Financial Crime and Local Government Productivity in Rivers State

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Abstract: The study investigated the effect of financial crime on local government productivity in Rivers State. The study specifically ascertained the effect of financial crime on effective service delivery and human resource administration in Rivers State local government councils. The predominant factors that induced financial crime in Rivers State local government councils were also identified. Descriptive survey design was employed with purposive sampling drawn from eight local government councils. A total of 220 questionnaires were distributed to the eight local government councils and of the 220, 208 representing 95% were returned and used. The data were analyzed using simple percentages for descriptive analysis and Chi-square ($\chi^2$) for hypotheses testing. The findings revealed that financial crime significantly and negatively influenced effective service delivery and human resource administration in Rivers State local government councils. It was further revealed that greed, opportunity and need induced financial crime in Rivers State local government councils. To stimulate employee commitment and effective service delivery in Rivers State local government councils, it was recommended that local government employees should be properly compensated and the institutional and juridical mechanisms (whether on exclusive, concurrent and residual lists) should be strengthened for accountability and deterrence of financial crime.

Keywords: Accountability, Effective service delivery, Federal account allocation committee, Financial crime, Human resource administration, Local government productivity, Rivers State local government councils.

1. Introduction

Socio-economic advances, improved communication, technological development and global activities invoke enormous opportunities for financial crime which is widespread in the private and public sectors and across countries. However, developed countries have comparatively established a framework to curb financial crime in the public sector (Dobie, 2020) whereas in Africa, financial crime is on the rise and undermines the continent economic growth gains (Ewi, 2018). There is no universally accepted definition of financial crime (Ryder, 2011 in Jung and Lee (2017)) but Eiya, Otalor, and Awili (2013) describe financial crime as a crime against property involving the unlawful conversion of the ownership of property to one's own personal use and benefit that comprises fraud, theft, scams or confidence tricks, tax evasion, bribery, embezzlement, money laundering, forgery and counterfeiting, including the production of counterfeit money and consumer goods.
Financial crime is expensive and negatively affects emerging and developing countries (Saddiq & Abu Bakar, 2019). It is also a compound economic, social and political virus that impedes the performance of the private and public sectors which adversely impact on a nation’s productivity and economic development (Kasum, 2009). According to evidence paper on corruption by the Department for International Development (2015) corruption and financial crime is caused by weak public sector institutional framework, bureaucratic incentives and the involvement of government in the economy. In the Nigerian public sector, Owolabi (2007) identifies aggregate income inequalities and poverty, heavy imposition of burden on small and medium scaled enterprises, discrimination against honest foreign businesses and reduction of domestic savings and investments as fundamental costs of financial crime.

It is estimated that over $200 billion is lost per year in Nigeria due to financial crime (Babatunde & Filani, 2016). Financial crime is now a way of life that is prevalent in all organs and tiers of government in the Nigerian public sector despite its negative consequences and unsolvable nature. Financial crime decreases government’s ability to address public needs, inhibits effective and efficient public service delivery and reduces economic growth. Furthermore, there is a challenge in measuring financial crime and governance especially as it relates to effective service delivery. Likewise, measurement of productivity in the public sector is a challenge due to transparency and accountability issues associated with output and input factors. The negative consequences of financial crime in addition to the challenges impelled this study. To this end, the study aims to investigate the effect of financial crime on local government council productivity in Rivers State as it will help in the deterrence of financial crime and stimulates effective and efficient public service delivery at the local, State and federal levels respectively.

1.1. Objectives of the Study

The main aim of this study is to investigate the effect of financial crime on local government productivity in Rivers State.

The specific objectives are:
I. To ascertain the effect of financial crime on effective service delivery in Rivers State local government councils.
II. To determine the effect of financial crime on human resource administration in Rivers State local government councils.
III. To identify the prevalent factors that propel financial crime in Rivers State local government councils.

1.2. Research Questions

The following questions guide the study in the quest to find answers to the problem under investigation:
I. To what extent does financial crime affect effective service delivery in Rivers State local government councils?
II. To what extent does financial crime affect human resource administration in Rivers State local government councils?
III. What are the prevalent factors that propel financial crime in Rivers State local government councils?

1.3. Statement of Hypotheses

The following null hypotheses (Ho) are stated to guide the study:
I. Financial crime does not have significant effect on effective service delivery in Rivers State local government councils.
II. Financial crime does not have significant effect on human resource administration in Rivers State local government councils.
2. Literature Review

2.1. Concept of Financial Crime

The concept of financial crime is dynamic and takes different notion as social contents, contexts and technical circumstances surrounding financial transaction advances (Jung & Lee, 2017). Based on the utility concept, financial crime is a departure from what the society considers as right measures in production, distribution and consumption of goods and services (Moyosore, 2015) for the satisfaction of needs (Njoku, Nwosu, & Callistus, 2017). Legally, financial crime is a deviation from the laws and regulations (Lipset, 1995 in Moyosore (2015)) and in assertion, Gottschalk (2010) affirms that financial crime comprises criminal acts such as cybercrime, elder abuse and mistreatment, burglary and other violent crimes like assault, armed robbery and murder.


