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Research Article

Financial Crimes as a Driver of Capital Flight in Nigeria: Issues and Policy Implications

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Abstract

This paper examines the relationship between financial crimes and capital flight in Nigeria. The paper specifically focuses on three primary categories of financial crimes trade mis invoicing and transfer pricing, money laundering through offshore accounts and real estate, and tax evasion and profit shifting by multinational corporations and analyzes how these illicit activities drive the systematic outflow of capital from the Nigerian economy. Drawing on secondary data from academic literature, official reports from the Nigerian Financial Intelligence Unit, the National Revenue Service, the Economic and Financial Crimes Commission, and reports from international financial institutions and think tanks such as Global Financial Integrity and the World Bank, the paper reveals that Nigeria loses between $15 billion and $18 billion annually to illicit financial flows. The paper concludes that financial crimes represent the primary engine of capital flight from Nigeria, driven by weak institutional oversight, inadequate enforcement of anti-money laundering frameworks, and the complicity of both domestic elites and multinational corporations. Recommendations include strengthening the NFIU's operational capacity, enforcing beneficial ownership registries, renegotiating double taxation agreements, and enhancing international cooperation for asset recovery.

Keywords: *Financial Crimes, Capital Flight, Trade Mis-invoicing, Money Laundering, Tax Evasion, Illicit Financial Flows.*

1.1 Introduction

Nigeria's economy is bleeding. Each year, billions of dollars that should be building roads, schools, hospitals, and industries vanish through a web of illicit financial schemes, leaving the nation impoverished while a select few grow wealthy beyond imagination (Udunze, 2025). This quiet drain, known as capital flight, has become one of Nigeria's most devastating economic tragedies, and at its heart lies a fundamental driver of financial crimes (Udunze, 2025). The story of capital flight from Nigeria is not merely an economic tragedy; it is a moral one, the tale of a nation betrayed by its own custodians and courted by foreign accomplices who profit from its dysfunction (Udunze, 2025).

Financial crimes, in the context of capital flight, refer to illicit activities designed to move money or assets across borders in violation of national laws and regulations. These encompass trade misinvoicing and transfer pricing, where the value of imports and exports is manipulated to shift profits abroad; money laundering, where proceeds of crime are disguised and transferred to foreign jurisdictions; and tax evasion and profit shifting, where multinational corporations and wealthy individuals avoid tax obligations by routing funds through offshore tax havens. The Independent Corrupt Practices and Other Related Offences Commission (ICPC) identifies three primary routes for illicit financial flows: the criminal route, the corrupt route, and the commercial route, with the commercial route involving unethical and illegal trade practices by the private sector responsible for approximately 70 percent of capital outflows (ICPC, 2021).

Capital flight, in this analysis, refers to the transfer of assets abroad or the conversion of domestic assets into foreign currency holdings outside the control of domestic authorities (Udunze, 2025). In the Nigerian context, capital flight manifests through multiple channels, including trade mis-invoicing, profit repatriation by multinational corporations, and the direct siphoning of public funds by political elites. Government and independent estimates suggest that Nigeria loses between $15 billion and $18 billion annually through illicit financial flows (IFFs), roughly 20 percent of the $88.6 billion that Africa collectively loses each year (Lagos Television, 2026; Punch, 2026). The Federal Inland Revenue Service (FIRS) has confirmed that Nigeria loses $18 billion annually due to illicit financial flows, with commercial tax avoidance practices causing 65 percent of IFFs (Daily Trust, 2025). A Global Financial Integrity report released in January 2026 revealed that Nigeria lost a total of $77.7 billion to trade-related illicit financial flows between 2013 and 2022 (Sundiata Post, 2026; Vanguard, 2026).

