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EFFECT OF ECONOMIC AND FINANCIAL CRIME COMMISSION (EFCC) IN CURBING MONEY LAUNDERING AND FINANCIAL CRIME IN NIGERIA

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Abstract

This study assessed the effects of Economic and Financial Crime Commission (EFCC) in curbing money laundering and financial crime in Nigeria. The study specifically examine the extent to which various anticorruption agencies of various administrations have been used to curbed the menace of corruption; evaluate the methods applied by EFCC in curbing corruption and enumerate the contributions of EFCC in enhancing financial accountability and transparency. The study employed survey research method in order to obtain opinion of the entire population and simple random sampling technique was used to select ninety five (95) *respondents among member of staffs of EFCC in Lagos State. The instrument used for the purpose of the study was a questionnaire designed by the researcher and the data collected were analyzed through the use of percentage frequency counts and regression method. The study found that methods applied by EFCC have significant effect in curbing money laundering in Nigeria and recommended that the EFCC should imbibe the attitude of objectivity to assure Nigerians that no one is above or below the law as the commission continues to enjoy the support of majority of Nigerians.*

Keywords: Fraud, Financial malpractices, Financial crime, Money laundering, Nigeria

INTRODUCTION

Prior to this time, Nigeria has been faced with financial misconduct at all government parastatals which has resulted into corruption. Efforts and measures put together by successive government in waging war against corruption does not only proved abortive but also strengthen the corruptible acts in the country, that is, irrespective of tools and resources of government towards corruption, many individuals still find it easy to siphon government money into their pockets (LotterMan, 2012). Nigeria, the giant of Africa is richly blessed with natural and human resource which can easily be converted into money and wealth of a nation but surprisingly government officials deliberately loot the public fund from these resources and divert same for their own personal interest leaving the masses with abject poverty and starvation of food, cloth and shelter. Independent Corrupt Practices Commission (2009) and Ayobolu (2006) add that corruption has hindered the country from progressing and has made the country far away from development unlike the development stage recorded in other nations of the world. Sachs (2007) contributes that corruption in Nigeria is as old as mankind and has been problematic to political and economic will of Nigeria. In the analysis of World Bank, corruption stands at over $1trillion per annum accounting for up to 12% of the revenue of nations like Nigeria, Kenya and Venezuela (Nwabuzor, 2005).

Nigerian government has taken some proactive, aggressive and economic reform ranging from privatization, banking sector reform, anticorruption campaigns and establishment of clear and transparent fiscal standards since 1999 to cleanse the traces of corruption and provide a hitch-free atmosphere that is capable of inviting investors into Nigeria for productive investment activities (African Economic Outlook, 2006). The specific aims of the reform were to improve macroeconomic management, reform of the financial sector, institutional reforms, privatisation and deregulation, and lastly improvement of the infrastructure. The essential of infrastructure for economic growth and development can never be overemphasized. This has called for the poor state of electricity, transportation and communication in Nigeria to be revamped. The Central bank of Nigeria made progress in consolidation of the banking system which was prior to the reforms was highly fragmented, with many banks having very small and undiversified capitalisation. The banking reform stipulated a minimum paid-up capital of $188 million, up from $15 million, with a deadline for compliance at the end of December 2005. This resulted in a record number of bank mergers and acquisitions. As a result, the number of banks in Nigeria has shrunk from 89 in 2004 to 25 in December 2005 and to 22 in July, 2014. However, amidst all these institutional reforms, the institutions charged to fight corruption in Nigeria have not done enough to contain the upsurge of this menace up to expectation (Samuel, Aju & Elaigwu, 2014).

It is against this background that this study tends to investigate why Nigeria is the fifth highest largest producer of petroleum and still rated as one of the thirtieth poorest and the top most corrupt country in the world through the operation of economic and financial crimes commission.

Objectives of the Study

The main objective of this study is to examine the impact of Economic and Financial Crime Commission (EFCC) in curbing money laundering and financial crime in Nigeria. The specific objectives are to;

i. examine the extent to which various anticorruption agencies of various administrations has used to curbed the menace of corruption;
ii. evaluate the methods applied by EFCC in curbing corruption;
iii. enumerate the contributions of EFCC in enhancing financial accountability and transparency.

