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Effects of Foreign Exchange Malpractices and Tax Evasion Controls on Economic Performance in Nigeria

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ABSTRACT: This study assessed the effect of foreign exchange malpractices and taxation evasion control on economic performance of Nigeria during the period 1987-2020. To carry out this investigation, secondary data of fraud control measures (foreign exchange malpractices and tax evasion controls) and economic performance measures (gross domestic product, foreign direct investment and balance of payment) were obtained from the Central Bank of Nigeria statistical bulletin, National Bureau of Statistics and World Bank Indicators. Data obtained were analyzed via the auto regressive distributed lag (ARDL) bound test for co-integration. Results indicated that foreign exchange malpractices and tax evasion control significantly affect economic performance measures; however, the effect was negative. The negativity attributable to fraud control in the country could be that the fraud control mechanisms put in place are weak, hence ineffective in combating fraudulent activities. In view of the findings of the study, it was recommended among others that there is need to further strengthen the fraud control mechanisms put in place by the Nigerian government. Again, tax evaders should be duly and more importantly transparently punished so that they can act as deterrent for taxpayers intending to evade tax in the country.

KEYWORDS: Foreign exchange malpractices control, Tax evasion, Economic performance

I. INTRODUCTION

In recent times, it has been established that fraud is detrimental to all societies, organizations and perhaps explain the poor economic performance especially in context of developing economies such as Nigeria. Nigeria has experienced an upsurge in fraud, which has led to the collapse of most organizations and nose-diving of its economic landscape. Thus, policymakers, business participants as well as researchers are keen on scrutinizing the role fraud control plays in enhancing economic performance. The advanced fee fraud as a financial fraud-scam operates at informal level but has notoriously become synonymous with the Nigerian state. This ‘advanced fee fraud’ has in the last decade become a booming industry in Nigeria and spilled over sporadically to its neighboring countries and even beyond.

Indeed, ‘419’ literally, is a codified ‘section 419’ of the Nigerian penal code; the section that specifically prohibits any financial related scam and fraud. On the other hand, tax evasion is a major problem that obstructs the maximum collecting of tax; highly technical problems besieging the Federal Internal Revenue Board (FIRB) in Nigeria are lack of support by the Nigerian government to taxpayer, poor tax administration, unforced penalties on the tax defaulters which make tax law seemed to be useless and most importantly, logistics and zeal to enforce taxpayer. Tax evasion has been a cause for a serious concern; this is because it has led to the depletion in the internally generated revenue which by extension adversely affects economic performance.

Notably, prior studies (see Luiz, et al, 2019; Enofe, et al, 2018; Omidi, Min & Omidi, 2017; Magtulis & Park, 2017; Isola, et al, 2016) have established that there exists, a relationship between fraud control and economic performance. More worrisome is the fact that the findings of these studies inter-alia show some lack of inconclusive results on fraud control measures on money laundering, advanced fee fraud and foreign exchange malpractices as they affect economic performance. Consequently, an elaborative study is needed to assess the relationship between fraud control measures inter-alia and economic performance in Nigeria.

Regardless of the control measures which include the enactment, policies formulation and implementation, regulatory agencies and institutions put in place to checkmate the menace of fraud, reports indicate continuous increase in fraudulent activities in areas of exchange rate malpractices and tax in Nigeria. In light of the above, the study seeks to examine the effect of foreign exchange malpractices and tax evasion controls on economic performance of Nigeria.

II. LITERATURE REVIEW

Foreign Exchange Malpractices (FEM)

Exchange the rate refers to the price of one currency to the terms of another. In our Nigeria context it is defined in the units needed to purchase one unit of another country's currency. For instance, the United States Dollar (Camp, 2011). Nigeria in a bid to ensure the management of the exchange rate had implemented different exchange policy regimes aimed at enhancing the exchange rate towards a predetermined level to stimulate a productive sector, curb inflation and encourage balance of payment equilibrium, enhance imports and export attract foreign direct investment and other macroeconomic performance variables (Obaseki, 2001).

The channelling of foreign exchange to the end-users and mechanism put in place by institutional framework for determination and allocations of the exchange rate as well as its control are contained in the exchange rate policy strategy. In order to ensure control of exchange rate sabotage or malpractice supplementary establishment of exchange control (anti-sabotage) degree of 1977 with tribunals to try cases of exchange rate manipulators, also the Comprehensive Import Supervision Scheme (CISS). In 1979 to ensure the control of prices and foreign exchange malpractices such as importation and exportation of obsolete goods, dumping over and under billing, expired product, overvaluation of federal government projects with a view to gain in foreign exchange operation. There were relatively more liberal exchange rate policies in the 80s with the objective of curbing the high rate of exchange rate malpractices and transaction which were actually reversed as a result of rapid improvement in international trade and balance of payment in the period of 1981-1984.

