

An Empirical Study on Psychological Influencing Factors of Money Laundering Crime of Chinese Public Officials

Mei Jin, Junyu Pan*

School of Economics and Management, Lanzhou Jiaotong University, Lanzhou

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Abstract: This paper selects 198 representative money laundering cases investigated and dealt with by Chinese judicial departments from 2005 to 2017, and studies the influence of psychological factors of Chinese public officials' money laundering crimes on their capital transfer purposes and upstream crime types by using AMOS structural equation, and draws the following conclusions: (1) On the whole, psychological factors have no obvious influence on the types of upstream crimes in the process of money laundering, but have a significant influence on the use of funds transfer; (2) In the process of psychological factors affecting the use of funds transfer, personal factors will negatively predict the way of funds transfer, while environmental factors will positively predict the way of funds transfer; (3) After classifying money laundering crimes in different industries, it is found that psychological factors in different industries have different ways to influence money laundering crimes. On this basis, the paper puts forward targeted policy suggestions.

1. Introduction

After the 18th National Congress of the Communist Party of China, the government took combating corruption as an important means for China to achieve its first "centennial goal", however, in recent years, the government's control and the self-discipline of related employees have indeed effectively controlled corruption. Although the prospects are bright, there are still many problems that hinder the advancement and development of society, among them, money laundering is undoubtedly one of the issues worthy of attention in corruption. Due to the influence of personal factors environmental factors and other psychological factors, public officials often ignore the legal and moral constraints and obtain illegal income through criminal methods such as corruption and bribery. There is a long way to go in the fight against corruption and money laundering, so it is necessary to study the money laundering crime. Therefore, this paper selects 198 representative money laundering cases investigated and dealt with by the judicial department from 2005 to 2017, constructs a linear regression model by using the structural equation method, and analyzes how personal factors, environmental factors and other factors in these cases affect the transfer of funds and the upstream criminal ways. These cases are divided into four categories according to their industry heterogeneity: commerce and trade, big finance, state-owned enterprises and social institutions, and the structural equation regression is carried out on the sample data again, and targeted conclusions are obtained.

2. Literature review

2.1 Research on influencing factors of money laundering

Xue (2013) introduced the public official function in the research, which quantitatively explained that the utility of personal preference makes the public officials' money laundering decisions different from each other [1]. Xu (2018) used binomial Logit model and ordered Logistic model to analyze the psychological factors of employees' money laundering in China's commercial banks from the perspective of behavioral economics. The study found that employees' positions, herd mentality and the strictness of implementation rules had positive effects, while training times, competition times and work pressure had negative effects [2].

2.2 Research on empirical models of money laundering

Lian (2015) took 30 cases of money laundering crimes as research samples, and established an early warning model of money laundering behavior through factor analysis by establishing indicators such as age, education and job type, thus summarizing the capital transaction characteristics of money laundering behavior [3]. Wang (2013) used the logistic regression analysis method to study the relationship between individual background, upstream crime types and downstream asset disposal methods, and obtained that the type, level and industry of public officials are the influencing factors of their disposal of money laundering income [4].

2.3 Research on the coping strategies of money laundering

Internationally, the most influential research on coping strategies comes from Arroyo (2007), who used the evolutionary game method to study the efficiency of anti-money laundering [5]. In China, Weng et al. (2013) believed that in order to establish and improve the system of punishing and preventing corruption, it is necessary to highlight the source prevention, increase the cost of money laundering by institutional arrangement and educational influence, and strengthen power supervision to restrict and compress the proceeds of corruption [6]. Lan et al (2019) conducted research in the field of virtual currency anti-money laundering, clarified terms such as "virtual currency" and "virtual assets", and made effective policy contributions to their risk supervision and regular evaluation [7].