LITERATURE REVIEW

Several studies have been carried out by different researchers from different countries of the world. Some of them were reviewed in this study. Enofe, Aliu and Ombu (2018) examined the relationship between money laundering and the Nigerian economy from 2007 to 2014. Cross-sectional survey and ordinary least square of multiple regression were employed to administer questionnaire and analysed the data. The study found that money laundering has a negative relationship with the Nigerian economy. In Pakistan country, Waseem (2017) examined an overview of money laundering and causes, methods, and socioeconomic effects. By applying historical review, it was revealed that money laundering negatively affect economy growth and the gains are from drug trafficking, terrorists, and other criminals who are benefitting from laundering cash. Malik (2016) investigated the effect of anti money laundering in curbing money and laundering and financial crime in Sweden. The study employed percentage counts to address econometric test and found that anti money agencies are gradually destabilizing money and laundering of financial crime.

Amaefule and Umeaka (2016) evaluated the relevance of the establishment of the three key anti-graft agencies (namely; ICPC, EFCC and CCB) in Nigeria. Ordinary Least Square (OLS) multiple regression was utilized in analyzing the data for the variables used in the study. The study found that no significant relationship exists between each of the anti-graft agencies studied and Nigerian economic development. The study concluded that the establishment of these anti-graft agencies has not contributed significantly in the economic growth and development of Nigeria; thus, the agencies have hitherto not justified the huge budgetary provisions by the government for their operations. Oluwadayisi and Mimiko (2016) assessed the impact of money laundering on the Nigerian economy. Doctrinal approach methodology was used in investigating available primary and mostly secondary sources of data in the analysis of various effects such as manufacturing of domestic products, socioeconomic, financial effects, political effects, and oil and gas sector. The study discovered that money laundering has great effect on the Nigeria economy. Ajie and Gbenga (2015) explored the effect of corruption on economic growth in Nigeria for the period 1996 – 2013. Utilizing regression analysis, it was disclosed corruption level has negative relationship with gross domestic product in Nigeria.

Shuaib and Ogedengbe (2015) examined the impact of corruption on the growth of Nigerian economy using time series data from 1960 to 2012. The study explored unit root, Cointegration analysis and error correction mechanism. The study indicated that corruption has an inverse relationship with growth of an economy. Nwogwugwu and Uzoechina (2015), investigated economic crimes impact on Nigeria's economy between the period of 1999 to 2012 using OLS technique. Evidence from the study revealed a strong evidence of non-linear significant relationship between economic crimes and economic growth in Nigeria in the long-run with infinitesimal short run impact. The study also found a bi-directional causal relationship between economic crimes and economic growth in Nigeria. Oladapo (2014) studied the impact of economic and financial crime on the economic development of Nigeria. An empirical analysis was carried out from data collected through the use of questionnaire and it was evidently revealed that money laundering which is a financial crime impacts the economy. Raimi, Suara and Fadipe (2013) explored the role of both anti-graft agencies of ICPC and EFCC at ensuring accountability and corporate governance in Nigeria in the face of endemic financial indiscipline in both public and private sector organisations. The study discovered that both agencies have been hindered by administrative and judicial bureaucracy from performing creditably well. It was also discovered that the role of both agencies have been functionally duplicated, as they go after the same culprits.

Rotimi (2013) used analysis of OLS and granger causality test to investigate the relationship between corruption and economy growth. The study discovered that corruption impairs and impacts economic growth. Thus, the study concluded that private and public anti-corruption, and public education campaign/programmes should be strengthened and motivated to address the cause of corruption rather than its effects. Nageri, Umar and Abdul (2013) investigated the influence of corruption on economic development in Nigeria with the tool of ordinary least square (OLS) regression technique. The study found that corruption has a significant negative effect on economic growth and development. Okoye and Gbegi (2013) reviewed the effect of fraud and other financial crimes on the Nigerian economy. Data for the study were collected from secondary sources only. The analysis of regression estimation test revealed that fraud and related financial crime has significant effect on the Nigerian economy. Chiezey and Onu (2013) analyzed the impact of fraud and fraudulent practices on the performance of banks in Nigeria. the analysis was made through multiple regression estimation technique and it was inferred that fraud and fraudulent activities inflict severe financial difficulties on banks and their customers, thereby stiffening economic growth. Ogbodo and Mieseigha (2013) investigated the economic implications of money laundering on the Nigerian economy and it was discovered through Chisquare and ANOVA test that money laundering do have significant effect on Nigeria's economy and that anti-money laundering policies in Nigeria has not significantly reduce money laundering in Nigeria.

