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Money Laundering and Economic Development in Nigeria

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ABSTRACT

The research examines Money Laundering and Economic Development in Nigeria. Thus, the purpose of this study is to evaluate, specifically, the impact of Money laundering on Economic development in Nigeria. The specific purpose of this study is to deeply analyze the immeasurable scale, concise effect and impact of the phenomenon “Money laundering” and its aid to Economic development in Nigeria. Data were collected through secondary sources and the hypothesis tested with ordinary least square regression analysis. The study revealed that increases in money laundering have a significant negative impact on growth. In the light of the study findings, the study recommended that Nigeria as a priority should restructure their economic and socio political mechanisms of their nations in their quest to fight the phenomenon of money laundering.

Keywords: Money laundering, Economic growth, and Real Gross Domestic Product,

INTRODUCTION

According to Ferguson (2013), "the term money laundering is claimed to have originated in the 1920s and 1930s from the mafia's ownership of Laundromats in the United States." Because organized criminals made so much money from extortion, prostitution, gambling, and bootlegging, they needed to demonstrate a legitimate source of income." The term "Money Laundering" was first used in a legal context in 1982 in the case of United States vs. $4,255,625.39, which involved the confiscation of laundered Columbian drug proceeds (Walker, 2007). The impact of money laundering on the image of the national economy is enormous and frightening. Money laundering has occurred. The phrase "money laundering" simply implies "the washing of money," yet a thing is laundered only when it is unclean and needs to be cleaned. Thus, this transliteration “the washing of money” is infused with an ulterior purpose which is to cover its dirty origin and it is the infusion that enables the conceptualization of the funds in their possession were generated legitimate businesses so as to make possible for the law enforcement authorities to trace the funds back to the crime and by doing so, they are able to escape being convicted for their early crime (Ndubuisi, Chidoziem, Christian & Chinyere, 2017). Although the term is frequently used as a synonym for economic growth, it is primarily intended to denote a transformation in a country's economy that includes both qualitative and quantitative gains. Real Gross Domestic Product (RGDP), Market Capitalization (M.CAP), and Gross Fixed Capital Formation are all proxies for economic development (GFCF). Real GDP is an inflation-adjusted metric that reflects the value of all goods and services generated by an economy in a given year (expressed in base-year prices). It is also known as constant-price GDP, inflation-corrected GDP, or constant dollar GDP (Ganti, 2022).

The International Monetary Fund estimated in 1996 that money laundering accounts for 2% to 5% of the global economy. The impact of money laundering on the reputation of the national economy is immense and terrifying. Economic development and growth are heavily entwined with financial crises in any country around the world, owing to some industries' inability to conduct financial transactions with due diligence, transparency, and compliance with stated regulations, which creates space for criminal and fraudulent activities such as money laundering, tax evasion, and others.

The effects of money laundering on economic development are difficult to quantify, but it is clear that such activity harms the financial sector, institutions critical to economic development, lowers productivity in the economy's real sector by diverting resources, and encourages crime and corruption, all of which slow economic development and distort the external economic sector (Ogbodo, 2013). Money laundering in Nigeria has recently escalated, obscuring the image of the country's honest and hardworking citizens (Idowu & Obasan, 2012). According to Efenyumi (2013), money launderers go through banks in certain countries in the belief that the laws in that country will protect them and their illicit money, to the detriment of those in poverty. Money launderers frustrate legitimate business, corrupt the financial and socio-political system, and stimulate national and international action to regulate it. The majority of the studies in this field have found a negative association between money laundering and economic progress. None has established a positive relationship thereby creating a gap which this study in assured to fill.   This study ascertains the extent to which money laundering affect the growth of the Nigerian economy.

LITERATURE REVIEW

Money Laundering

Money laundering is defined as the conversion or transfer of property, knowing that such property is derived from serious crime, for the purpose of concealing or disguising the illicit origin of the property or assisting any person involved in committing such offence to evade the legal consequences of his action, as well as the concealment or disguise of the true nature, source, location, disposition, movement, or disposition of the property.

