

## Financial Crimes the Bane of Development in Nigeria Nicholas Attamah

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### ABSTRACT

Financial Crimes are criminal activities carried out by individuals or criminal organizations to provide economic benefits through illegal methods. Financial crimes which have become a very important issue in recent years all over the world cause big harm to the economy and society. Income from financial crimes corresponds to a very large proportion of global GDP. Regulatory bodies constantly develop new tactics to combat financial crimes. With the development of technology, criminals develop new tactics. The most common financial crimes faced today are terrorist financing, money laundering, corruption and fraud. This review articles lay down various types of financial crimes, its manifestation in Nigeria, its effect on the economy and all the regulatory body that will help enhance proper monetary accountability in the country. Not left out is the need for proper orientation for all the citizens in the country.

Keywords: Financial crimes, Nigeria, and Development

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### INTRODUCTION

Financial crimes are crimes in which criminal organizations benefit financially. In financial crimes, usually, one party provides a financial benefit and the other party suffers a financial loss. These are frequently committed for the personal benefit of the criminal and involve the illegal conversion of ownership of the property involved [1]. They can occur in many different forms, and they happen all over the world. Some of the most common crimes facing the financial sector are money laundering, terrorist financing, fraud, tax evasion. These crimes are committed every day, and governments worldwide are frequently prosecuting financial criminals while searching for new ones.

Nigeria is a nation bestowed with vast human and natural resources with oil exports accounting for about 95% of foreign-exchange income and some 80% of government income, with a population of about 158 million [2]. Despite its enormous array of resources, the Nigerian economy has witnessed a period of stagnant economic growth. This has been partly blamed on corruption and gross mismanagement of the country's vast

resources. Corruption has tremendously affected the lives and provoked animosity amongst Nigerians [3]. It has eaten so deep into the fabrics of the Nigerian government, the public and private sectors, governmental and non-governmental organizations and has essentially become a way of life and an important source of accumulation of private property in Nigeria [4]. Corruption has greatly contributed to the backwardness and failure of good governance in Nigeria. The country has not been able to implement policies which promote good governance and facilitate the development and success of the democratic process due to the prevalent existence of both high (Political corruption) and low levels (Bureaucratic corruption). There is no doubt that this canker of development threatens the moral integrity of the nation and hampers development [5]. Over the years especially during the military regimes, little was done to fight this malaise. According to some analysts, even the anti-corruption efforts of governments such as Muhammadu Buhari/Tunde Idiagbon and Olusegun Obasanjo failed to produce

desired results [6]. 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 [7]. The biggest challenge for this country is not just to punish those who are involved in these corrupt practices but the education of her populace on the dangers and measures to tackle corruption [8]. This word "Corruption" has become a global phenomenon and no country is completely corrupt free. However, corruption is apparent in some countries than others because those countries with less corruption have learnt to manage corruption than others by putting the necessary checks and balances in place and curbing the opportunities of corruption while others have either not figured corruption out or lack the political will to do same [9]. The use of public power and resources in a manner that advances individual, factional, ethnic, religious or other limited interests at the expense of more broad based social, national or global needs is corruption because power and public resources are appropriated towards private purposes and gains. Theft, Financial Crime in Nigeria

Prior to the enactment of the Act of 2002 as amended by the EFCC Act 2004 there was no comprehensive definition of what constitute the financial crime. Section 46 of the EFCC Act 2004 define financial crime as a nonviolent criminal unlawful action consigned with the objectives of earning wealth illegal either individually

bribery, extortion, patronage, nepotism, and other practices grouped together as corruption. Corruption is so widespread that each country has developed its own terminology to describe these practices; egunje or essu in Nigeria, mordida in Mexico, arreglo in Philippines, baksheesh in Egypt, dash in Kenya, pot-de-vin in France steepening in The Netherlands, tangente in Italy among others (allword.com) [10]. All these phrases or slangs as it were, are used to refer to bribe such as money or a favor, offered or given to a person in a position of trust to influence that person's views or conduct. Corruption is not a novel concern in the world today. Volumes of literature have already been written about this intriguing topic globally and tons of conferences have been and are still been organized to address this menace [11]. It is an everyday occurrence in countries throughout the world, whether developed or under developed.

According to INTERPOL, financial crime ranges from basic theft or fraud committed by ill-intentioned individuals to large-scale operations masterminded by organized criminals with a foot on every continent [12]. These are serious criminal activities whose importance should not be minimized as, over and beyond their social and economic impact, they are often closely linked to violent crime and even terrorism.