In some situations, financial crime is synonymously used as corruption. Owolabi (2007) asserts that financial crime is traceable to several dimensions of corruption. Gottschalk (2010) in Jung and Lee (2017) categorized financial crime as a key component of corruption comprising fraud, theft and manipulation. Lipset and Lenz (2000) in Fagbadebo (2007) assert that corruption is an effort to secure treasure through illegitimate means for private gain at public expense whereas Nkom (1982) in Moyosore (2015) posits that corruption is the perversion of public affairs for private advantage. From the forgoing, it is deducible that the determinants of the corresponding proclamations of corruption are rudiments of financial crime. Connecting corruption and financial crime in relation to ethical behaviour in the public sector, Olopeonia (1998) in Ganiyu, Rasak, and Taiwo (2014) suggests that the two concepts deviate from the moral rules of conduct governing the actions of public authority because of selfish motive such as wealth, power or status.

2.2. Financial Crime in Nigeria

Financial crime in Nigeria is traceable to the colonial era when white colonists took over public administration and introduced monetization. The cultural heritage prior to colonization comprises ethics, norms, regulations and principles of strong moral values that guided human interactions but colonization prompted corruption and financial crime on a large scale. In the quest for personal gain, the colonial authorities used people of questionable characters who abuse their positions to hold trust for them (Moyosore, 2015). Flat rate tax was imposed on colonies for self-centred motive with no significant benefit to the respective province (Okolo & Raymond, 2014). Furthermore, the introduction of monetization in the colonies triggered greed which is a central part of human nature that manifestly causes financial crime (Wang, Malhotra, & Murnighan, 2011).

Financial crime maintained unimaginable height during the first republic under the leadership of Sir Abubakar Tafawa Balewa, the prime minister, and Dr. Nnamdi Azikwe, the president. According to Ogbeidi (2012) government officials looted public funds with impunity and members of parliament and executive exhibited stolen wealth with irresponsibility. Financial crime impelled a military coup in 1966 by middle ranked military officers. The military government under the leadership of General Aguiyi Thomas Ironsi that took over from the first republic inaugurated numerous commissions of inquiry to investigate financial crime in the public sector. The investigative panel indicted several corrupt public officials who were subsequently detained for prosecution but General Yakubu Gowon coup of July 1966
which ousted the Aguiyi Ironsi government released the corrupt public office holders. Ogbeidi (2012) further asserts that this development had serious implications for public institutions as the new set of leaders undertook white elephant projects that serve as a means of looting public funds.

Financial crime is a persistent phenomenon amongst public officials in Nigeria because both past and present regimes whether military or civilian are engulfed in financial misappropriation, embezzlement, money laundry, theft from public funds, abuse of public power for private gain (Owolabi, 2007) and disregard to due process in the awards of contracts and genuine government business. Financial crime negatively impact on the moral authority and confidence in government and as such, successive governments in Nigeria initiated measures to curb the menace. Some of the initiatives and measures established after independence to control financial crime are Investigation of Assets (Public Officers) Decree of 1966, Corrupt Practices Decree No. 38 of 1975, Public Complaints Commission Act Cap 377, No. 31 of 1975, Public Officers (Special Provisions) Decree No. 10 of 1976, Recovery of Public Property (Special Provision) Act No.3 of 1984 (Cap R4), Advance Fee Fraud and Other Related Offences Act of 1995 and Corrupt Practices and Other Related Offences Act No. 5 of 2000 that created the Independent Corrupt Practices and Other Related Offences Commission (ICPC).


2.3. Concept of Productivity

The concept of productivity is generally viewed as an output and input ratio within a time period with absolute consideration for quality. Weihrich, Cannice, and Koontz (2010) identified three ways of improving productivity namely increasing outputs with the same inputs, decreasing inputs but maintaining the same outputs and increasing outputs and decreasing inputs to change the ratio favourably.

Productivity is a function of effectiveness (the achievement of objectives) and efficiency (the achievement of the ends with the least amount of resources). According to Bartuševičienė and Šakalytė (2013) effectiveness and efficiency are exclusive measures used for assessing performance. Effectiveness measures how outputs interact with the economic and social environment while efficiency is oriented towards successful input transformation into outputs. In differentiating between effectiveness and efficiency, Njoku and Nwosu (2010) affirm that effectiveness is the degree of goal accomplishment whereas efficiency is the relationship between input and output, effectiveness measures interactions with external environment while efficiency is a criterion of internal existence, effectiveness emphasizes on human side of organizational functioning but efficiency focuses attention on the technological aspect, effectiveness is broad and concerned with ends while efficiency is narrow and concerned with means.