The basic fundamental of exchange policy is to enhance both external and internal balance in the economy where the exchange is said to be in equilibrium. However, exchange rate malpractice in the form of overvaluation or undervaluation tends to have been observed to be one major challenge to sustained economic growth (Ghura& Grennes, 1993). Chains of exchange rate policies had been implemented in Nigeria ranging from a fixed exchange rate regime prior to 1985 to various forms of floating systems. Towards the end of 1985, the government allowed the exchange rate to be determined by market prices in cognizance with the telnets of the structural adjustment program (SAP).

The second-tier foreign exchange rate market (SFERM) was introduced in September 1986 as a market-driven mechanism for foreign exchange allocation. While the first and second-tier markets were merged into an exchange market in July 1987. Others include the autonomous foreign exchange market (AFEM) initiated in 1995 and interbank foreign exchange market (IFEM) on October 25, 1999.

Tax Evasion

In the spirit of conspiracy against Jesus, Herodians want to know how good it is to evasion and avoidance tax they asked Jesus, and He said "Show me the coin used for paying tax."…"Whose portrait is this? And whose inscription?"… "give to Caesar what is Caesar, and to God what is God." (New international version, Matthew 22:19-21). In Africa today, South Africa and Kenya had been proven that they are generally considered the most efficient tax collectors in sub-Saharan Africa (Kumari, 2014). Tax is one of the major sources of Government Revenue. It is a strong socioeconomic instrument of the government in controlling the economy and maintaining healthy social life of the citizens. Tax is a non-punitive but obligatory levy by the government on the possessions of individuals and corporations within the territory.

Aguei (1983), tax is the transfer of possessions from the private to the public sector in order to accomplish some of the nation's economic and social goals. It is a levy imposed by the government on the incomes or wealth of individuals, partnerships as well as corporate entities (Omotoso, 2001). Thus, tax is a system where individuals or corporate entities are assessed to make returns from their incomes or wealth and the final remittance made to the government. It is an avenue via which income earners are obliged to pay a fraction of their incomes to the government. In the view of Obuh (2012), the tax has been a concern of global significance as it affects virtually all economies regardless of national diversities. The revenue or income generated from the remittance made by these individuals or corporate entities is used to on

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the member citizens of a nation for the sole purpose of providing common goods and services for the benefit of all members (Ekenze, 2013). Tax is designed to raise the revenue required for the expenditure authorized in a government budget expectation and a means of promoting social and economic justice and equality among citizens of a nation.

Tax avoidance concerns with the possible ways an individual or organisation will reduce tax liability in a manner contrary to the intention of parliament. Tax avoidance may simply be defined as the reduction or minimization of a person's tax liability by carefully arranging one's affairs in such a way as to take advantage of loopholes in the tax law provisions, it is the intentional act of a taxpayer to pay less than what he ought to pay to the tax authority. It is legal. In the course of examining the attitude of the courts and the legislature towards tax avoidance professor wheat craft observed that "tax avoidance is an art of winning games without actually cheating; thereby beating the internal revenue and the Government to their own game". Tax evasion is a criminal act put forth in a dishonest manner in the submission of a tax return involving undeclared income.

Cornell University Law School goes further to describe this non-payment as "using illegal means to avoid paying taxes", which can involve "an individual or corporation misrepresenting income to Internal Revenue Service. So from this, it can be said that tax evasion is the act of an individual who conscientiously refuses in some or many ways or means to pay taxes owed to a governmental entity (Cornell University Law School, 2015). In addition, Edwin, (2007) sees tax evasion as an intentional effort by people, corporate bodies, trust and other institutions to illicitly refuse to pay their tax and reporting true and fair value of their earnings via evading. Thus, according to Adebisi and Gbegi (2013), tax evasion is characterized as an intentional wrongful attitude, or as a behaviour involving a direct violation of tax laws, norms and ethics regarding citizenry obligation to escape tax payments.

Tax evasion is clear evidence in a situation where taxpayers are reducing, making or proclaiming false statement about their liabilities on the revenue tax through exploiting ineffectiveness in the tax laws and regulations Tax evasion typically involves taxpayers consciously misrepresenting or hiding the true position of their affairs to the relevant tax authorities to ease their tax burden. However, tax evasion can be classified as fully evasion or partial evasion (Fakile & Adegbie, 2011). Partial evasion occurs when an individual or corporate entity understated its earnings for the purpose of tax and declares low income; while full evasion occurs when the person or corporate entity qualifies to pay tax but fails to register with tax authorities to enrol in the tax system. This act comprises, in specific, fraudulent tax reporting like declaring fewer earnings and overstressing deductions. In the face of law, tax evasion is a crime and subject to execution by way of fine, imprisonment or even both in many countries of the world.

