

## The Factors Influencing the Money Laundering<sup>1</sup>

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Research Paper

### INTRODUCTION

Money laundering is a system designed to legitimize illegally earned wealth in a way that aims to conceal the source of the wealth during and after the process. The purpose of this study, which was conducted using a survey method, is to identify the factors influencing money laundering and explain their effectiveness.

### MATERIALS AND METHODS

To achieve the purpose of this study, the factors affecting money laundering were compiled, and then questionnaires were prepared and distributed among 140 members of the Financial Managers Association whose information was available as a statistical sample. The validation of the factors was examined through structural equation modeling.

### RESULTS AND DISCUSSION

Findings showed that the factors of money laundering (Ethics and Morality, Nature and Behavior, Education and Training, Religiousness, Patriotism, Income and Expenditure, Occupation, Bribe and Speed Money, Risk and Return, Future Security, Family Support, Tax) have sufficient validity.

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## CONCLUSION

The final pattern also has a good fit. The index with the highest factor load is in the "Religiousness" structure, and the index with the lowest factor load is in the "Risk and Return" structure. The Rana and Aval (2020) questionnaire was used to investigate and validate the effective factors in the occurrence of money laundering. The designed questionnaire consists of two parts: the first part includes the personal information of the respondents, and the second part includes the effective factors in the occurrence of money laundering. To adapt the questionnaire to the Iranian context, a number of experts in the accounting profession reviewed it, deleted some questions, and edited others. Each question was assigned a number from 1 (completely disagree) to 5 (completely agree) according to the Likert scale. The validity of the questionnaire, which shows the ability of the tool to measure the attribute it is designed to assess, was checked through interviews with experts, and the reliability, which indicates the accuracy, dependability, and stability of the results, was assessed using Cronbach's alpha coefficient. A coefficient higher than 0.7 indicates reliability (Davari and Rezazadeh, 2016). The questionnaire was given to 13 expert professors and members of the Iranian Financial Managers Association, and their opinions were collected, and the necessary changes were made to the questionnaire. Additionally, to confirm reliability, the questionnaire was distributed among 40 of the aforementioned individuals through email, and 30 questionnaires were returned. The information was entered into SPSS software, and Cronbach's alpha coefficient was calculated as 0.862. The link to the approved questionnaire was prepared for online distribution. The contact information of 140 members of the Iranian Financial Managers Association was available, so they were selected as the audience for the questionnaire. The convenience sampling method was used to distribute the questionnaire. Accordingly, based on their number and contact information, the questionnaire link was sent to all of them through SMS, ITA, WhatsApp, or email after contacting them and coordinating, and 65 completed questionnaires (46.43%) were collected, and the results of the questionnaire were compiled.

Structural equation modeling in PLS software was used to analyze the data. After building the model, its suitability was checked based on the data provided by the statistical sample in response to the questions of the

measurement tool (manifest variables). For analysis, 30 observed variables in twelve first-order constructs "Ethics and Moral Principles," "Character and Behavior," "Education," "Religiousness," "Patriotism," "Incomes and Expenses," "Employment," "Bribery and Money Circulation," "Risk and Return," "Future Security," "Family Support," and "Taxes" were classified with the symbols EM, NB, ET, R, P, IE, O, BSM, RR, FS, FSU, and T, respectively.

The highest intensity of significance of the indicators is in the "Ethics" structure, related to the index of non-observance of ethical principles in business (0.910); in the "Character and Behavior" structure, related to the index of lack of appropriate punishment (0.856); in the "Education" structure, related to lack of knowledge of financial and investment laws and regulations (0.843); in the "Religiousness" structure, related to lack of knowledge about religious education (0.951); in the "Patriotism" structure, related to the index of indifference towards the development of the country (0.887); in the "Incomes and Expenses" structure, related to the index of imbalance between incomes and expenses (0.933); in the "Employment" structure, related to the index of greater desire of the businessman towards the service provider (0.879); in the "Bribery and Money Circulation" structure, related to the index of hiding the source of the bribe (0.926); in the "Risk and Return" structure, related to the index of investing capital in the markets of other countries (0.854); in the "Future Security" structure, related to the index of various deposits in other countries (0.910); in the "Family Support" structure, related to the index of living with higher welfare (0.815); and in the "Tax" structure, related to the evasion of paying high tariffs on imported items (0.898).

Significant z coefficients show confirmation or rejection of questions and the direction of relationships and effects (correctness of relationships), while the coefficients of factor loadings measure the extent to which variables are explained and the intensity of the relationship between constructs. According to the information in Figures 2 and 4, it can be concluded that the factors of money laundering have sufficient validity, and the final model has a favorable fit. After removing variable number 14, in the section related to "Measurement Model Fit," reliability, convergent, and divergent validity; in the section related to

"Structural Model Fit," significance coefficients  $z$ ,  $R^2$  criterion, and Redundancy criterion; and in the section "General Model Fit," by confirming the GOF criterion, the model fit is checked, and finally, by confirming the  $t$ -value and standardized coefficients of the factor loadings, the validity of twenty-nine money laundering factors is confirmed.

**Keywords:** Money Laundering, Crime, Illegal Income.

**JEL Classification:** M41, M42.

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