2.4. Local Governments in Nigeria

Nigeria operates a federal system of government with a three tier government structure namely the federal (central) government, 36 State governments and the federal capital territory, and 774 local government councils spread across the States of the federation. A local government is considered the third tier of government designed to serve as an apparatus of devolution of power to rural authority. Okoli (2005) in Osuebi, Nwachukwu, Arinze, and Nnadi (2019) state that a local government is a part of government constituted by law to perform the function of governance and to oversee the welfare and interest of the rural people. The United Nations office for public administration in Adeyemi (2013) describes a local government as a political unit of a federating state or a nation which is created by law
and has significant control of local or community affairs, including the authority to impose taxes, levies and fines. It is therefore deducible that a local government is a political authority constituted by law to financially manage its activities at the grass root level.

A local government in a democratic setting is the government of the people, by the people and for the people at the grass root level (Ebeku, 1992). Under the 1999 constitution, a local government consists of executive and legislative arms. The executive arm of a local government comprises the chairman, vice chairman, supervisors and secretary to the council whereas the legislative arm consists of leader, deputy leader and councilors who represent their respective wards that make up the local government. Based on democratic principles of development, local government renders quality services, executes public projects responsive to local needs and facilitates the exercise of democratic self-government at the grass root level (Osuebi et al., 2019). The constitutional roles of a local government in Nigeria include maintenance of law and order, provision of motor parks and markets, construction and maintenance of rural roads and drainages, provision of recreational, health and educational facilities, establishment of agricultural and commercial ventures and so on (Saulawa, Danjuma, Musa, & Haruna, 2017).

A Local government council in Nigeria plans, sources, administers and disburses finance to meet all requirements effectively and efficiently. Consequently, local government finance is a function in local administration that involves acquisition at a minimum cost and effective utilization and management of funds (Nickels, McHugh, & McHugh, 1999). A local government council fund in Nigeria is sourced from several streams namely statutory allocations, grants, rates, licenses, levies, fines, fees and rents, income from commercial ventures and investments, personal income tax, and loans from financial institutions. Ahmad (2013) posits that the primary object of prudent financial management in a local government council is to create an appropriate and conducive environment to meet rural needs through efficient and effective service delivery.

Apart from the Internally Generated Revenue (IGR) from commercial ventures, licenses and levies imposed by a local government, the Federal Account Allocation Committee (FAAC) disburse monthly revenue to the three tiers of government based on sharing formula from gross statutory, Value Added Tax (VAT), exchange change allocation, distribution of excess bank charges, distribution from non-oil revenue, distribution from forex equalization and distribution of good and valuable consideration account (Ukpe, 2020). The revenue allocation Act provides for the distribution of federal funds to the three tiers of government and the revenue allocation formula and distribution of federal account revenue amongst the three tiers of government are federal government (52.68%), State governments (26.72%) and local governments (20.60%) (www.neiti.gov.ng/index.php/revenue-allocation). The criteria established by the National Revenue Mobilization Allocation and Fiscal Commission (RMAFC) on revenue allocation to State governments and local government councils are based on the principles of equality, Internally Generated Revenue (IGR), population size, social development, land mass and terrain (Salami, 2011).

Data from the National Bureau of Statistics (NBS) and the office of the accountant general of the federation in March, 2020 and April, 2020 published the distribution of revenue allocation by the Federal Account Allocation Committee (FAAC) for the month of November, 2019 shared in December, 2019 and the month of January, 2020 shared in February, 2020. In the month of November, 2019 but shared in December, 2019, FAAC disbursed the sum of N650.83 billion to the three tiers of government. Of the total sum, the federal government, State governments and local government councils received the sum of N274.76 billion, N176.66 billion and N192.66 billion respectively. Furthermore, the sum of N51.07 billion was shared amongst the oil producing States as 13% derivative fund. Likewise, in the month of January, 2020 but shared in February, 2020, FAAC disbursed the sum of N647.35 billion to the three tiers of government. Of the total sum, the federal government, State governments and local government councils received the sum of N267.39 billion, N176.92 billion and N132.94 billion respectively. Similarly, the sum of N46.20 billion was shared amongst the oil producing states as 13% derivative fund.
2.5. Rivers State Local Government and Revenue Allocation

Rivers State is one of the 36 States of Nigeria, located in the Southern part of the country with Port Harcourt as its headquarters. The State was created in 1967 with a surface area size of about 11,077km² (Briggs, 2014). The population of the State increases significantly because of its importance as a commercial State that hosts a large number of multi-national companies principally business related to oil and industry.