Tax evasion is representing illegal practices by a taxpayer to escape his civic responsibility enforce by the law and generally accepted by the society or nation. Due to this situation, the taxable income and other tax activities are being concealed, the amount or sources of income are misrepresented and the reduction, relief or exemption are intentionally overstated (Chiumya, 2006). However, often tax evasion may occur mostly in an informal economy where activities of businesses and other trade transactions take place in an informal manner which eases the evasion. This may happen when business is not registered with tax authorities and hence, in most cases, are operating in remote areas moving from one location to another freely.

Richardson (2008) said tax evasion as an intentional, illegal and unacceptable behaviour or activities involving a direct violation of tax law to evade the disbursement of tax. Kim (2008) affirms that tax evasion is illegal and violation of tax laws, whereas tax avoidance is a legal way of decreasing tax burden. Both the two are not acceptable but the latter is less serious to the former by eroding the revenue generation used for financing public expenditure latter. Currently, under United States law, tax avoidance is a completely legal practice, but the caveat to avoidance is where the line is drawn between avoidance and evasion. This line can be quite blurry and an individual trying to legally pay less tax than they owe can be hurt if they are not too careful. The bigger issue is why is this line not more clearly drawn? The government makes it easy for individuals to fall into a 'grey area' of legality and this is cause for concern.

To clear matters up, an article posted on Bizfilings.com, a tax self-help site, explains this difference: tax avoidance lowers your tax bill by structuring your transactions so that you reap the largest tax benefits. Tax avoidance is completely legal—and extremely wise. Tax evasion, on the other hand, is an attempt to reduce your tax liability by deceit, subterfuge, or concealment. Tax evasion is a crime and avoidance is the ability to utilize the tax code to your advantage and lower your amount of liability by being fully aware of the tax

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implications of your activities throughout the year. Evasion must have the intent of deceit, such as misrepresenting how much was earned on your return or omitting income altogether. Other methods involving individuals would be claiming extra deductions, whereas corporations and sole proprietors could do such things as hide certain assets, claim personal expenses as business expenses, falsify journal entries, create fake transactions, etc. So there are numerous ways tax evasion could occur depending on if it is a business entity or an individual (Bizfilings, 2015).

Alm and Martinez (2001) noted that tax avoidance is a legal reduction in tax liabilities by practices that take full advantage of the tax code, such as income splitting, postponement of taxes and tax arbitrage across incomes that face different treatments (Aim & Martinez, 2001 and Eboziegbe, 2007). Tax avoidance includes not only the use of strategies that allow for the search of strategies to exploit deficiencies or ambiguities in the law (Known as aggressive tax planning strategies). Tax avoidance arises in a situation where the taxpayer arranges his financial affairs in a way that would make him pay the least possible amount of tax without infringing the legal rules. In short it is a term used to denote those various devices which have been adopted with the aim of saving tax and thus sheltering the taxpayers' income from greater liability which would have been otherwise incurred (Kiabel, 2001).

Adebisi and Gbegi (2013) described tax avoidance as follows: the taxpayers knowing what the law decides not to be caught by it; arranges his business in such a manner as to escape tax liability partially or entirely. It is a lawful trick or manipulation to evade the payment of tax. Tax avoidance is a legal way by which a taxpayer reduces his tax liabilities. Thus tax avoidance takes the advantages of the loopholes in the existing fiscal laws. The avoider is just smart taxpayer who exploits loopholes in the tax laws (and related laws) to reduce tax liability (Ezeanyeji, 2015). Thus, it is clear that tax avoidance is legal or at least not illegal since is most probably using the tax laws to limit his tax liability under the same laws. Examples of tax avoidance include seeking professional advice, reducing one's income by submitting claims, increasing the number of one's children (in Nigeria the maximum allowance is four), and taking addition life assurance policies.

Tax avoidance is thus considered to be a matter of being sensible. Thus, irrespective of the generally held opinion that tax avoidance is unpatriotic and anti-social, it is clear that it is not a moral or legal issue unless the legislature expressly prohibits it. No doubt, tax evasion and avoidance had robbed the Nigerian government or substantial tax revenue. According to the Nigerian Stock Exchange, 85% of corporate tax revenue in the country accrues from the 196 companies listed on the exchange compared on the 30, 000 companies registered with Corporate Affairs Commission (CAC). This is a serious indictment of the administrative machinery and capacity of the tax authorities in Nigeria.

