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Money Laundering and its Impact on Financial Indicators

G. ILANKUMARAN*
V. DARLING SELVI**
V. GOVINDARAJA***

Abstract

Money laundering is a worldwide phenomenon known to impact the economy globally. As per analyst reports available, 2-5 percent of the worldwide economy is likely to lose due to money laundering every year. Previous studies show that not many studies have been conducted on the impact of money laundering on the economy, which has empirical relevance. This study attempts to detail a select set of money laundering indicators for a country and correlate them with a country's financial stability parameters. The researchers have considered six countries such as Denmark, Brazil, Ghana, Singapore, Mexico, and Vietnam, to measure the money laundering indices and compare the same with the countries' financial indicators. The financial indicators consist of Return on Assets, Return on Equity, Liquid Assets Ratio, and Interest Margin to Gross Income. The conclusion derived from the analysis is that the financial indicators do not influence Money laundering.

JEL Code : F37; O19; C51; K49
Keywords : Correlation; Financial Indicators; Money Laundering; Indices; KYC; India

I. Introduction

BY DEFINITION, "MONEY laundering is the illegal process of making a large amount of money generated by an offense like drug trafficking or terrorist funding. It appears to have come from a legal source, and the money from such activity is considered unlawful". In the process "launders" it to make it look clean. Money laundering is the process of camouflaging the proceeds of offense and integrating it into the legal, and financial system. Before the offense proceeds are laundered, it is controversial for the offender to use the forbidden amount because they are not able to explain where it

* Associate Professor, Alagappa University, Alagappa Institute of Management, Karaikudi, Tamil Nadu, 630003, INDIA.
** Assistant Professor of Commerce, Rani Anna Government College For Women, Tirunelveli, Tamil Nadu, 627008, INDIA.
*** Doctoral (Ph.D.) Research Scholar, Alagappa University, Alagappa Institute of Management, Karaikudi, Tamil Nadu, 630003, INDIA.

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8.2 *Scope of the study*

the scope of the future study lies in the exploration of comparing Anti Money Laundering indices with the Money Laundering Indices.

8.3 *Implications of the study*

As money laundering is a consequence of almost all profit-generating crimes, it can occur practically anywhere in the world. Generally, money launderers tend to seek out countries or sectors in which there is a low risk of detection due to weak or ineffective anti-money laundering programs. The main implication resulting from this study is that the financial indicators whether it is good or bad have nothing to do with the money laundering practices among the countries. Hence policymakers and researchers can view money laundering practices from another point of view.

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