According to Schneider (2004), there are three basic reasons why money laundering occurs. The first reason is that unlawful income is disguised as legitimate income. Second, laundering provides an adequate reason for the unlawful money. Third, unlawful revenue and its sources are concealed. These three motives can be summarized as a desire to spend illegally obtained money in the normal, legitimate economy while concealing all indications of illicit activity along the way. According to Ohanyere (2011), money laundering is the process through which the proceeds of illicit conduct are transferred into seemingly legal activities, masking their criminal origin. In other words, dirty money is cleansed (laundered) to conceal its dirty or illicit origin. Money laundering is the concealment of the source, origin, existence, location, and disposition of money and property obtained unlawfully through illicit activities such as embezzlement, drug trafficking, prostitution, fraud, corruption, and large-scale criminal activity.

According to IR Global (2017), money laundering is the process of converting criminal gains into ostensibly legitimate money or other assets. However, in a number of legal and regulatory systems, the term Money Laundering has become conflated with other types of financial crime, and is sometimes used more broadly to include the misuse of the financial system (involving securities, digital currencies, credit cards, and traditional currency), as well as terrorism financing and evasion of international sanctions (IR Global, 2017). Although it is difficult to measure, it is apparent that money laundering is harmful to a country's economy.

Legal Framework and Anti-Money Laundering Act and Regulations in Nigeria

Despite tough regulations, expecting the volume, the Money Laundering Decree's aims include, among other things, ensuring that all money laundering transactions conducted through banks leave a documentation trail. Certain transactions exceeding these restrictions must be reported to the NDLEA in writing within 7 days. Furthermore, in order to identify and locate narcotic drugs and psychotropic substances, proceeds, property, objects, or other things related to the commission of a money laundering offence, the NDLEA may: place under surveillance any bank account and account comparable to a bank account; place under surveillance or tap any telephone line; have access to any computer system; and obtain communication or any authentic investment or private contact, together with all bank, fintech, and other financial institutions (Ifada, 2017). Fighting money laundering in Nigeria starts with the laws in place to combat the problem.

In the Nigerian Drug Law Enforcement Agency (NDLEA) Decree 48 of 1989, the Nigerian Government issued the first decree making money laundering illegal in Nigeria. The government then issued the Money Laundering Decree of 1995 to remedy a key fault in NDLEA Decree 48, which limited money laundering offences to the laundering of proceeds from illegal narcotics trafficking **(Usifo, 2017).** Anti-money laundering (AML) is the legislative measures that require financial institutions and other regulated entities to prevent, detect, and report money laundering activities" (Ifada, 2017). The founding of the Financial Action Task Force (FATF) and the adoption of an international framework of anti-money laundering standards brought anti-money laundering principles to the forefront of global attention. These requirements became more relevant in 2000 and 2001, when the FATF launched a process to publicly identify nations that lacked anti-money laundering laws and international collaboration, a process known informally as "name and shame**" (Patel, 2017).**

According to the Central Bank of Nigeria Rule Book, no financial institution in Nigeria is currently or temporarily exempt from the law's and regulations' duty to develop an AML/CFT program. As a result, all government agencies in the country must work together to combat money laundering and terrorist financing. The AML/CFT law and regulations empower the CBN to mandate financial institutions to implement AML programs, file certain reports, and preserve certain transaction records. The relevant provisions have been expanded to include not only traditional deposit money banks, but also other financial institutions such as discount houses, micro-finance banks, finance houses, bureau de change, credit card system operators, and so on, that are subject to CBN regulatory oversight, including their foreign branches, affiliates, and subsidiaries (Ifada, 2017).