This paper focuses on three categories of financial crimes that serve as primary drivers of capital flight from Nigeria. First, trade mis-invoicing and transfer pricing, where multinational corporations and trading entities manipulate invoice values to shift profits and capital abroad. The Sea Empowerment and Research Centre (SEREC) estimates that Nigeria loses between $5 billion and $8 billion in revenue yearly due to under-declaration, misclassification and poor documentation of exports, particularly in the solid minerals sector (The Guardian, 2026). Second, money laundering through offshore accounts and real estate, where proceeds of crime are disguised and transferred to foreign jurisdictions. The Nigerian Financial Intelligence Unit (NFIU) raised alarm over an alarming surge in suspicious financial transactions from Nigeria to Dubai and Hong Kong, receiving 401 Suspicious Transaction Reports linked to both regions between January 2021 and September 2024, with the total value of flagged transactions exceeding N48 billion (Punch, 2025; Business Day, 2026). Third, tax evasion and profit shifting by multinational corporations, where companies exploit loopholes in Nigeria's tax system to avoid paying taxes and repatriate profits abroad. The FIRS has identified aggressive tax avoidance by multinationals exploiting opaque global arrangements as a major threat to Nigeria's fiscal stability (Daily Trust, 2025).

The selection of these three categories of financial crimes as the scope of this paper enables comprehensive analysis across different mechanisms of capital flight, from trade-based illicit flows to banking system abuses to corporate tax avoidance. This scope is reflected throughout the analysis, with each category examined in relation to the specific financial crime patterns and capital flight consequences evident in available data.

2.1 Conceptual Review

This section covers a systematic analysis of concepts containing information about the problem under study.

2.1.1 Concept of Financial Crimes

Financial crimes encompass a range of illicit activities designed to obtain financial or professional gain through illegal means. In the Nigerian context, financial crimes that drive capital flight manifest through three primary channels. The ICPC identifies illicit financial flows as inappropriate movements of money or capital from one country to another, noting that undocumented flights of wealth have severe repercussions on government revenues and wealth that could otherwise be invested in public spending and other forms of economic and social reforms (ICPC, 2021). The ICPC Chairman has described illicit financial flows as the most egregious form of corruption in Nigeria, noting that it represents less than 30 percent of the losses of capital in developing countries, including Nigeria, with a lot of money lost through illicit financial flows (ICPC, 2020).

Trade mis-invoicing and transfer pricing represent one of the most significant categories of financial crimes driving capital flight. This involves the deliberate manipulation of the value, quantity, or quality of goods and services in international trade transactions to shift profits, evade taxes, or move capital across borders. SEREC's report on maritime-enabled resource leakages found that Nigeria is estimated to be losing between $5 billion and $8 billion in revenue yearly due to under-declaration, misclassification and poor documentation of exports, particularly in the solid minerals sector (The Guardian, 2026). The Mbeki High Level Panel on Illicit Financial Flows from Africa discovered that commercial tax avoidance practices caused 65 percent of IFFs, with up to $407 billion lost from trade mispricing from 2001 to 2010 (Daily Trust, 2025). Organized crime drove 30 percent of IFFs while 5 percent came from official government bribery (Daily Trust, 2025).

Money laundering constitutes another major category of financial crime driving capital flight. This involves the process of making illegally-gained proceeds appear legal by disguising their origins. The NFIU's investigation into suspicious transfers to Dubai and Hong Kong revealed a disturbing trend: a steady and significant rise in suspicious financial activity to both destinations (Punch, 2025). In 2021, only two Suspicious Transaction Reports (STR) valued at N42 million were reported. By 2024, that number had soared to 202 STRs with a combined value of N32 billion (Punch, 2025). The NFIU attributed this trend to a mix of complex regulatory loopholes, the proliferation of shell companies, offshore accounts, and weak enforcement mechanisms in both Dubai and Hong Kong (Punch, 2025). The NDLEA, in collaboration with international partners, arrested a billionaire drug baron in Switzerland in connection with drug money laundering operations totaling hundreds of billions of naira across Europe and Nigeria, with the syndicate operating through a web of front and shell companies, pass-through accounts, and digital wallets (Business Day, 2026; Daily Post, 2026).

