

-RESEARCH ARTICLE-

CORPORATE GOVERNANCE AND ANTI-MONEY LAUNDERING IN THE BANKING SECTOR

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—Abstract—

The banking industry is recognised as a crucial element in money laundering due to its confidential and intricate nature. Efforts to combat money laundering have primarily targeted banks to prevent criminals from laundering illicit funds through the financial system. This paper aims to assess the impact of corporate governance on mitigating money laundering, analyse the effectiveness of regulatory measures in combating money laundering, and identify the challenges associated with implementing these regulatory measures. The study employed an explanatory research method and utilised questionnaires as research instruments, along with in-depth interviews. The study revealed that banks agreed on the importance of corporate governance in reducing money laundering. This requires continuous risk assessments by management and the board of directors to identify vulnerabilities and risks related to money laundering. Secondly, the study revealed that all commercial banks in Zimbabwe are compliant with regulatory requirements regarding the prevention of money laundering. This includes the disclosure of transactions that are unexpected, inconsistent with the client's profile, or lacking legitimate or monetary justification. The study found that banks encountered political interference, inadequate technology, a shortage of skilled personnel, and challenges in integrating AML/CFT into their operations. The study suggests that Boards of Directors should regularly assess the banks' risk exposure and establish stringent policies to mitigate money laundering.

Keywords: Money Laundering, Anti-money laundering, Banking, Regulations, Explanatory

INTRODUCTION

The globalisation of the financial system and technological advancements have facilitated the concealment of criminal activities and their illicit gains. Banks can swiftly transfer illicit funds among themselves. Money laundering and the financing of terrorism (ML/TF) remain significant global challenges with implications for democracy, the rule of law, and human rights. These activities are not only serious crimes but also highly sophisticated. Money launderers employ techniques to conceal the illicit source of funds or the nature of transactions involving stolen goods (Castriani, 2021), making it difficult to detect money laundering in criminal operations. According to (Costa et al., 2016),

money laundering constitutes 2 to 5 percent of the global economy's gross domestic product and has historical origins in criminal activities dating back to the 1930s.

The global response to money laundering and financing of terrorism includes multilateral treaties, regional accords, and international organisations. The United States became the first country to combat money laundering by enacting the Bank Secrecy Act of 1970. This act empowered the Secretary of the U.S. Department of Treasury to establish regulations requiring currency transaction reports to be submitted (Schroeder, 2001). Furthermore, it established the foundation for further actions aimed at addressing money laundering. In 1986, the US Congress enacted the Money Laundering Control Act, which criminalised the act of laundering the proceeds from specific crimes. The Act criminalises the structuring of certain transactions to evade currency reporting requirements. The establishment of civil and criminal processes for asset forfeiture related to money laundering offences was enacted by Congress. The United States supports and engages in international efforts to combat money laundering and terrorist financing through organisations that establish global standards and monitor current trends. This information is stated in the FATF Mutual Evaluation Report for the USA (2016).

The Vienna Convention of 1988 was the initial international response to money laundering and terrorist financing. It mandates signatory jurisdictions to enact domestic laws that criminalise money laundering from drug trafficking and allow for the forfeiture of property obtained through such offences. The treaty promotes international collaboration as critical for reducing global money laundering risk. It also mandates states to cooperate in obtaining relevant financial records upon request, without being hindered by national bank secrecy restrictions.

The Financial Action Task Force on Money Laundering (FATF) was established in 1989 by the governments of the Group of Seven (G-7) industrialised countries. Its mission is to set standards and promote the effective implementation of measures to combat money laundering, terrorist financing, proliferation financing, and other threats to the integrity of the global financial system (FATF, 2012-2023). The FATF aims to identify vulnerabilities at the national level to protect the global financial system from misuse, in collaboration with other international stakeholders.

The FATF's forty recommendations outline policies for combating money laundering, terrorism financing, and the proliferation of weapons of mass destruction. Due to differences in legal, administrative, operational, and budgetary frameworks, countries are unable to uniformly adopt identical countermeasures against these hazards. The FATF's forty recommendations establish global norms for nations to adhere to by implementing policies that are tailored to their unique situations and national contexts. The comprehensive framework for combating money laundering and countering terrorism (AML/CFT) emphasised the involvement of the financial industry, designated

businesses and professions, government regulators, the criminal justice and law enforcement systems, and the importance of international cooperation. Zimbabwe is a participant in the FATF-affiliated Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), a regional organisation dedicated to implementing policies that address money laundering, terrorism financing, and proliferation.

