

Advanced Fee Fraud, Money Laundering Controls and Economic Performance in Nigeria

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ABSTRACT: This study examined the impact of advanced fee fraud and money laundering control on economic performance of Nigeria from 1987-2020. To do this, data of advanced fee fraud, and money laundering and economic performance variants (gross domestic product, foreign direct investment and balance of payment) were collected from the Central Bank of Nigeria statistical bulletin, National Bureau of Statistics and World Bank Indicators. Data collected were analyzed using Auto Regressive Distributed Lag (ARDL) Bound test. Results showed that advanced fee fraud and money laundering control significantly and negatively affect economic performance. The negative value may be linked with poor fraud control systems in place by government, hence unable to avert fraudulent activities. In view of the findings of the study, it was recommended among others that policymakers need to institute a more improved and forward-looking advance fee fraud control mechanisms aimed at checkmating and instituting legal actions against advance fee fraudsters in the country.

KEYWORDS: Advanced fee fraud control, Money laundering control, Economic performance

I. INTRODUCTION

Over the years, fraud has been established as a problematic socioeconomic virus, which has adversely affected both public and private sectors in developed and developing nations of the world. In Nigeria, the widespread of fraud has also moved at an alarming rate such that all sectors of the economy suffer from it; perhaps, a reason for the weaknesses in economic performance (Gross Domestic Product) of the country. Owolabi (2010) opines that fraud has far more reaching effects and consequence on stakeholders and the nation's economy at large.

Okoye (2016) posits that the large-scale and alarming rate of the widespread corruption and fraudulent activities witnessed across the nation had led to the devaluation of the naira, thus making the naira worthless as opposed to United States Dollars in the international exchange market. Likewise, in the past decade, Nigeria economic activities as related to other business associates abroad had suffered a setback due to the speedy increase in fraudulent activities known as 'advance fee fraud'(419).

Advance fee fraud refers to gaining someone's property or money dishonestly, and/or obtaining by tricks, cheating, falsifications, impersonations, and counterfeiting as well as fraudulent misappropriation of facts.

Predominantly, the Advance Fee Fraud Act (AFFA) prohibits the act of obtaining money or properties by false pretence, tricks, falsifications, and impersonations; the emphasis of the AFFA is on false pretence, which the act sees as "representation, whether deliberate or reckless, made by word, in writing or by conduct, of a matter of fact or law, either past or present, which representation is false in fact or law, and which the person making it knows to be false or does not believe to be true." (Criminal Law, 2004).

Consequently, an individual obtaining properties, money or misrepresents fact, commits a criminal offence under the AFFA and such individual is liable to conviction to imprisonment for a term of not more than 20years and not less than 7years without the option of a fine (Criminal Law, 2004); remarkably, this provision of the AFFA has not been deeply enforced by law enforcement agencies in Nigeria (Kolawole, 2019; Ogunyinka & Salem, 2019) as opposed to what is obtainable in other developed countries.

There are other dimensions of fraud, which among others include money laundering, foreign exchange malpractices, tax evasion, and oil and gas fraud. Money laundering had become a socioeconomic menace ravaging the world economically. The AFFA sees money laundering as that which ensues when an individual in or outside Nigeria directly or indirectly conceals the origin of; converts or transfers; removes from the jurisdiction; acquires, uses, retains or takes possession or control of; any fund or property, knowingly or which he/she should reasonably have known that such fund or property is, or forms part of the proceeds of an unlawful act (Laws of the Federation of Nigeria, 2004).

The Laws of the Federation of Nigeria (2004) further expanded the scope of the Money Laundering (Prohibition) Act 2004 by not only targeting financial institutions connected with illicit cash transactions but also designated non-financial institutions (DNFIs) linked with illicit cash transactions. Conceivably, the inability of a DNFI to identify their clients as prescribed by the Money Laundering (Prohibition) Act or report such illicit cash transactions within 7days when such transaction occurred, amounts to an offence attracting a fine of ₦250,000 for each day of default; or suspension, revocation or withdrawal of defaulting party's licence by the appropriate institutional authority.

