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Financial Crimes in Somali Public Sector: Causes and Consequences

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Abstract

This study investigated financial crimes in Somali public sector. It intended to explicitly assess public workers' perception of financial crimes, as well as the primary causes and effects of financial crimes in Somali Public Sector. A descriptive research approach was used in this study, and a questionnaire was used to gather data from 160 participants. This research was guided by the Fraud Triangle Theory and Fraud Dimond Theory which describe pressure, opportunity, rationalization and capability as key factors for conducting financial crimes. Although these elements have a significant influence, the findings showed that opportunity mainly representing improper internal audit and control, poor governance and improper duty segregation is the most contributing element to financial crimes in Somali public sector. The findings also revealed that financial crimes disturb resource allocation, wealth distribution and socioeconomic development, resulting in poverty and loss of public trust in government institutions. The study concludes that the financial crimes in public sector of Somalia is alarming and is affecting the economy, quality of life, wellbeing, integrity and social progress. However, this study recommends that the Somali government should establish effective control mechanisms, apply appropriate budgetary strategies to ensure government financial soundness and establish/activate government anti-corruption bodies to combat any form of corruption and financial crimes. Furthermore, the government should develop strong legal frameworks to promote accountability and deter perpetrator. The research also recommends that the government implement e-government with the purpose of increasing transparency and public trust. Finally, the study recommends that international donors should help Somalia to develop strong public institutions by providing administrative and technical support, particular, public financial management system.

Keywords: financial crimes, corruption, fraud, bribe, public sector

1. Introduction

Although the term "financial crime" known as "white collar crime", is not new, there is no unified or even precise legal definition of it (Pickett & Pickett, 2002), even so, in practice, it is connected with countless illegal activities including corruption, theft, fraud, forgery, and money laundering. It is also associated with terrorist financing, money laundering, tax evasion, faked offers for public acquisitions, tenders, etc. Despite this act has been around for a while, criminology has not paid any scientific attention to it (Borlea & Achim, 2020). Many studies show that financial crimes are very common in all countries (Muchtar, 2010), and knows no boundaries. Transparency International (2017) confirms this as it stated that 25% of people from all over the world asserted that they were compelled to give bribery and corruption to obtain public work, services or good. Financial crime is illegitimate act against property or other types of assets, involving the illicit and unfair conversion or collection of property owned by another to one's own personal use and exclusive benefit. In short, these crimes are profit-driven and involve criminal acts (Gottschalk, 2010) which clearly break the law. From this standpoint, financial crime is an illegal attempts or act against governments, corporations, institutions, or individuals by external or internal agents to steal, defraud, manipulate, or circumvent established rules Redzuan et al. (2019). This indicates how these crimes can occur at all levels in different ways by different kinds of people, which in turn shows that the extent of this risk and its damage on individuals, institutions, corporations, governments, and entire society.

It is necessary to extract and concentrate the inherent components of financial crime in order to define, classify, and analyze it. All effort intended to minimize and manage fraud risks proactively, will not be affective unless to recognize the factors causing to fraudulent behaviour (Thanasak, 2013). Many writers proposed theories that allow researchers, investigators and analysts to understand, conceptualize and forecast outcomes of the criminal phenomenon on a probabilistic basis (Colquitt & Zapata-Phelan, 2007; and Gottschalk, 2010). The theories include behavioral theories, organizational theories and managerial theories which are very important as they prevent analysts and researchers from being confused by the complexity of financial crimes. Criminologist, Edwin H. Sutherland was the first person who stated that white-collar crimes are not represented in official crime statistics, at that time, and scholars misunderstand the nature, causes, and consequences white collar crimes and their control (Susan, 2015). In his theory of the fraud triangle, Donald stated three key factors that provide impetus for white-collar crimes, i.e., perceived pressure, perceived opportunity, and rationalization. Drastic pressure in the form of financial difficulty or worries can appear at any time. Opportunity exists where there is luck or poor control over organizational assets, money, and resources. Rationalization is actually interesting one, since offender are able to justify their bad behaviour, at least to themselves (Pickett & Pickett, 2002). Studies conducted on fraud and financial crimes concluded that fraud come about when three components, i.e., pressures, opportunities and rationalization came together and this very similar to the factors previously identified by Cressey (Albrecht, 1991, 2014). Moreover, Homer and Higgins (2020) systematically reviewed different studies and concluded that the fraud triangle is mostly valid as an explanation for financial crimes. As a result, the current knowledge of why people commit fraud and other financial crimes is mainly based on the fraud triangle theory, which provides a useful framework for analyzing individual fraudulent behavior (Ramamoorti, 2008).

The term "financial crime" used in this study is a general term and includes many other specific acts dealing with fraudulent behavior. These crimes have received increased attention in recent years, particularly fraud, which is increasing in frequency and severity (Petter, 2010; Mark, 2015). Daniela et al. (2020) explained financial crime broadly**,** and defined as a prohibited anti-social activity threatening or destroying the economic order and legal system, committed by white-collars who manipulate and exploit their social status. Estimates suggest that USD 2.6 trillion is stolen via corruption globally each year (Mark, 2015). In Nigeria, a study conducted in 2017 reveals that 95% of Nigerians indulge in bribery. Although financial crime is an obstacle to all countries, emerging and developing countries are most vulnerable to the effects of financial crimes, particularly fraud and other similar crimes. These crimes have a significant negative effect on their gross domestic product (Okoye & Gbegi, 2013) thereby affecting the national economy (Sani & Abu, 2019). In Somalia context, over half of the stakeholders including government and its' partners mentioned conflict and political vulnerability; natural hazards; insecurity and the weak rule of law; and poor governance as key drivers of poverty in Somalia (NDP-9, 2020). Furthermore, Somalia is characterized as one of the least progressive countries in terms of corruption (Transparency International Report, 2017), which is considered as major cause of crimes, instability and poverty. Moreover, some studies identified that cost-effectiveness of public expenditure is lower in regions and local governments where financial crime and other forms of corruption are higher, and which in turn affect negatively on economic growth, service delivery and human resource administration, since any kind of corruption fuels mismanagement, inequality, unemployment and poverty, hence it destabilizes development of any society (Biobele et al., 2020; Free, 2015; and Alfredo, 2000).