Nigeria revoked the 1995 Money Laundering Decree and replaced it with the Money Laundering (Prohibition) Act of 2003 after ratifying the Palermo Convention. The 2003 law was in use for ten months before the government replaced it with Money Laundering (Prohibition) Act of 2004 which was the existing money laundering law until recently. To tighten the laws, the government created the Economic and Financial Crimes Commission (EFCC) Act in 2004, which empowered the EFCC, NDLEA, and CBN to investigate allegations of money laundering and check bank accounts to assist in the investigation of crimes. The new act would define "dealers in jewelry, cars, and luxury goods, chartered accountants, audit firms, tax consultants, clearing and settling companies, legal practitioners, hoteliers, casinos, super markets, or such other businesses as the Federal Ministry of Commerce or appropriate regulatory authorities may from time to time determine." To tighten the loose ends in the 2004 Act, the National Assembly passed the 2011 Money Laundering (Prohibition) Act, the President signed it into law on June 3, 2011, and it became the existing law on money laundering in Nigeria (Usifo 2017).

a) It is unlawful for any individual to accept or make any monetary payment in excess of N5, 000,000.00. (Five Million Naira). This means that any cash transaction exceeding N5 million must be processed through a banking institution.

b) Corporate institutions shall not make or receive any cash payment in excess of N10,000,000.00 (Ten Million Naira) unless the transaction is conducted through a banking institution.

c) The Act requires anyone transferring cash or negotiable instruments worth more than US $10,000 or its equivalent to notify Nigerian customs. Non-disclosure of funds or false declaration is an offense that, upon conviction, results in the individual forfeiting the cash in question or in jail for at least two years or both (Aldama 2021).

According to the Economic and Financial Crimes Commission (Establishment) Act of 2004, the EFCC is Nigeria's designated Financial Intelligence Unit (FIU), which is tasked with coordinating the various institutions involved in the fight against money laundering and enforcing all laws dealing with economic and financial crimes. So far, the commission has achieved and continues to achieve success in various areas of its mandate. It has multiple convictions for corruption, money laundering, oil pipeline sabotage, and other connected offenses. Corrupt officials and their associates have assets and money worth more than $11 billion.

The Independent Corrupt Practices Commission (ICPC), founded in 2000, is another major Nigerian entity in the battle against money laundering. Its primary responsibilities include investigating reports of corrupt practices, eliminating corruption in public bodies, and educating the public about corruption. Among the ICPC's responsibilities is the prevention of corruption by examinations of systems, practices, and procedures. While the EFCC is a financial crime investigation and prosecution authority, the ICPC has a larger duty to combat corruption in all forms through investigation and education (Enweremadu, 2010).

The Central Bank of Nigeria (CBN) was given more responsibilities in dealing with money laundering after legislation was amended in 2002. They provide the governor more authority to interfere in the banking sector in order to maintain public trust in the financial system as a whole (Ogbodo, 2013). Legal people can also be charged with money laundering under the National Drug Law Enforcement Agency (NDLEA) Act, which carries a ten-year to life jail sentence and asset forfeiture. If a bank fails to record transactions worth more than 500,000 naira, it may face jail, fines, or both. Corporations found guilty of such a crime may be required to surrender their property and assets (Ogbodo & Mieseigha, 2013).

The CBN is also responsible for coordinating efforts among financial organizations to improve regulatory oversight efficiency. The Financial Services Regulation Coordinating Committee (FSRCC) serves as a framework for coordinating regulatory and supervisory actions in the Nigerian financial sector. Along with the CBN's monitoring of the banking sector, the Nigerian Stock Exchange has a number of institutions and mechanisms in place to combat money laundering in Nigeria. These include a Central Securities Clearing System (CSCS) to increase transaction transparency, Administrative Guidelines to ensure proper documentation of legitimate capital importation through Nigerian banks, a Know Your Client Requirement, and membership in the International Federation of Stock Exchanges, which subjects them to international standards and a code of best Practice.