Tax avoidance is an act of doing everything possible within the confines of the tax law to reduce the tax paid. It implies an arrangement of tax payer's affairs using the tax shelters in the tax law, and avoiding tax traps in the tax laws to enable him pay less than he ought to pay. The tax payer takes advantages of loopholes in tax laws and reduces the normal tax he supposes to pay. Tax avoidance can take any he supposed to pay. Tax avoidance can take many forms like incorporating taxpayers' sole proprietor or partnership into a limited liability company, ability to claim allowances and reliefs that are available in tax laws in other to reduce the amount of income or profit to be subjected to tax, minimizing the incidence of high taxation by acquiring a business which has sustained heavy loss and set off the loss against future profit, investing in capital assets (through new form corporate financing by equipment leading), sheltering part of the company's taxable income from income tax by capitalizing profit through the issue of bonus shares to the existing members at the (deductible) expenses to the company, creation of a trust settlement for the benefit of children or other relationships in order to manipulate the martinet tax rate such that a high-income bracket taxpayer reduces his tax liability, buying an article manufactured in Nigeria thereby avoiding import duty on importation articles among others.

Economic Performance in Nigeria

Nigeria had witnessed some challenges in the efficient management of the resources to engender economic growth and development in the Nigeria content. According to Ekpo and Emoh (2013) Nigeria economy has witnessed bridged history in the 60s and 70s were the gross domestic product (GDP) which in one context measure economic performance recorded 3.1% growth annually, the economy also witnesses major economic growth in the 80s with remarkable positive increase in the GDP by 6.2% annually. This period witnessed an up shut in the economic fortune of the country (economic growth of Nigeria) irrespective of these growth in GDP, the poverty rate of Nigeria had increased from 36% to around

70% indicating almost double as shown by Subramanian (2003) that more income distribution more the masses are impoverished.

The growth in GDP, fiscal revenue in this season was not reflexive in the social wellbeing of the masses; this may be due to the increase rate in the level of fraudulent activities both in the private and public sector of the Nigeria economy. The federal government of Nigeria had some point in time developed and implements some economic reforms programs aims at enhancing economic growth and development in Nigeria. This policy aimed at coordinating macroeconomic management to enhance connectivity in the market and ensure improve service to realise standard in financing and management of public debt.

Financial and economic crime had caused major damages to the Nigeria economy. It has diminished the confidence in government and his authority government officials enriched themselves from the nations revenue in form of bribery, kickbacks preferential treatment, over billing of contract, conversion of government money and asset to private pocket, resulting to an adverse effects on the economy such as inequalities in income distribution, high rate of poverty, reduction in domestic saving and investment, weak domestic banking system, reduction of foreign directs investment flows. The history of Nigeria from the colonial era to the military regimes and present democracy had witness increase level of corruption which changed people's moral orientation is known to be the Nigeria factors. The economic conductions in developing nations like Nigeria were particularly affected because of the dependence of many of them on western economic and financial systems.

The nose-diving of the oil price and sharp reduction in production due to uncontrollable disintegration and conflict in the Niger Delta has adversely affected the countries revenue and budgets. This general economic resection has resulted to the lay-off of worker closure of some factory relocation and eventual folding up of some multinational oil firms. The financial crises witness in Nigeria due to restless and fraudulent activities of CEOs on bank through unsecured loans, manipulation of accounting record to deceive customers and investors to gain confidence to purchase them worthless shares. Bank CEO had in number of occasion annually used the customer's account to borrow money from bank under their jurisdiction (Enwgbare, 2009).

In Nigeria corruption, money laundering advance fee fraud and mismanagement of resources and other related financial and economic crime have taking alarming rate and have become too rampant both government and private sector of the economy (Balarebe, 2009) similarly other researchers such as Okoye and Akanobi (2009) Owojoir and Asaolu (2009), Izedomin and Mgbame (2011), Kasmu (2009) have all affirmed in their separate works, the increasing occurrence of fraud and other related economic and financial crime in Nigeria and these studies argue that in Nigeria economic and financial crime is gradually becoming a way of life which perpetrators are able to perform based on individuals capacity.

Theoretical Framework

This paper is anchored on the fraud management life cycle theory. Economic losses are of increase as a result of fraudulent activities which has a great impact almost every country world of business. Caveat Emptor, let the purchaser be careful, tells only half the story. The other half is told by Caveat Vendor, let the seller be careful. The outlays of fraud are passed on to society in the form of increased customer inconvenience, opportunity costs, unnecessarily high prices for goods and services, and criminal activities funded by the fraudulent gains (Wesley, 2004). The study also draws from the Fraud Management Lifecycle theory, which describes the network made up of eight interrelated, interdependent, and independent actions, functions, and operations (stages) which do not, necessarily, occur in a sequential or linear flow (Wilhelm, 2004). Deterrence, the first stage, is characterized by actions and activities targeted at stopping or preventing fraud before it is attempted by making the attempt to commit fraud unattractive, dreadful or career/life-threatening.