Recent findings revealed that the population of the state is approximately 11 million, making it the fifth most populous State in Nigeria (https://nigerianinfopedia.com.ng/most-populated-states-in-nigeria/). Rivers state comprises multilingual communities with diverse culture and numerous ethnic compositions. Some of the prevalent ethnic groups are Etche, Ibi, Kalabari, Ogbia, Ogoni, Okrika, amongst others and the distribution of languages is not evenly spread across the local government areas of the State (Kari, 2019).

Rivers State has 23 local government councils namely Abua/Odual, Ahoada East, Ahoada West, Akuku-Toru, Andoni, Asari-Toru, Bonny, Degema, Emohua, Eleme, Etche, Gokana, Ikwerre, Khana, Obio/Akpor, Ogbia/Egbema/Ndoni, Ogu/Bolo, Okrika, Omumma, Opobo/Nkoro, Oyigbo, Port Harcourt and Tai (Kari, 2019).

The constitutional functions of the local government councils include construction and maintenance of roads and streets, streets lightings, drains and other public facilities as may be prescribed from time to time by the State House of Assembly; establishment, maintenance and regulations of abattoirs, markets, motor parks, public conveniences, sewage and refuse disposal; registration of birth, death and marriages; assessment and levying of tenement rates; licensing of bicycles, trucks, canoes, wheel barrows and carts; and, participation in the state commission on economic planning (Saulawa et al., 2017).

Based on the available data from the National Bureau of Statistics (NBS) and the office of the accountant general of the federation in March, 2020 and April, 2020, Rivers State received a total net sum of N13,687,813,888.89 and N13,384,721,346.92 as revenue allocation by FAAC for the month of November, 2019 shared in December, 2019 and the month of January, 2020 shared in February, 2020 respectively.

The disbursement of revenue by FAAC to local government councils in Rivers State for the months of November, 2019 and January, 2020 is shown in Table 1. However, there is a significant plunge in government revenue due to the drop in global oil prices and the effect of Coronavirus (Covid-19) pandemic on the world economies.

3. Methodology

This study employed the survey research design using questionnaire as the principal survey instrument. A survey design is essentially used in management and behavioural sciences because it enables a researcher collects objective data and describes the problem being investigated (Ezirim, Briggs, Ebiringa, Akpobolokemi, & Maclayton, 2004) without manipulations and controls (Igbara, 2012). The survey questions were developed based on the objectives of the study and a 5-point Likert scale and open-ended questions were utilized.

A 5-point Likert scale allows for a variety of opinions and an open-ended question allows respondents to answer questions freely and fully in their own words and frame of reference (Igbara, 2012). Also, the use of questionnaire was complemented with oral interview in order to elicit verifiable and in-depth information from the respondents. Additionally, the study employed readily available data from other sources to build link between the study’s findings and findings from previous work (Onuoha, Ohiri, Kalu, Onyeike, & Okpaku, 2011).

The study utilized a non-probability sampling design. Non-probability sampling design was used to purposively (Kothari, 2004) choose those who are knowledgeable about the subject matter and have confidence to freely and objectively answer questions from the target population. A total of 220
questionnaires were distributed to eight local government councils (30 questionnaires per local government council). Of the 220 questionnaires, 208 representing 95% were returned and used.

The data collected were presented in frequency tables and the responses were expressed in percentages in line with the number of respondents. The hypotheses were tested using Chi-square ($\chi^2$) at 5% level of significance. The decision rule is to reject null hypothesis (Ho) if the calculated value is greater than the critical value.