The Nigerian National Assembly passed the Money Laundering (Prohibition) Act 2004 on March 29, 2004. The Act substantially supplanted and improved upon prior versions of the Act. The Act established the basis for a broader STR and customer identification system (Section 3), AML duties for a broader range of financial and non-financial organizations (Section 7), and a framework for the EFCC's Nigerian Financial Intelligence Unit (NFIU) (Section 25). In January 2005, the NFIU became live. Furthermore, the Money Laundering (Prohibition) Act of 2004 has specific rules forbidding the laundering of illegal proceeds (Section 14), as well as suitable penalties for money laundering violations (Section 16). Specifically, the Act states that no person, corporation, or organization may make or accept cash payments in excess of N500,000.00 or its equivalent in the case of an individual, or N2,000,000.00 or its equivalent in the case of a corporation, unless such cash payment or acceptance is made through a financial institution (Section 1). Furthermore, any movement of funds or securities to or from a foreign country in excess of US$10,000 or its naira equivalent must be notified to the Central Bank of Nigeria (CBN) or, in the case of a public firm, the Securities and Exchange Commission (SEC) (Section 2).

The Act also requires the reporting of all monetary transfers to and from outside the country, including the nature of the transfer, the amount of the transfer, the names and addresses of the sender and receiver of the funds or securities transferred, and the ultimate beneficiary of the transfer if different from the latter. The federal High Court has sole jurisdiction to hear cases brought under the Money Laundering (Prohibition) Act of 2004. In the prosecution of offenses under this Act, the Federal High Court has the authority to admit cooperating evidence demonstrating that an accused person is in possession of property for which he or she cannot satisfactorily account and whose property is disproportionate. However, the Money Laundering (Prohibition) Act of 2011 revoked the Act. In June 2011, the then-current Nigerian president, Jonathan Goodluck, signed the Act 2011 (Vanguard, 2011). The Act contains extensive prohibitions against the financing of terrorism as well as the laundering of the proceeds of crime or criminal conduct. It broadens the scope of supervisory and regulatory agencies in order to overcome the issues encountered in the implementation of Nigeria's anti-money laundering system. It also provides for suitable punishments for violators. The Act requires bankers and other financial organizations to report international transfers of funds exceeding $10,000 to the Central Bank, where security officers can examine the information (Dunia, 2011)

Economic Development

Whereas economic development is a governmental intervention aimed at improving people's well-being, economic growth is a phenomenon of increased market productivity and GDP; economist Amarta Sen refers to economic growth as "only one part of the process of economic development." Economists are generally concerned with economic growth and the economy as a whole, whereas community economic development experts are also concerned with socioeconomic development. The development of a country has been associated with various concepts, but generally includes economic growth through higher productivity, political systems that represent the preferences of its citizens as accurately as possible, the extension of rights to all social groups and the opportunities to obtain them, and the proper functioning of institutions and organizations that are able to do so. These processes describe the State’s capabilities to manage its economy, polity, society and public administration. Generally, economic development policies attempt to solve issues in these topics, (Wikipedia, 2022).

The value of economic activity adjusted for price fluctuations is measured as real gross domestic product (real GDP) (i.e. inflation or deflation). Money launderers in Nigeria commonly engage in mass importation of all kinds of goods such as drugs, automobiles, automobile spare parts, baby wears, and so on in order to conceal the source of their ill-gotten wealth. These goods imported into the country are usually sold out at very low prices in order to recoup the illicit funds now in the nature of legitimate funds. The deliberate reduction in the cost of these imported commodities has a negative impact on the economic value of domestic products created by indigenous industries (Ikpang, 2011). Hence, our local products will become more expensive compared to the imported ones, the local ones will be confronted with the challenges of reducing the prices of their goods since the imported goods by the launderers are far cheaper than theirs. Money laundering makes use of enterprises and company to disguise their activities (Ikpang, 2011).

