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Emerging Perspectives on Financial Crime Control in Emerging Economies: Insights from AML, Corruption, and Tax Evasion Research

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Emerging Perspectives on Financial Crime Control in Emerging Economies: Insights from AML, Corruption, and Tax Evasion Research

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Abstract

This review synthesizes the contributions of Anas AlQudah and collaborators in the domain of financial crime, focusing on anti-money laundering (AML) mechanisms, tax evasion, corruption, and regulatory effectiveness. Drawing on five peer-reviewed articles, the paper identifies core themes and methodologies employed in analyzing financial crime across national and institutional contexts. Central to the analysis is the emphasis on empirical modeling techniques, such as panel ARDL, regression frameworks, and structural equation modeling, that link governance quality, institutional variables, and the suppression of financial crime. The studies collectively argue that robust institutional frameworks, government effectiveness, and macroeconomic stability are essential for mitigating financial crimes. The findings have clear policy implications for emerging economies navigating governance deficits and systemic corruption.

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1. Introduction

Financial crime remains one of the most pervasive and complex challenges facing both developed and emerging economies. It encompasses a wide range of illicit activities—ranging from money laundering and tax evasion to systemic corruption and regulatory manipulation—that collectively erode public trust, distort economic competitiveness, and weaken institutional capacity. In emerging markets, where institutions are often under-resourced and politically vulnerable, the effects of such crimes are even more pronounced. Financial crimes in these contexts not only hinder economic development but also undermine the credibility of regulatory and financial systems on a global scale.

The importance of understanding financial crime in emerging economies has grown in parallel with increasing globalization, capital mobility, and the digitalization of financial services. Scholars have emphasized that financial crime in these environments is not merely a consequence of individual deviance but often a symptom of deeper institutional and governance deficits. For this reason, any robust analysis of financial crime must account for political stability, the rule of law, regulatory quality, and macroeconomic conditions.

This review paper synthesizes a set of peer-reviewed studies authored or co-authored by Anas AlQudah that collectively address critical dimensions of financial crime. The reviewed works examine anti-money laundering (AML) policies and their implications for bank performance in Jordan, explore the dual influence of tax evasion on foreign direct investment in BRICS and CIVETS economies, analyze central bank transparency as a determinant of corruption perception in G20 countries, and evaluate the role of government effectiveness in mitigating corruption in emerging markets.

By analyzing the methodologies and empirical insights presented in these studies, this review aims to highlight thematic commonalities, assess the strength of policy implications, and delineate pathways for future research. The studies employ a variety of methodological frameworks—ranging from fixed-effect panel regressions and panel ARDL models to structured equation modeling—thus offering a comprehensive perspective on how governance variables intersect with financial crime outcomes.

The review is structured as follows. Section 2 presents a thematic synthesis organized by the subdomains of financial crime explored across the studies, such as anti-money laundering efforts, tax evasion, institutional transparency, and corruption control. Section 3 discusses cross-cutting findings and policy implications. Section 4 concludes by summarizing the main insights and proposing directions for future inquiry.

2. Thematic Analysis

2.1. Anti-Money Laundering Mechanisms and Bank Performance

In "Mitigating Financial Crimes: How Anti-Money Laundering Mechanisms Shape Bank Outcomes," AlQudah et al. (2025) investigate the intersection between AML enforcement and bank performance using a panel dataset from 12 Jordanian banks covering the years 2007–2021. The study reveals a significant negative correlation between AML intensity and short-term profitability, indicating that while compliance with AML regulations may initially incur operational costs, it can ultimately enhance institutional reputation and system resilience over time.

The methodological framework employs fixed-effects regression models to explore how key financial ratios—such as the quick ratio, leverage, and bank size—interact with AML measures and macroeconomic variables, including inflation and GDP. A notable contribution is the study's assertion that compliance with AML not only functions as a defensive regulatory tool but can also foster long-term resilience by reducing exposure to reputational risks and regulatory sanctions. These findings provide empirical grounding for policymakers balancing enforcement with banking sector vitality.