2. Objectives of the Research

The main goal of this study is to investigate financial crimes in Somalia public sector. The specific objectives of this study are:

1) To determine civil servants' perception towards financial crimes in Somali publics sector.

2) To determine the main causes of financial crimes in Somali Public Sector.

3) To find out the main consequences of financial crimes in Somali Public Sector.

3. Review of Literature

This section focused on the literature review which systematically explains fraud triangle theory, fraud diamond theory, and new fraud models developed by the researchers in order to design the most applicable model to this study. The comprehensive literature review provides the necessary substance for the overall research findings.

3.1 Financial Crimes

There is no internationally approved definition of financial crime, but it is frequently used in common parlance (IMF, 2015). According to Harrison and Ryder **(**2017**)**, the oldest definition of this term was presented by Professor Edwin Sutherland who described white collar crime as 'illegal act or crime done by a person of respectability and high social standing due to their profession, position and power. White collar crime, according to Kemper (2010) is illegal and unethical misconduct that exploits positions of professional role, authority, status or capacity for personal gain or institutional advantage. Black's Law Dictionary defines it as an intentional perversion of fact or truth and conscious doing of wrong. Therefore, white-collar crime is real offence and it should be called crime to bring it within the bounds of criminology, since it is in violation and infraction of the criminal law (Edwin, 1940). On other hand, Bonger (1905) argued that "economic crimes" are different from "street crimes" in different ways. Street crimes, for example assault, rape, burglary, are committed by people in lower classes and typically in public spaces. Obviously, street crimes involve some kind of violence while the financial crime constitute all sorts of nonviolent crime creating a financial deficit and loss. Moreover, Sutherland stated that criminologist did not scientifically investigate economic crimes previously, however made all the attempts for the street crime (Edwin, 1940; Queloz, 2002 and Leția, 2014). More broadly, financial crime involves the use of deception and duplicity for illegal reward, generally involving breach of trust and perhaps some concealment of the true nature of the activities, executing under the financial and business life, both public or business world, employing non-violent means and methods committed by those who have background in the field of commerce, commercel, or finance with the purpose of making profit, business power as well as helping economic entities in difficult period (Pickett & Pickett, 2002; Queloz, 2002; and Leția, 2014).

3.2 Theoretical Framework

3.2.1 Theory of Fraud Triangle

For the purpose of examining the reasons why individuals commit financial crimes, many researchers have attempted to identify the fundamental drivers of it. After studying 250 criminals, Cressey formulated a theory named the fraud frianglea theory which was published in 1953. Cressey stated that there must be three fundamental elements for a fraudster to deliberately violate or break the mutual trust as showed in Figure 1. The components are pressure, opportunity, and rationalization (Abdullahi & Mansor, 2018). According to Albrecht et al. (2006), it is necessary to use the word "perceived" when characterizing pressure or opportunity to commit fraud, because both elements may not be actual and is dependent solely on the perpetrator's insight or perceptions. Moreover, Lister (2007), believes that the most important factor in committing fraud is pressure or incentive. He defined three categories of pressure: personal, work-related stress, and external pressures. Vona (2008) looked into several human and and corporate pressures as the key motive for fraud commitment, including greed, personal huge expenses or debt pressure, family financial problems, and drug addiction as the significant motivation. So, these pressures make individuals unstable and push them engage in engage in improper activities, which may eventually give on to commit fraud and destruction (Hooper & Pornelli, 2010).

Opportunity as the second necessary element of theory of fraud triangle is created by weaknesses or ineffective control system and poor governance that allow an individual to commit fraud. Hartley and Kelly (2010) mentioned that individuals take advantage of circumstances or from system weakness (Kelly & Hartley, 2010). Some factors create an opportunity to commit fraud and other similar financial crimes in public and other institutions such as negligence of employee's breach of rules and policies and absence of legal and disciplinary measures, irregular job rotation, irregular audit, and ineffective monitoring (Lindquist & Singleton, 2006; Sauser, 2007; Abdullahi & Mansor, 2018). The final element of theory of fraud triangle is rationalization which propose that the perpetrator formulates some morally acceptable justification before committing unethical behaviour. It is the excuse for immoral behaviour is something other than criminal activity. For instance, rationalizations of unethical exploitation and fraudulent unethical behaviour include "I had a right to the fund.", "I had to do to support my family", "my employer had deceived me and I was underpaid, and it is my right to do so". Therefore, rationalization is a justification of fraudulent behaviour based on fraudsters' own measures and due to the lack of personal moral standards and reasoning and other integrity (Cressey, 1953; Abdullahi et al., 2015; and Rae & Subramanian, 2008). The following is fraud triangle model presented by Wells (2005).