In Nigeria, given the magnitude of fraud and its dimensions, there has been series of reforms programmes, regulations, policies and acts aimed at checkmating the menace of fraud or fraudulent activities in different sectors of the economy (Adawo & Efen, 2013). One of such fundamental institutions aimed at checking this menace called fraud is the Economic and Financial Crime Commission(EFCC) which was established in 2004.

Worthy of note is the fact that this institution (EFCC) has been responsible for enforcing certain fraudulent activities such as advanced fee fraud, money laundering, foreign exchange malpractices, among others (Adewale, 2011). In view of the threats of fraud to the economy, the Nigerian government had entered a Memorandum of Understanding (MOU) with the United States of America (USA) Microsoft Corporation to curb fraud.

Prior researches (Henry, 2019; Luiz, Haquim & Andre, 2019; Enofe, Alliu and Ombu, 2018; Nwoba & Abah, 2017; Isola, Oluwafunke, Victor & Asaleye, 2016) have established that fraud negatively and significantly affect economic performance; however, whether the control of it will significantly affect economic performance, has not

been deeply researched in the Nigerian context. Consequently, this study seeks to examine the effects of advanced fee fraud and money laundering controls on economic performance in Nigeria during the period 1987-2020.

II. LITRATURE REVIEW

Advanced Fee Fraud (AFF)

Advanced fee fraud operates by persuading the victims to pay in advance a relatively small sum of money in the hope of getting back a much larger benefit fraudsters are mostly African most especially Nigerians who claim to be businessmen whose relative is trying to transfer some money out of their country, and offering to divide the proceeds with the victims for their help in enhancing and fast-tracking the process of the transfer. According to Thompson (2003), advance fee fraud started from Nigeria and was marketed via traditional means such as mail and facsimile transaction. Andrew (2014) posit that the current advancement in technology and rapid growth of the internet provides a new outlet for fraud. The widespread of the phenomenon of an advance fee the fraud had directly affected internet users in terms of security, trust and financial loss. In Nigeria, it is on the bedrock that the advance fee fraud Act 2005 was enacted aimed at checkmating the reoccurring financial crime.

Advanced fee fraud or 419 refers to the act of obtaining property or money by false pretense (obtaining by tricks). It is generally used to describe all forms of fraudulent activities with the intent of obtaining money from another person following forms such as cheating falsification, impersonation, counterfeiting and fraudulent misappropriation of facts. Perpetrators usually persuade victims to part away with assets in the form of either cash or property with the expectation that their money or properties given out will generate more lucrative returns or gains advance fee fraudsters usually invest more simile attractive strategies to continue to get money and properties from their victims until they realizes that they had been duped or lost hope of getting any return from earlier given money on the other hand it can take the form of romantic a relationship where fraudsters capitalize on a victim in disguise of love to make unnecessary demands such as air ticket fees travels document and accommodation reservation to facilitates their romantic relationship.

Perpetrators of advance fee fraud employ diverse medium either online or offline electronic space (cyberspace) or physical contact to perpetuate their fraudulent activities. Some of the means of online advance fee fraud include fraudulent

websites, social networking website, telephones cybercafés and other internet activities facilities. Research has shown that AFF originated and is well developed in Nigeria and the perpetrators are mostly Nigerians. According to the Times (1998), during General Sani Abacha's regime, billions of dollars were taken from the national treasury. However, after Abacha's sudden death, his family returned \$750 million, which was taken from the state funds to the government. A pointer of the extent to which Nigeria is seen as a corrupt nation provided by the corruption index of Transparency International in 2018. This index for Nigeria is 1.9 on a scale of 1 to 10, where 1 represents the highest level of perceived corruption (Transparency International 2018).

Money Laundering (ML)

Money laundering according to Ogbodo and Miseseigha (2013) is the concealment of the source, nature existence location and disposition of money and or property obtained illegally or from criminal activities such as embezzlement, drug trafficking, prostitution, 419, corruption and large scale crime. It is a criminal trend recognized globally since 1988 where the United Nations launched a convention against illicit traffic in harmful drugs and psychotropic materials. The origin of this "devil" (money laundering) could not be ascertained by anyone, some scholars traced it origin to several thousand years ago with the Chinese merchants according to Silkscreen (1994) and Steel (2006) asserted that it all started from mafia ownership of Laundromats, in the United States where they have to authenticate the genuine source of the monies, as they earned their cash from extortion gambling, prostitution, looting, bootleg liquor and so on. This menace in Nigeria is traceable to the colonial era where citizens were slaves under the British colony considering Nigeria as the centre for money laundering in Africa.