**Table 1.**

<table>
<thead>
<tr>
<th>Local Government Councils</th>
<th>Headquarters</th>
<th>Month of November, 2019 shared in December, 2019</th>
<th>Month of January, 2020 shared in February, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount Disbursed (N)</td>
<td>Amount Disbursed (N)</td>
</tr>
<tr>
<td>Abua/Odual</td>
<td>Abua</td>
<td>192,960,506.00</td>
<td>191,106,414.16</td>
</tr>
<tr>
<td>Ahoada East</td>
<td>Ahoada</td>
<td>147,913,082.09</td>
<td>146,400,660.29</td>
</tr>
<tr>
<td>Ahoada West</td>
<td>Akinima</td>
<td>180,806,777.47</td>
<td>179,022,011.91</td>
</tr>
<tr>
<td>Akuku-Toru</td>
<td>Abonnema</td>
<td>163,877,183.42</td>
<td>161,704,457.41</td>
</tr>
<tr>
<td>Andoni</td>
<td>Ngo</td>
<td>176,019,784.59</td>
<td>174,000,718.38</td>
</tr>
<tr>
<td>Asari-Toru</td>
<td>Buguma</td>
<td>166,881,628.65</td>
<td>165,271,085.57</td>
</tr>
<tr>
<td>Bonny</td>
<td>Bonny</td>
<td>166,532,688.86</td>
<td>164,904,219.03</td>
</tr>
<tr>
<td>Degema</td>
<td>Degema</td>
<td>179,329,020.91</td>
<td>177,598,668.09</td>
</tr>
<tr>
<td>Eleme</td>
<td>Nchia</td>
<td>171,251,623.12</td>
<td>169,187,517.56</td>
</tr>
<tr>
<td>Emohua</td>
<td>Emohua</td>
<td>165,866,237.15</td>
<td>164,101,645.86</td>
</tr>
<tr>
<td>Etche</td>
<td>Okehi</td>
<td>190,713,802.63</td>
<td>188,588,772.75</td>
</tr>
<tr>
<td>Gokana</td>
<td>kpom</td>
<td>173,206,735.42</td>
<td>171,469,379.08</td>
</tr>
<tr>
<td>Ikwerre</td>
<td>Isiokpo</td>
<td>165,019,449.87</td>
<td>163,157,559.37</td>
</tr>
<tr>
<td>Khana</td>
<td>Bori</td>
<td>195,382,607.01</td>
<td>193,561,839.25</td>
</tr>
<tr>
<td>Obio/Akpor</td>
<td>Rumuodamaya</td>
<td>240,048,092.30</td>
<td>238,462,882.61</td>
</tr>
<tr>
<td>Ogba/Egbema/Ndoni</td>
<td>Omoku</td>
<td>194,370,530.59</td>
<td>192,478,578.58</td>
</tr>
<tr>
<td>Ogu/Bolo</td>
<td>Ogu</td>
<td>134,085,771.74</td>
<td>132,092,813.37</td>
</tr>
<tr>
<td>Okrika</td>
<td>Okrika</td>
<td>167,281,274.51</td>
<td>165,676,990.08</td>
</tr>
<tr>
<td>Omumma</td>
<td>Eberi</td>
<td>133,291,102.97</td>
<td>131,524,524.77</td>
</tr>
<tr>
<td>Opobo/Nkoro</td>
<td>Opobo</td>
<td>144,706,894.23</td>
<td>143,146,499.11</td>
</tr>
<tr>
<td>Oyigbo</td>
<td>Afam</td>
<td>146,384,191.71</td>
<td>144,466,868.68</td>
</tr>
<tr>
<td>Port Harcourt (State capital)</td>
<td>Port Harcourt</td>
<td>269,284,719.21</td>
<td>267,486,931.25</td>
</tr>
<tr>
<td>Tai</td>
<td>Sakpeenwa</td>
<td>157,147,174.34</td>
<td>154,809,090.31</td>
</tr>
</tbody>
</table>


4. **Data Analysis and Findings**

Data analysis is the computation of measures along with searching for patterns of relationship that exist among data groups (Kothari, 2004). This study analyzed the data in line with the objectives.

4.1. **Financial Crime and Effective Service Delivery**

To analyze financial crime and effective service delivery in Rivers State local government councils, respondents were requested to rate their respective responses in relation to the extent to which financial...
crime affect effective service delivery in Rivers State local government councils. A 5-point Likert rating scale was used and the scale ranges from 1 – 5 signifying 1 – ‘very low extent’, 2 – ‘low extent’, 3 – ‘uncertain’, 4 – ‘high extent’ and 5 – ‘very high extent’. The extent to which financial crime affects effective service delivery in Rivers State local government councils as indicated by the respondents are very low extent 3 (1.44%), low extent 9 (4.33%), uncertain 7 (3.37%), high extent 41 (19.71%) and very high extent 148 (71.5%). Hence, financial crime to a very high extent (71.5%) affects effective service delivery in Rivers State local government councils Table 2.

Table 2.
Response structure by study’s objectives.

<table>
<thead>
<tr>
<th>Objective 1: Financial Crime and Effective Service Delivery</th>
<th>Rating</th>
<th>Response</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>3</td>
<td>1.44</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>9</td>
<td>4.33</td>
<td></td>
</tr>
<tr>
<td>Uncertain</td>
<td>7</td>
<td>3.37</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>41</td>
<td>19.71</td>
<td></td>
</tr>
<tr>
<td>Very high</td>
<td>148</td>
<td>71.15</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>208</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>4.55</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 2: Financial Crime and Human Resource Administration</th>
<th>Rating</th>
<th>Response</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>9</td>
<td>4.33</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>27</td>
<td>12.98</td>
<td></td>
</tr>
<tr>
<td>Uncertain</td>
<td>18</td>
<td>8.65</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>83</td>
<td>39.90</td>
<td></td>
</tr>
<tr>
<td>Very high</td>
<td>71</td>
<td>34.13</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>208</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>3.87</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2. Financial Crime and Human Resource Administration

To analyze financial crime and human resource administration in Rivers State local government councils, respondents were requested to rate their responses in relation to the extent to which financial crime affect human resource administration in their respective local government councils. A 5-point Likert scale was also employed and the response rates are very low extent 9 (4.33%), low extent 27 (12.98%), uncertain 18 (8.65%), high extent 83 (39.90%) and very high extent 71 (34.13%). Accordingly, financial crime to a high extent (39.90%) and very high extent (34.13%) affect human resource administration in Rivers State local government councils Table 2.