The primary objective of the study is to evaluate the impact of corporate governance on the effective implementation of anti-money laundering and counterterrorism financing measures in Zimbabwe's banking sector. The study focuses on examining if commercial banks in Zimbabwe have implemented regulatory measures to prevent money laundering, evaluating the role of corporate governance in reducing money laundering through commercial banks, and analysing the challenges faced in implementing anti-money laundering measures in Zimbabwean commercial banks.

BACKGROUND TO THE STUDY

The banking industry is recognised as a significant player in money laundering operations. The complexity and confidentiality of the financial system contribute to this phenomenon (Shambare, 2021). The techniques employed by financial institutions have been the subject of numerous initiatives aimed at combating money laundering. The effectiveness of AML/CFT procedures implemented by institutions increases as it becomes more difficult for criminals to use the financial system for money laundering. To address money laundering and terrorism financing (ML/TF) activities, banks must comply with the requirements outlined in Chapter 25 of the Money Laundering and Proceeds of Crime Act [Chapter 9:24] (MLPC Act) (Chitimira & Ncube, 2021). The responsibilities encompass creating compliance programmes, reporting cash and suspicious transactions, identifying, and verifying customers, and maintaining records.

The aforementioned objectives have been partially achieved, but obstacles such as limited financial resources, inadequate technical expertise, a shortage of skilled labour, and unforeseen circumstances continue to persist (Zimbabwe, 2020-2025). The limited availability of staff and competing priorities have hindered the implementation of public awareness campaigns and communications (Chitimira & Ncube, 2021). (Shambare, 2021) identifies a lack of technical expertise and operational resources, specifically within the legal system, as a hindrance to the attainment of strategic objectives in combating money laundering.

Law enforcement authorities face an additional obstacle due to the absence of essential operational equipment such as vehicles, laptops, and forensic investigative tools, as identified by the Financial Intelligence Unit (2021). Stakeholders' lack of support for strategic measures like confiscation was another discussed issue. Money laundering diverts significant amounts of illicit revenues from the economic cycle, transferring them to criminals (Chitimira & Ncube, 2021).

The implementation of national and international legislation to combat money laundering is imperative due to its global nature. The estimated \$1.3 trillion in illicit financial flows that have occurred in sub-Saharan Africa since 1980 represents a significant obstacle to financing development on the continent (Issah et al., 2022).

It is expected that senior management and the boards of directors of banks will implement the required controls for anti-money laundering and countering the financing of terrorism (AML/CFT). When their banks put their business strategies into action, members of the Board of Directors must have a thorough understanding of their obligations regarding the management of money laundering and terrorist financing (Zimbabwe, 2016). The Board of Directors is responsible for ensuring accountability and oversight in the implementation of AML/CFT policies and minimum requirements, in addition to its other tasks and responsibilities.

As per (Shambare, 2021) findings, a number of banks are facing challenges when it comes to implementing the AML/CFT regulations put forth by the Central Bank and the Basel Accord. It appears that the banks are not fully implementing their AML and CFT programmes. The Zimbabwe Anti-Corruption Commission (ZACC) issued a warning during the first Financial Crimes Indaba on December 6, 2021. They highlighted the concerning involvement of banks in facilitating the money laundering of corrupt individuals' illicit wealth.

LITERATURE REVIEW

This section provides a description of the theoretical and empirical aspects of money laundering. According to the Financial Action Task Force (FATF, 2012-2023), money laundering has been significant in the growth and decline of organised crime. It originated as a means to safeguard the profitability and enjoyment of unlawfully acquired wealth. The failure to eliminate illicit funds puts perpetrators in a position where they cannot fully benefit from a prior criminal act. Money laundering refers to the act of concealing the origin or whereabouts of illicitly obtained funds. The legislation designed to combat money laundering in Africa and globally has expanded the concept to include almost any act or transaction related to the sale of assets (Shambare, 2021).

The history of money laundering involves individuals seeking to conceal their assets or funds from public and private entities to evade taxation or asset seizure (Abebe, 2016). Global cartels are highly interconnected and organised, operating globally. Money laundering is the act of transforming illicit funds into legitimate funds.