Idowu and Obasan (2012) studied anti-money laundering policy on financial institutions in Nigeria. A descriptive survey design and correlation analysis were employed, the study revealed that anti-money laundering policy explained and accounted for about 77.5% of the nature of banks performance in the economy. Sabina (2012) explored the anti-money laundering complex in Canada a private-public approach to Governance. The study used graphical illustration to conclude that banks are as such not harmed by allowing money laundering (passively or by rendering services). Money laundering in itself does not damage commercial interests or pose any financial risks to the banking business.

RESEARCH METHOD

Area of the Study and Research Design

The study focused on the effect of economic and financial crime commission in curbing money laundering in Nigeria. However, the study will mainly focus on EFCC Lagos Regional zone. The survey method is considered the most appropriate to be employed in the study.

Sample size and Technique

Simple random sampling technique was used because it considers all the elements in the population, the total sample size for the study is 95. Proportionate sampling technique was used to get the total number of the respondent from the EFCC regional zone in Lagos. The formula is given and the sample size was calculated by using the Yamane model (1967).

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

Where, n = anticipated total sample size; N = population size (125); e = acceptable error term (0.05).

Hence, ninety five (95) questionnaire were administered to the members of staff in Economic and Financial Crime Commission, Lagos office. The questionnaire were administered to Directors, superintendents, inspectors and other staffs in EFCC Lagos office.

Sources of Data Collection and Method of Data Analysis

The data used were gathered through the use of questionnaire designed for the purpose of the study and through personal interview conducted on the research topic. Hence, questionnaires and interview method were used in gathering the primary data.

The study adopted descriptive statistics and linear regression model. The descriptive statistics aided the analysis of research question while linear regression model was presented to test the hypothesis.

The model is as:

Y = a + bx ………………………………………………………… (1)

Yi = a + bx_i + E_t ……………………………………………………..(2)

Where: Yi =is the dependent variable (Curbing of money laundering and financial crime)

Xi = independent variable (Economic and Financial Crime Commission)

a= the intercept

b = the regression coefficient or slope

E_t = the error term or stochastic variable and it is normally

This indicates the correlations between x and y

ANALYSIS

Total 95 questionnaires were administered and returned for the study purpose which represents 100% response rate. The data collected was subjected to regression analysis.

H_{01}**:** The methods applied by EFCC do not have significant effect in curbing money laundering and financial crime

Table 1: Regression analysis output showing the effect of methods applied by EFCC has significant effect in curbing money laundering and financial crime

Model	B	Std.Error	T	Sig.T	Beta	r	r^2	Adr^{-2}	F
Constant	0.545	0.130	4.197	.000					
					.666	.666	.471	.465	82.829
Methods apply by EFCC	0.680	.075	9.101	.000					

Dependent variable: Curbing money laundering

From the table above, the estimated regression model is given as:

$Y = a + bx + \mu t$

$Y = 0.545 + 0.680x + \mu t$

Std. Error = (0.139) (.075)

t = (4.197) (9.101)

Where:

Y = dependent variable (Curbing money laundering)

X = independent variable (Method apply by EFCC)

a = intercept

b = slope

µt = Error term or stochastic variable

Table 1 showed that correlation coefficient (r) was .666. It implies that there is positive relationship between methods applies by EFCC and curbing of money laundering in Nigeria. The coefficient of determination (r^2) was .471 which implies that about 47% variations in curbing money laundering could only be explained by methods applies by EFCC while the remaining 53% were due to other variables outside the regression model which also have impact on curbing money laundering in Nigeria.