Money laundry (ML) has become part and part so of Nigeria from independence to the military rule of 16 years going on in an alarming rate even in the democratic era of Nigeria. According to Idowu and Obasan (2013), ML had worsened in recent times covering and indicting the social image of innocent and decent industrious Nigerian leaving the country also with adverse social economic political effects among other are weak financial institutions and operation reduction in the gross domestic product, high inflation rate and distortion in foreign direct investment. It is on the premise of these enormous challenges that the government embarked on rehabilitation programme by establishing institutions law enforcement agencies. Act by the legislature aimed at curbing the Effect of the "devil".

The economic health of a nation can be bedeviled by the level of the outflow and the inflow of cash in the country (Akpabio, 2014). The economic effects of money in the Nigeria economy cannot be completely unravelled in this paper but to mention a few. Illegal funds got from money laundering activities used in the importation of goods at cheaper process tends to frustrate the indigenous an entrepreneur with a genuine source of money whose goods cannot compete favourably with such imports (Ikpang, 2011) money launderers has no the intention of making profit in that jeopardizing the economic Viability and productivity in the economy of Nigeria. Money laundering also causes lack of confidence in the economy by a foreigner due to economic and financial crime creating discouragement for interactional flow of capital (FDI) foreign direct investment thereby hindering the growth of the economy of Nigeria. ML also poses some forms of a negative public image on the reputation of Nigeria thereby adversely affecting the international economic relationship.

In recent times, Nigerians were treated with disdain in the international market on the account of record of cases of money laundering and other financial crime (Dowell, 2011). Other macroeconomic effects of money laundering include volatility in the exchange rate and the interest rate the unanticipated transfer of money reduction in the price of assets due to the disposition of laundered funds, misallocation of resources in relative assets commodities inflation, confidence lost in market operations as a result of insider trading, fraud embezzlement and corruption. Money laundering in any the economy is done through the following phases, placement, layering and integration

Theoretical Framework

The paper is hinged on the fraud diamond theory. Wolfe and Harmerson propounded the fraud diamond theory (FDT) was first presented in the CPA Journal (December 2004). which added a fourth dimension to the fraud triangle where it was noted that an individual's capacity, personality or character can be a major influence on the occurrence of fraud despite the existence of opportunity with pressure and rationalisation as windows attracting forces for it. It is generally viewed as an expanded version of the Fraud Triangle Theory (FTT). Individual skills, abilities and personality are essential determinant factors for fraud to occur. They argued that although perceived pressure or incentive might coexist with an opportunity to commit fraud and rationalization for doing so. It is unlikely for fraud to take place unless the fourth element (i.e. capability) is also present.

In other word, the potential perpetrator must have the skills and ability to commit fraud. The additional element is what differentiates the fraud triangle theory of Cressey (1953) and fraud diamond. Advance fee fraudsters, money launderers and exchange rate malpractice, tax evaders and avoider, as well as oil and gas fraudsters must have established a perceived pressure or unsatisfied financial need creating the desire to defraud where ever there is any given opportunity with predetermined way to explain out when they are caught coupled with the relevant skills trait or character to perpetuate the fraud.

According to Wolfe and Hermanson (2004), opportunity unlocks the entry way to fraud, and incentive (i.e. pressure) and rationalization can attract a person toward it. However, the person must have the capability to distinguish the means to the entry way as an opportunity and to take advantage of it by walking through, not just once, but repeatedly". With the additional element presented in the FDT affecting individuals' decision to commit fraud, the organization and auditors need to understand employees' individual traits and abilities in order to assess the risk of fraudulent behaviours in the public sector. The elements of FDT is interrelated to the extent that an employee cannot commit fraud until all of the elements are present. The theory proposes that pressure can cause someone to seek opportunity, and pressure and opportunity can encourage rationalization. At the same time, none of these two factors, alone or together, necessarily cause an individual to engage in activities that could lead to fraud until the fraudster has the capability to do so (Hooper and Pornelli, 2010). The additional element, i.e., a capability is what differentiates the FDT of Wolfe and Hermanson (2004) from the FTT of Cressey (1950).