2.4 Brief summary

The above research finds that there is still a lack of research on the influence of psychological factors of corrupt subjects on the path of money laundering crimes in academic circles, and careful research on psychological factors will undoubtedly enable relevant supervisory and legislative departments to prevent, manage and punish money laundering crimes more effectively. Therefore, this paper first analyzes the influence of Chinese public officials' psychological factors on money laundering crimes by using structural equations, and puts forward targeted suggestions in combination with the background and progress of China's anti-money laundering work, thus effectively supporting and supplementing the theoretical system of China's research on money laundering crimes and anti-money laundering work.

3. Model setting and variable selection

3.1 Model setting

In order to study the influence of psychological factors of criminal subjects on the use of funds transfer and the types of upstream crimes in the process of money laundering, this paper constructs a causal relationship model of psychological factors, the use of funds transfer and the types of upstream crimes by using AMOS structural equation. The psychological factors in the process of money laundering crime can be divided into personal factors, environmental factors and other factors, which are the independent variables of this model. The endogenous variables of the structural equation of money laundering crime are the upstream crime type and the way of fund transfer, in which the upstream crime type is set as the intermediate variable and the way of fund transfer is set as the genetic variable.

3.2 Selection of variables and indicators

The variables in the structural equation can be defined from two angles: from the observable angle, the variables in the structural equation can be divided into explicit variables and latent variables, the former can be observed directly, while the latter can not be observed, which needs to be calculated; From the perspective of generation, variables can be defined as exogenous variables and endogenous variables. Exogenous variables are determined by the outside of the model and have nothing to do with the internal variables, while the value of endogenous variables is determined by other variables in the model. Therefore, according to its definition and empirical

purpose, this paper classifies the relevant indicators of public officials' crimes as follows:

Exogenous Latent Variables: Personal Factors; Environmental Factors; Other Factors.

Endogenous Latent Variables: Types of upstream crimes; Ways of Capital Transfer.

Exogenous Explicit Variables: Gender, Age; Education Level; Type of Public Office.

Endogenous Explicit Variables: Corruption; Misappropriation of Funds; Bribery; Other Types of Crimes.

3.3 Causal relationship

Among the five variables, personal factors, environmental factors and other factors are exogenous potential variables, while upstream crime types and capital transfer channels are endogenous potential variables. Personal factors, environmental factors and other factors are independent variables, upstream crime types are intermediate variables, and capital transfer ways are dependent variables.

4. Empirical result analysis

4.1 Analysis of benchmark model results

The empirical analysis results after putting the case model into AMOS software are shown in fig. 1 and table 1. according to the empirical results, on the whole: (1) the regression of the three paths to the upstream crime types is not significant, which shows that the psychological factors of practitioners will not affect the upstream crime types of money laundering crimes too much. (2) There are two significant paths from personal factors to fund transfer and environmental factors to fund transfer. Personal factors negatively predict the fund transfer ($\beta=-0.223, p<0.05$), while environmental factors positively predict the fund transfer ($\beta=0.172, p<0.05$), which shows that personal factors and environmental factors in psychological factors have decisive influence on the final use of money laundering crimes.