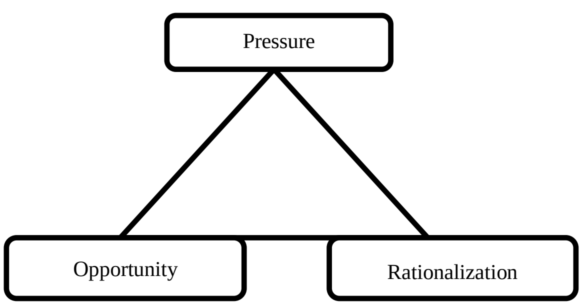

Figure 1. Fraud Triangle, from Wells (2005)

3.2.2 Fraud Diamond Theory

According to Norman and Faizal (2010), Florenz (2012), Thanasak (2013), Gbegi and Adebisi (2013) Fraud Diamond Theory "FDT" is an extended model of Fraud Triangle Theory **"**FTT" with only an addition of "capability" added to the three basic elements of fraud in the FTT as shown in Figure 2. It was first presented by Wolfe and Hermanson. They stated that even if pressure or incentive exist with an opportunity to commit fraud and a rationalization for doing so, fraud is not likely to come about unless the capability is also present. Capability is defined as the requisite skills, abilities or necessary traits for the person to commit fraud. To put it another way, the potential offender must be competent and proficient in order to conduct fraud. (Abdullahi et al., 2015). Many researchers supported the view of adding new element in old theory of fraud triangle as every one who has motivation, opportunities, and realisation may not possible to commit financial crime due to the absence of the capability to conduct it or to hide it. They concluded that this element is important for understanding, analysis, preventing and detecting financial crimes particlarlly when it comes to a large-scale financial crimes (Bressler & Bressler, 2007; Abdullahi et al., 2015).

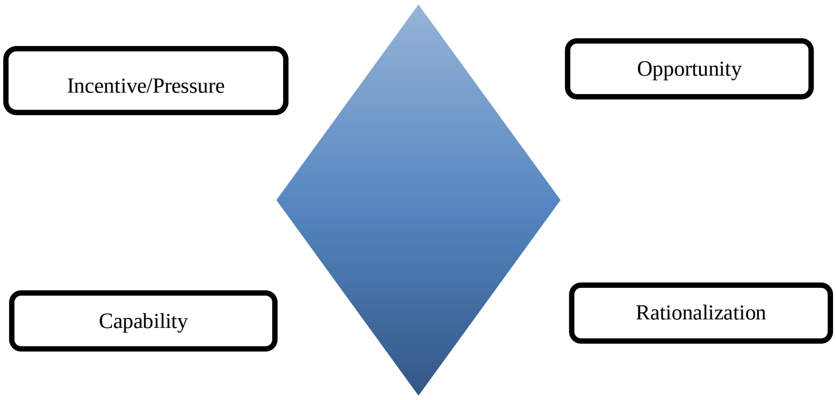

Figure 2. The fraud diamond theory from Wolfe and Hermanson (2004)

3.3 Causes of Financial Crimes

According to "fraud Triangle" and "fraud diamond" theories, financial crimes may occur because of the elements presented in these theories and generally, there will be great chance to commit financial crime when components are presents. Pressure also known called "incentive" is refers to an employee's mindset towards committing fraud and it is considered as fundamental element that trigger this kind of crime. The increase of financial crimes and fraud cases depends in part on the financial pressures faced by working people and the value given to ethical behavior (Mauro, 1995; and Lister, 2007). On the other hand, opportunity enables perpetrators to violate trust (Riemer, 1941; Schuchter & Levi, 2015). Coleman (1987) characterises opportunity as necessary element which can be attractive or unattractive. This can be broadly stated that when the availability of a legal opportunity decreases, the illegitimate opportunity normally increases. The conditions that could encourage financial crime include complex organisational structure, lack or shortage of sufficient staff, ineffective audit and internal control programs and poor governance, insufficient awareness, knowledge and training, lack of expertise, and failure to discipline offenders (Dellaportas, 2012; Gobert & Punch, 2003; Hogan, Rezaee, Riley, & Velury, 2008; Ramamoorti, 2008; Rezaee, 2005; Schuchter & Levi, 2015).

Albrecht and Albrecht (2004) noted that "nearly every fraud involves rationalization", so some researchers argued that offenders try hard to justify their delinquent actions, by attempting to make that bad behaviour more satisfactory in their community and to reduce the bad emotions of others, e.g., wrongfulness, harmfulness and shame, if they are detected (Murphy, 2012, Goldstraw, 2012; and Alexander & Michael, 2015). This is because deceivers "understand what ethically, morally or legally required from them" (Heath, 2008; Alexander & Michael, 2015). In conclusion, both theories present clearly the reasons why managers, administrator, nonexecutives, and others in the government institutions or even in private organizations do commit fraud and other similar financial crimes. When financial crime is not perceived as a priority risk in strategic thinking process especially risk assessment process, there is little incentive to tackle it head on. When government and organizations are not bothered about financial crime as a matter in question, their attempt or response contributes to the forces that are driving these crimes further and deeper into all institutions and agencies. The reasons for not bothering this crime are in part related to perception and awareness of management team and these reasons, mainly, could be lack of awareness, not understanding the link between the risk and controls mechanisms, less understanding of human behavior, not seen as a high-risk area, not seen as a personal threat, absence of performance Indicators and formal Procedures (Albrecht & Albrecht, 2004).

Various contemporary researches are beginning to look beyond the illustrations and the analysis of a strictly economic nature concerning the recognition of the underlying reasons of economic phenomena such as economic and financial crimes, giving more consideration and focus on the examination of the effects of social norms, attitudes and values (Frey & Stutzer, 2012; Pickhardt & Prinz, 2014). According to Lin (2012), behavioural economics mainly focus on the influences of psychological, emotional, cognitive, social and cultural factors on the economic decisions and decision making behaviour of individuals, groups and institutions". This development is not limited to that, but even researchers and expertise (so-called non-economists) who have not possess a special knowledge of finance and economics also believe that opportunity and mindset or attitude are the principal motivations for committing financial crimes. This exactly true since other researchers noted that that people's behavioural intentions including attitudes, emotions, judgments are more affected or guided by what they truly believe in their heart than actuality or what they are in reality (Lewis, 1978; Achim & Borlea, 2020). Numerous studies on causes of financial crimes, corruption and shadow economy conducted by Fisman and Miguel (2007), Barr and Serra (2010), Halkos and Tzeremes (2011), Tong (2014), and Achim (2016) discovered that there is significant impact between culture and corruption, and concluded that cultural factor is one of the key drivers of corruption, economic and financial crimes. Therefore, theories and studies aforementioned, shows that pressure or incentives, opportunity, rationalization and capability are underlying causes of financial crimes, it is also noted that cultural, social and psychological factors affect on the economic attitudes, behavior and decisions of people and institutions.