Empirical Review

Oluwadayisi and Mimiko (2016) conducted research on the impact of money laundering on the Nigerian economy. They assessed the overall economic impact of money laundering. They used a doctrinal approach to methodology in studying accessible primary and primarily secondary data sources in the research of diverse effects such as domestic product manufacturing, social, financial, and political repercussions, and the oil and gas sector. They discovered that money laundering has a significant impact on the Nigerian economy. It is vital to note that, despite the laws and procedures in place, money laundering and other financial and economic crimes continue to thrive in the country due to corrupt activities of government officials. Nwogwugwu and Uzoechina (2015) investigated economic crimes impact on Nigeria's economy, with the aim of offering a better methodology and proxy to estimate this relationship. The study intended to present a robust econometric analysis that improves understanding of the relationship between economic crimes and economic growth in Nigeria in the short and long term from 1999 to 2012, utilizing the OLS approach incarnated in a state-space time-varying methodology. The findings demonstrate a strong evidence of a non-linear substantial association between economic crime and economic growth in Nigeria in the long run, with an insignificant impact in the short term. The study also discovered a bi-directional causal relationship between economic crimes and economic growth in Nigeria and recommends, among other things, a matrix of policies that address effective reduction of economic crimes, including heavy investment in infrastructure, particularly energy, which nourishes industrial build-up, which in turn creates employment and reduces poverty. Okoye and Gbegi (2013) conducted research on the impact of fraud and other financial crimes on the Nigerian economy. Only secondary sources were used to acquire data for the study. The data obtained for the study was evaluated using regression analysis. According to the research findings, fraud and related financial crime have a substantial impact on the Nigerian economy. Ihsan and Razi (2012) investigated the economic impact of money laundering in Nigeria. In this study, a cross-sectional survey research design was used, with a sample size of 51 respondents. The study discovered that money laundering has a negative impact on the economy and recommended that strict government laws be implemented, and that the government, in an effort to eradicate money laundering, enter into an agreement with other countries for the return of laundered money. Ogbodo and Mieseigha (2013) explored the economic consequences of money laundering in Nigeria. The accidental sampling approach was used to pick 635 people, with 624 people (98.27% of those sampled) completely filling out and returning the questionnaires that were given to them. The data was analyzed using the simple percentages method, and the first hypothesis was tested using the chi-square test, and it was discovered that money laundering has a significant effect on Nigeria's economy with f-ratio of 476.163> f-critical of 12.592 at 0.05 level of significance with 6 degree of freedom, so the null hypothesis was rejected and the alternative was accepted. The ANOVA test on the second hypothesis reveals that Nigeria's anti-money laundering efforts have not significantly reduced money laundering in Nigeria, with f-ratio of 2.685 critical of 5.987 at 0.05 level of significance with 1 to 6 degree of freedom, hence the null hypothesis was accepted. In their study, Fabayo, Posu, and Obisanya (2011) used the Ordinary Least Square approach to examine the effects of economic crime on investment in Nigeria. As a proxy for economic crimes, they used the annual corruption perception index from 1996 to 2010. According to their findings, Nigeria's low Corruption Perception Index ranking, which indicates a high amount of corruption, leads to poor investment and hence low economic growth. The time points are too short to allow for such broad generalisation. Again, using the corruption perception score as a proxy for economic crime may obscure other aspects of economic crime, making meaningful econometric analysis difficult. Idowu and Obasan (2012) investigated anti-money laundering policies in Nigerian banking institutions. In order to obtain precise and factual information about an existent occurrence, a descriptive survey methodology was used. The study used three banks in Lagos State (South Western Nigeria). With a value of 0.881, the correlation finding demonstrates the existence of a substantial positive association between bank performance and the adoption of sound money laundering policies. The coefficient of determination is also 0.775, meaning that anti-money laundering regulations explain and account for around 77.5% of the nature of banks' economic performance.

METHODOLOGY

The study employed ex-post facto research design, which is a very important in determining the relationship between variables. The population of the study consist of all the thirty six (36) states in Nigeria involved in money laundering activities. The sample size established from 2012 to 2021 is five (5) states of Nigeria selected from the CBN Statistical Bulletin in order to determine the relationship between the variables. The method of sampling used is convenience sampling technique.

The data set for this study encompasses the period from 2012 to 2021 due to the relative availability of data on some of the variables employed in the study. The data for all the variables are obtained from the Central Bank of Nigeria (CBN) publications, including Statistical Bulletin and Annual Report. The summary statistics of the variables for the study are also revealed.