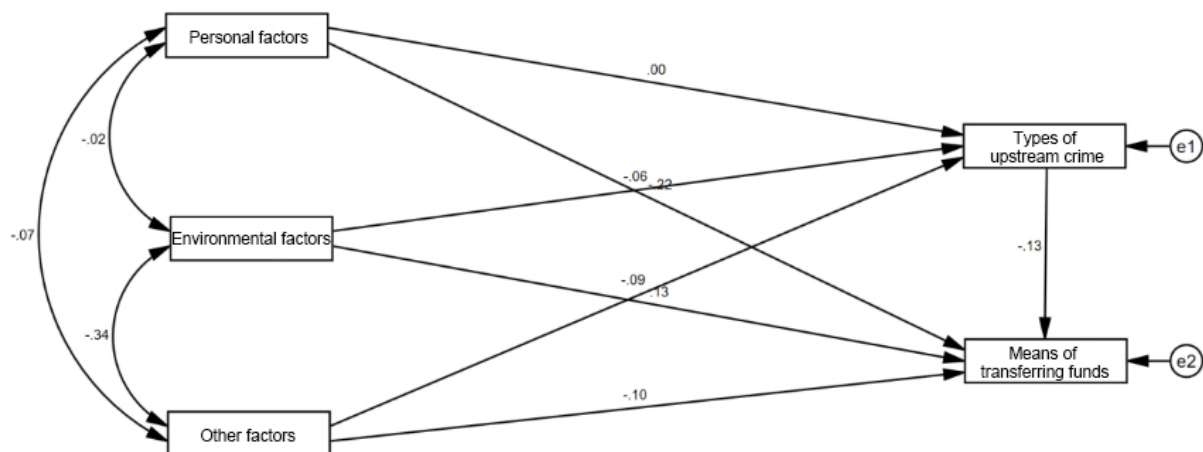


Figure 1 Overall Model Results

Table 1 Overall standardized path coefficient table

Y	To	X	Estimate	S.E.	C.R.	P
Types of upstream crimes	<---	Personal factors	0.001	0.035	0.014	0.988
Types of upstream crimes	<---	environmental factors	-0.061	0.067	-0.767	0.443
Types of upstream crimes	<---	Other factors	-0.093	0.069	-1.168	0.243

Ways of fund transfer	<---	Personal factors	-0.223	0.042	-3.134	0.002
Ways of fund transfer	<---	environmental factors	0.172	0.041	2.698	0.004
Ways of fund transfer	<---	Other factors	-0.131	0.083	-1.326	0.185
Ways of fund transfer	<---	Types of upstream crimes	-0.128	0.090	-1.800	0.072

4.2 Analysis of data model results by industry

The above conclusions are the empirical analysis results of full sample cases, and this paper not only wants to get the general conclusion, but also wants to draw the relevant conclusions about the influence of psychological factors on the upstream crime types and the use of funds transfer under different industry distribution, because the internal structure and industry nature of different industries are significantly different, and heterogeneous classification of industries can explain the problems more effectively and draw targeted conclusions. Therefore, we divide all cases into four parts: commerce and trade, big finance, state-owned enterprises and social institutions. By studying the cases of different groups and properties, we can get the empirical results of heterogeneity in different industries.

In the business grouping model, personal factors negatively affect the upstream crime types ($\beta=-0.210$, $P<0.05$); Other factors also negatively affect the upstream crime types ($\beta=-0.240$, $p<0.05$), and there is no significant predictive relationship among other routes. This shows that the ultimate way of capital transfer in commercial organizations is hardly affected by the psychological factors of employees, but the personal factors of employees and other factors will have a certain impact on the types of upstream crimes.

In the large financial grouping model, personal factors have a significant positive impact on the upstream crime types ($\beta=0.782$, $p<0.05$), personal factors negatively predict the way of capital transfer ($\beta=-0.514$, $p<0.05$), and other factors can significantly predict the way of capital transfer ($\beta=-0.496$, $p<0.05$). There is no significant predictive relationship among other routes. This shows that the personal factors of employees in financial institutions are very important, and they have obvious influence on the upstream crime types and the decision of the way of capital transfer, because in financial institutions, the financial temptation faced by employees is huge and there are certain loopholes in financial control, which makes the personal factors of employees infinitely magnified. And other factors will also have a certain impact on the use of funds transfer.

In the grouping model of state-owned enterprises, individual factors have a significant negative impact on the way of capital transfer ($\beta=-0.545$, $p<0.05$), while the upstream crime type has a significant negative impact on the way of capital transfer ($\beta=-0.252$, $p<0.05$), and there is no significant predictive relationship among other ways. This shows that, similar to financial institutions, personal factors are also the most important part of employees' psychological factors in state-owned enterprises, and personal factors play a decisive role in the ultimate way of capital transfer. It is worth mentioning that the types of upstream crimes also have a certain impact on the way of capital transfer, which is related to the excessive concentration of power distribution within state-owned enterprises.