3.4 Consequences of Financial Crimes

Financial crimes are considered the most serious and widespread type of behaviour targeted to corrupt the public resources and its management process (Conseil de l' Europe, 1996). These crimes disrupt the democratic management and the rule of law and influences negatively the economic and social development as it is an obstacle which blocks the investments growth and business development (Mauro, 1995). Despite the limited nature of available information, it is argued that financial crime has extensively serious emotional, physical, economic effect on people and institutions. It creates immense economic and social costs, compared to those of conventional crime. In Australia, the 2007 personal fraud survey discovered that 5 percent of the population over 15 years old reported being the victim of a financial crime (Oxford University Press, 2016; Gottschalk, 2010; Julak & Jeyong, 2017).

A study conducted in Nigeria by Okoye and Gbegi, 2013) on the consequences of financial crimes including fraud on the economy, found that financial crime has negative significant influence on gross domestic product thereby seriously hitting hard the economy. Another systematic review of six selected studies on the impact of financial crimes on business growth and economic development in both developing and emerging nations conducted by Sani Abubakar Saddiq et al. (2019) indicated that financial crimes have a negative impact on the economics of the emerging and developing countries. However, economy is the corner stone of social development, human rights, good health, access to quality education, nutrition, social connections and healthy environment.

Surender Kumar (2013) investigated the relationship between crime and economic growth in India. This article found a negative and statistically significant relationship between the crimes and growth rate of income per capita. This study also presented that crime may discourage investments in infrestructure, physical and human capital accumulation and has an important effect on economic performance. More importantly, this study recommended that socially and economically inclusive development prevents crimes in a society. This can be interpreted that countries like Somalia need to fight corruption and financial crimes in order to reach development, which in turn reduces other forms of crime. Similarly, Okpuvwie et al. (2021), studied the effects of crime on socio-economic development and results showed that crime and corruption damage the development of society and effects people at all levels. The study identified corruption as major factor effecting negatively on socio-economic development consequently causing unemployment, income inequality, poverty, among others. These elements can be considered as causative factors of crime in society which hinders economic and social progress, instils fear and tension.

A research by Kumar (2012) on money laundering: concept, significance and its impact, shows that money Laundering has an adverse impact on political stability and the economy. Also, a study carry out by Issaoui Fakhri et al. (2016), on the the effects of money laundering on growth had shown that the policies and legal frameworks intended to fight against money laundering have positive impacts on the increasing of probabilities to make more growth. Another study by Andrew and Claud (2021) found that there is significantly a negative effect of fraudulent activates on financial performance. Likewise, a decrease in fraudulent cases results an increase in financial performance. Both later studies showed the necessity of legal framework to fight against these crimes and reduce their impact on the public agencies and departments of the governments as well private institutions. According to Adebisi and Gbegi (2015), financial crimes in public sector has significant impact on economic expansion which reducing standard of living and image. They also found that the services of professional people and firms including forensic accountants, auditors, fraud examiners are more required in the economy in minimizing the effect of fraud.

Similarly, the findings of a research by Kiganda and Ochieng (2018) on the impact of economic crime on economic growth in Kenya indicated that financial crime negatively impact on economic booming in Kenya. It also revealed that a percentage increase in economic crime diminished economic growth by 0.87%. These results showed that investment, savings and culture of hard work demoralized among Kenyans due to increased fraud, bribery and corruption.The findings of the study by Briggs et al. (2020) on financial crime and local government efficiency found that financial crime significantly and negatively influences service delivery and people management in local government. Therefore, the findings from these two studies are strongly suggest that financial crimes demolish not only economic development but also the entire institutional and social systems that are fundamental to the social wellbeing and progress. Thus, this study investigated the causes and consequences financial crimes in Somali public sector.

4. Methodology

This study employed descriptive research design to find out the main causes and consequences of financial crimes in Somali Public Sector. Descriptive research presents a picture of the specific details of a social setting, circumstance or relationship Neuman (2014). Generally, research design is a framework or strategy for collecting and analyzing data. The population of this study is the total number of employees of five selected government institutions, namely; (1) office of auditor general (2) office of accounting general (3) office of attorney general), (4) financial reporting center (financial intelligence) and (5) central bank of Somalia. This study employed a questionnaire from Abdullahi and Mansor (2018) as data collection tool which was distributed to the sample. The sample size of the study was 160 and the study used simple random sampling method that gives the all element the same opportunity to be chosen without bias. However, all participants filled the survey accurately and within stipulated time. This survey consisted of four major parts. The first part intended to collect background information of the respondents such as age, gender, and education. The second part asked about the perception towards financial crimes in public sector. The third section was about the causes of financial crimes in public sector. The fourth section was about the consequences of financial crimes in public sector.

4.1 Data Analysis

The data collected from the participants was analyzed utilising the Statistical Package for Social Science (SPSS) software. To exhibit data in tables, frequency counts and percentages were employed. For ease of description and analysis, the qualitative components of the data were summarized in text form. As a result, quantitative qualitative and methodologies were used to present, describe, and analyze data, as well as draw appropriate conclusions from the findings.

5. Results and Discussion

This section presents the views from research participants of this study. The primary data were collected through questionnaire and results were discussed in accord with the specific research objectives. Frequency distribution tables were also presented which contain the percentage for each response. To facilitate interpretation of the data, responses to items on a five point scale, mostly containing strongly disagree, disagree, neutral, agree and strongly agree respectively were solicited.