Furthermore, capability is the situation of having the necessary traits or skills and abilities for the person to commit fraud. It is where the fraudster recognised the particular fraud opportunity and ability to turn it into reality. Position, intelligence, ego, coercion, deceit and stress, are the supporting elements of capability (Wolfe and Hermanson 2004). According to Bressler and Bressler (2007) as cited by Mackevicius and Giriunas (2013), not every person who possessed motivation, opportunities, and realization may commit fraud due to the lack of the capability to carry it out or to conceal it. Albrecht, Williams, and Wernz (1995) opine that this element is particularly important when it concerns large-scale or long-term fraud. Furthermore, Albrecht et al. (1995) believe that only the person who has an extremely high capacity will be able to understand

the existing internal control, to identify its weaknesses and to use them in planning the implementation of fraud.

Wolfe and Hermanson (2004) states that the person's position or function within the organization may furnish the ability to create or exploit an opportunity for fraud not available to others. In a research conducted as An Analysis of U.S. Public Companies, Beasley et al. (1999) as quoted by Wolfe and Hermanson (2004) found that corporate CEOs were implicated in over 70 per cent of publicly quoted companies are faced with accounting frauds. They also report that many organizations do not implement sufficient checks and balances to mitigate their CEO's capabilities to influence and perpetuate frauds. Additionally, when people perform a certain function repeatedly, such as bank reconciliations or setting up new vendor accounts, their capability to commit fraud increases as their knowledge of the function's processes and controls expands over time.

The fraudster is someone who understands and capable of exploiting internal control weaknesses and using the position; function or authorized access to the greatest advantage. Intelligent, experienced, creative people with a solid grasp of controls and vulnerabilities, commit many of today's largest frauds. This knowledge is used to leverage the person's responsibility over or authorized access to systems or assets (Wolfe and Hermanson 2004). According to the Association of Certified Fraud Examiners (2003), 51% of the perpetrators of occupational fraud had at least a bachelor's degree, and 49% of the fraudsters were over 40 years old. In addition, managers or executives committed 46% of the frauds based on the Association's recent study. The fraudster has a strong ego and great confidence that he will not be detected, or believes that he could easily take himself out of trouble if caught. Such confidence or arrogance can affect one's cost benefit analysis of engaging in fraud. The more confident the person, the lower the estimated cost of fraud will be (Wolfe & Hermanson 2004).

In an article entitled, "The Human Face of Fraud" it is noted that one of the common personality types among fraudsters is the ego. An egoistic person refers to someone who is "driven to succeed at all costs, self-absorbed, self-confident and narcissistic" (Duffield and Grabosky, 2001). "The Psychology of Fraud" notes that, in addition to financial strain, an aspect of motivation that may apply to some or all types of fraud is ego/power. Wolfe and Hermanson (2004:40) quoting Sutherland (1977) "Theory of White-Collar Criminals" state that, "As fraudsters found themselves successful at

this crime, they began to gain some secondary delight in the knowledge that they are fooling the world, that they are showing their superiority to others". The individuals committing fraud must have a strong ego and great confidence that they will not be detected. The common personality types include someone who is driven to succeed at all costs, self-absorbed, self-confident, and often-narcissistic (Rudewicz 2011). According to the Diagnostic and Statistical Manual of Mental Disorders(DSMMD), as cited by Rudewicz (2011) narcissistic personality disorder is a pervasive pattern of grandiosity, a need for admiration and a lack of empathy for others. Individuals with this disorder believe they are superior or unique, and they are likely to have inflated views of their own accomplishments and abilities.