Tax evasion and profit shifting by multinational corporations represent a third critical category of financial crime. This involves the use of legal and accounting loopholes to avoid tax obligations and shift profits to low-tax jurisdictions. The FIRS outlined how Nigeria's tax system is being undermined by mispriced trade, profit shifting, aggressive avoidance schemes, and financial outflows disguised through legal and accounting loopholes (Business day, 2025). He noted that Nigeria is being drained by mispriced trade, profit shifting, and aggressive avoidance schemes (Pulse, 2025). The Nigeria Revenue Service (NRS) has stated that it recovered over N80 billion from illicit financial flows within a three- to five-year window, with recoveries largely achieved through voluntary compliance measures before enforcement actions commenced (Punch, 2026).

2.1.2 Concept of Capital Flight

Capital flight refers to the transfer of assets abroad or the conversion of domestic assets into foreign currency holdings outside the control of domestic authorities (Udunze, 2025). In the Nigerian context, capital flight manifests through multiple channels, including trade mis invoicing, profit repatriation by multinational corporations, and the direct siphoning of public funds by political elites. Each year, billions of dollars exit the country through legal and illicit channels, draining investment, depleting foreign reserves, and eroding confidence in the nation's economic future (Udunze, 2025).

The scale of capital flight from Nigeria is staggering. The NRS has warned that Nigeria is currently responsible for about 65 percent of the total illicit financial flows expected to come out of Africa, which is around $88.6 billion (Punch, 2026). A high-level African Union panel chaired by Thabo Mbeki revealed that Nigeria accounted for an astonishing 30.5 percent of all illicit financial outflows from Africa between 1970 and 2008 (Lagos Television, 2026). A Global Financial Integrity report revealed that Nigeria lost $77.7 billion to trade-related illicit financial flows over a decade, highlighting how capital flight, trade mis-invoicing, and weak oversight continue to undermine economic growth and public revenue (Sundiata Post, 2026). The report noted that Nigeria lost approximately $77.7 billion between 2013 and 2022, making it one of the countries that have "hemorrhaged significant sums" (Vanguard, 2026).

Capital flight has devastating consequences for economic development. The ICPC notes that illicit financial flows out of Africa far outweighed grants from international development partners to the continent, with the amount of capital that leaves Africa far more than the development grants that it gets (ICPC, 2022). These unrecorded capital flights severely weaken Nigeria's public institutions and deprive the economy of the much-needed revenue required to fund education, healthcare and other sectors (The Sun, 2026). The Director-General of the Manufacturers Association of Nigeria, noted that illicit financial flows go far beyond legal or technical matters because their consequences directly affect business operations through weaker investment flows, pressure on exchange rates, higher input costs, constrained infrastructure financing, and reduced investor confidence (Punch, 2026).

2.1.3 The Nexus between Financial Crimes and Capital Flight

The relationship between financial crimes and capital flight is both direct and symbiotic. Financial crimes generate the illicit proceeds that are then moved across borders through capital flight, while capital flight provides the mechanism for hiding and enjoying the fruits of financial crimes. The ICPC Chairman observed that corruption and its subsets especially economic and financial crimes were widespread in Nigeria, with large-scale official corruption becoming rife across the sub-region, adding that the objective of most criminal ventures was to generate income and enjoy the fruits of criminality (ICPC, 2021).

The commercial route, involving unethical and illegal trade practices by the private sector, is responsible for approximately 70 percent of capital outflows (ICPC, 2021). This includes transfer pricing abuses, where multinational corporations trade among themselves at artificially inflated or deflated prices to shift profits out of Nigeria. As former ICPC Chairman, Professor Bolaji Owasanoye, explained, some companies operating in Nigeria have sister companies overseas but engage in transfer pricing to move money to those companies by inflating the cost of the goods they pay the firms (Channels TV, 2025). About 65 percent of capital outflows in Africa are illicit financial outflows, with transfer pricing being a primary mechanism (Channels TV, 2025).