Data Analysis Technique

The Descriptive Statistics, and Ordinary Least Squares regression technique was adopted to analyse the relationship between the variables. Preliminary tests to know the normality and stationary of the data are conducted through Jarque- Bera, Skewness, Kurtosis tests, and the unit root test. The test for the Jarque-Bera, Skewness and Kurtosis tests is to find out whether that the data are normal. This is because it includes macroeconomic variables that determine the economic growth in Nigeria.

Model Specification

In order to achieve the broad objective of this study, the model of Enofe, Aliyah and Ombu (2018) was adapted. In their study to examine the relationship between money laundering and the Nigerian economy, the model was specified as:

RGDP=f (ML, MOVST, INT)

The model stated above will be stated in its econometric form below:

$InRGDP=\beta_0+ \beta_1MLt + \beta_2MOVSTt + \beta_3INTt + \mu t$

Where;

InRGDP= log of Real gross domestic product

ML = Money Laundering

MOVST= Movement of Stolen Money

INT= interest rate

μ= stochastic error term

β_0= the intercept

β_1, = represent the parameters a priori signs

$\beta_1<0$

The model was modified to capture the variables of this study

$RGDP=\beta_0+ \beta_1MLt + \beta_2EXCt + \mu t$

Where;

RGDP= Real Gross Domestic Product

ML = Money Laundering

EXC= Exchange rate

μ= stochastic error term

β_0= the intercept

β_1, = represent the parameters a priori signs

$\beta_1<0$, $\beta_2< 0$,

Operationalization of Variables

Table 1: The operational definitions (tabulated) of the variables use in the study.

S/N	**Variables**	**Operational definition**	**Source**
1.	Real Gross Domestic Product (RGDP)	Measured as the value of the goods and services produced by an economy in a specific period, adjusted for inflation	Central Bank of Nigeria Statistical Bulletin (2021)
2.	Money Laundering (ML)	Proxy by capital flight which is measured as the illegal transfer of funds from less developed nations to more advanced nations and it is also related with tax evasion, money laundering and black money.	CBN, NBS 2021
3.	Exchange Rate (EXC)	It can be measured as the ratio of the US dollar to the Nigerian Naira divided by the ratio of the yen to the Nigerian Naira (two different currencies compared to a third currency).	CBN, NBS 2021

Source: Researcher's Compilation (2022)

ANALYSIS AND RESULT

Table 2: Descriptive Statistics

	GDP	ML	EXC
Mean	67988.09	10085.36	249.478
Maximum	72931.24	42205.15	450.31
Minimum	59929.89	-17016.39	153.86
Std. Dev.	3845.49	19521.07	103.36452
Skewness	0.673787	0.895383	-2.231932
Kurtosis	1.880848	3.381349	8.520117
Jarque-Bera	4.986242	5.447444	81.89638
Probability	0.082652	0.065630	0.000000
Observations	10	10	10

Source: Researcher's compilation (2022). (GDP = Gross Domestic Product; ML = Money laundering; EXC = Exchange rate)

The mean for GDP stood a 67988.09bn with a standard deviation of 3845.49 and maximum and minimum values of 72931.24 bn and 59929.89bn. The standard deviation is large which suggest huge year on year fluctuations in GDP and the variable appears to be positively skewed (0.673). The p-value for the Jacque-bera statistics stood at 0.083 which indicates that the series is normally distributed and the presence outliers is unlikely. The mean for ML stood at 10085.36bn with a standard deviation of 19521.07. The maximum and minimum values stood at 42205.15 and -17016.39 respectively and positively skewed (0.89). The p-value for the Jacque-bera statistics stood at 0.065 which indicates that the series is normally distributed and the presence outliers is unlikely. The mean for EXC stood at 249.478 with a standard deviation of 103.36452. The maximum and minimum values stood at 450.31 and 153.86 respectively and negatively skewed (-2.23). The p-value for the Jacque-bera statistics stood at 0.065 which indicates that the series is normally distributed and the presence outliers is unlikely.