A successful fraudster can coerce others to commit or conceal fraud Rudewicz (2011). A person with a very persuasive personality may be able to convince others to go along with fraud or to simply look the other way. In addition, it is noted that a common personality type among fraudsters is the "bully," who "makes unusual and significant demands of those who work for him or her, cultivates fear rather than respect and consequently avoids being subject to the same rules and procedures as others" (Wolfe and Hermanson 2004:41). Many financial reporting frauds are committed by subordinates reacting to an edict from above to "make your numbers at all costs, or else."(Wolfe and Hermanson 2004). According to Wolfe and Hermanson (2004) and Rudewicz, (2011) a successful fraudster must also lie effectively and consistently. To avoid detection, the fraudster must look at the auditors, investors, and others right in the eye and convincingly tell them lies. Thus, the fraudster should also possess the skill to keep track of the lies, so that the overall story remains consistent. In the Phai-Mor fraud, the auditors claimed that Phar-Mor had formed a team of fraudsters made-up of executives and former auditors whose function is to ensure they are working continuously to hide evidence of frauds. Among others, the auditors claimed that the fraud team not only lying but also forged documents and 'scrubbed' everything the auditors saw to hide any indications of malfeasance (Cottrell and Glover, 1997 in Wolfe and Hermanson 2004). Another strong characteristic of fraudsters is their ability to handle stress (Wolfe and Hermanson, 2004). Committing frauds require and managing the frauds over a long period of time and can be stressful.

There is the risk of detection, with its personal ramifications, as well as the constant need to conceal the fraud on a daily basis. The individual must be able to control their stress, as committing the fraudulent act and keeping it concealed can be extremely stressful (Rudewicz, 2011).

III. RESEARCH METHOD

The ex-post facto research design and secondary data was employed. 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 measured via gross domestic product (GDP), foreign direct investment (FDI) and balance of payment (BOP) and independent variables are advanced fee fraud (AFF) and money laundering (MLD). To capture fraud control, the study used changes (Δ) advanced fee fraud and money laundering while GDP, FDI and BOP were captured as a measure for economic performance.

Variables of GDP, FDI and BOP were scaled via natural logarithm to avoid scaling problems, since variables of MLD and AFF are in percentage change. Vector Auto Regression (VAR) model was used and expressed as follows:

$$\text{Econperf} = f(\Delta\text{AFF}) \quad \text{Eq. 1}$$

$$\text{Econperf} = f(\Delta\text{MLD}) \quad \text{Eq. 2}$$

Equations 1-2 can be rewritten in their explicit forms as shown in equations 3-7 below:

$$\text{Econperf} = a_0 + \beta_1\Delta\text{AFF}_t + U_t \quad \text{Eq. 3}$$

$$\text{Econperf} = a_0 + \beta_1\Delta\text{MLD}_t + U_t \quad \text{Eq. 4}$$

The basic VAR model showing the multivariate VAR link between economic performance measures (GDP, BOP and FDI) and fraud control measures (AFF and MLD) of the study:

$$Y_t = m_0 + A_1Y_{t-1} + A_2Y_{t-2} + \dots + A_pY_{t-p} + \epsilon_t \quad \text{Eq. 5}$$

Equation (4) specifies VAR (P) process, where $A_i(i=1,2,\dots,p)$ are $K \times K$ matrices of coefficients, m is a $K \times 1$ vector of constants and ϵ_t is a vector of white noise process. In order to estimate equation (5), we can translate this into equations 6-7 as follows:

$$\text{Econperf} = m_0 + A_1\Delta\text{AFF}_{t-1} + \epsilon_t \quad \text{Eq. 6}$$

$$\text{Econperf} = m_0 + A_1\Delta\text{MLD}_{t-1} + \epsilon_t \quad \text{Eq. 7}$$

This study used annual time series data by applying co-integration test. Data obtained was analyzed via descriptive (mean, standard deviation, normality) and inferential (Augmented Dickey-Fuller Unit Root, Heteroscedasticity and Co-integration Tests) statistical techniques.

IV. RESULTS

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

	GDP	FDI	BOP	AFF	MLD
Mean	2.1394	1.9132	3.1807	3.5464	8.3929
Median	2.0778	1.6750	3.3039	3.6850	8.0750
Maximum Val.	2.7547	5.7900	5.1397	4.0300	10.450
Minimum Val.	1.4433	0.0700	1.6659	0	0
Standard Dev.	0.4407	1.2385	0.8738	0.6773	1.8955
Skewness	0.0276	1.3004	0.1539	-4.4146	-2.4326
Kurtosis	1.3359	4.8636	2.4101	23.567	12.329
Jarque-Bera	0.4910	2.5320	0.6030	1.7040	0.0737
Probability	0.7823	0.2811	0.7396	0.4265	0.1173
Sum	72.741	65.050	108.14	120.58	285.36
Observations	34	34	34	34	34

Source: Researcher’s Computation via STATA 13.0

Table 1 shows the results for time series data on economic performance measures (gross domestic product – GDP; foreign direct investment – FDI; and balance of payment – BOP) and fraud control measures (advanced fee fraud – AFF and money laundering – MLD). 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 and MLD) that skewed to the left, as indicated by the positive and negative signs attached to the skewness values. Furthermore, it can be seen that the Jarque-Bera statistics are insignificant for economic performance and fraud control measures; this implies that the residuals of the variables are normally distributed.