Table 3.
Factors that propel financial crime.

<table>
<thead>
<tr>
<th>Options/Component</th>
<th>Response</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need (inadequate compensation and security needs involving fear of retirement, inadequate pension, lack of insurance benefits and health related issues).</td>
<td>37</td>
<td>17.79</td>
</tr>
<tr>
<td>Greed (quest for personal gain at the expense of the public, unwarranted competition for power and status, undue materialism and excessive aspiration for wealth accumulation).</td>
<td>88</td>
<td>42.31</td>
</tr>
<tr>
<td>Opportunity (weak accountability, lack of transparency, security vote, endowment of natural resources, weak enforcement mechanism, political influence, connivance and execution of white elephant projects).</td>
<td>83</td>
<td>39.90</td>
</tr>
<tr>
<td>Total</td>
<td>208</td>
<td>100</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>2.22</td>
</tr>
</tbody>
</table>

Journal of Contemporary Research in Business, Economics and Finance
ISSN: 2641-0265
Vol. 2, No. 3, pp. 47-60, 2020
DOI: 10.33094/26410265.2020.23.47.60
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4.3. Factors that Propel Financial Crime

To analyze the factors that propel financial crime in Rivers State local government councils, respondents were requested to choose amongst three key factors namely need, greed and opportunity (Tunley, 2011) that induce financial crime in their respective local government councils. The factors were adequately explained in the instrument for clarity and unambiguity. Respondents were further requested to explain the components of each factor chosen through the open-ended questionnaire design. The response rates of the three factors are need 13 (17.79%), greed 88 (42.31%) and opportunity 83 (39.90%). Accordingly, greed and opportunity propel financial crime more than need Table 3. The table also revealed responses of the components of the each factor.

4.4. Hypotheses Testing

Chi-square ($\chi^2$) was used to test the two hypotheses at 5% level of significance. The formula for Chi-square ($\chi^2$) is:

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where:
O = Observed frequencies.
E = Expected frequencies.
$\Sigma$ = Summation.

4.5. Hypothesis 1:
Ho: Financial crime does not have significant effect on effective service delivery in Rivers State local government councils.

The observed frequencies (O) Table 4 are derived from the survey response Table 2. The expected frequency (E) is the mean of the observed values (Asika, 2004) that is, 208 ÷ 5 which is 41.6. The calculated values Table 4 are computed using the Chi-square ($\chi^2$) formula.

<table>
<thead>
<tr>
<th>O</th>
<th>E</th>
<th>O – E</th>
<th>(O – E)$^2$</th>
<th>(O – E)$^2$ / E</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>41.6</td>
<td>-38.6</td>
<td>1,489.96</td>
<td>35.816</td>
</tr>
<tr>
<td>9</td>
<td>41.6</td>
<td>-32.6</td>
<td>1,062.76</td>
<td>25.547</td>
</tr>
<tr>
<td>7</td>
<td>41.6</td>
<td>-34.6</td>
<td>1,197.16</td>
<td>28.778</td>
</tr>
<tr>
<td>41</td>
<td>41.6</td>
<td>0.6</td>
<td>0.36</td>
<td>0.007</td>
</tr>
<tr>
<td>148</td>
<td>41.6</td>
<td>106.4</td>
<td>11,920.96</td>
<td>272.138</td>
</tr>
</tbody>
</table>

$\chi^2$ calculated = 362.286

Ho[2]: Financial crime does not have significant effect on human resource administration in Rivers State local government councils

<table>
<thead>
<tr>
<th>O</th>
<th>E</th>
<th>O – E</th>
<th>(O – E)$^2$</th>
<th>(O – E)$^2$ / E</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>41.6</td>
<td>-32.6</td>
<td>1,062.76</td>
<td>25.547</td>
</tr>
<tr>
<td>27</td>
<td>41.6</td>
<td>-14.6</td>
<td>213.16</td>
<td>5.120</td>
</tr>
<tr>
<td>18</td>
<td>41.6</td>
<td>-23.6</td>
<td>556.96</td>
<td>13.388</td>
</tr>
<tr>
<td>83</td>
<td>41.6</td>
<td>41.4</td>
<td>1,713.96</td>
<td>41.201</td>
</tr>
<tr>
<td>71</td>
<td>41.6</td>
<td>29.4</td>
<td>864.36</td>
<td>20.778</td>
</tr>
</tbody>
</table>

$\chi^2$ calculated = 106.034
The table value of $\chi^2$ for 4 degrees of freedom at 5% level of significance is 9.488. Comparing the calculated value (362.3) and table value (9.488), the calculated value is more than table value. Therefore, null hypothesis (Ho) is rejected. Thus, financial crime has significant effect on effective service delivery in Rivers State local government councils.