The banking system plays a critical role in facilitating the nexus between financial crimes and capital flight. Senator Daniel has noted that a large portion of illicit wealth passes through the banking system, making it traceable with modern financial intelligence tools (News Agency of Nigeria, 2026). However, capital flight thrives where institutions are weak. Agencies such as the Central Bank of Nigeria (CBN), the Nigerian Financial Intelligence Unit (NFIU), and the Economic and Financial Crimes Commission (EFCC) operate under immense political pressure (Udunze, 2025). Investigations into politically exposed persons are often selective, and prosecutions drag endlessly. Meanwhile, banks (both local and foreign) play the silent role of facilitators, processing questionable transactions with minimal scrutiny (Udunze, 2025).

2.2 Theoretical Framework

This paper adopts the Kleptocracy Theory as the primary theoretical framework for understanding the relationship between financial crimes and capital flight from Nigeria. Kleptocracy, derived from the Greek words "kleptes" (thief) and "kratos" (power or rule), refers to a system of government where those in power use their positions to systematically steal national resources for personal enrichment (Rose-Ackerman, 1999). In a kleptocratic system, the state apparatus itself becomes an instrument of plunder rather than a vehicle for public welfare.

In the Nigerian context, kleptocracy explains how financial crimes and capital flight are not aberrations but rather features of a system where political and economic elites have structured the economy to facilitate the extraction of wealth. Udunze (2025) captures this dynamic powerfully: Nigeria's high society, traditional rulers, business moguls, and political patrons move funds abroad under the guise of "diversification" or "investment security" when in reality it is the same cycle of extraction and expatriation. Profits earned from domestic monopolies or state patronage is rarely reinvested at home; instead, they are laundered into foreign banks, luxury assets, and offshore trusts. This unrestrained financial migration deprives the nation of growth capital and erodes public confidence, reinforcing a psychological colonization where nothing of value can thrive in Nigeria (Udunze, 2025).

Kleptocracy Theory is particularly relevant for analyzing the relationship between financial crimes and capital flight because it explains why domestic elites participate in the extraction of national wealth. When those who control Nigeria's wealth have no faith in the economy they manage, their lack of confidence in their own governance is perhaps the strongest indictment of their rule (Udunze, 2025). The theory also explains the role of foreign financial institutions that process questionable transactions with minimal scrutiny, creating a perfect ecosystem for looting by powerful politicians, complicit banks, pliant regulators, and eager foreign beneficiaries (Udunze, 2025).

The theory further illuminates the role of what scholars have termed "secrecy jurisdictions" or tax havens in facilitating financial crimes and capital flight. These jurisdictions provide supply-side stimulants for illicit financial flows from developing countries by offering secrecy, low taxation, and weak regulatory oversight (Semantic Scholar, 2021). From shell companies in the British Virgin Islands to luxury real estate in the UAE, Nigerian politicians have woven a global web of concealed wealth shielded by secrecy jurisdictions and weak local enforcement (Udunze, 2025).

3.1 Methodology

This paper relied heavily on secondary data derived from academic journals, official reports, policy documents, newspaper articles, and online resources accessed via Google Scholar. Data were collected from academic journal articles addressing financial crimes, capital flight, and illicit financial flows in Nigeria; official reports from government agencies including the Nigerian Financial Intelligence Unit (NFIU), the Federal Inland Revenue Service (FIRS), the Economic and Financial Crimes Commission (EFCC), and the Independent Corrupt Practices and Other Related Offences Commission (ICPC); publications from international financial institutions and think tanks including the World Bank, Global Financial Integrity, and the African Union's Mbeki High Level Panel on Illicit Financial Flows; and Nigerian newspaper reports covering financial crime investigations, suspicious transaction alerts, and capital flight cases. The gathered data was analyzed thematically to draw comprehensive conclusions, identifying recurring patterns across sources regarding the relationship between financial crimes and capital flight, with specific attention to evidence of trade mis-invoicing, money laundering, tax evasion, and corresponding capital flight indicators.

4.1 Discussion

In the exploration of the relationship between financial crimes and capital flight from Nigeria, this paper uncovers several critical areas that necessitate careful consideration: the systemic practice of trade mis invoicing and transfer pricing, the epidemic of money laundering through offshore accounts and real estate, the pervasive problem of tax evasion and profit shifting by multinational corporations, and the devastating impact of these practices on Nigeria's fiscal stability and economic development. These challenges present intricate obstacles that Nigeria must address to stem the tide of capital flight and retain wealth for domestic investment.