The ambiguous concept of stakeholder interaction, which determines and oversees a company's strategic direction and performance, revolves around corporate governance.

Corporate governance, as defined by the Cadbury Committee Report of 1992, serves as the mechanism for directing and controlling businesses. The OECD (2004) defines corporate governance as a system of interactions among a company's management, board, shareholders, and other stakeholders. It provides the framework for establishing the organisation's goals, determining the strategies to achieve them, and evaluating performance. Corporate governance is crucial for establishing robust internal control systems and preventing money laundering (Salvioni, 2004).

(Vaithilingam & Nair, 2007) found that an effective legal system and good corporate governance can reduce the prevalence of money laundering in 88 nations. According to (Shehu, 2010), good governance is essential for effective AML/CFT programmes. Shehu (2010) highlights the importance of transparency and structural components in determining the effectiveness of such programmes. Okan & Uğurlu (2022) investigated the impact of corporate governance and ethical principles on AML/CFT policies. The study found a positive relationship between accountability, fairness, and transparency in corporate governance and AML/CFT policies.

Jayasuriya (2009) examines AML/CFT operations in relation to corporate governance and good governance. According to Jayasuriya (2009), there may be benefits to implementing structures supported by strong corporate governance standards. This conclusion was reached after discussing the preventive measures using two vertical control groups. Jayasuriya (2009) observed that it is impossible to completely eradicate money laundering and terrorism financing.

According to Săndulescu (2018), offshore centres (OFCs) hinder anti-money laundering efforts. Their significant role in the money-laundering process is evident during the stacking step. OFCs also enable international money transfers. Financial institutions provide anonymity, which both enables and complicates the detection of any abnormal activity. Money launderers tend to opt for transactions that are untraceable (Abebe, 2016). Many offshore financial hubs fail to comply with international anti-money laundering (AML) requirements, leading to significant criticism. The American and British governments issued warnings, leading lawmakers to revise laws regarding money smuggling (IFC, 2021).

The successful implementation of the AML network requires international cooperation. The variation in national priorities for AML makes it particularly essential. The issues also indicate the need for ongoing improvements to the AML framework to combat money laundering. Bacwa (2018) highlights that in Uganda, the AML systems face challenges in adhering to corporate governance policies due to the non-ratification of regulations in certain countries and inadequate security measures in others. Hence, it is imperative for the United Nations and other international organisations to formulate more robust policies to enhance compliance among all nations.

Due to the significance of AML, most countries have revised their legislative frameworks to incorporate anti-money laundering laws, including offshore financial centres. Săndulescu (2018) argues that the adoption of corporate governance has facilitated this development, with an increasing number of countries promoting anti-money laundering laws. However, criminals' money-laundering strategies are constantly changing due to their diverse connections and skill sets. Regularly examining and understanding current money laundering techniques is critical for building appropriate AML safeguards.

Rapid technological advancement has hindered anti-money laundering efforts. Furthermore, technology has facilitated money laundering and granted money launderers access to novel, challenging-to-regulate methods. The regulatory framework is lagging behind technological advancements (Tshiamo-Kgati, 2021). Banks struggle to keep up with the frequent changes in money laundering techniques. Electronic payment methods provide both confidentiality and convenience for transferring funds. Criminals exploit various methods to infiltrate financial systems with illicit funds due to the limited oversight of banking organisations over modern payment systems (Cotoc et al., 2021).

The utilisation of prepaid cards, mobile payments, and internet payment services enables rapid movement of funds. Criminals can propagate cyberattacks to exploit vulnerabilities and facilitate money laundering. Criminals are increasingly using hacking techniques to manipulate and exploit the banking system for money laundering purposes (Laine, 2019). Criminals engage in cross-border transactions and use online platforms for layering. The convenience of these technologies attracts money launderers. The inclusion of virtual casinos in online gambling services has increased the opportunities for money laundering by criminals. The increase in internet gaming has made it more challenging to combat money laundering.

The challenge of financial exclusion poses a hurdle for effective AML/CFT policies (Silathong, 2021). A significant portion of the adult population lacks access to formal financial services, including credit, insurance, savings accounts, and other types of accounts (Cotoc et al., 2021). Financial exclusion also affects immigrants. The lack of reputable banks in the area compels the underprivileged population to resort to illicit methods for sending money back home (Castriani, 2021). Concerns arise from the prevalence of a cash-based parallel economy in most developing nations, where people exchange money outside the formal banking system. Despite their informality and potential for exposing economies to money laundering, these options continue to be favoured (Hayble-Gomes, 2016). Furthermore, they offer convenience to individuals facing financial exclusion. Money launderers can exploit unofficial channels, which are beyond the control of governments.