The second stage is prevention which involves actions and activities to prevent fraud from occurring. In detection, the third stage, actions and activities to uncover or reveal the presence of fraud or attempt, such as statistical monitoring programs are used to identify and locate fraud prior to, during, and subsequent to the completion of the fraudulent activity. The goal of the fourth stage, mitigation is to stop losses from occurring or continuing to occur and/or to hinder a fraudster from continuing or completing the fraudulent activity, by blocking an account, for example. In the next stage, analysis, losses that occurred despite deterrence, detection, and prevention activities are identified and studied to determine the factors of the loss situation, using methods such as root cause analysis. The FML's the sixth stage, policy, is represented by activities to create, deploy, evaluate and communicate policies to reduce the incidence of fraud. Balancing prudent fraud reduction policies with resource constraints and effective management of legitimate customer

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activity is also part of this stage. An example of a policy in this stage is the requirement of the special control unit on money laundering (SCUML) that any cash transaction over ₦1,000,000 or its equivalent should be reported.

The seventh stage requires obtaining enough evidence and information to stop fraudulent activity, recover assets or obtain restitution as well as provide evidence to support for the successful prosecution and conviction of the fraudster(s). Covert electronic surveillance is a method used in this stage. The final stage, prosecution, is the culmination of all the successes and failures in the FML. There are failures when the fraud succeeds and successes when the fraud is detected, a suspect identified, apprehended, and charges filed. This stage aims at asset recovery, criminal restitution, and conviction with its attendant deterrent value (Wilhelm, 2004). The hypothesis of this study is that fraud detection is but a single component in a comprehensive Fraud Management Lifecycle that includes all of the eight elements discussed above.

When these stages are not successfully integrated and balanced, the benefits of advancements in fraud detection and overall fraud management technologies are muted (McRae, 2001; Ernst & Young, 2000). But what if there existed a Fraud Management Lifecycle that when managed effectively, with successfully balanced components would significantly reduce the losses and societal expenses associated with the fraud.

The fraud management lifecycle is made up of eight stages. Deterrence, the first stage, is characterized by actions and activities intended to stop or prevent fraud before it is attempted; that is, to turn aside or discourage even the attempt at fraud through, for example, card activation programs. The second stage of the theory, prevention, involves actions and activities to prevent fraud from occurring. In detection, the third stage, actions and activities, such as statistical monitoring programs are used to identify and locate fraud prior to, during, and subsequent to the completion of the fraudulent activity.

The intent of detection is to uncover or reveal the presence of fraud or a fraud attempt. The goal of mitigation, stage four, is to stop losses from occurring or continuing to occur and/or to hinder a fraudster from continuing or completing the fraudulent activity, by blocking an account, for example. In the next stage, analysis, losses that occurred despite deterrence, detection, and prevention activities are identified and studied to determine the factors of the loss situation, using methods such as root cause analysis.

The sixth stage of the Fraud Management Lifecycle, policy, is characterized by activities to create, evaluate, communicate, and assist in the deployment of policies to reduce the incidence of fraud. Balancing prudent fraud reduction policies with resource constraints and effective management of legitimate customer activity is also part of this stage. An example is a requirement that any cash transaction over $10,000 are reported. The investigation, the seventh stage, involves obtaining enough evidence and information to stop fraudulent activity, recover assets or obtain restitution, and to provide evidence and support for the successful prosecution and conviction of the fraudster(s). Covert electronic surveillance is a method used in this stage. The final stage, prosecution, is the culmination of all the successes and failures in the Fraud Management Lifecycle. There are failures because the fraud was successful and successes because the fraud was detected, a suspect was identified, apprehended, and charges filed. The prosecution stage includes asset recovery, criminal restitution, and conviction with its attendant deterrent value.

III. RESEARCH METHOD

Given the nature of this study, the ex-post facto research design and secondary data was used; this design was used since it seeks to establish the factors that are connected with certain occurrence or behaviour type by analyzing past events of already existing conditions. Thus, the researcher has no control over certain factors or variables as the events already exist and can neither be manipulated nor changed.

The secondary data was obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistics (NBS) and World Bank Indicators (WBI) during the period 1987-2020. The dependent variable is economic performance which was measured by gross domestic product (GDP), foreign direct investment (FDI) and balance of payment (BOP) and independent variables are foreign exchange malpractices (FEM), and tax evasion (TEV). In order to capture fraud control, the study employs changes (Δ) in tax evasion and foreign exchange malpractices while GDP, FDI and BOP were captured as a measure for economic performance.