One of the foremost challenges identified in the exploration relates to trade mis invoicing and transfer pricing. A Global Financial Integrity report released in January 2026 revealed that Nigeria lost a total of $77.7 billion to trade-related illicit financial flows between 2013 and 2022 (Sundiata Post, 2026; Vanguard, 2026). This represents an average of nearly $8 billion per year lost through the manipulation of trade invoices alone. The report highlighted how capital flight, trade mis-invoicing, and weak oversight continue to undermine economic growth and public revenue (Sundiata Post, 2026). The Sea Empowerment and Research Centre (SEREC) further estimated that Nigeria loses between $5 billion and $8 billion in revenue yearly due to under-declaration, misclassification and poor documentation of exports, particularly in the solid minerals sector (The Guardian, 2026). SEREC noted that despite Nigeria's yearly cargo throughput exceeding 1.5 billion metric tons, including crude oil exports, non-oil exports still accounted for less than 10 percent of total export earnings, creating a cycle in which raw materials are exported at low value while finished goods are imported at high cost, leading to an estimated $15 billion to $20 billion yearly opportunity losses due to a lack of value addition (The Guardian, 2026).

The Mbeki High Level Panel on Illicit Financial Flows from Africa discovered that commercial tax avoidance practices caused 65 percent of IFFs, with up to $407 billion lost from trade mispricing from 2001 to 2010 (Daily Trust, 2025). Organized crime drove 30 percent of IFFs while 5 percent came from official government bribery (Daily Trust, 2025). This finding is significant because it demonstrates that the primary driver of illicit financial flows is not corruption in the traditional sense but the systematic manipulation of commercial transactions by corporations. The ICPC has also identified that the biggest source of illicit financial flows, responsible for about 70 percent of capital outflows, is the commercial route by the unethical and illegal trade practices and operations of the private sector (ICPC, 2021).

Transfer pricing represents a particularly insidious form of trade mis invoicing. Former ICPC Chairman, Professor Bolaji Owasanoye, explained that some companies operating in Nigeria have sister companies overseas but engage in transfer pricing to move money to those companies by inflating the cost of the goods they pay the firms (Channels TV, 2025). He noted that about 65 percent of capital outflows in Africa are illicit financial outflows. This practice is enabled by Nigeria's weak capacity to challenge transfer pricing, as the country lacks sufficient information from parent companies to be able to challenge transfer pricing and other forms of tax avoidance (ASJP, 2015). The result is a systematic drain of capital from Nigeria to offshore tax havens and secrecy jurisdictions.

A New Telegraph investigation revealed how multinational firms bleed Nigeria through systemic offshore payments (New Telegraph, 2024). The investigation showed these multinational firms routing funds meant to pay local vendors through their respective headquarters to Business Services Organizations (BSOs) for vetting for about 30 days before being paid into commercial banks for Nigerian vendors to get their payments, including how jobs meant for Nigerians are being given to their offshore companies, using revenues realized here to pay their foreign staff (New Telegraph, 2024). A reliable source who works in the external communications division of a renowned foreign food and beverage company explained that the BSO set up by his employers does all the jobs meant for their Nigerian workers, giving room for retrenchment, reducing employment and the charges in terms revenue, taxes, royalties that the Nigerian government is supposed to receive (New Telegraph, 2024). Another source in a foreign telecom firm stated that all those multinationals that bring expatriates into Nigeria give them what they cannot give their Nigerian counterparts, with the ratio of expatriates to Nigerian directors in their leadership team being about 60 percent expatriates and 40 percent Nigerians (New Telegraph, 2024).