5.1 Demographic Information of Respondents

Findings from table 1 indicate that are 78.1% of the participants were male while 21.9 % were Female. This shows the female in public sector in Somalia are so little comparing to men because of cultural issue.

Table 1. Gender

		Frequency	Percent
Valid	Male	125	78.1
	Female	35	21.9
	Total	160	100.0

Table 2 shows that 20–30 aged respondents were the highest number which is 77 with percentage of 48% compared to other groups. Respondents with 31–40 years old were the second highest group, presenting 50, with 31.2%. Moreover, respondents among 41–50 years old were 21 with percentage of 13.1%. While respondents aged above 50 years were the least participated respondents with 7.5%. This result may be linked to the age group of Somalia population which the statistics reports show that 75% of population is less than 30 years old.

Table 2. Age

		Frequency	Percent
Valid	20–30	77	48.1
	31–40	50	31.2
	41–50	21	13.1
	Above 50	12	7.5
	Total	160	100.0

The table 3, presents the education level of the respondents, Respondents hold a bachelor degree were 70 representing 43.8%, while participants having master degree amounted 63 with percentage of 39.4%. This result indicates that public sector staffs are university graduates. 22 of respondents have diploma, which equates 13.7%, while only 5 (3.1%) respondents were PhD holders.

Table 3. Educational level

		Frequency	Percent
Valid	Bachelor degree	70	43.8
	Master Degree	63	39.4
	Diploma	22	13.7
	PhD	5	3.1
	Total	160	100.0

5.2 Civil Servants' Perception towards Financial Crimes in Public Sector

The study examined the perceptions of employees towards financial crimes in Somali public sector. This study included certain questions created specifically to assess the civil service workers' perception towards financial crimes in the public sector of federal government of Somalia. Tables below show the details of the respondents' frequency of responses to questions.

Table 4. There are financial crimes in the Somali public sector

		Frequency	Percent
Valid	Agree	63	39.4
	Disagree	9	5.6
	Neutral	13	8.1
	Strongly agree	62	38.8
	Strongly disagree	13	8.1
	Total	160	100.0

Participants were asked whether financial crimes exist or not and how public staff see these crimes. The results showed that 125 participants representing 78.2% of the respondents agreed that financial crimes exist in the public sector of Somalia, while only 9 of the percipients representing 5.6% have disagreed this as shown in table 4. Muchtar (2010) stated that financial crimes are very common in all countries, but the difference is the underlying major causes and the level of the crime. Lack of accountability and week rule of law in Somalia increased incidence of financial crimes in the public sector.

Table 5. Financial crimes are seen less serious than other types of crime

		Frequency	Percent
Valid	Agree	91	38.1
	Disagree	34	21.3
	Neutral	19	11.9
	Strongly Agree	32	20.0
	Strongly disagree	14	8.8
	Total	160	100.0

The findings from table 5 showed that financial crimes in public sector are seen less serious as majority indicated their responses. 123 out of 160 respondents representing 58.1% agreed that public financial crimes are perceived less serious comparing to other crimes in the country, while 48 representing 30.1% disagreed this opinion, and only 19 amounting 11.9% disagree but this amount is small comparing to other percentages. Furthermore, Transparency International reported in 2017, that Somalia is characterized as one of the least progressive countries in terms of corruption and financial crimes. This is due to inappropriate employee awareness on the nature and the effects of financial crimes.

Table 6. Financial crimes are complex and dynamic challenge

		Frequency	Percent
Valid	Agree	92	57.5
	Disagree	10	6.3
	Neutral	22	13.8
	Strongly Agree	25	15.6
	Strongly disagree	11	6.9
	Total	160	100.0

Table 6 depicts that only 21 out of the 160 amounting 13.2% disagreed that financial crimes are complex and dynamic challenge, but 57.5% representing more than half of the respondents agreed that financial crimes are complex and dynamic challenge, and 15.6% of respondents strongly considered financial crimes in Somalia public sector as same to that. Due to the complexity and nature of these crimes, as well as technical advancements, fraudsters can conduct crimes in a variety of ways. According to Rafay (2021), the most challenging issue in countering financial crimes is addressing its dynamic character because it is a multi-layered activity in which fraudsters always develop new ways to perpetrate fraud and conceal their traces so as not to be identified. That is the cause for the complexities in dealing with financial crimes activities.

Table 7. Financial crimes can be prevented and detected if relevant measures are applied

		Frequency	Percent
Valid	Agree	73	45.6
	Disagree	9	5.6
	Neutral	18	11.3
	Strongly Agree	53	33.1
	Strongly disagree	7	4.4
	Total	160	100.0

According to the above table, 16 respondents representing 7% have rejected that the Financial crimes in the Somalia public sector can be prevented and detected if relevant measures are applied, while 126 of the respondents representing 78.75 % agreed that these crimes can be prevented and detected if applicable measures to this particular matter are applied. This shows the willingness of the majority of public staff to fight against these crimes. Financial crime prevention is a difficult task. Therefore, it requires a constant attention on policies, strategies and internal controls mechanisms as well as the utilization of cutting-edge technology. These measures will not effective unless sufficient, ethical and skilled people are acquired. Adebisi and Gbegi (2015), fraud specialist and auditors are more needed in the institutions to reduce the impact of financial crimes. These individuals assist organizations in developing preventative methods and training employees to implement and detect fraud, as well as further investigate cases if necessary.

5.3 Causes of Financial Crimes in Somali Public Sector

The study focused on financial crimes in Somali public sector. The second objective was to determine employees' views on the major root cause of public financial crimes in Somalia context.

5.3.1 Pressure as Causes of Financial Crimes in Somali Public Sector

This part focus on determining participants' views on pressure as causes of financial crimes. Pressure is the first and prime component of fraud triangle theory. The following tables present respondents' responses on the questions concerning how pressure can force staff to commit financial crimes.

