial crime specifically identifying it root cause on how it has affected growth and development of the Nigerian economy. Also identifying policies whose implementation should be properly supervised to be able to curb the vices of functional crime we discovered that the role played by the government and it anti- corruption agency (EFCC) and (ICPC) in fighting against corruption so that to curb its negative impact in our economy cannot be overlooked. By this the research recommended that certain facilities should be put in place to check the cause of financial crime and also ensure that credible and qualifies personnel main committee for implementing policies for the betterment of the economy.
Keyword: EFCC, ICPC, Fraud, Corruption, Financial Crime, Money laundering, looting

INTRODUCTION
A country like Nigeria whose economy is still in its developing stage is being rated as one of the most corrupt nations in the world would definitely create a feeling of unhappiness in the mind of citizens and government of the country. The immediate cause of such situation is the loss of fiduciary relationship and confidence by foreign investors investing in the economy and affairs of such country.
The importance of the research work can be viewed from various perspectives. Individually, the research work can help in advancing our knowledge in the sense that solutions of financial crime can be preferred to us and recommend vital information that will have positive impact on the growth of the Nigerian economy.
To citizens of the country; it will enable them appreciate the strategies role being played by the anti-corruption crusade embark upon by the federal government. To government; the research work will be useful in the formulation of strategic financial policies to guard against financial crime.
The work will enable the society to be aware of the consequences of engaging in financial crime and the negative impact it will have on the nation’s economy, if it is not properly tackled.
The existence of corruption in the economy of a developing country like Nigeria has become an impediment to its growth and thus a matter of urgent concern.
The depth and span of its existence has created a negative impression which shows that it has become part of the nation’s economy. From a relatively mind manifestation at the country’s independence, it has grown at an alarming rate through the second republic, spread wide through the military interregnum and continued it rampaging course to present day economy of the nation.

Corrupt practice has become so common that no sector or institution can boast its spread or protected from its corrosive impact.

Despite all measure to combat it by preceding government through the laundering of specific programs, polices and strategies which include the following:

The panel code applicable to the north, the corrupt practice decree 1975 which established the corrupt practice investigation Bureau, the criminal justice (miscellaneous provision) decree 1996, the recovery of public property (special military tribunal act cap 387, laws of the federal republic of Nigeria 1990) as amended in 1991 and the failed banks (recovery) of debt and financial malpractice in banks decree 1994 as amend in 1999.

To mention a few corruptions still plays an adverse role in the nation’s economy. Foremost of the modes of corruption is the issue of financial crime which has become an unresolved problem whose damage to the Nigerian economy is so enormous that it cannot be over emphasized. An evaluation of it impact brought to line light the following forms.

Falsification of documents, manipulation of figures, movement of files and records. The syndrome of ghost workers among the public, private firm or companies, irregularities in different sector of the economy, fraudulent activities, money laundering to mention a few. The impact of this listed forms of financial crime or corruption has grown to an extent that it has becomes subject matter of discussion carried out by members of the populace whether of high or low class.

The adverse impact and the recognition of the magnitude and gravity of the situation in the economy brings about the establishment of the Economic and Financial Crime Commissions (EFCC) and (ICPC) which was set up and strengthened to reduce the ability of Nigerians to engage in financial crime. The act establishing the commission and given it legal backing is the economic and financial crime act of 2002.

The commission carries out its statutory responsibility through the assistance of law enforcement agencies established in Nigeria and abroad which enable it o protect national and international investment in the country, encourage the spirit of hard work, monitor illegitimate wealth acquisition, self aggrandizement and it is empowered to confiscate such unlawful acquisition. It was established to further uphold the interest of both the public and private sector of the economy any to contribute to the global war against financial crimes.

Statement of Research Problem

Despite all the effort taken by the past government to discourage or reduce the practice of financial crime, financial crime is still at its peak in the nation’s economy due to the following problems;

1. Lack of proper identification of the root causes of financial crime.
2. Poor implementation of the past policies in curbing financial crime.
3. Lack of proper supervision
4. Flexible law on financial crime

Objectives of the Study

The objectives of the study were to:

1. Examine the negative effect of financial crime on the development of the Nigerian economy.
2. Ascertain if proper supervision is given to the policy implementation in order to reduce financial crime in the ministry of finance.
3. To know whether if financial crime has positive influence on the development of the Nigerian economy.
4. To examine if corrupt practice has strong influence in the development of the Nigerian economy.

