

Money Laundering and its Economic Concerns

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Abstract

Money laundering is usually regarded as the process by which ‘illegal’ or ‘black’ or ‘dirty’ money is transformed in to legally and socially acceptable forms of assets. However, several factors have emerged within the last two or three decades, that have made it a far more serious problem that on developing countries as Sri Lanka. Thus, the main objectives of this research are to evaluate, the impact of money laundering on economic development and financial stability of Sri Lanka and to identify the factors affecting for money laundering. This study entirely based on secondary sources of information collected based on Annual Reports and News Survey Reports of Central Bank, Sri Lanka. The findings of the analysis that, there are so many factors have affected to rises the problem of money laundering. Among the most important of these factors are rapid economic globalization, relaxation of capital controls, emergence of new economies, sale of state owned enterprises and development of new financial instruments and technology etc. The main economic concerns discovered through in this research are breakdown of the market mechanism, the magnitude of the funds involved, flows of funds are not based on returns to investment, flows of funds to countries are not based on economic fundamentals, demand of money would not reflect basic levels of economic activity, distortion in taxes, income distribution effect, economic instability and assets price bubble. However there should be a systematic mechanism to overcome the issues related to the money laundering in Sri Lanka. Therefore it would be necessary to adopt a cautious approach in the implementation of money laundering legislation so as to ensure the quality of money in Sri Lanka.

Keywords : Money laundering, Economic Concerns, Sri Lanka, legislation, Money.

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