Table 8. Most of the fraudsters are perpetrating financial crimes in the public sector due to their too much greediness (an excessive desire for wealth).

		Frequency	Percent
Valid	Agree	79	49.4
	Disagree	15	9.4
	Neutral	11	6.9
	Strongly agree	47	29.4
	Strongly disagree	8	5.0
	Total	160	100.0

Participants were asked whether most of the fraudsters are perpetrating financial crimes in the public sector due to their too much greediness (an excessive desire for wealth). 126 participants representing 78.8% responded that fraudsters always commit financial crimes in the public sector as a consequence of their too much greediness i.e., an excessive desire for wealth. 23 amounting 14.4% have rejected this question. The table also shows that only 11 participants representing 6.9% of the respondents were neutral. This findings suggests that an overwhelming desire for wealth is a major element in the illegal and unethical behavior of public sector fraudsters. Many human forces, such as greed and an excessive desire for wealth, have been identified as the primary motivators for fraud committed (Vona, 2008), and as a result, perpetrators commit financial crimes on a regular basis (Hooper & Pornelli 2010).

Table 9. Perpetrator commit financial crimes because of family financial difficulties (health, rent, education etc.)

		Frequency	Percent
Valid	Agree	65	40.6
	Disagree	20	12.5
	Neutral	27	16.9
	Strongly agree	31	19.4
	Strongly disagree	17	10.6
	Total	160	100.0

From the above table, study showed that 96 respondents representing 60% agreed that officers in the public sector commit financial crimes due to financial difficulties of their family particularly health, rent and education expenses, while 37 of the respondents constituting 23.1% have rejected this opinion, and 17 participants 16.9% were neutral. Therefore, this study declares that pressure is an essential element in such crimes. This can be stated that the more financial pressure exists the higher probability to commit financial crimes, although some pressures can be considered as perceived pressures. The findings of this study absolutely confirm the findings of prior investigations. According to Cressey (1953), pressure is a key component in breaching trust and conducting financial crimes. Later, Lister (2007) backed up this claim by emphasizing pressure as a necessary factor in committing fraud.

Table 10. Public sector officers (fraudsters) commit financial crimes due to job insecurity and fear of unemployment

		Frequency	Percent
Valid	Agree	67	41.9
	Disagree	19	11.9
	Neutral	18	11.3
	Strongly agree	40	25.0
	Strongly disagree	16	10.0
	Total	160	100.0

From the above table, study showed that 107 respondents representing 66.9% agreed that officers commit financial crimes due to job insecurity and fear of unemployment, while 35 of the respondents constituting 21.9% have rejected this in their response. And 11.3% of the respondents were neutral. This shows that pressure from job insecurity and unemployment pushes officers to commit financial crimes. Previously, Lister (2007) stated that pressure is the key ingredient in committing financial. Although Somalia is progressing, but still the unemployment rate is high and opportunities are limited. Therefore, these issues create pressure on public staff and belief to collect immediately some money before they lose their jobs.

5.3.2 Opportunity as Causes of Financial Crimes in Somali Public Sector

Opportunity is considered as the second component of fraud triangle theory. Here is presented the percipient's responses to whether opportunity can be considered as a major root of financial crimes in Somalia public sector. The below tables present frequencies of respondents concerning this matter.

Table 11. Financial crimes are committed in public sector as a result of ineffective governance

		Frequency	Percent
Valid	Agree	79	49.4
	Disagree	15	9.4
	Neutral	11	6.9
	Strongly agree	47	29.4
	Strongly disagree	8	5.0
	Total	160	100.0

According to the above table, 126 out of 160 representing 78.8% agreed that ineffective governance in public sector caused many cases of financial crimes. This is true because the Somali government is still week due to political security issue which also drives the ineffectiveness of the system. In contrast, 14.4% of the workers disagreed that financial crimes are committed in public sector as a result of ineffective governance, and the remaining 6.9% were undecided in their responses. According to the findings, ineffective governance of public sector can be seen as major driver of public financial crimes in Somalia. According to Petter and Lars (2018), political elites abuse public office in nations with inadequate democratic governance, which can have substantial economic damage. Nor (2019) stated that an integrated financial system or governance is crucial for public revenue management. This study discovered that governance systems in Somalia public sector are poor, which deceivers regard as an opportunity to commit financial crime. This is one of the factors contributing to the rise in financial crime in this sector.

Table 12. Public servants commit financial crimes in public sector due to irregular internal audit and internal control

		Frequency	Percent
Valid	Agree	91	56.9
	Disagree	9	5.6
	Neutral	18	11.3
	Strongly agree	31	19.4
	Strongly disagree	11	6.9
	Total	160	100.0

According to the table 12, the study revealed that financial crimes are committed by public servants due to irregular audit and control. 122 respondents representing 76.25% have agreed that public staff commit financial crimes in public sector due to irregular internal audit and control, while 20 participants amounting 12.5% disagreed, and the remaining 11.3% were neutral in their responses. Therefore, this shows that financial crimes occur when there is ineffectiveness in internal control as well as internal audit. This matches what other researchers found before which tells that internal audits and internal controls are fundamental to combat financial crimes in public sector (Lindquist & Singleton, 2006; Sauser, 2007; Abdullahi & Mansor, 2018). As a result, this demonstrates that financial crimes occur when internal control and internal audit are ineffective. This is consistent with previous findings by other studies, indicating that internal audits and internal controls are critical in combating financial crimes in the public sector (Lindquist & Singleton, 2006; Sauser, 2007; Abdullahi & Mansor, 2018). Effective internal control and internal audit are the most appropriate strategy to reduce financial crimes. However, such internal controls must be assessed by external auditors who are competent, knowledgeable and truly independent.