2.2. Tax Evasion and Foreign Direct Investment in Emerging Economies

In "The Dual Impact of Tax Evasion: Does Tax Evasion Incentivize or Dampen FDI?" AlQudah and colleagues (2025) explore the role of tax evasion in shaping FDI flows across BRICS and CIVETS economies. Drawing from World Bank indicators between 1991 and 2017, the study applies a panel econometric framework, including time-fixed effects, to quantify the macroeconomic repercussions of tax evasion. The results indicate that tax evasion significantly dampens FDI inflows, particularly in the CIVETS economies, which suffer from weaker institutional frameworks and regulatory enforcement.

This paper contributes to the financial crime literature by linking fiscal malfeasance to macro-level investment behavior, reinforcing the argument that weak enforcement and institutional fragility can deter legitimate foreign capital. It further contextualizes these findings within the economic crime and institutional vacuum theories, arguing that stronger institutional frameworks can buffer against the adverse effects of fiscal opacity.

2.3. Central Bank Transparency and Corruption Perception

The paper "Deciphering the Links: Evaluating Central Bank Transparency Impact on Corruption Perception Index in G20 Countries" (AlQudah & Hailat, 2025) offers a distinct lens through which to understand the institutional dynamics of corruption. Utilizing panel data from G20 countries spanning 2002–2019 and applying a heteroskedasticity-robust panel-corrected standard error model, the study reveals that increased central bank transparency (CBT) correlates strongly with improved corruption perception scores.

This study innovatively links monetary governance to corruption perception, arguing that CBT serves as a critical institutional signal that influences how citizens and investors perceive government

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integrity. Education spending is also found to reinforce anti-corruption effects, highlighting the complementary role of human capital investments in regulatory regimes.

2.4. Government Effectiveness and Institutional Quality in BRICS

In "The Role of Government Effectiveness in Suppressing Corruption: Insights from the BRICS Emerging Economies," AlQudah et al. (2025) analyze how state capacity, rule of law, and political stability converge to mitigate corruption. Using panel ARDL and Pooled Mean Group (PMG) estimators on World Bank data from 2000 to 2021, the study finds that government effectiveness and legal institutions have a significant impact on reducing corruption in both the short and long term. Political stability, however, exerts a nonlinear influence—sometimes exacerbating corruption in the short term while enabling reforms in the long term.

This paper makes two key contributions: first, it empirically confirms the long-run co-integration between governance variables and corruption suppression; and second, it adds a comparative dimension by showing that BRICS countries exhibit varying levels of institutional resilience, which in turn shape their anti-corruption trajectories. These findings underscore the importance of tailoring anti-corruption strategies to country-specific institutional contexts.

2.5. Rule of Law and Political Stability as Anti-Corruption Pillars

Across the reviewed studies, the role of political stability and legal infrastructure consistently emerges as a foundational determinant of effective financial crime control. Whether through the enforcement of AML policies in Jordan or the long-term governance dynamics within BRICS, the evidence suggests that the rule of law and stable political environments serve as enabling conditions for effective institutional responses. These findings reinforce theoretical propositions from institutional theory and the governance effectiveness literature. Together, these thematic strands underscore a central argument: addressing financial crime in emerging economies requires a multidimensional strategy that integrates regulatory mechanisms, institutional capacity, and macroeconomic governance.

3. Discussion and Implications for Practice and Policy

The reviewed body of work delivers critical insights into how institutional arrangements and governance quality shape financial crime dynamics across emerging economies. One recurring theme is that while anti-financial crime frameworks—such as AML mechanisms or transparency indices—are essential, their effectiveness hinges on the broader institutional context in which they are embedded. The studies collectively advocate for a shift from narrow enforcement-focused approaches toward integrative frameworks that emphasize institutional resilience, legal transparency, and policy coherence.