Table 3: Pearson Correlation

Probability	RGDP	ML	EXC
RGDP	1		
ML	0.0789	1	
Prob.	(0.6332)		
EXC	-0.10467	0.0824	1
Prob.	(0.5260)	0.6180	

Source: Researchers compilation (2022).

The Pearson correlation results show the relationship between the dependent and independent variables as can be seen from the results, shows that RGDP is positively correlated with ML (r=0.0789) though not significant at 5% (p=0.6332) and also negatively correlated with EXC (r=-0.10467) though not significant at 5% (p=0.5260). The inter-correlations between the explanatory variables are quite low and hence there are no multicollinearity threats which may bias the results.

Table 4: Co-integrating Regression

Variable	Canonical Cointegration regression (CCR)	Dynamic Least Squares (DOLS)	Fully-Modified OLS (FMOLS)
c	5537.481 (3084.7) {0.0821}	5164.172 (3066.93) {0.10955}	5756.477 (3194.69) {0.0810}
ML	-0.29118 (0.1319) {0.0346}	-0.5314 (0.1845) {0.0100}	-0.27669 (0.10328) {0.0116}
EXC	-0.1311 (0.07852)	-0.2413 (0.0940)	-0.12791 (0.0641)

	{0.1046}	{0.0194}	{0.0547}
@Trend	1099.194 (288.086) {0.0006}	1102.772 (357.003) {0.0063}	1060.65 (305.398) {0.0015}
R^2	-2.815	0.977	0.922
R^2 Adjusted	-15.394	0.956	0.910

Source: Researchers compilation (2022).

The Cointegrating equation is estimated using recently developed econometric methodologies, namely: fully modified ordinary least squares (FMOLS) of Phillips and Hansen (1990), dynamic ordinary least squares (DOLS) technique of Stock and Watson (1993) and Conical Cointegration Regression (CCR) of Park (1992). These methodologies provide a check for the robustness of results and have the ability to produce reliable estimates in small sample sizes. CCR, DOLS and FMOLS are superior to the OLS for many reasons so let me give you the key ones: (1) OLS estimates are super- consistent, but the t-statistic gotten without stationary 0r I(0) terms are only approximately normal. Even though, OLS is super-consistent , in the presence of "a large finite sample bias' convergence of OLS can be low in finite samples (2) OLS estimates may suffer from serial correlation, heteroskedasticity since the omitted dynamics are captured by the residual so that inference using the normal tables will not be valid -even asymptotically. Therefore, "t" statistics for the estimates OLS estimates are useless (3) DOLS &FMOLS take care of endogeneity by adding the leads & lags (DOLS). In addition, white heteroskedastic standard errors are used. FMOLS does the same using a nonparametric approach.

Test of Hypothesis

H_{01}: There is no significant relationship between money laundering and the growth of the Nigerian economy

The effect of ML on RGDP is negative and significant across all the estimations; CCR (-0.29118, p=0.0346), DOLS (-0.5314, p=0.0100) and FMOLS (-0.27669, p=0.0116). This implies that increases in money laundering will have a significant negative impact on growth. Therefore, the null hypothesis that there is no significant relationship between current account balance and the growth of the Nigerian economy is rejected.

CONCLUSION AND RECOMMENDATION

The study employed ex-post facto research design, which is very important in determining the relationship between variables. The source of data for the study is secondary. The data set for this study encompasses the period from 2012 to 2021 due to the relative availability of data on some of the variables employed in the study. The data for all the variables are obtained from the Central Bank of Nigeria (CBN) publications, including Statistical Bulletin and Annual Report. The summary statistics of the variables for the study are also revealed. The effect of ML on RGDP is negative and significant across all the estimations; CCR (-0.29118, p=0.0346), DOLS (-0.5314, p=0.0100) and FMOLS (-0.27669, p=0.0116). This implies that increases in money laundering will have a significant negative impact on growth. In the light of the study findings, the recommended that Nigeria as a priority, should restructure their economic and socio political mechanisms of their nations in their quest to fight the phenomenon of money laundering

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