Table 13. Officers in the public sector commit financial crimes as a result of improper duty segregation

		Frequency	Percent
Valid	Agree	84	52.5
	Disagree	14	8.8
	Neutral	31	19.4
	Strongly agree	19	11.9
	Strongly disagree	12	7.5
	Total	160	100.0

From the above table, study showed that 103 respondents representing 64.4% agreed that officers in the public sector commit financial crimes as a result of improper duty segregation, while 26 of the respondents constituting 16.3% have disagreed to this. And 19.4% of the respondents were neutral. This means that fraudsters exploit opportunities to commit such crimes, as stated before, Kelly and Hartley (2010) saying that individuals will take advantage of circumstances accessible to them. Therefore, it will helpful for the institutions to take preventive measures to combat these crimes including separation of responsibilities and clearly defining roles of each unit or person.

5.3.3 Rationalization as Causes of Financial Crimes in Somali Public Sector

The fraud triangle theory's third component is rationalization. Although other Studites in some countries validated and considered as essential element, still there is no research findings from Somalia on this issue. The following tables display the percipient's responses to whether rationalization can be considered as a major root of financial crimes in Somali public sector.

Table 14. Public servant always commit financial crimes to take care of their financial problems

		Frequency	Percent
Valid	Agree	78	48.8
	Disagree	34	21.3
	Neutral	12	7.5
	Strongly agree	20	12.5
	Strongly disagree	16	10.0
	Total	160	100.0

According to table 14, 98 out of 160 respondents representing 61.3% agree that public servant commit financial crimes due to their financial problems, while 50 percipients representing 31.3% rejected that fraudsters commit crimes due to financial pressures and only 7.5% of the participants were natural. Therefore, this study is consistent with previous research conducted by Lister (2007) which declared that incentive or pressure is the essential factor in committing financial crime. Also, Vona (2008) investigated personal and institutional pressures as the significant motivation proxies for fraud commitment, including family financial problems, personal debt, and huge expenses.

Table 15. Public servants commit financial crimes because that their salary is lower than what is supposed to be paid

		Frequency	Percent
Valid	Agree	73	45.6
	Disagree	21	13.1
	Neutral	19	11.9
	Strongly agree	32	20.0
	Strongly disagree	15	9.4
	Total	160	100.0

According to the above table, 36 respondents representing 22.5% have rejected that public servants commit financial crimes because that their salary is lower than what is meant to be paid, while 105 of the respondents representing 65.6% agreed that government staff believe that their salary is less and due to that they commit financial crimes. Only 19 participants amounting 11.9 were neutral. According to the fraud triangle theory, such justifications can be considered as rationalization which is one of the basic elements of theory. Furthermore, some researchers argued that offenders attempt to rationalise their delinquent behaviour. This argument is consistent with the findings of Albrecht and Albrecht (2004). They identified that “nearly every fraud involves rationalization”, therefore this study is also consistent with the previous studies.

Table 16. Some people commit it before me, even if I am caught, nothing will happen

		Frequency	Percent
Valid	Agree	63	39.4
	Disagree	18	11.3
	Neutral	37	23.1
	Strongly agree	32	20.0
	Strongly disagree	10	6.3
	Total	160	100.0

From the above table, study showed that 95 respondents representing 59.4% agreed that officers in the public sector commit financial crimes because some people commit it before me, even if I am caught, nothing will happen, while 28 of the respondents constituting 17.6% have rejected this. And 23.1% of the respondents were neutral. This makes clear that wrongdoers rationalize or justify their deceptive behaviour as they lack of integrity, ethics and moral reasoning (Cressey, 1953; Abdullahi et al., 2015; Rae & Subramanian, 2008). So, it shows that if some public workers commit financial crimes, other remaining staff may commit consequently, if responsible institution or committees do not take preventive and detective measures in order to discourage such fraud behavior.

5.3.4 Capability as Causes of Financial Crimes in Somali Public Sector

The study also attempted whether capability is basic elementnecessary to commit fraud. Wolfe and Hermanson argued that it is unexpected for fraud to emerge unless the capability is also there. Therefore, the study attempted to investigate its relevance to Somali context. The following tables display the percipient’s responses to whether capability can be considered as a major root of financial crimes in Somali public sector. The below tables present frequencies of respondents concerning this matter.

Table 17. Fraudsters have more intellectual capacity than others to discover, identify and exploit available opportunities

		Frequency	Percent
Valid	Agree	72	45.0
	Disagree	29	18.1
	Neutral	19	11.9
	Strongly agree	27	16.9
	Strongly disagree	13	8.1
	Total	160	100.0

From the to the above table, 99 of the respondents representing 61.9% agreed that fraudsters have more intellectual capacity than others to discover, identify and exploit available opportunities, while 42 respondents representing 26.2% have rejected this argument. And only 19 participants amounting 11.9% were neutral. Wolfe and Hermanson argued that it is improbable for financial crime to happen unless the fourth components i.e. capability is there. It is viewed as basic traits or skills and abilities for the person to carry out financial crime, and therefore, the potential perpetrator must pose these abilities and skills (Abdullahi et al., 2015). According to the theory of fraud triangle, such justifications can be considered as rationalization which is basic one of the basic elements of theory. Furthermore, some researchers argued that offenders attempt to rationalise their delinquent behaviour. This argument is consistent with the findings of Albrecht and Albrecht (2004). They identified that “nearly every fraud involves rationalization”, therefore this study also consistent with the previous studies.

Table 18. Fraudsters commit financial crimes easily because of their confidence, and authority to make direct decisions

		Frequency	Percent
Valid	Agree	76	47.5
	Disagree	18	11.3
	Neutral	29	18.1
	Strongly agree	28	17.5
	Strongly disagree	9	5.6
	Total	160	100.0

According to the above table, 104 of the respondents representing 65% agreed that fraudsters commit financial crimes easily because of their confidence, and authority to make direct decisions, while 27 respondents representing 16.9% have rejected this argument, and only 29 participants amounting 18.1% were neutral. Therefore, there is vigorous relationship between fraudsters' confidence and authority and fraudulent behaviour since perpetrators pose skills and competences to perform financial (Abdullahi et al., 2015).