4.6. Hypothesis Two

Ho: Financial crime does not have significant effect on human resource administration in Rivers State local government councils.

The table value of $\chi^2$ for 4 degrees of freedom at 5% level of significance is 9.488. Comparing the calculated value (106.034) and table value (9.488), the calculated value is more than table value. Therefore, null hypothesis (Ho) is rejected. Thus, financial crime has significant effect on human resource administration in Rivers State local government councils.

5. Discussion

Effective service delivery in a local government council is a product of good governance that comprises trust, answerability and civic participation (Briggs, 2014). The study revealed that there is an upsurge in financial crime that significantly and negatively affects effective service delivery in Rivers State local government councils. The survey identified financial crime as a pecuniary crime comprising diversion of funds, theft, embezzlement, financial misappropriation, disregard to due process and abuse of public authority for private gain committed by both political office holders and bureaucrats in Rivers State local government councils.

The colossal proportion of financial crime in Rivers State local government councils adversely affects efficient and effective service delivery at the grass root level. This is because financial crime hinders the best possible value for money comprising cost minimization, output maximization and full attainment of intended result (Jackson, 2012 in Briggs (2014)) based on economy, effectiveness, efficiency and equity (Martin, Gross-Camp, Kebede, & McGuire, 2014). The findings also established that financial crime negatively affects political stability, adherence to rule of law and the basic principles of Batho Pele comprising effective public consultation, setting service standards, ensuring courtesy, proving reliable and timely information, openness and transparency, redress and value for money (Pietersen, 2014).

The survey discovered that financial crime significantly and negatively affects human resource administration in Rivers State local government councils. Human resource administration deals with formal system for managing people at work (Snell, 1999) for the benefit of both the employee and the organization (Njoku & Nwosu, 2010). It was established that the Head of Personnel Management (HPM) in a local government council liaises with the Local Government Service Commission on issues related to effective human resource administration but the study revealed that the interest of local government employees are neglected because of financial crime. The major complaints made by respondents in relation to the negative influence of financial crime on effective human resource administration are inadequate and irregular compensation, lack of training and absence of promotion.

Compensation is an employee reward for services rendered comprising basic pay (wage and salary), benefits and incentives (Peretomode & Peretomode, 2001). All the respondents complained of irregular payment of salaries which substantially affects employee willingness and performance (Njoku & Nwosu, 2010). Also, lack of training as identified in the study unfavourably affects employee knowledge and skill, safety and effective performance of local government roles and responsibilities (Briggs, 2014). Regarding employee promotion, the survey identified two odd elements namely irrational promotion denial and promotion on exit or retirement that Rivers State local government council employs. These elements are undesirable to employees because it lacks employee motivation since efficiency and effectiveness of a public sector largely depends on the ability of the workforce (Briggs, 2009) and employee motivation (Njoku & Nwosu, 2010).
The survey revealed that greed, opportunity and need induced financial crime in Rivers State local government councils. According to Robertson (2013) in D’Souza (2015) greed is a selfish desire to possess wealth, substances, objects, people, power, status, appreciation or attention far beyond what is required for basic human comfort. The major components of greed that propel financial crime as identified in the survey include quest for more personal gain at the expense of the public, unwarranted competition for power and status, undue materialism and excessive aspiration for wealth accumulation. In consonance with Robertson’s submission, a significant number of interview respondents stated that the quest for political, social and economic status and relevance induces greed which has deleterious cognitive and sociological characteristics (Mullins, 2002 in Iwueke, 2016) that affects public office holders.

According to the findings, financial crime is driven by opportunity derived from weak accountability, lack of transparency, security vote, endowment of natural resources, weak enforcement mechanism, political influence, connivance and the execution of white elephant projects. The Cambridge dictionary defines opportunity as “an occasion or situation that makes it possible to do something that you want to do or have to do, or the possibility of doing something” (https://dictionary.cambridge.org/dictionary/english/opportunity).

The study identified weak accountability, lack of transparency, security vote, endowment of natural resources, weak enforcement mechanism, political influence, connivance and execution of elephant projects as the major components that create opportunity for financial crime in Rivers State local government councils.