Furthermore, variables of GDP, FDI and BOP were scaled using natural logarithm in order to avoid scaling problems, since variables of FEM and TEV are in percentage change. Given the nature of dependent and independent variables, Vector Auto Regression (VAR) model was used. The models are given as follows:

$Econperf = f(\Delta FEM)$ Eq. 1
$Econperf = f(\Delta TEV)$ Eq. 2
Equations 1-2 can be rewritten in their explicit forms as shown in equations 7-11 below:
$Econperf = a_0 + ß_1\Delta FEM_t + U_t$ Eq. 3
$Econperf = a_0 + ß_1\Delta TEV_t + U_t$ Eq. 4
The basic VAR model showing the multivariate VAR link between economic performance measures (GDP, BOP and FDI) and fraud control measures (FEM and TEV) of the study:
$Y_t = m_0 + A_1Y_{t-1} + A_2Y_{t-2} + \ldots + A_pY_{1-p} + €_t$ Eq. 5
Equation (4) specifies VAR (P) process, where Ai(i=1,2,…p) are K x K matrices of coefficients, m is a K x 1 vector of constants and €t is a vector of white noise process. In order to estimate equation (5), we can translate this into equations 6-7 as follows:
$Econperf = m_0 + A_1\Delta FEM_{t-1} + €_t$ Eq. 6
$Econperf = m_0 + A_1\Delta TEV_{t-1} + €_t$ Eq. 7
This study employed yearly time series data by applying co-integration test to give an explanation for the long-run nexus between the study variables. The data obtained was analyzed by means of both descriptive (mean, standard deviation, normality) and inferential (Augmented Dickey-Fuller Unit Root, Heteroscedasticity and Co-integration Tests) statistical techniques. The analysis was done via STATA 13.0 version.

IV. RESULTS

Table 1: Results for Yearly Time Series Data on Economic Performance and Fraud Control Variables

	GDP	FDI	BOP	FEM	TEV
Mean	2.1394	1.9132	3.1807	3.1077	0.1127
Median	2.0778	1.6750	3.3039	3.1700	0.0964
Maximum	2.7547	5.7900	5.1397	5.9300	1.0000
Minimum	1.4433	0.0700	1.6659	0	-1.0000
Std. Dev.	0.4407	1.2385	0.8738	1.7603	0.2921
Skewness	0.0276	1.3004	0.1539	0.0964	-0.6440
Kurtosis	1.3359	4.8636	2.4101	1.6838	9.5929
Jarque-Bera	0.4910	2.5320	0.6030	1.2660	0.0905
Probability	0.7823	0.2811	0.7396	0.1406	0.1109
Sum	72.741	65.050	108.14	105.66	3.8322
Observations	34	34	34	34	34

Source: Researcher's Computation via STATA 13.0

Table 1 shows the results for yearly time series data on economic performance measures (gross domestic product – GDP; foreign direct investment – FDI; and balance of payment – BOP) and fraud control measures (foreign exchange malpractices – FEM; and tax evasion – TEV). The descriptive result reveals some level of consistency in data-series as the mean and median lie within the minimum and maximum values for all the variables. Similarly, skewness, kurtosis and Jarque-Bera statistics jointly provide information on the normality of data-series. The data series (GDP, FDI, BOP and FEM) were skewed to the right except (AFF, TEV) that skewed to the left, as indicated by the positive and negative signs attached to the skewness values.

Moreover, GDP has the least kurtosis (1.3359) and AFF (23.567) the most; FEM is less than 3; an indication of platykurtic curves (more flat-topped distributions) while the other variables (FDI, AFF, TEV) leptokurtic curves (less flat-topped distributions) since their values are greater than 3. Furthermore, it can be seen that the Jarque-Bera statistics are insignificant for the economic performance and fraud control variables; this implies that the residuals of the variables are normally distributed.

Table 2: Unit Root and Co-integration Result

Variables	ADF Level	CV (5%)	ADF – 1st DF	CV (5%)	Lag	Model	Order of Integration
GDP	-0.816	-2.983	-3.709	-2.983	2	Constant	I(1)
FDI	-1.553	-2.983	-3.709	-2.983	2	Constant	I(0)

BOP	-2.159	-2.983	-3.709	-2.983	2	Constant	I(0)
FEM	-1.884	-2.983	-3.709	-2.983	2	Constant	I(0)
TEV	-1.281	-2.983	-3.709	-2.983	2	Constant	I(1)
ECM	-4.282	-2.349	-	-	2	Constant	I(0)

Source: Researcher's Computation via STATA 13.0

The unit root tests indicated that economic performance variable (GDP) was integrated series of order one, I(1). The non-stationary behaviour of economic growth reflects the exceedingly increased fraudulent activities in the studied period due to increased money laundry activities, advance fee fraud, and foreign exchange malpractices in the country. Furthermore, the Nigerian economy was also repressed due to increased oil gas thefts and tax evasion. This confirms why tax evasion (TEV) are also integrated series of order one, I(1). Contrarily, FEM is integrated orders' of zero, I(0); this is not astonishing since they are differentiated (change); hence, it needs to be stationary, else, it would simply denote that it is a phenomenon that cannot be controlled.