5.4 Consequence of Financial Crimes in Somali Public Sector

The following tables shows the percipient's responses to major consequences of financial crimes in Somalia public sector. More particularly, the study measured the effects of public financial crimes on public institutions, society and the economy as well.

Table 19. Financial crimes in public sectors result luck of trust in government institutions

		Frequency	Percent
Valid	Agree	71	44.4
	Disagree	9	5.6
	Neutral	17	10.6
	Strongly agree	51	31.9
	Strongly disagree	12	7.5
	Total	160	100.0

Table 19 depicts that 21 respondents amounting 13.1% refused that financial crimes create luck of public trust in government agencies, while 122 participants of this study representing 76.3% argued that public financial crimes destroy public trust in government institutions, and 17 respondents amounting 10.6% were neutral. The findings demonstrated that financial crime is a sickness that impedes government service delivery and eventually leads to the abolition of all institutions. It is understandable that the public does not trust corrupt persons or institutions. According Pickett and Pickett (2002), mutual trust in essential in relationship between employer (public) and employee (public officers) and a loss of trust can be fatal. However, the public has the right to no longer trust corrupt institutions because they breached their fiduciary duty, causing the public to suffer.

Table 20. Financial crimes in public sectors distort the allocation of resources and wealth distribution which leads to inequality and poverty

		Frequency	Percent
Valid	Agree	68	42.5
	Disagree	11	6.9
	Neutral	14	8.8
	Strongly agree	54	33.8
	Strongly disagree	13	8.1
	Total	160	100.0

According to the above table, 122 of the respondents representing 76.3% belief that financial cremes committed by the public officers bend allocation of resources and wealth distribution, which ultimately leads to inequality and poverty. Also**,** 24 respondents representing 15% have rejected this argument in their responses, and only 14 participants amounting 8.8% were neutral to this question. This study is in consistent with the preceding research conducted in similar countries. Sani Abubakar Saddiq et al. (2019) designated that financial crimes have a negative effect on the economics of the emerging and developing countries.

Table 21. Financial crimes in public sectors disrupt socio-economic development

		Frequency	Percent
Valid	Agree	70	43.8
	Disagree	9	5.6
	Neutral	19	11.9
	Strongly agree	56	35.0
	Strongly disagree	6	3.8
	Total	160	100.0

This table displays that 126 respondents representing 78.8% responded that public financial crimes disrupt socio-economic development, while only 15 participants amounting 9.4% rejected this opinion on impact of public financial crimes and 19 participants amounting 11.9% were neutral to this question. This study strongly supports other studies conducted in some countries. Biobele et al. (2020) and Free (2015) stated that corruption brings mismanagement, inequality and poverty, which destabilizes development of society that leads then poverty. Furthermore, Somalia government's main challenge is to poverty as indicted in the National Development Plan (2020-2024). Therefore, in order to eradicate prolonged poverty, government should fight against financial crimes, corruption, nepotism which are interconnected elements that paralyzed socio-economic development in Somalia.

6. Conclusion

Increasing cases of public financial crimes, threaten the economic and financial security of the state. The objectives of the study were to determine civil servants' perception towards financial crimes in Somali public sector; to determine the main causes and consequences of financial crimes in Somali Public Sector. This study was based on the theories of fraud triangle theory and of fraud diamond theory, which offers insightful information concerning the diverse elements that influence an individual's decision to commit financial crimes: opportunity, pressure, rationalization, and capability. These elements were examined and the results revealed that a fraudulent behaviour cannot happen unless these elements are present. In particular, when the opportunity element is there, the chance that officers commit financial crimes tends to be lengthier. So, this indicates the critical importance of good governance and effective internal control systems in mitigating financial crimes. This study also revealed that public financial crimes have negative impact on public resource allocation and wealth distribution as well as the public trust in public institutions. Above all, results of the study revealed that financial crimes in public sector have significant effect on socio-economic development in Somalia which eventually causes inequality and poverty. The study concludes that the financial crimes in public sector of Somalia is alarming and is affecting the economy, quality of life, wellbeing, culture and integrity. Therefore, it is very crucial to combat all kinds of financial crimes in public sector of Somalia.

7. Recommendations

The study recommends the following issues:

1) The government should establish effective control mechanisms and improve the existing control system of the government agencies to prevent frauds and corruption. Also, the study suggests that good financial governance is necessary to tackle such financial crimes at all levels, therefore, the government should adapt effective budgetary, planning and control techniques to ensure its financial soundness. This ultimately improves financial transparency and accountability which accelerate the government's efforts to succeed the debt relief program.

2) The government also should activate/establish necessary institutions or committees pertaining to this issue. More specifically, government anti-corruption committee should combat any form of corruption and financial crimes.

3) The federal government of Somalia should come up with effective legal frameworks intended to eliminate the root causes of these crimes. Besides, the government should provide training and guidance programs since these are vital in maintaining the effectiveness of the strategy for the prevention, disclosure and examination of financial crimes.

4) The research also recommends that the government should implement e-government with the purpose of increasing transparency and public trust.

5) The Fringe benefits of the employees should be created or/and increased. This reduces pressures from government staff and it help recruit, motivate, and keep high-quality employees.

6) Although International donors and development organizations assist Somalia to overcome their obstacles (corruption, insecurity, instability and poverty), providing financial support, there is still a huge gap between the ideal and actual performance. In order to establish strong and responsible public agencies, both International donors and development organizations should provide technical and administrative facilities and establish cross-cutting committee or program which deals with issue of financial crimes, not only issuing reports but train, monitor, evaluate the relevant institutions, agencies and committees.

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