A particularly novel insight emerges from the relationship between financial compliance and macroeconomic stability. The empirical evidence from Jordan suggests that rigorous AML protocols can negatively impact short-term bank profitability, especially in smaller institutions. However, when embedded within a transparent and predictable regulatory environment, these mechanisms can foster long-term institutional resilience and investor trust. This trade-off demands policy frameworks that are sensitive to bank scale, regulatory capacity, and market maturity.

Similarly, in analyzing the tax evasion–FDI nexus, the studies highlight the paradox that while lax enforcement may superficially appear to attract capital, it ultimately repels sustainable investment due to perceptions of systemic risk and governance failure. The CIVETS economies, in particular, suffer from this dichotomy, suggesting that investment attraction strategies must be aligned with institutional reform and transparency initiatives. Policymakers should be cautious not to conflate deregulation with investor appeal—stability and compliance often yield more reliable investment inflows.

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The research on corruption perception in G20 countries introduces a critical mediating role for central bank transparency. The findings suggest that CBT serves not only as a signaling device to market actors but also as a governance tool that can recalibrate expectations and reduce uncertainty. The additional role of education expenditure highlights that anti-corruption is not only a regulatory endeavor but also a developmental one, reinforcing the idea that human capital investments can indirectly serve institutional reform agendas.

In BRICS economies, where political systems and institutional capacities vary significantly, government effectiveness and legal robustness consistently emerge as strong determinants of corruption control. The adoption of dynamic panel modeling techniques such as ARDL provides robust evidence of these long-term associations. The political dimension—particularly the dual nature of political stability—adds a sophisticated layer to policy design: while stable regimes may facilitate reform, they may also foster corruption if not balanced by transparency and institutional oversight.

From a practical standpoint, the studies underscore the need for policymakers to adopt a multidimensional strategy to financial crime mitigation. This includes:

- Strengthening institutional accountability through legal and financial reforms
- Expanding the scope of financial transparency to include central bank disclosures
- Calibrating AML and tax enforcement mechanisms based on institutional maturity
- Prioritizing education and public-sector training to cultivate an anti-corruption ethos

At the policy level, governments should move beyond reactive compliance toward proactive governance models that treat transparency, education, and institutional integrity as complementary rather than siloed pursuits. Cross-national policy coordination—particularly among emerging economies—may further enhance the credibility and coherence of financial crime frameworks, especially where investment attraction and anti-corruption agendas intersect.

4. Conclusion

This review consolidates the financial crime scholarship led by Anas AlQudah and collaborators, offering empirical and theoretical insights into how institutional variables shape the effectiveness of anti-financial crime strategies across emerging economies. The collective findings reveal that mechanisms such as anti-money laundering enforcement, tax policy integrity, central bank transparency, and government effectiveness are not standalone solutions but interdependent levers within broader governance ecosystems.

A central contribution of these studies is the use of advanced panel econometric methodologies—fixed-effect models, panel ARDL, and structured equation modeling—to capture both the immediate and long-term effects of governance quality on financial crime dynamics. The inclusion of diverse case contexts (Jordanian banks, BRICS, CIVETS, G20) strengthens the generalizability of findings while highlighting the importance of contextual nuance.

From a policy perspective, the reviewed studies collectively argue for integrative frameworks that treat financial regulation, macroeconomic stability, legal accountability, and institutional transparency as mutually reinforcing. Strategies that prioritize one domain while neglecting others risk undermining overall reform efforts. Sustainable anti-financial crime strategies in emerging economies should thus incorporate cross-sectoral tools, including public education, digital governance, institutional audits, and inter-agency coordination.

Future research should deepen the exploration of digital financial crime, particularly in the post-pandemic digitalization wave, and expand comparative governance assessments across regions such as Sub-Saharan Africa and Southeast Asia. Empirical work integrating real-time compliance data, AI-powered regulatory surveillance, and behavioral analytics could further refine understanding of financial crime patterns and institutional responses.

In sum, these studies underscore that financial crime is not solely a legal aberration but a systemic outcome of institutional misalignments, informational asymmetries, and governance gaps.

Addressing it requires evidence-based policymaking grounded in robust analytics and a multidimensional appreciation of institutional design and economic behavior.

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