Table 3: Auto Regressive Distributed Lag (ARDL) Bound Tests for Co-integration

Source: Researcher's Computation via STATA 13.0
*denotes statistically significant@1%,**5%***10%.

Variables	**F-statistic**	**Co-integration**
F(FEM, TEV)	6.11***	Co-integration
Critical Values	Lower Bound	Upper Bound
1%	2.90	4.64
5%	2.53	3.82
10%	2.22	3.42

In Table 3, ARDL bound test method proposed by Pesaran, Shin and Smith (2001) showed that computed F-statistic is greater than upper critical bound I(1); suggesting that the null hypothesis of no co-integration is rejected. Consequently, the empirical result confirmed the presence of long-run relationship between fraud control and economic performance variables of the study.

Table 4: VAR Result for Foreign Exchange Malpractice & Control Economic Performance

Sample: 1988 - 2020		No. of obs	= 33
Log likelihood	= -29.45738	AIC	= 2.694386
FPE	= .0029909	HQIC	= 2.923263
Det(Sigma_ml)	= .0011965	SBIC	= 3.374617

Equation	Parms	RMSE	R-sq	chi2	P>chi2
gdp	5	.064002	0.9816	1759.341	0.0000
fdi	5	.98759	0.4542	27.45634	0.0000
bop	5	.776918	0.3152	15.18638	0.0043

		Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
gdp							
	gdp L1.	.982104	.0479893	20.47	0.000	.8880466	1.076161
	fdi L1.	.028403	.0104477	2.72	0.007	.0079258	.0488801
	bop L1.	-.0329252	.013062	-2.52	0.012	-.0585262	-.0073241
	fem	-.0192428	.0114201	-1.68	0.092	-.0416258	.0031402
	_cons	.17493	.1590419	1.10	0.271	-.1367864	.4866464
fdi							
	gdp L1.	-2.446577	.7405093	-3.30	0.001	-3.897948	-.9952051
	fdi L1.	.1563069	.1612157	0.97	0.332	-.1596701	.472284
	bop L1.	.1908865	.2015557	0.95	0.344	-.2041554	.5859285
	fem	-.3396837	.1762202	-1.93	0.054	-.685069	.0057016
	_cons	7.31571	2.454128	2.98	0.003	2.505707	12.12571
bop							
	gdp L1.	.0731938	.5825442	0.13	0.900	-1.068572	1.214959
	fdi L1.	-.1787779	.1268253	-1.41	0.159	-.4273508	.0697951
	bop L1.	.4933054	.15856	3.11	0.002	.1825336	.8040772
	fem	.0063495	.138629	0.05	0.963	-.2653584	.2780573
	_cons	1.828213	1.930615	0.95	0.344	-1.955722	5.612148

Presented in Table 4 is the result of multivariate VAR of yearly time-series data involving foreign exchange malpractices control (FEM) and economic performance measures(GDP, BOP & FDI) in Nigeria. The Akaike Information Criterion (AIC) and Bayesian Information Criterion (BIC) result for foreign exchange malpractices control and economic performance models are 2.694386 and 3.374617 respectively; thus, AIC has the smaller value than BIC, indicating that AIC best fits the time-series data.

Besides, multivariate VAR results showed that R^2 is 0.9816(GDP), 0.4542(FDI) and 0.3152 (BOP), indicating that foreign exchange malpractices control (FEM) explained about 98.2%, 45.4% and 31.5% of the systematic variations in GDP, FDI and BOP respectively. Moreover, an examination of the Wald Chi2 suggests that foreign exchange malpractices control explained the short-run changes in GDP, FDI and BOP at P<0.0000, P<0.0001; and P<0.0043 respectively. The coefficients of economic performance (GDP, FDI & BOP) were statistically significant (GDP, f=1759.341; FDI, f=27.45634; & BOP, f=15.18638).

Impliedly, foreign exchange malpractices control significantly affects economic performance (GDP, FDI & BOP) in Nigeria during the period investigated. On the other hand, coefficient of foreign exchange malpractices control (FEM) is carrying a negative sign; an indication that foreign exchange malpractices control (FEM) statistically and negatively affects economic performance in Nigeria.
Given the Wald chi2 values as above, the null hypothesis was rejected and the alternate hypothesis was accepted, suggesting that foreign exchange malpractices control has significant effect on economic performance in Nigeria.