Another pressing concern illuminated in this paper revolves around money laundering through offshore accounts and real estate. The Nigerian Financial Intelligence Unit (NFIU) raised alarm over an alarming surge in suspicious financial transactions from Nigeria to Dubai and Hong Kong two jurisdictions it describes as emerging global hotspots for illicit financial flows (Punch, 2025). In a report released in May 2025, the NFIU revealed that it received 401 Suspicious Transaction Reports linked to both regions between January 2021 and September 2024, with the total value of the flagged transactions exceeding N48 billion (Punch, 2025). While only 185 of the STRs were connected to Dubai, they accounted for the bulk of the total value N29.6 billion. The remaining 216 STRs were traced to Hong Kong, valued at N18.6 billion (Punch, 2025). The report noted a disturbing trend: a steady and significant rise in suspicious financial activity to both destinations. In 2021, only two STRs valued at N42 million were reported. By 2024, that number had soared to 202 STRs with a combined value of N32 billion (Punch, 2025).

The NFIU attributed this trend to a mix of complex regulatory loopholes, the proliferation of shell companies, offshore accounts, and weak enforcement mechanisms in both Dubai and Hong Kong (Punch, 2025). Dubai, the report noted, has become a focal point in the global fight against money laundering, with its strategic location, burgeoning real estate market, and business-friendly environment making it appealing to both legitimate investors and criminal actors (Punch, 2025). The report referenced high-profile cases such as the 2020 Dubai Leaks scandal, which exposed how individuals facing international sanctions, alleged criminals, and politically exposed persons owned significant real estate assets in the city (Punch, 2025). On Hong Kong, the report stated that it is similarly challenged by money laundering activities, with its role as an international finance centre and gateway to mainland China making it a critical node in global financial flows, and has witnessed a number of high-profile money laundering cases involving major international banks (Punch, 2025).

Speaking before the Senate Committee on Anti-Corruption and Financial Crimes, NFIU Director Hafsat Bakari disclosed that the agency had been tracking a surge in questionable overseas fund movements, noting that Dubai and Hong Kong were increasingly being used as havens for illicit finance, largely due to what she described as "loophole-prone" regulatory environments (Business day, 2026). Bakari explained that many of the flagged transactions were routed through certain companies, non-financial businesses, and other designated non-financial institutions, complicating traceability (Business Day, 2026). In response, she said the NFIU was ramping up surveillance and fostering closer collaboration with other security and regulatory bodies to stem the tide of capital flight linked to criminal activity (Business Day, 2026).

The Nigerian real estate sector itself has become a significant channel for money laundering and capital flight. The sector is the second most vulnerable to money laundering, next to Bureau De Change operators, with real estate agents in Nigeria being largely unregulated and infrequently reporting suspicious transactions, particularly involving politically exposed persons (CISLAC, undated). This vulnerability allows illicit proceeds to be invested in domestic real estate, which can then be sold and the proceeds transferred abroad, or for foreign real estate to be purchased directly using laundered funds.

The NDLEA, in collaboration with international partners, arrested a billionaire drug baron, Amadi Simon, in Switzerland in connection with drug money laundering operations totaling hundreds of billions of naira across Europe and Nigeria (Business Day, 2026; Daily Post, 2026). The multi-country investigation culminated in the coordinated simultaneous arrest of the baron and his co-conspirators (Daily Post, 2026). The syndicate operated through a web of front and shell companies, pass-through accounts, and digital wallets designed to disguise illicit financial flows estimated at hundreds of billions of naira, with several high-value properties linked to the alleged kingpin (Arise TV, 2026). This case demonstrates the transnational nature of money laundering and the role of offshore jurisdictions in facilitating capital flight from Nigeria.

Tax evasion and profit shifting by multinational corporations represent a third critical challenge. The FIRS stated that Nigeria loses $18 billion annually due to illicit financial flows, lamenting that the scale of these flows, especially through aggressive tax avoidance by multinationals exploiting opaque global arrangements, continues to threaten Nigeria's fiscal stability (Daily Trust, 2025). He reiterated that like many other resource-constrained nations, Nigeria loses billions ($18 billion) annually through these illicit conduits, making the fight against illicit financial flows not just a policy dialogue but a national imperative (Daily Trust, 2025).