Table 3: Unit Root and Co-integration Result

Variables	ADF Level	CV (5%)	ADF – 1 st 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)
AFF	-0.343	-2.983	-3.709	-2.983	2	Constant	I(0)
MLD	-1.218	-2.983	-3.709	-2.983	2	Constant	I(0)
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 in the country.

Table 4: VAR Result for Advanced Fee Fraud & Control Economic Performance

Sample:	1988 - 2020	No. of obs	=	33
Log likelihood	= -32.90199	AIC	=	2.903151
FPE	= .0036852	HQIC	=	3.132028
Det (Sigma_ml)	= .0014743	SBIC	=	3.583382

Equation	Parms	RMSE	R-sq	chi2	P>chi2
gdp	5	.064358	0.9814	1739.528	0.0000
fdi	5	1.02401	0.4131	23.23222	0.0001
bop	5	.776191	0.3164	15.27659	0.0042

		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
gdp	gdp						
	Ll.	1.031156	.0300901	34.27	0.000	.9721809	1.090132
	fdi						
	Ll.	.0371988	.0101667	3.66	0.000	.0172724	.0571251
	bop						
fdi	Ll.	-.0227744	.0126044	-1.81	0.071	-.0474786	.0019298
	aff						
	Ll.	-.0733338	.0469178	-1.56	0.118	-.1652909	.0186234
	_cons						
	Ll.	.2279555	.1995313	1.14	0.253	-.1631187	.6190298
bop	gdp						
	Ll.	-1.105533	.4787672	-2.31	0.021	-2.0439	-.1671668
	fdi						
	Ll.	.2203762	.1617636	1.36	0.173	-.0966746	.5374269
	bop						
bop	Ll.	.2810497	.2005502	1.40	0.161	-.1120214	.6741209
	aff						
	Ll.	.8006606	.7465138	1.07	0.283	-.6624796	2.263801
	_cons						
	Ll.	.0448782	3.174764	0.01	0.989	-6.177546	6.267302
gdp	Ll.	.0190867	.3629011	0.05	0.958	-.6921863	.7303597
	fdi						
	Ll.	-.1744016	.1226153	-1.42	0.155	-.4147231	.0659199
	bop						
	Ll.	.497061	.1520152	3.27	0.001	.1991167	.7950052
aff	Ll.	-.1430191	.5658505	-0.25	0.800	-1.252066	.9660276
	_cons						
Ll.	2.465707	2.406442	1.02	0.306	-2.250833	7.182247	

Table 2: Auto Regressive Distributed Lag (ARDL) Bound Tests for Co-integration

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.

Presented in Table 4 is the result of multivariate VAR of yearly time-series data involving advanced fee fraud control (AFF) and economic performance measures (GDP, BOP & FDI) in Nigeria. The Akaike Information Criterion (AIC) and Bayesian Information Criterion (BIC) were used to compare the maximum likelihood models. Advance fee fraud control and economic performance model has AIC and BIC values of 2.903151 & 3.583382 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 0.9814 (GDP), 0.4131 (FDI) and 0.3164

(BOP), indicating that advanced fee fraud control (AFF) explained about 98.1%, 41.3% and 31.6% of the systematic variations in GDP, FDI and BOP respectively. Moreover, an examination of the Wald Chi2 suggests that advanced fee fraud control explained the short-run changes in GDP, FDI and BOP at $P < 0.0000$, $P < 0.0001$; and $P < 0.0042$ respectively. The coefficients of economic performance (GDP, FDI & BOP) were statistically significant (GDP, $f=1379.528$; FDI, $f=23.23222$; & BOP, $f=15.27659$).