Table 5: VAR Result for Tax Evasion & Control Economic Performance

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Sample:  1988 - 2020                              No. of obs      =        33
Log likelihood = -34.12896                        AIC             =  2.977513
FPE            =  .0039697                        HQIC            =   3.20639
Det(Sigma_ml)  =  .0015881                        SBIC            =  3.657744
```

Equation	Parms	RMSE	R-sq	chi2	P>chi2
gdp	5	.066347	0.9802	1634.859	0.0000
fdi	5	1.04102	0.3935	21.40957	0.0003
bop	5	.776012	0.3168	15.29888	0.0041

	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
gdp						
gdp L1.	1.05004	.0292646	35.88	0.000	.9926822	1.107397
fdi L1.	.0381752	.0124518	3.07	0.002	.0137701	.0625803
bop L1.	-.0301029	.0146732	-2.05	0.040	-.0588619	-.0013438
tev	-.0295702	.0499753	-0.59	0.554	-.12752	.0683795
_cons	-.0555928	.080353	-0.69	0.489	-.2130818	.1018962
fdi						
gdp L1.	-1.299555	.4591775	-2.83	0.005	-2.199526	-.3995832
fdi L1.	.2321945	.1953758	1.19	0.235	-.1507351	.615124
bop L1.	.3383456	.2302315	1.47	0.142	-.1128998	.789591
tev	.1633878	.7841397	0.21	0.835	-1.373498	1.700273
_cons	3.160628	1.260784	2.51	0.012	.6895377	5.631718
bop						
gdp L1.	.0389933	.3422861	0.11	0.909	-.6318751	.7098618
fdi L1.	-.2038085	.1456396	-1.40	0.162	-.4892568	.0816399
bop L1.	.5144108	.1716222	3.00	0.003	.1780375	.850784
tev	.1644447	.5845237	0.28	0.778	-.9812008	1.31009
_cons	1.884917	.9398298	2.01	0.045	.0428839	3.726949

Presented in Table 5 is the result of multivariate VAR of yearly time-series data involving tax evasion control (TEV) and economic performance measures (GDP, BOP & FDI) in Nigeria. The Akaike Information Criterion (AIC) and Bayesian Information Criterion (BIC) result for tax evasion control (TEV) and economic performance models are 2.977513 and 3.657744 respectively; thus, AIC has the smaller value than BIC, indicating that AIC best fits the time-series data.

Again, the multivariate VAR results showed that R^2 is 0.9802(GDP), 0.3935(FDI) and 0.3168 (BOP), indicating that tax evasion control (TEV) explained about 98.0%, 39.4% and 31.7% of the systematic variations in GDP, FDI and BOP respectively. Moreover, an examination of the Wald Chi2 suggests that tax evasion control (TEV) explained the short-run changes in GDP, FDI and BOP at $P<0.0000$, $P<0.0003$; and $P<0.0041$ respectively. The coefficients of economic performance (GDP, FDI & BOP) were statistically significant (GDP, f=1634.859; FDI, f=21.40957; & BOP, f=15.29888).

Impliedly, tax evasion control (TEV) significantly affects economic performance (GDP, FDI & BOP) in Nigeria during the period investigated. On the other hand, coefficient of tax evasion control is carrying a negative sign; an indication that tax evasion control statistically and negatively affects economic performance in Nigeria.

Given the Wald chi2 values as above, the null hypothesis was rejected and the alternate hypothesis was accepted, suggesting that there is significant relationship between tax evasion control and economic performance in Nigeria.

Notwithstanding the empirical results of prior researches, fraud management life cycle theory postulates that economic losses increases due to fraudulent activities which has a great impact on business units which make up the aggregate economy. According to economic axioms, an increase in fraud decreases economic performance. This study via the VAR result established that fraud control negatively and significantly affects economic performance in Nigeria.

The results conform to the findings of the recent studies ofAugustine, Dunne and Pieroni (2016); Goulasand Zervoyianni (2015); Enofe, et al.(2018); Amahalu, et al. (2016) and Nwoba and Abah (2017). In contrast to Henry (2019), Luiz et al.,(2019) which findings establish a significant positive relationship between low corruption level and investment and economic growth in the US.

V. CONCLUSION AND RECOMMENDATIONS

The essence of putting fraud control mechanisms by the government is to promote economic activities, performance as well as making the economy attractive for both local and foreign investors. However, it seems that the fraud control mechanisms put in place by both past and current governments has not yielded the desired results. According to economic postulations, an increase in fraud control should increase the performance of an economy, vis-à-vis, the fraud control mechanisms aimed at combating foreign exchange malpractices, and tax evasion.

In this study, the nexus of fraud control and economic performance was assessed in Nigeria during the period 1987-2020. On the basis of the analysis, the study concludes that fraud control significantly and negatively affects economic performance in Nigeria during the period under consideration. The negativity attributable to the fraud control measures could be that the fraud control mechanisms put in place are not effective enough in combating fraudulent activities in Nigeria.

In view of the findings of the study, it was recommended among others that there is need to further strengthen the fraud control mechanisms put in place by the Nigerian government. Again, tax evaders should be duly and more importantly transparently punished so that they can act as deterrent for taxpayers intending to evade tax in the country.

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