

# Financial Crime and its Implications on Nigeria's Social Image

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## ABSTRACT

*Financial crime has eaten deep into the fiber of Nigeria's social status. A country is economically, socially and environmentally secured when its financial crimes level is at barest minimum. In spite of government efforts to reduce financial crimes through its established agencies, not much has been achieved as the trend of crime in Nigeria sporadically increased. This review explored the social effects of financial crime in the light of recent financial insecurity experienced in the country with the primary aim of exploring its causes and possible ways of controlling the menace in Nigeria. The study observed among others that the rise in the rate of financial crime earned Nigeria a disputable image both locally and internationally, and that vulnerability of institution's internal structure and rule of law could decoy financial crime tendencies. Therefore, the security of territorial integrity and effective resources' control measures in enhancing the growth and dignity of Nigeria's social, economic and political image should be taken much more seriously than before by all stakeholders.*

**Keywords:** *Financial crime, Financial control and Territorial integrity.*

## INTRODUCTION

Given extensive economic and social costs of crime, it became imperative for a growing economy to strengthen its policies to control and prevent crime. The types of costs and effects are widely varied. Some costs are short-term while others last for a lifetime. The ultimate cost is loss of life and social reputation. Other costs to victims could be medical costs, property losses, and loss of income. Some costs of financial crime are not easily identified but could result to pain, poverty and impoverished quality of life. According to Suzanne (2007) Economic and financial crimes have devastating impact on the capacity of governments to function properly; on the private sector to grow and create employment; on the talents and energies of people to add value in productive ways; and ultimately on societies to lift themselves out of poverty. There are also traumatic multiplier effect on families and friends of crime victims. The cost of crime to the governments is also overwhelming. The government spends public funds in equipping police departments, prisons and courts; including salaries of prosecutors, judges, public defenders, social workers, and probation officers. The amount of time spent by victims, offenders and juries during court trials also reduces productivity. Olatunde (2012) reports that large sums of government revenue were undermined by the financial criminal practices of the Nigerian political and economic elite (both local and international), which enriched few and impoverished most Nigerians.

Financial crimes are non-violent crimes on financial instruments targeted at illicit financial gains at the expense of their victims. In the view of Theophilus (2009), it is a crime which in addition to the aim of getting financial benefit is targeted directly on funds and financial instruments. These include among others; advance fee fraud (419), currency trafficking, counterfeiting, credit card fraud, asset misappropriation, employee embezzlement, and a host of others. Financial crimes are crimes which in addition to the aim of getting financial benefit are targeted directly on funds and financial instruments. The increasing rate of crime and the manner in which it is perpetrated posed serious questions on the causes of financial crime. How financial crimes could be controlled? What implications do financial criminal activities has on Nigeria's Social Status? This study is therefore undertaken with a view to finding meaningful solution to the above questions.

### **The Causes of Financial Crimes in Nigeria**

Financial crime could occur at both public and private levels. The causes of financial crime will be better identified given various levels at which these crimes occur. Financial crime is harmful to national interest and worrisome is the rate at which Nigeria's social status deteriorates due to increased criminal activities. The effectiveness of organization structure and policies may propel or debar the activities of fraudsters. Employees fraud in recent times, have been on the rise due to less supervision, weak management, loopholes in companies policies, poor motivation among others. Vulnerability of institution's internal structure and rule of law could decoy financial crime tendencies. Political instability to a large extent made financial crime seems legal. Confliction between 'the rule and the practice' is disappointing as the country witnesses defective judicial rulings and agencies' effectiveness as evidenced in James Ibori's crime saga. The recurring scam and scandals among public office holders in Nigeria shows gross violation of the rule of law. Possibly, encouraging the poor citizens (whom physical and psychological security have been dabbled with) to perpetuate financial crime. The inadequacy and overlapping duties of law enforcement agencies made difficult for timely prosecutions of criminals. A typical example is the Otedola and Lawan bribery scandal which has been politicized.