Implementing anti-money laundering laws in low-income nations in the developing world can pose challenges. According to (Castriani, 2021), nations and their financial institutions incur various compliance costs when implementing AML legislation. Many developing nations face challenges in managing increasing costs due to their vulnerable economies. Low levels of wealth in certain countries hinder the effective implementation of AML legislation. Anti-laundering regulations also require banks to comply with record-keeping, internal control, and reporting requirements for suspicious transactions. Banks utilise internal control policies, procedures, and human resources to promptly detect illicit activity. Banks incur costs for employee training (De Jager, 2018). Poor countries often have underdeveloped banking industries, which makes it difficult for them to invest in the necessary systems for complete implementation of AML regulations. Many institutions may operate less cautiously to maximise their profit margin, making them more susceptible to money laundering (Hayble-Gomes, 2016).

Money laundering has been facilitated by various entities, including intermediaries, banks, bureaux de change, nominee attorneys, financial advisors, and real estate agents (Clarke & Visser, 2019). Abebe (2016) states that the placement stage of money laundering carries risks associated with business misconduct. Private sector employees may receive compensation for engaging in activities such as money laundering, failure to report suspicious activity, or disclosing information about clients who are the subject of a government investigation.

Gibney (2019) argues that corruption hinders global cooperation in combating money laundering in numerous countries. Corruption obstructs the enforcement of AML regulations and poses challenges for the national authorities responsible for their implementation (Clarke & Visser, 2019). Various organisations, such as treasury departments, financial intelligence units, Attorney Generals, Directors of Public Prosecutions, intelligence agents, the Ministry of Justice, Central Banks, and revenue agencies, are involved in the intricate AML laws (Dietz, 2017). Institutional corruption affects the enforcement of AML regulations. According to (Shambare, 2021), individuals with dishonest intentions can undermine the effectiveness of anti-money laundering groups by exploiting their positions of leadership.

RESEARCH METHODS

This section discusses the research methods used in the study. The study aims to provide comprehensive descriptions and justifications of the information and investigation techniques used. This study's pragmatic approach facilitated extensive engagement with participants, thorough examination of their responses, assessment of the feasibility of a conceptual framework, and validation of the proposed solution (Boone Jr & Boone, 2012). The study employed an explanatory research design to elucidate and justify the

descriptive data. Explanatory studies seek to address questions related to the causes and mechanisms behind phenomena.

The study population included general and AML/CFT compliance employees, as well as managers, from the 18 registered banks in Zimbabwe as of December 31, 2022. The population consisted of 72 respondents, including 18 compliance managers and 54 compliance officers. We preselected AML/CFT compliance managers and lower-level bank employees as study participants based on predetermined criteria. All participants were relevant to the research objectives.

This study used a purposive sampling technique to select participants. (Palinkas et al., 2015) define "purposeful sampling" as the method of classifying participants according to a predetermined criterion that is relevant to the research topic. Purposive sampling is a method employed to select participants based on the researcher's knowledge, experience, and skills (Turner et al., 2013). The study employed purposeful sampling to select participants who shared a similar understanding of the research problem (Palinkas et al., 2015; Turner et al., 2013). Krejcie and Morgan (1970) proposed the methodology for selecting the sample for this study. The sample size was 61 out of a population of 72. The sample consisted of 18 compliance managers and 43 compliance officers.

The AML/CFT policies of the banks were assessed by distributing closed-ended questionnaires to compliance managers and staff. The questionnaires' questions were based on the Money Laundering and Proceeds of Crime Act and FATF 40 recommendations [Chapter 9:24]. The researchers formulated semi-structured interview questions to gather essential qualitative data from relevant bank employees (Clarke & Visser, 2019). The interviews primarily focused on the banking industry, challenges in implementing AML/CFT rules, and the effectiveness of boards of directors in overseeing AML/CFT programmes at institutions.