In the social organization grouping model, personal factors can significantly positively predict the upstream crime types ($\beta=-0.405$, $p<0.05$), personal factors can significantly negatively affect the way of capital transfer ($\beta=-0.394$, $p<0.05$), and environmental factors can significantly positively predict the way of capital transfer ($\beta=0.334$, $P<0.05$). Other factors can significantly negatively predict the way of capital transfer ($\beta=-0.308$, $p<0.05$). This shows that the psychological factors of employees in social institutions will have an impact on the way of capital transfer, which is determined by the dispersion and complexity of social institutions. And personal factors will also have an impact on the types of upstream crimes.

5. Conclusion and policy research

In this paper, the psychological factors that influence money laundering crimes are discussed in depth, and the ways that these psychological factors influence the diversion of money laundering funds and the types of upstream crimes are analyzed quantitatively. After classifying different types and structural industries, the more accurate and targeted influence paths are obtained. Through the analysis of the influence of these psychological factors on the path of money laundering, it can play an important role in the prevention, warning and control of money laundering crimes, and has certain reference significance. According to the results of empirical research, this paper puts forward the following policy suggestions to curb money laundering crimes from three aspects: the time of crime, the amount of money laundering and the risks of money laundering:

5.1 Research on countermeasures of risk-prone money laundering subjects with high time pressure

Under the urgent time pressure, this type of personnel are usually willing to take huge risks to implement money laundering activities because of their preference for risks. At this time, some illegal underground banks and foreign exchange channels, which have short operation time and large amount of money laundering, are undoubtedly their best choices. Therefore, according to their preference psychology and behavior characteristics, we can strengthen the monitoring of cross-border transfer of suspicious funds, effectively prevent capital flight, strengthen the tracking and inspection of suspicious foreign exchange funds, strictly investigate and deal with the changes of foreign exchange illegal funds, comprehensively supervise cross-border foreign exchange receipts and payments, strengthen foreign exchange management measures, and strengthen the management of entry and exit with cash.

5.2 Research on the countermeasures of risk-averse money laundering subjects with high time pressure

Although this type of personnel is faced with high time pressure, they are unwilling to take uncontrollable risks to complete money laundering. Therefore, short-time and low-risk money laundering routes such as investing in industries with large cash flow are their best choice. The relevant supervision departments should strengthen the monitoring of those who are suspected of violating discipline or crime, and grasp the suspected flight information of criminal suspects, such as overseas cash transfer, application for immigration and purchase of overseas real estate, at the first time, so as to effectively curb the cross-border transfer of suspicious funds of money launderers.

5.3 Research on countermeasures of risk-prone money laundering subjects with low time pressure

For this type of personnel, the amount of money laundering is the primary factor to consider, so we should focus on optimizing the monitoring of money laundering methods with a large amount of money laundering, and at the same time strengthen the research on the criminal psychology of related criminals, which is more conducive to discovering the law of their money laundering crimes and providing theoretical basis for preventing the occurrence of money laundering. We should pay more attention to the prevention of psychological factors, and actively analyze the precursors of crimes, so as to realize early detection, early blocking and early punishment of money laundering crimes committed by unscrupulous people with risk preference.

5.4 Research on the countermeasures of risk-averse money laundering subjects with high time pressure

For this type of personnel, risk is the primary factor to consider. Therefore, the money laundering path with small risk and large amount of money laundering, such as investing in real estate shell companies, should be the best choice. Therefore, the family property declaration system and financial real name system requirements can be further standardized. The requirements for

declaration, registration and publication of family property are more strictly regulated. All units, individuals and legal persons must open accounts in financial institutions with real names to ensure real-name financial transactions and prevent fugitive criminals from using false names, substituting names or carrying out illegal financial activities without names.

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