Nonexistence of openness and accountability in the public sector is caused by institutional failure that lacks the vital capacity to fulfill important government responsibilities, foster an environment conducive to sustainable and equitable economic growth, establish and maintain legitimate, transparent, and accountable political institutions, securing the citizens from violent conflict and meeting the basic human needs of the citizens (Rice & Patrick, 2008). From the foregoing, it is deducible that institutional failure is linked to all the components that creates an opportunity for financial crime in the public sector because it invokes ineffective anti-graft agencies, absurd legal framework and weak judicial system that gives rise to litigations and counter litigations, fosters nepotism and favouritism based on political affiliation and lack of political will which is acknowledged as the culprit for poorly performing anti-corruption programmes (Brinkerhoff, 2010).

Furthermore, institutional failure triggers connection with the wrong people and circles for stealing and promoting connivance to commit financial crime against trust and the rule of law. For instance, Adams Oshiomhole, the erstwhile National Chairman of the All Progressives Congress (APC), once said that those who join the ruling party will have their sins forgiven irrespective of the financial crime committed. In relation to connivance in Rivers State local government councils, it was revealed that a council chairman (chief executive) cannot commit financial crime alone without connivance with three key bureaucrats namely the Head of Local Government Administration (HLGA), Head of Personnel Management (HPM) and the treasurer who equally serves as the director of finance.

A security vote in local governments is a monthly allowance that is allocated to the chief executive for the sole purpose of funding security services within a local government area. The survey revealed that security vote propels corruption because it is not accounted for. According to Transparency International (TI) in (Ewepu, 2019) security vote is a camouflaged cash that propels financial crime in Nigeria and over N241.2 billion is spent annually on security votes by the government. In assertion, Egbo, Nwakoby, Onwumere, and Uche (2012) affirm that security vote is unaccountable, a misappropriation and stealing of public fund under the cover of improving security network. Another factor that stimulates financial crime in Rivers State local government councils is the multiple streams of revenue from disbursement by FAAC, IGR (taxes, rates, rent, interest, fees and fines), grants and donations from oil companies, national and international development partners. The multiple streams of revenue accruing to Rivers State local government councils weaken financial frugality, transparency and accountability. Regarding white elephant project as an opportunity for financial crime in Rivers State
local government councils, Owolabi (2007) asserts that such a project does not only create an avenue for financial crime but also hinders responsiveness to local needs since it is a need blind project.

A need is a state of felt deprivation (Kotler & Armstrong, 2001) that is essential and not just desirable. The survey identified inadequate compensation comprising basic pay, incentives and benefits in addition to security needs involving fear of retirement, irregular and inadequate pension, lack of insurance benefits and health related issues (Peretomode & Peretomode, 2001) as the need factors that propel financial crime in Rivers State local governments. A need is capable of directing behaviour in a particular direction primarily for satisfaction and tension reduction (Njoku & Nwosu, 2010) but the study observed that need induced financial crime negatively affects individual performance and local government productivity in Rivers State.

6. Conclusion and Recommendations

Financial crime is a crime against property that is pecuniary in nature comprising diversion of funds, theft, embezzlement, financial misappropriation, disregard to due process and abuse of public authority for private gain. Financial crime is prevalent in Rivers State local government councils that significantly and adversely affect efficient and effective service delivery and human resource administration. Greed, weak institutional framework and need fuel financial crime in Rivers State local government councils which negatively affect transparency, accountability, political stability, adherence to rule of law and the delivery of service based on public need at the grass root level.

Based on the findings, it is recommended that Rivers State local government councils should institute an effective ethical and moral practices encompassing accountability, rule of law, citizens participation and transparency (Agim, 2018). This will enable public office holders to be accountable, differentiate between self-interest and social responsibility, know between right and wrong, eliminate or meaningfully reduce greed induced financial crime as well as streamline the multiple sources of revenue for a responsive application based on citizens need.

The three tiers of government in Nigeria should reinforce its institutional and juridical mechanisms (whether on exclusive, concurrent or residual lists) to strengthen financial crime enforcement, discourage political influence and connivance to commit financial crime, reduce security votes and make security votes be accounted for. Also, local government employees should be compensated and motivated adequately for better performance and effective productivity.

7. Contribution/Originality of the Study

This study contributes in the existing literature regarding the components of need, greed and opportunity as factors that propel financial crime. The paper’s primary contribution is finding that effective ethical and moral practices encompassing accountability, rule of law, citizens participation and transparency curb financial crime in the public sector.

References


*Journal of Contemporary Research in Business, Economics and Finance*

**ISSN: 2041-0265**

**Vol. 2, No. 3, pp. 47-60, 2020**

**DOI: 10.33094/26410265.2020.23.47.60**

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