Presentation, Analysis, and Interpretation of findings

The following section presents the results of the data analysis. The investigation aimed to analyse the influence of corporate governance on the implementation of anti-money laundering measures in Zimbabwe's banking sector. The analysis was conducted using data from 55 respondents who completed a survey related to the study. The response rate results are summarised in the table below.

Table 1: Response Rate

Category	Sample	Positive Responses	Percentage
Management	18	12	67
Employees	43	43	100
Total	61	55	90

Cronbach's alpha was utilised to assess the internal consistency reliability of the questionnaire employed in this investigation. Table 2 presents the findings.

Table 2: Reliability Statistics

Cronbach's Alpha	N of Cases
.912	55

The questionnaire exhibited a satisfactory level of internal consistency and reliability, as indicated by a Cronbach's alpha coefficient of 0.912. The coefficient of 0.912 suggests that the items on the questionnaire measured the same underlying construct, in comparison to the criterion of 0.7.

Demographic Characteristics

Education, work experience, and gender are significant variables that influence the analysis and final conclusions. The implications of these findings are significant for promoting workplace diversity and thoughtfulness. The data indicates that 33% of the respondents were female, while 67% were male. The participation rate of female responders in the AML/CFT programmes was reported to be 23%. Gender significantly influences attitudes and behaviours regarding AML/CFT in the workplace.

Due to the importance banks attach to AML/CFT, most respondents were experienced employees. The survey results indicate that the distribution of workers based on their years of experience is as follows: 3% have fewer than five years, 23% have five to ten years, 34% have eleven to fifteen years, 19% have sixteen to twenty years, and 21% have more than twenty years. Respondents with greater work experience not only provided higher-quality comments and more substantial levels of support but also offered additional details about the study. Job experience enhances individuals' knowledge and awareness of the influence of corporate governance on the effective implementation of AML/CFT procedures.

The data suggests that most AML/CFT departments hire individuals with academic qualifications. Respondents with higher levels of education exhibited more favourable attitudes towards AML compared to those with lower levels of education. The distribution of educational qualifications among the respondents was as follows: 10% held certificates, 20% held diplomas, 44% held degrees, 5% held master's degrees, and 21% were professionals. Respondents with higher levels of education demonstrated greater rates of involvement.

The impact of corporate governance in curbing money laundering

The study aimed to investigate the impact of corporate governance on money laundering mitigation in commercial banks in Zimbabwe. The goal was crucial, as corporate governance significantly impacts the prevention and detection of money laundering in the banking sector. Table 3 presents the response rates for the various questions included in this objective.

Table 3: Impact of corporate governance in curbing money laundering

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
The banks are protected from losses brought on by the risk of noncompliance that ML creates.	55	3	5	4.51	.635
Good governance discourages dirty money	55	3	5	4.35	.673
Both the public's trust and the bank's reputation have increased.	55	3	5	4.65	.517
The bank makes a big difference in its corporate citizenship responsibilities	55	2	5	4.24	.838
The bank's potential for correspondent banking relationships is enhanced.	55	2	5	4.15	.731
The bank significantly contributes to the financial stability of the economy and the banking industry.	55	3	5	4.40	.710
Criminals are not permitted to use the bank's services to finance terrorism or launder money.	55	3	5	4.42	.599
The bank supports national initiatives aimed at preventing crimes such as tax evasion, human trafficking, people smuggling, and illicit trade in weapons within a nation.	55	3	5	4.40	.564
Valid N (listwise)	55				

The data in Table 3 supports accepting the statement regarding the impact of corporate governance on reducing money laundering in Zimbabwean commercial banks. The standard deviation (SD) suggests limited response variability. It was decided that banks are protected from losses caused by noncompliance risks related to money laundering and terrorist financing. Robust AML/CFT policies improve banks' reputations and public confidence, deterring banks from using them for money laundering activities. Banks have a significant impact on society because of their corporate citizenship responsibilities.

It was also agreed that the potential for correspondent banking relationships with the neighbourhood banks had improved. The banks play a major role in the economy's progress and financial stability. It is against the law for criminals to finance terrorists or

launder money via bank services. Banks back national campaigns against crimes such as tax evasion, smuggling, fraud, and the illicit gold trade. Bacwa (2018) suggests that effective corporate governance requires management and the board of directors to conduct a comprehensive risk assessment to identify vulnerabilities and hazards related to money laundering. This includes assessing the risks to the business, its customers, and its transactions. By recognising and reducing risks, businesses may stop and catch money laundering. Some of the responses from managers are given below:

“Management's policies and processes aid in reducing money laundering, thus as a company, we should have reliable policies. Customer Due Diligence (CDD) protocols, transaction monitoring, and employee training on AML best practices are all components should be practiced diligently.”