NRS outlined how Nigeria's tax system is being undermined by mispriced trade, profit shifting, aggressive avoidance schemes, and financial outflows disguised through legal and accounting loopholes (Business Day, 2025). He noted that Nigeria is being drained by mispriced trade, profit shifting, and aggressive avoidance schemes (Pulse, 2025). The NRS is responding with a deliberate, multidimensional strategy, including reviewing Nigeria's Double Taxation Agreements (DTAs), some of which due to outdated clauses may inadvertently enable profit shifting (Daily Trust, 2025). FIRS have personally initiated renegotiations with several jurisdictions to align Nigeria's treaties with present economic realities and to close loopholes that facilitate capital flight (Daily Trust, 2025).

The Nigeria Revenue Service (NRS) has stated that it recovered over N80 billion from illicit financial flows within a three- to five-year window, with recoveries largely achieved through voluntary compliance measures before enforcement actions commenced (Punch, 2026). The NRS also introduced the Voluntary Offshore Assets Regularization Scheme (VOARS), which provided taxpayers with a window to declare previously undisclosed offshore assets by paying a one-time levy while granting immunity from prosecution and tax audits on declared assets (Punch, 2026). The VOARS scheme was established through a presidential executive order in 2018 (Punch, 2026).

However, the scale of tax evasion remains enormous. Olisa Agbakoba, a maritime lawyer and Senior Partner at Olisa Agbakoba Legal (OAL), disclosed that the Federal Government is losing an estimated N22 trillion yearly to offshore oil rig tax evasion and capital flight resulting from the dominance of foreign firms in key oil and gas maritime services (The Guardian, 2026). Agbakoba (2026) disclosed that offshore oil rig operators in the country's waters do not pay taxes, which was confirmed by the Nigerian Maritime Administration and Safety Agency (NIMASA) (The Guardian, 2026). He described the situation as a major gap in government revenue collection, noting that the loss from oil rig taxation alone is estimated at N6 trillion yearly, representing roughly 17 percent of Nigeria's national budget (The Guardian, 2026). Beyond taxation, Agbakoba (2026) argues that Nigeria is also losing about N16 trillion yearly from oil and gas maritime services as several key value chains remain dominated by foreign operators who repatriate profits rather than investing locally (The Guardian, 2026).

The cumulative impact of these financial crimes on capital flight is devastating. Senator Daniel has noted that corruption remained a major impediment to Nigeria's progress and stressed the need to address capital flight, describing it as one of the most damaging dimensions of graft, with much of the money stolen invested outside Nigerian shores, enriching other nations while depriving Nigeria of development resources (News Agency of Nigeria, 2026). The Nigeria Labour Congress (NLC) has warned that the country is steadily losing the battle against corruption and illicit financial flows, as entrenched systems of looting continue to undermine governance, economic growth, and citizens' welfare (The Guardian, 2026). Massive financial leakages, particularly through inflated contracts, weak regulatory systems, and capital flight, have deprived the country of critical resources needed for infrastructure, healthcare, education, and job creation (The Guardian, 2026).

Capital flight thrives where institutions are weak. Agencies such as the Central Bank of Nigeria (CBN), the Nigerian Financial Intelligence Unit (NFIU), and the Economic and Financial Crimes Commission (EFCC) operate under immense political pressure (Udunze, 2025). Investigations into politically exposed persons are often selective, and prosecutions drag endlessly. Meanwhile, banks (both local and foreign) play the silent role of facilitators, processing questionable transactions with minimal scrutiny. The result is a perfect ecosystem for looting by powerful politicians, complicit banks, pliant regulators, and eager foreign beneficiaries (Udunze, 2025). The weak enforcement of anti-money laundering frameworks enables capital flight, corruption, and revenue loss in emerging markets, with Nigeria having made legislative progress through the Money Laundering (Prevention and Prohibition) Act 2022 and the Terrorism Prevention and Prohibition Act 2022, but enforcement remains a significant challenge (Business Day, 2025).

