

Abstract

This study aimed at exploring the long-run relationship between Money Laundering (ML) and economic growth. Being an underground activity, obtaining the actual data on ML was almost impossible. Owing to this limitation, this study used Anti-Money Laundering Policies (AMLPA) as a proxy for ML and evaluated the effects of these policies on economic growth. Since AMLPA are believed to reduce the ML crime, any relationship between these policies and economic growth was then utilized to establish relationship between ML and economic growth. To carry out the empirical research, Mean Group and Pooled Mean Group estimation techniques were applied to a panel of 14 lower middle income economies. The results of the study concluded that AMLPA yield positive and significant effects on economic growth of the panel of countries in this study. These results established a corollary that ML negatively and significantly affects the economic growth, which is in line with the existing theory on this topic.

Key Words: Money laundering, economic growth, anti-money laundering policies..