Another respondent alluded that:

“Control by the board and the top management should provide supervision of AML activities as it plays a crucial role in corporate governance. This includes developing AML policies, monitoring compliance, and ensuring that sufficient resources are allocated to AML efforts.”

Other respondents alluded that:

“There should be a procedure in place for reporting suspicious actions so that the organization can alert the proper authorities. As part of this, banks should cooperate with law enforcement organizations, and report any suspicious transactions to the Financial Intelligence Unit (FIU).”

According to the results of the interviews, banks need to have strong sanctions for failing to follow their AML duties. This covers fines, penalties, and the potential for criminal prosecution against people who participate in money-laundering activities inside or on behalf of banks. Effective company governance is required to prevent and deter money laundering. Banks can deter and identify money laundering by creating and implementing effective policies and procedures, performing risk analyses, and providing board monitoring. By reporting suspicious activity and enforcing fines for non-compliance, banks can also aid in the prevention of money laundering and promote a culture of compliance.

The second objective was to determine whether Zimbabwe's commercial banks adhered to money laundering policies. Banks must implement the necessary processes to prevent and stop money laundering, considering the objective at hand. Table 4 presents the descriptive statistics.

Table 4 presents the response rate for the second objective. The data clearly shows that all respondents scored above the 3-point threshold, indicating agreement with the statement regarding regulatory measures for money laundering in Zimbabwe's commercial banks. The participants acknowledged that senior management appoints a Compliance Officer and other qualified individuals with sufficient authority to oversee the bank's AML/CFT compliance programme. Furthermore, it was decided that staff members would undergo regular training to enhance their ability to recognise and report suspicious customer behaviour, as well as to gain comprehensive knowledge about money laundering and terrorism financing. Customer due diligence (CDD) procedures aim to mitigate the risk of money laundering. This statement corroborates Vasquez's (2017) argument that commercial banks should collaborate with law enforcement, report suspicious activities to the Financial Intelligence Unit (FIU), and inform various international agencies. This encompasses the disclosure of interactions that lack financial or legal justification, are unforeseen, or contradict the client's profile. One of the respondents shared the following after the interviews:

Table 4: The regulatory measures of money laundering

Descriptive Statistics					
	N	Min	Max	Mean	SD
Compliance Officer and relevant members of staff with requisite skills and authority are designated at the senior management level.	55	3	5	4.42	.567
Regular training is offered on money laundering and terrorism financing including mechanisms of identifying and reporting incidences	55	3	5	4.56	.570
Ongoing activities in relation to Customer due diligence (CDD) procedures to reduce ML activities	55	3	5	4.31	.635
Records retention policies and automated compliance systems are used to identify and report any questionable transactions and dishonest clients.	55	2	5	4.47	.663
The bank's exposure to hazards of money laundering and terrorist financing is evaluated through the use of the Risk Based Approach.	55	2	5	4.11	.762
internal policies and processes are in place to stop money laundering offenders from accessing the bank's resources	55	2	5	4.00	.839
There is an independent audit staff with sufficient resources to ensure adherence to global standards.	55	2	5	4.00	.816
Organizations adhere to international standards through their compliance programs, policies, and/or procedures.	55	2	5	4.13	.747
Valid N (listwise)	55				

“Commercial banks use automated systems to look for unusual patterns or behaviours, such as big or frequent transactions or those involving nations or people at high risk, as part of their monitoring of transactions for suspicious activity.”

Other respondents had this to say.

“Commercial banks are required by law to have compliance programs for AML compliance programs. This includes policies and processes, risk evaluations, personnel training, and continuing AML program testing and monitoring.”

The interviews indicated that sanctions are essential for ensuring compliance with AML regulations. Failure to comply may result in severe consequences for banks, including fines and potential criminal charges against individuals involved in money laundering. The purpose of these penalties is to promote compliance and deter money laundering by banks and their employees. Commercial banks should implement measures to prevent and detect money laundering, such as establishing CDD protocols, reporting suspicious activity, monitoring transactions, implementing compliance programmes, and imposing fines for noncompliance.