The IMF has also raised fresh concerns over illicit financial flows from Nigeria, warning that they are a major threat to Nigeria's revenue (Business Day, 2025). The IMF further warned that Nigeria's $59 billion crypto-asset inflow between July 2023 and June 2024 could fuel money laundering and illicit finance, as the speed and anonymity of some platforms can increase risks of illicit finance, including money laundering (This Day, 2026). This emerging challenge adds a new dimension to the financial crimes-capital flight nexus, as cryptocurrency provides an additional channel for moving funds out of Nigeria with reduced regulatory oversight.

5.1 Conclusion

Based on the issues raised and discussed in this paper, it is observed that trade mis-invoicing and transfer pricing, money laundering through offshore accounts and real estate, and tax evasion and profits shifting by multinational corporations are the primary financial crimes driving capital flight from Nigeria. The evidence reveals that Nigeria loses between $15 billion and $18 billion annually to illicit financial flows, with a Global Financial Integrity report showing that Nigeria lost $77.7 billion to trade-related illicit financial flows between 2013 and 2022 (SundiataPost, 2026; Vanguard, 2026). The NFIU flagged over N48 billion in suspicious transfers to Dubai and Hong Kong between 2021 and 2024 (Punch, 2025). The FIRS has confirmed that Nigeria loses $18 billion annually due to illicit financial flows, with commercial tax avoidance practices causing 65 percent of IFFs (Daily Trust, 2025).

The paper therefore submits that financial crimes are not merely a symptom of Nigeria's governance challenges but represent the primary engine of capital flight. The commercial route, involving unethical and illegal trade practices by the private sector, is responsible for approximately 70 percent of capital outflows (ICPC, 2021). The banking system facilitates these flows, with banks processing questionable transactions with minimal scrutiny (Udunze, 2025). The result is a nation that produces immense wealth but retains little of it for domestic investment, with devastating consequences for infrastructure, healthcare, education, and job creation (The Guardian, 2026).

The paper concludes that Nigeria's political elite have long mastered the art of wealth extraction through inflated contracts, misappropriated public funds, and dubious foreign investments, with billions leaving the country yearly (Udunze, 2025). Their mansions rise in Dubai, London, and New York while their home constituencies languish in neglect. From shell companies in the British Virgin Islands to luxury real estate in the UAE, Nigerian politicians have woven a global web of concealed wealth shielded by secrecy jurisdictions and weak local enforcement (Udunze, 2025). Until the ruling class and their foreign accomplices are held accountable, Nigeria will remain a country of immense potential shackled by the greed of its own custodians (Udunze, 2025). It is therefore crucial for Nigerian policymakers, regulators, and international partners to recognize that financial crimes and capital flight are not victimless white-collar offenses but constitute a direct assault on Nigeria's economic sovereignty and the welfare of its citizens.

5.2 Recommendations

To address the devastating impact of financial crimes on capital flight in Nigeria, the following recommendations are offered based on the findings of this paper:
First, the Nigerian Financial Intelligence Unit (NFIU) should be empowered with enhanced operational capacity, including real-time transaction monitoring tools, increased staffing, and greater autonomy from political interference. The NFIU's ability to track suspicious transactions and share intelligence with international partners must be strengthened, particularly given the surge in suspicious transfers to Dubai and Hong Kong.

Second, the NRS should complete the renegotiation of Nigeria's Double Taxation Agreements (DTAs) with several jurisdictions to align treaties with present economic realities and close loopholes that facilitate capital flight through transfer pricing and profit shifting. The Proceeds of Crime Management and Illicit Financial Flows Coordination Directorate should be fully operationalized and given the resources needed to coordinate with law enforcement, the judiciary, private sector actors, and international development partners.

Third, Nigeria should strengthen its anti-money laundering framework by fully implementing the Money Laundering (Prevention and Prohibition) Act 2022 and the Terrorism Prevention and Prohibition Act 2022, with particular attention to emerging risks posed by cryptocurrency and other digital assets and strengthen anti-corruption agencies including the EFCC, ICPC, and NDLEA must investigate and prosecute cases of money laundering, trade mis-invoicing, and tax evasion without political interference. The selective prosecution that has characterized past efforts must end. Banks and financial institutions that facilitate illicit flows should face severe sanctions, including license revocation where appropriate.

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