We are all impacted by financial crime which has taken on a whole new dimension with the rapid advancement of digital technology. Criminal gangs operate transnationally to avoid detection, and stolen funds cross many physical and virtual borders before they reach their final destination. This is where our global police networks play an essential role [13] or a group or organized manner thereby violating existing legislation governing the financial actions of a government and its administration and includes any forms of fraud such as: money laundering, embezzlements, bribery, looting and any form of corrupt malpractices, illegal arms deal, smuggling, human trafficking and child labor, illegal oil bunkering, theft of

intellectual property and piracy, open market abuse, dumping of toxic waste and prohibited good. This statutory definition reveals that the crime could reasonably include a wide variety of criminal offences [14].

#### Main Types of Financial Crime

- Money laundering
- Terrorist financing
- Fraud
- Electronic crime
- Bribery and corruption
- Tax evasion
- Embezzlement
- Market abuse and insider dealing
- Information security [15].

#### Manifestations of Corruption in Nigeria

Colonialism, western education, the development of urbanization and monetization of the economy with its attendant growth of individualism brought about dramatic changes in the Nigerian state. The consular court system disrupted the traditional administration which the white colonialists met. In its place was appointed the highly flawed indirect rule under which appointment of personnel was arbitrarily made [16]. Often times, appointees were unknown people, different from the traditional heads and chiefs. Many of the appointed people were of questionable character and were usually intoxicated by power, leading them to abuse and misuse their positions. Corruption in the Indirect Rules system soon got to the attention of the colonialists, as most of the warrant chiefs prospered materially through the process of bribery and corruption. The military that overthrown the civilians who took over from the colonialists cited corruption, amongst others, as the reason for staging the coup. They gave instances of electoral corruption and malpractices involving the use of money to buy votes, employment of thugs to intimidate political opponents, hiring of assassins to eliminate political opponents, hijacking of electoral boxes and materials, and the printing of fake voter cards. Unfortunately, military regimes tended to be more corrupt than the regimes they

seemed to have come to correct. The unfortunate thing however, as observed by [17] is that the military that took over in 1966 from the civilian government hoping to wipe out corruption in the Nigerian political system ended up entrenching corruption on the nation. Despotism, which characterizes military regimes, destroyed a culture of accountability. The once cherished culture of probity in public affairs soon yielded to a place of graft and the standard of public morality continued to worsen. Characteristically, military regimes upon taking power and in fighting corruption, sack or remove from office or dismiss some individuals allegedly found to be involved in corrupt practices, forcibly seize/confiscate corruptly acquired property through legislation (decree). Such actions were, however, regarded as arbitrariness as it lacks an acceptable culture of probity and tended to be abused [18]. A more serious attempt at tackling this problem was made under Muhammadu Buhari/Tunde Idiagbon regime (1984-85). Institutional efforts taken to deal with the problem of corruption by the past administrations include, the Corrupt Practices Decree of 1975; the Public Officer (Investigation of Assets) Decree No. 5 of 1976, which was supplemented by the Code of Conduct Bureau and Code of Conduct Tribunals as spelt out in the 1979 constitution. Others include the Shehu Shagari's Ethical Revolution (1979-83), the War Against Indiscipline (WAI) campaign under the Buhari/Idiagbon junta. The Babangida administration introduced what was then tagged the National Committee on Corruption and other Economic Crimes (NCCEC) in its bid to deal with the perennial problem of corruption [19]. However, a more serious attempt at tackling the problem was made under the Buhari/Idiagbon regime (1984/1985) In spite of the various efforts made and measures taken by successive military administrations to rid Nigeria of corruption, the phenomenon of corruption, as it presents itself in the Nigerian polity has assumed an endemic,

alarming and systemic proportions to the extent that the pervasive mentality for the worship of 'worldly things'; money, properties, or assets acquisitions has become the order of the day. To some analysts, corruption in Nigeria is characterized by extensive and intensive corruption properly protected by the "Official Secret Act" and "Immunity Clause" strategically embodied in the Nigerian Constitution of 1999 [20]. These two features of the constitution informed the opinion of some Nigerians that the constitution indirectly encourages corruption. More so, the perceived life-style and sudden inexplicable acquisition of wealth by ex-military and serving personnel, their relatives and accomplices, coupled with lack of transparency in governance, informed the conclusion that military regimes were institutionalizing corruption and corrupt practices and, thereby enthroning a culture of graft [21]. The situation of corruption in Nigeria has presented an anomic situation in which anybody can get away with his/her loots no matter the amount of money involved and the material costs to the nation. The "This Day Newspaper" reported that the level of leakages in Nigeria has attracted an annual rate of \$25.76 billion loss to fraud related crimes in the last five years and that on a daily basis too; the country is losing about \$70,575,342 to corruption and other related crimes [22]. Given its alarming rate, particularly because of its damaging implications, the phenomenon constitutes a national question which needs to be examined in all its ramifications. In other word, every effort should be exerted to stem its spread and growth. It must be tackled head log no matter whose ox is goosed. This ugly picture has become insurmountable since independence and every strategy fashioned to address or tackle the menace has not yielded the desire outcome [23]. Most of the national earnings particularly from the oil sector since independence have been gulped by different forms of corruption. The level and rate of corruption and, lack of accountability

have remained an impediment to Nigeria's developmental drive and responsible for the increasing level of poverty in the country. This unpalatable situation of corruption x-rayed above informed President Olusegun Obasanjo's stern focus on corruption.