Table 5 Descriptive statistics of challenges of implementation of AML measures

Descriptive Statistics					
	N	Min	Max	Mean	SD
Lack of the appropriate technology to enhance the AML/CFT activities.	55	2	5	3.87	.883
Issues of political interference on the activities of banks	55	2	5	4.31	.573
Lack of competent staff to oversee AML/CFT activities	55	2	5	4.15	.803
Difficulty in integrating AML/CFT requirements with the banks' business objectives, clients, products, and processes.	55	3	5	4.05	.621
The presence of the unregulated and unlicensed money and value transfer services (MVTs) in banks	55	3	5	4.09	.727
The existence of insufficient resources to combat ML activities and implement compliance program	55	2	5	4.33	.771
The existence of a lot of people without access to financial services – financial exclusion	55	3	5	4.11	.685
Customer ignorance towards AML/CFT practices.	55	3	5	4.42	.567
Valid N (listwise)	55				

The third objective was to assess the challenges faced by Zimbabwe's commercial banks in implementing AML measures. The objective of enhancing the effectiveness of AML/CFT measure implementation necessitates identifying challenges and devising solutions. The responsibilities include overseeing transactions, developing compliance programmes, and imposing penalties for noncompliance. Table 5 presents the descriptive statistics.

All respondents agreed that the implementation of AML measures poses challenges for commercial banks in Zimbabwe. Insufficient ICT poses challenges for banks in improving their AML/CFT operations, as shown by research. The interference of politics in bank operations has been found to hinder the effective implementation of AML/CFT processes. The study also identified a shortage of qualified personnel to supervise and execute AML/CFT strategies, as well as challenges in aligning AML/CFT standards with the banks' objectives, customers, goods, and activities. Unlicensed and unregulated money and value transfer services (MVTs) are offered by banks.

Insufficient resources were available for creating compliance programmes and preventing money laundering. The results support (Mochere, 2020) claim that implementing AML measures can be costly, particularly for financial institutions, due to their expertise and technological requirements. The expenses include establishing and administering compliance procedures, conducting customer due diligence, and providing AML/CFT training to employees. From the interviews, one respondent said this of note:

“Local and international AML standards can be challenging to comply due to their complexity. Financial institutions may not have the resources necessary to dedicate to attempts to comply with the legislation.”

Another respondent also said.

“Financial institutions may find it difficult to keep up with evolving regulations due to the complex regulatory environment and the regular updates to AML regulations. Another effect of this could be a lack of consistency in the application of AML regulations across jurisdictions.”

“Once more, the management and BOD must manage enormous amounts of data in order for AML safeguards to be successful. This may be difficult for financial institutions, especially those with older systems that might not be able to handle the volume and complexity of the necessary data.”

The interviews revealed that various stakeholders, such as regulators, law enforcement agencies, and commercial banks, must collaborate to effectively address the issue of

money laundering. However, the efficacy of AML/CFT procedures may be limited due to inadequate coordination among these entities. Cotoc et al. (2021) suggest that financial institutions may struggle to prevent and detect money laundering due to challenges in implementing AML/CFT safeguards. To address these issues, it is essential for stakeholders such as financial institutions, authorities, and law enforcement agencies to collaborate. This collaboration is necessary to promote a culture of compliance and ensure the effective implementation of AML and CFT protocols.

CONCLUSIONS AND RECOMMENDATIONS

This study investigated the influence of corporate governance on the implementation of anti-money laundering regulations in Zimbabwe's banking sector. The study determined that robust corporate governance safeguards banks from the risk of money laundering. Sound corporate governance prevents unscrupulous money from entering. The study observed a positive correlation between the implementation of AML/CFT measures in the banking sector and the gradual increase in public trust and bank reputation over time. Effective corporate governance has a significant impact on banks' CSR obligations, according to the study. The study highlights the significance of regulations in the banking sector and emphasises the necessity of appointing compliance officers at top management levels. Staying informed about the latest technology and receiving ongoing training is crucial to keep up with the ever-evolving nature of money laundering. The study observed that the presence of unlicensed and unregulated cash sellers has an impact on banks. The study suggests that providing training and capacity building to top management and boards of directors is crucial for understanding the importance of corporate governance in effectively implementing AML/CFT procedures.

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