Literature Review

This chapter gives the researcher an opportunity to study the ideas of expert in their field. The objectives of this chapter are to closely review all known literature that has relevance to the problem under study. This is done so as to enable the researcher benefit from the opinion of different expert in the field and also
have the ability to form and give their own views. Such ideas of this expert despite their wide coverage have been examined.

According to Ribadu (2004), financial crime can be subsumed under economic crimes as one of the most severe mean of corruptions. It is endangering the national security and safety of any country. It is a crime that harms not developing countries where poverty is a common factor prevailing in their economy, which is being supported by foreign organization. Financial crime however is directly associated with economic, legal, political, social and human right development issues.

Aghu (2004) noted that government employment of all levels and businessmen contracted by the government to undertake the execution of certain project, play vital roles in creating increasing and sustaining financial crimes. It is therefore important that any form severally dealt with depending on the gravity of the offence. The commission (EFCC) is in charge of what is therefore expected to determine the nature of penalties of the types of crime, the rate or frequency of financial crime and how to reduce it to the minimum if not totally prevented.

Achieving these paved way for the fundamental practice of democratic governance, transparent in financial transaction and the dominance of the rule of law in the country’s judicial style. The supervision of financial crime involve spending more time to set up agencies to fight against this menace, monitor public project and oversee it completion are what discourage foreign aid donors who remain skeptical for fear of aid been embezzled or misused. This can be said to be one of the factor that lead these foreign donors such as international monetary fund (IMF) to withdraw support given to nation known for their corrupt practices. For countries to continue receiving aids from donor, international organization has to introduce stringent standard for anti-financial crime into it lending policies to corrupt countries.

**Financial Crime**

Financial crime is defined as any non violent offence that is committed by or against an individual or corporation that can result in financial loss, has a high patency to corrupt and sabotage the economic policy of the government.

Financial crime cover a multitude of offence ranging from fraud to money laundering looting to financial malpractice (which includes offence committed through financial activities such as round fripping grant of unsecured loan or over draft facilities, redness activities which cause the collapse of banks) by individual and financial institutions. They also includes; obtaining money by false pretence- popularly known as advance fee fraud (419) looting and money laundering which is a generic term used to describe the process by which criminal disguise the original ownership and control of the proceed appears to have been derived from a legitimate source (Economic and Financial Crime Commission, 2002).

From the definition, it can be seen that financial crime can threaten the security of consequences as it undermines initiative and effort to establish and strengthens market based economic. It hence, discourage direct foreign investment; facilitate tax evasion thereby encourage financial malpractice, exposes government financial institutions to reputation society and free movement of person.

**Nature and Characteristics of Financial Crime**

The study of financial crime have taken a wider perspective and hence has being divided into many forms (National crime victims, 2011), these among other include the following:

i. Bribery
ii. Fraud
iii. Embezzlement
iv. Looting
v. Money laundering

i. **Bribery**

According to Osisoma (2002), bribery can be defined as the payment or receipt of money as an incentive to aid corrupt relationship. Bribery may include pay off, grassing of palm, tariffs kick back e.t.c.

Hornby (2001) also defined bribery as “the living or taking of money or something valuable so as to persuade somebody to help you especially by doing something dishonest.
ii. Embezzlement
According to Hornby (2001), embezzlement is defined as the stealing of money that you are responsible for or that belong to your employer. Fakiyesi (2002), defined it as theft of cash balance public funds or resource by public officials. It is a situation where a state or federal government official steals money from the public institution in which he or she is employed. In Nigeria, this is seen as one of the most common ways of economic sabotage which is usually procedures to be followed.

Ogbuenyi, and Elumoye (2007) gave as instance involving a case where the flower governor of Lagos state was invited by the commission (EFCC) from an investigation carried out on him which revealed that he operates sixteen (16) foreign account which were suspected to be filled with public fund which is embezzled while in office in 2003, Kadir sited another instance where two person board worker in Delta state were prosecuted for over N90.8Million fraud. The workers were said to be employees of the local government in the state they were however arranged in court and were charged with conspiracy, foreign and stealing money at which they were found guilty of committing the offence. This therefore, calls for certain measure to be put in place to prevent its future occurrence.

iii. Fraud
Ayuda (1982), defined fraud as an international misrepresentation, concealment or omission of truth for the purpose of deceitful acts or manipulation to finance of the detriment of an individual. Fakiyesi (2002) said that fraud is a type of misrepresentation of financial statement to obtain an unjust or illegal advantage or criminal deception to obtain assets (misappropriation of assists). Mis-application of accounting policies.