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

Table 5: VAR Result for Money Laundering & Control Economic Performance

Equation	Parms	RMSE	R-sq	chi2	P>chi2
gdp	5	.060806	0.9834	1952.708	0.0000
fdi	5	1.02001	0.4177	23.67399	0.0001
bop	5	.776476	0.3159	15.24114	0.0042

		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
gdp	gdp						
	L1.	1.010568	.030228	33.43	0.000	.9513225	1.069814
	fdi						
	L1.	.0302632	.0095201	3.18	0.001	.0116041	.0489222
	bop						
L1.	-.0249717	.0117641	-2.12	0.034	-.0480289	-.0019145	
m1d	.0245342	.0094743	2.59	0.010	.0059648	.0431035	
_cons	-.187922	.0886429	-2.12	0.034	-.3616589	-.0141852	
fdi	gdp						
	L1.	-1.574274	.5070742	-3.10	0.002	-2.568122	-.5804273
	fdi						
	L1.	.2263433	.1596995	1.42	0.156	-.0866619	.5393486
	bop						
L1.	.3221569	.1973424	1.63	0.103	-.064627	.7089409	
m1d	.1892965	.1589315	1.19	0.234	-.1222034	.5007964	
_cons	2.188631	1.486983	1.47	0.141	-.7258026	5.103065	
bop	gdp						
	L1.	.0149969	.3860061	0.04	0.969	-.7415612	.771555
	fdi						
	L1.	-.1843005	.1215699	-1.52	0.130	-.4225732	.0539722
	bop						
L1.	.4918855	.1502253	3.27	0.001	.1974494	.7863217	
m1d	.024076	.1209853	0.20	0.842	-.2130508	.2612028	
_cons	1.779273	1.131954	1.57	0.116	-.4393163	3.997862	

Presented in Table 4.11 is the result of multivariate VAR of yearly time-series data involving money laundering control (MLD) and economic performance measures (GDP, BOP & FDI) in Nigeria. The Akaike Information Criterion (AIC) and Bayesian Information Criterion (BIC) result for money laundering control and economic performance model are 2.647591 and 3.327921 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 0.9834 (GDP), 0.4177 (FDI) and 0.3159 (BOP), indicating that money laundering control (MLD) explained about 98.3%, 41.8% and 31.6% of the systematic variations in GDP, FDI and BOP respectively. Moreover, an examination of the Wald Chi2 suggests that money laundering control explained the short-run changes in GDP, FDI and BOP at $P < 0.0000$, $P < 0.0001$; and $P < 0.0042$ respectively. The coefficients of economic performance (GDP, FDI & BOP) were statistically significant (GDP, $f = 1952.708$; FDI, $f = 23.67399$; & BOP, $f = 15.24114$).

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

Notwithstanding the empirical results of prior researches, fraud diamond theory postulates that economic losses increase due to fraudulent activities, particularly where there are opportunities with no threats to avert fraudulent activities. Economic postulation holds that an increase in fraud may lead to a decrease in economic performance. This study via the VAR result established that fraud control significantly affects economic performance in Nigeria. The results conform to the findings of the recent studies of Enofe, et al. (2018); Amahalu, et al. (2016) and Nwoba and Abah (2017). Contrarily, the study is at variance with the result Luiz et al. (2019).

V. CONCLUSION AND RECOMMENDATIONS

The purpose of having fraud control systems is to checkmate economic activities in order to attract local and foreign investors to the country. More so, it seems that fraud control systems in place had not been able to provide the expected results. Economic axiom holds that an increase in fraud control will lead to an increase in economic

performance, vis-à-vis, fraud control systems aimed at combating advanced fee fraud and money laundering.

In this study, the relationship between fraud control and economic performance was investigated in Nigeria from 1987-2020. The study concludes that fraud control significantly and negatively affects economic performance. The negativity attributable to the fraud control measures could be that the fraud control systems put in place are not effective enough in combating fraudulent activities in Nigeria.

That advanced fee fraud (known as 419) control negatively impacts on economic performance in the country; hence, policymakers need to institute a more improved and forward-looking advanced fee fraud control mechanisms aimed at checkmating and instituting legal actions against advanced fee fraudsters in the country.

More so, the study found that money laundering control negatively influences the performance of the economy in the country; thus, there is need to revisit the Money Laundering Act and tailor it towards the peculiarity of the Nigerian state.

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