The growing rate of businesses coupled with technological advancement has continued to facilitate opportunities to commit frauds. Technology with it attendant benefits could be easily manipulated for private gains, especially in Nigeria where the rate of development in technology is not commensurate with citizens' technology literacy level. Though, technological literacy level seems difficult to be measured but a good indicator is the large volume of crime victims falling prey of their predator resulting from their literacy level of technological usage. For instance, the porous level of personal data security facilitated identity related fraud in Nigeria. Cultural and educational values have lots of effects on behavioural pattern of individuals. Behavioural disorder resulting from poor parental care and educational background could propel greed and economic desperation in individuals. Also, the lust for power, recognition and wealth could lead an individual to ill- gotten wealth without measure. The desire to be fulfilled and recognized among peers and family members became a driver for ill- gotten wealth since hard work and academic excellence were not measures of wealth in the Nigerian context.

### **Social Implications of Financial Crime**

Financial crime has a damaging effect on Nigerian social and economic status. It has played a major role in causing serious damage to the economic and social landscape of Nigeria, which in turn, has undermined social welfare and also investment in the public services, thereby eroding the quality of life and producing a decline in average life expectancy (Olatunde, 2012). The rise in the rate of financial crimes has earned Nigeria despicable image both locally and at the international front. It is worthy of mentioning that a nation is secured when it can guarantee security of her territory. However, Ribadu (2004) posits that a nation riddled with economic and financial crimes with attendant economic and social consequences cannot be well positioned to defend its integrity. The unresolved rate of financial crimes affects the reputation and credibility of Nigerians within and outside the country. The perception of a Nigerian and the treatment meted on them internationally is disheartening as this affects their personal and business relationships. Ribadu (2004) further notes that several discriminatory treatments and humiliations based on gross suspicion of Nigerians by foreign agencies, have earned her a special desk for fraudsters in the eye of the international community. Evidenced is the enactment of a special law against Nigerian Fraud by the United State congress.

Financial crime destabilizes economic activities and stimulates capital flight. The potential damage caused by economic and financial crime includes damaged credibility for businesses and financial institutions, bankruptcy and loss of jobs (UNODC, 2005). Financial crime discourages investment (local and foreign) due to inherent insecurity level in business relationship. Criminals engage in all forms of economic vices to ensure safety of the proceeds of their activities; such as redirection of investment and proceeds from investment without consideration for Nigerian trade position. The cost of business resulting from smuggled products is high. The activities of smugglers for instance compete unhealthily with local manufacturers which may hinder the stability of the real sector. A multiplier effect if this, on unemployment and the general wellbeing of the citizens are unacceptably costly. Another difficulty posed by fraudsters' activities is the refusal to channel their grand proceeds through the financial institutions. The effect of this is the inability of the government to discharge its responsibilities effectively due to considerable loss of tax income.

The social cost of crime transcend beyond the loss of funds. It also gives victims psychological trauma. Financial crime derails victims' mental state (e.g. anger, anxiety, distress, shock, embarrassment). The cost of subsidizing health facilities by the government for a crime which could be prevented is high. However, Allan (1998) notes that the costs of financial fraud are diffused and subtle in the short term, in the longer term they have the potential to undermine the basic tenets towards which modern society strives, including democracy, accountability and the rule of law.

### **CONCLUSION**

Nigeria is a multi-ethnic country rich in cultural values and abundant natural resources. However with the gifted resources, financial crime in the different forms (corruption, money laundry, investment fraud, identity theft and advanced fee fraud) has become a natural

phenomenon. Both the private sector and public sector are not immune against financial crime. To a greater extent, all stakeholders (the government and the governed) are contributory to the disastrous act. It became important for all - the government, judiciary, financial crime commissions, victims and other individuals- to commit themselves to preventing and restoring normalcy in our various institutions. Financial crime threatens the peace of our territorial integrity and denies us the rapid socio- economic development. A developing economy should strategically position it environment for business initiatives and development. Economic legitimacy should therefore, not be undermined by unscrupulous individuals for private gains. Effective measures requiring due diligence, care and sound control measures should be put in place to combat financial criminal practices.

The government should maintain adequate, but not overlapping procedures for combating crime through it established commissions. Compliance to policies and prompt sanctions for non- compliance should be instituted for all irrespective of the person involved in the act. In furtherance of the strength of crime prevention and control commissions, continuous training of forensic experts should be encouraged; especially in line with the spate of technological advancement. Also, logical security facilities should be adequately provided especially now that physical security had failed Nigerians with the spate of violence and high profile criminal cases witnessed.

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