Oke (1989) stated that this form of financial crime has been affecting the Nigerian economy for a long time. From the definition given, fraud can therefore be said to be a term generally used to permit inclusion of theft, older financial abuse, counterfeiting, and all forms of embezzlement undertaken by a person having in mind an objective of going dishonest always or track (National Crime victims 001).

vi. Looting
Hornby (2001), define looting as a good (especially private property). Take away unlawful and by force usually by thief or soldier. That is, it is forcefully detection of property which is either in cash or in kind belonging to someone else.

Inekpen and Ekiyo (2007) sited on instance where a huge amount of money was looted and kept in a foreign account. The huge sum was however allegedly recovered from the then commissioner of policies as at that time. The case which is still under going investigation helps to an extent to determine the IG’s involvement in such a scanned other financial deals as at then. The case however, indicated the self aggrandizement established by public officer when they are in charge of public officers.

v. Money Laundering
According to Ribadu (2004), money laundering is defined as a process by which criminal attempt to hide and disguise the true origin of ownership of the proceed of their criminal activities thereby avoiding prosecution conviction and confiscation of criminal funds. As a derivative, it flows from the following crime amongst other to include, “illegal arms sale, smuggling activities or organized crimes, including drug trafficking and prostitution rings, embezzlement, inside trading, bribing and computer fraud scheme”.

The impact of this on our economy is a phenomenon little known to the ordinary Nigerian in fact, the ordinary citizen is already negatively affected by the proceed of laundered funds on accounts of the inflationary impact of such funds on the Nigerian economy.

With the increasing complexities and fast charging development, money laundering is becoming more sophisticated as a global menace indeed. Money launders are now extremely imaginative in creating new schemes to circumvent enforcement.

Despite the money laundering act and other anti- money laundering legislation most financial service still pay inadequate attention to source of transactional fund and the obligation arising from the various piece of legislation.
Types of Financial Crime
Some study has taken abrader approach in discussion of financial crime by dividing it into three main subdivisions these are;

**Political Financial Crime**
This type of financial crime takes place at the highest level of political authority. It occurs when the politician and political decision makers who are empowered to formulate establish and implement laws on behalf of the people are themselves corrupt. It also takes place when policy formulation and legislation are tailored from the benefit of political and legislator. Political financial crime to a effect is seen as similar to corruption or greed, as it affect the manner in which decision are made manipulate political institution, rules or procedures and distort the institution of government (Encyclopedia America 1993).

Wuwuanywu (2003), listed a speech made by the former president of Nigeria Alhaji Shehu Shageri; in which he state that financial crime is abated by debilitating poverty, ethnicity and intolerance are the factor hindering free and fair election in Nigeria.

**Bureaucratic Financial Crime**
According to Johnson (1998) bureaucratic financial crime occurs in the public administration or at the implementation end of politic. This kind of financial crime has been branded low level and street level. It is kind of financial crime in which citizen encountered daily at place like hospitals, school, local licensing office, police station, tax office e.t.c. bureaucratic (also known as petty) financial crime which is seen as similar to “corrupt of needs” occurs when are obtain a business from the public sector through inappropriate procedure (NORAID, 2004).

Using police as one of the example bureaucratic financial crime where at least sixty three (63) people were arrested for extorting money from the public Lagos in the previous years have been moved to the nation’s capital, Abuja for an in house trial which may lead to persecution. It further indicates that such policy officers may face dismissal from the police force. These officers were arrested on February 19th 2006 where they mounted an illegal police check point.

**Electoral Financial Crime**
According to Okolo and Idris (2001) electoral system is the constitutional method of electing representative or leaders in a country. Electoral financial crime therefore includes the purchase of votes with money or special favors, coercing intimidation and interference with the freedom of the electoral system, Nigeria is a good example where this practice has become the order of the day during election. This can be seen in the just concluded election process (that led to the interm of last year government) where youth were given money to go and disrupt election polls or to print and demo print ballots papers for particular candidate which later led to the killing of people in the same of election and loser emerging as a result of people not being able to cast their votes. Financial crimes in offices involves the sole of legislative votes, administrative, all judicial decision or government appointment disguised payment in the form of lift, legal fees (all done so as to receive one form of favor or the other from the other party).

**Causes of Financial Crime**
Financial crimes are caused by certain variable are regarded as politician and cultural evidence of this can be pointed to the link between financial crime and socio diversity and a proportion at the country’s population. However, our focus will be placed on certain factor which are termed fundamental and will encourage the practice of financial crime in a developing country like Nigeria.