#### The Effect of Corruption on Nigerian Economy

The damages that corruption had done on the Nigerian economy could be seen in the Economic and in the moral terms. Corruption is really expensive because it reduces the trust in the government whose moral authority is diminished [24]. 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. Corruption 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. Corruption reduces domestic savings and investment and stimulates capital flight as a result of that it weakens the domestic banking system [25]. Is one of the most important inhibiting forces on investment and growth which result into lowering the living standard of the people Corruptions discriminate against honest foreign businesses as a result of lack of transparency in most act of corruption. More so corruption as sadly change people's moral orientation is now been describe as The Nigerian Factor (egunje means bribe) honored in the society by reason of affluence [26].

#### Measures against Financial Crimes

There are many national and global organizations to combat financial crimes. For instance, The Financial Crimes Enforcement Network (FinCEN) is a US and Treasury Department's office that collects and analyzes financial transactions to combat national and international money laundering, terrorist financing and other financial crimes. These organizations

publish regulations that companies have to comply with. Regulators impose penalties on organizations that do not comply with regulations [27]. Financial institutions must comply with compliance regulations such as Anti-Money Laundering (AML) and Know Your Customer (KYC) requirements. With the development of technology, methods of combating financial crimes are developing. With the developing Regtech sector in recent years, solutions to combat financial crimes have increased. AML solutions, developed with artificial intelligence and machine learning methods, enable the detection and prevention of financial crimes. The use of AML solutions is increasing year by year because manual control methods are dysfunctional and waste a lot of time [28]. Sanction Scanner provides solutions that support companies' fight against financial crimes and compliance with AML regulations. AML Name Screening Software provides companies to control their customers in sanction, PEP and adverse media data during the customer on boarding and customer monitoring process. Transaction Screening Software enables financial institutions to control the receiver and sender of money transfer transactions in sanction, PEP and adverse media data [12]. AML Transaction Monitoring Software, on the other hand, ensures that all transactions of all customers are automatically controlled according to risk rules and scenarios, and anomaly transactions are detected.

Nigeria Regulatory provisions and authorities

The federal and state Attorney Generals, the EFCC, the FCCPC, and the police have powers of prosecution in cases of corporate or business fraud [8]. The power of investigation and enforcement in cases of corporate or business fraud lies with the:

- Police.
- EFCC.
- FCCPC.

- Securities and Exchange Commission (SEC).
- Corporate Affairs Commission (CAC).

Prosecution powers

The authorities' powers of prosecution are created under the:

- Constitution.
- Police Act.
- EFCC Act.
- CAMA.
- FCCPA.
- Investment and Securities Act [15].

The authorities can institute criminal actions in court against a defendant. Private persons can also prosecute if authorised to do so by the Attorney General. However, the Attorney General's power to prosecute takes priority [10].

The Economic and Financial Crime Commission has the constitutional ability to:

- Conduct investigation as to whether corporate body, organization or anybody has committed offence under the act or other law relating to economic and financial crime.
- Conduct investigation on anyone who is suspicious of committing offences listed in the EFCC establishment act. These powers were granted to the EFCC in 2002, when the agency was first established. They were first exercise in 2003 when asset owned by some fraudsters were ordered to be forfeited by government.

More so, due to the power conferred on the commission by this Act, the commission shall be the coordinating agency for the provision of:

- The money laundering Act 2004:2003.
- The banks and other financial institutional Act 1991.
- Miscellaneous offences Act.
- The advance free fraud and other related offences Act 1995 [7].

## CONCLUSION



Corruption is widespread in most government in Nigeria not because the people are different from people from other part of the World, but because the society is conducive for it. There are many reasons why this is so. Leadership styles that encourage corruption at all level, the motivation to earn income from among the civil servants is relatively stronger; exacerbated by poverty, under-employment and low wages. In Nigeria, accountability is generally weak, political

competitions and civil liberties are often restricted. Laws and principles of ethics in government are poorly developed and the legal institutions charged with enforcing them (ICPC and EFCC) are ill-prepared. After this review, It is suggested that there is need for improvement in the socio- economic life of the people and leadership by example; punitive measures on corruption practices and value re -orientation as well as independence of enforcement agencies.

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