The table also revealed that methods applies by EFCC have significant effect in curbing money laundering in Nigeria with Beta value (.666, $p< 0.05$). The overall regression models is significant in terms of its overall goodness of fit as F calculated (82.829) is greater than F tabulated (3.94) at n-k degree of freedom. Therefore, methods applies by EFCC have significant effect in curbing money laundering in Nigeria.

DISCUSSION AND IMPLICATION OF FINDINGS

The study examined the effect of economic and financial crime commission in curbing money laundering and financial crime in Nigeria. In line with the objective of the study three research questions and one research hypothesis were raised for the study purpose. The questions were answered using descriptive analysis which was made through the use of frequency counts and percentage method. The hypothesis was tested at 5% percent using inferential statistics which was made through the use of regression analysis.

Based on the analysis of research questions, the study concluded that the various anticorruption agencies particularly the EFCC of various administration did not help to curb the menace of corruption rather escalating and embracing corrupt practices. However, efforts have been made by the present administration to reduce corruption minimally. The study also concluded that the methods applied by EFCC in combating fraud and reducing corruption is adequate to a good extent which implies that EFCC are using viable methods/approaches to address corruption in the country. Lastly, the study concluded that contribution of EFCC enhances financial accountability and transparency in government parastatals which connotes that with the aid of EFCC there is transparency in government accounts.

Based on the analysis of research hypothesis, it was concluded that methods applies by EFCC have significant effect in curbing money laundering in Nigeria. The result of the study is strongly in connection with Idowu and Obasan (2012) who concluded significant relationship between anticorruption agencies and money laundering in Nigeria.

The implication arising from this study is that despite the laws and policies put in place in the country, money laundering and other financial and economic crime still flourish in the country because of corrupt practices of government officers. Hence, for the role of EFCC to be functionally effective, the administrative and judiciary bureaucracy should be looked into to enhance that EFCC agency perform credibly well so that it effect can be seen and assess by the Nigerian citizens.

CONCLUSION AND RECOMMENDATIONS

When you fight corruption, it fights back (Agbede, 2003), the meaning of this is that war against corruption in Nigeria is a difficult task which indicated that corruption through money laundering and criminal practices which involve kidnapping, robbery and theft, etc kept increasing day after day. However, from the analysis of the study, it is concluded that there is statistical significant relationship between economic and financial crime commission and curbing money laundering and financial crime in Nigeria. This is not surprised but based on current happenings, the EFCC have not been successful in curbing corruptible practices because of lack of political will to fight corruption on the part of the Government. The EFCC is not free from the whims and caprices of the President and they are not properly funded. The institutions that are expected to assist the EFCC in fighting Corruption are themselves corrupt. The Police, the Judiciary, the Legislature and the EFCC are corrupt. There is nothing wrong with the EFCC Act. It is conceded that it is not possible to have a perfect law or institution. The problem is enforcement. Conclusively, economic and financial crime commission have significant effect in curbing money laundering and financial crime in Nigeria under the study period but can better improve through proper and adequate training of personnel, and adequate funding of the agency.

The study therefore suggested that EFCC should strengthen its vigilance and monitoring mechanisms over the nation's ministries, commissions, private sector organisations, banking and financial industry, universities etcetera to forestall poor accountability corrupt and violation of corporate governance ethics with impunity. The study also suggested that the EFCC and other organizations saddled with the task of eradicating corruption in Nigeria should not only focus on politicians but also on government office-holders, executive directors, banks et cetera. More so, EFCC should imbibe the attitude of objectivity to assure Nigerians that no one is above or below the law as the commission continues to enjoy the support of majority of Nigerians. Lastly, EFCC should seek more methods that can best help promote and pronounce their sole objective.

LIMITATION TO THE STUDY

The study is limited to information gathered by officers in charge of cases at EFCC, Lagos, Nigeria. Generality of finding is at stake as some of the staff reluctantly obliged to the researchers' request. Thus, the result is subjected to activities of EFCC in Lagos state, Nigeria.

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