**Methods of Committing Financial Crime**
The methods are known as indicator that show how financial crime is carried out or put into practice, these includes;

i. Manipulation of accounting figures
ii. Falsification of documents
iii. False declaration of goals and assets of an organization.
iv. Advance fee fraud (also known as 419)
v. Connivance between public officer and employers to siphon public funds.
vi. Collection of bribe so as to enhance the execution of an illegal transaction.
vii. Duping of foreign investor or organization so as to achieve self acquisition of wealth.
Impact of Financial Crime on the Nigerian Economy

The impact of financial crime on a national social economic and political growth and development has adversely affected the economy of a country as a whole despite certain benefit known to be associate with financial crime. Our main focus is in the negative effect of this mode of corruption. Despite the immoral aspect and pernicious effect of financial crime, some scholars have argued the benefit of financial crime to the growth of the economy. Base on this, some argument been advanced below.

Some writer have noted that financial crime help ease the transition from traditional life to a modern political life. There have been argument that the wide gap between the literate peasant and illiterate peasant are often the characteristic associated with beveller of the country side which maybe bridge if the traditional gift or their corrupt money equivalent if was pointed out by Mullen (1961) that “a degree of legal of financial crime soften the relationship of officials and people” the observation are common occurrence in Nigeria where communities pay political visit to their governors commissioners and top civil servant with cows, wines, kola nuts and money stiffed in “Ghana must go” bag so as to receive attention to their own local problems.

Studies have been conducted which shows the civil consequence of financial crime and have a means where most Nigerians have been taught dangerous and wrong lessens that it does not pay to be honest, had working and law abiding.

Okoechi said that through financial crime; most political officers have acquired wealth and properties in end outside Nigeria as can be seen with some farmer governors who are now in the net of the commission (EFCC). This therefore makes politics a business in Nigeria because most politicians believe that anything spent to secure political appointment is an investment which should generate returns when they assume office

Method of Data Collection

The collection of the appropriate data in any research study includes deliberate and planned efforts; there is however two sources from which data can be collected which include primary and secondary data. A cross-sectional survey research will adopt and a structured questionnaire will be distributed for the study. The research study is geographically limited to Bauchi state ministry of finance, Nigeria,

CONCLUSION

The research work has helped in evaluating the impact of financial crime on the Nigerian economy through the case study (Bauchi State Ministry of Finance) and this bringing to line light the cause of financial crime and ways of curbing it. It data were collected through questionnaire and interview bearing in mind concrete measure put in place by the present administration to address the problem.

In conclusion, it should be noted that measures put in place by the government will only be successful if everyone will ensure that they contribute their own quota to the achievement of the measure formulated by the government to curb this menace.

RECOMMENDATION

The main objective of this study is to ensure that proper understanding of the cause s of financial crime is achieved and also know the impact it has on a developing nation like Nigeria.

To ensure effective control and reduction in the cause and to achieve enlightenment of the public in ways to curb them, the researcher therefore recommend the following measures which if considered will, o a long way in minimizing if not totally eradicated, these corrupt practice in the economy y of this developing Nation Nigeria. They include:-

- The government should ensure that good remuneration system is put in place to improve the standard of employees of the public service such that the basic necessities can be catered for by theses employee, this will go a long way to reduce the hardship faced by the poor in the hands of most rich elite of the nation.
- The establishment of anti- corruption agencies by the government is a good development; they should however ensure that the public have an awareness of the ways in which these agencies work and how to assist them in the achievement of their goals. The government should also ensure the manpower to
employ the man these agencies are qualify and are of credible standard and character that’s whose judgment will not be found to be in favor of few elite in the country.

- Policies implemented by the government should be those that will deter each citizens of the nation from such corrupt practice. The government should as a matter of urgency give economic reform measure a human face. The government cannot except to enforce anti-corruption policies on one hand successful prosecute a war against corrupt practice involving the people on the other hand. Though distinct, the economic reform Agenda and the corruption campaign cannot wholly be separated rather they should be implemented side by side.

- Corrupt individual no matter how highly placed in the society should be exposed, prosecuted and if found guilty, should be jailed and ostracized. Illegal required property should confiscate to serve as a deterrent to those intending to engage in such practice.

- The result of public office holder who was being probe should be released to the public as soon as concluded. These practices of allowing the president or a governor to decode the fate of public probes should be constitutionally addressed as this present practice encourage corruption.

- The international community and organization at the forefront of the fight against corruption must be sincere in their criticism and in their aerating of countries in the developing world, bearing in mind countries trying their best to condemn and combat such practice.

- The recent step by the president to put a check on the activities of EFCC should be encourage, however it should also ensure that it is giving freehand in the conduct of its duties such that all person will be made to face the rule of law and not certain persons made to be subject to the rule of law

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