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Anti-Money Laundering Compliance and Financial Performance of Selected Commercial Banks in South Sudan

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DECLARATION

I **Abraham Telar Nicknora** declare that this dissertation submitted is my original work and has not been presented to any University or Higher Institution of learning, and any reference to the work of others, acknowledgement has been made. Further, any errors or omissions are solely my own.

Signed………………………………………….. Date...……

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APPROVAL

This dissertation is now ready for submission for approval in partial fulfillment of the requirements for the Award of Doctor of philosophy in Financial Intelligence of Selinus University.

Signature………………………………… Date: ……………………………………

DEDICATION

I dedicate this report to my family, children and friends. I pray that the Almighty blesses you abundantly.

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LIST OF ABBREVIATIONS

ADF	: Allied Democratic Forces
AML	: Anti-money laundering
CA	: Compliance audits
CDD	: Customer due diligence
CTF	: Counter-terrorist financing
EFCC	: Economic and Financial Crimes Commission
FATF	: Financial Action Task Force
FIU	: Financial Intelligence Unit
GDP	: Gross domestic product
IMF	: International Monetary Fund
KYC	: Know your customer
ROA	: Return on assets
ROE	: Return on equity
STR	: Suspicious transaction reporting
U.S.	: United States
UNODC	: United Nations Office on Drugs and Crime

ABSTRACT

The government of South Sudan has heavily invested in anti-money laundering initiatives within its financial sector through various financial initiatives of financial intelligence. However, despite the high investment, the country is still under FATF grey list which in a way affects financial performance of various players such as commercial banks. This study aimed at examine the relationship between anti-money laundering compliance and financial performance of commercial banks in South Sudan basing on a case of selected commercial banks. The study used a cross-sectional and mixed method design to identify the most significant contributor under AML compliance to financial performance. A total of 104 participants from 4 selected commercial banks were sampled, and both quantitative and qualitative data were collected. Linear regression analysis was used to establish whether AML compliance (internal policies, suspicious transaction reporting, customer due diligence and compliance audits) had influence on financial performance. The study showed that all the four components of AML compliance hypothesized were found to have significant influence on financial performance since their p-values (Sign.) were less than 0.05: internal policies (r=0.436, p=0.000, n=86), suspicious transaction reporting (r=0.680, p=0.000, n=86), customer due diligence (r=0.468, p=0.000, n=86), and compliance audits (r=0.864, p=0.000, n=86). Among the four components of AML compliance, compliance audits are a better and much stronger contributor to financial performance accounting for 74.3% (Adjusted R Square), followed by suspicious transaction reporting accounting for 45.1% (Adjusted R Square), customer due diligence accounted for 20.9% (Adjusted R Square) while the least contributor to financial performance was internal policies accounting for 18.0% (Adjusted R Square). In conclusion, the study noted a weak positive relationship between internal policies and financial performance suggesting that enhancements in internal policies can be associated with improvements in financial outcomes. Also, the study revealed a moderate positive correlation, coupled with its statistical significance, indicates that improvements in suspicious transaction reporting practices are associated with positive changes in financial performance. Furthermore, the study established a weak positive relationship between customer due diligence and financial performance within the commercial banking sector of South Sudan while the study unequivocally established a strong positive relationship between compliance audits and financial performance within the commercial banking sector of South Sudan. Overall, the study notes that though there is a positive and significant relationship between AML compliance and financial performance, the contribution of these components is still very low below average indicating a big gap and room needed for improvement in order to enhance the financial performance and overall integrity of commercial banks in South Sudan. The study therefore suggested that in order to improve financial performance in commercial banks in South Sudan, all the four AML compliance components (internal policies, suspicious transaction reporting, customer due diligence, and compliance audits should be implemented and thoroughly improved.

CHAPTER ONE

INTRODUCTION

1.0 Justification of the study

The study about anti-money laundering (AML) compliance and financial performance warrants investigation because money laundering in Africa has been by far under-researched because according to the Basel Institute on Governance Sub-Saharan Africa is a leading destination for money laundering globally (Basel Institute on Governance, 2020). There is a worldwide consensus that financial institutions should be regulated, however, the focus of the regulation efforts is beyond the conventional solvency issue since banks have been one of the most important channels of money laundering in the last decades (Azevedo Araujo, 2018). Financial institutions particularly commercial banks play a central role in the war against money laundering (Masciandaro, 2020). The regulation of anti-money laundering in commercial banks will be a big step in the war against money laundering in the banking sector of the country, since, one of the evident channels for money to be laundered are the financial institutions.

The fight against money laundering on the global level necessitated the establishment of the Financial Action Task Force (FATF). Money laundering is a crime that can destroy financial and economic systems in the long-run. The most significant sector that is affected by money laundering the most is the banking sector (Raweh et al., 2017). The banking sector of a country can be massively disturbed by the consequences of money laundering. The banks, financial institutions and the whole financial system thrive on the trust of customers and a momentous drop in the level of customer confidence in the financial system can have hostile impacts on the stability of the banking sector. Anti-money laundering regulations enhance the reputation of financial institutions and also promote customer confidence in the financial system and processes. A major issue that has gained much momentum in the last two decades globally is the extent of coverage of financial systems and institution (Anarfo et al., 2019).

The financial sector is the major focus of money laundering because they are the major channels for converting illicit money to clean money (IMF, 2019). The banks, financial institutions and the whole financial system thrive on the trust of customers and a significant reduction in the level of customer confidence in the financial system can have adverse impacts on the stability of the banking sector (Ofoeda et al., 2020). As such, AML compliance has become a critical issue for commercial banks (Financial Action Task Force, 2021). The financial sector is highly regulated, and non-compliance with AML regulations can result in significant legal, financial, and reputational consequences for banks. In recent years, there have been several high-profile cases of banks being fined for AML violations, which have resulted in significant financial losses for these institutions (The World Bank Group, 2018). Given the potential consequences of non-compliance, it is essential for commercial banks to ensure that they are complying with AML regulations.

Money laundering and terrorist financing are complex financial crimes that have evolved over centuries. The origins of money laundering can be traced back to the ancient practice of disguising the origins of illicit funds through trade and financial transactions (Masciandaro et al., 2017). However, the modern concept of money laundering gained prominence in the 20th century with the growth of international banking and criminal enterprises. Simultaneously, terrorist financing emerged as a critical concern, as extremist groups sought ways to fund their activities. The 9/11 attacks in 2001 propelled anti-money laundering (AML) and counter-terrorist financing (CTF) efforts to the forefront of global regulatory agendas (Levi, 2011).

1.1 Background to the study

The United States has played a pivotal role in shaping international responses to money laundering and terrorist financing. The Bank Secrecy Act of 1970 marked a significant milestone in U.S. efforts to combat money laundering by requiring financial institutions to report suspicious transactions (U.S. Department of the Treasury, n.d.). The USA PATRIOT Act enacted after the 9/11 attacks expanded these measures, emphasizing the need for cooperation between financial institutions and law enforcement agencies (U.S. Department of Justice, n.d.). In Asia, the rapid economic growth of countries like China and India has created opportunities for illicit financial activities. The Asia/Pacific Group on Money Laundering (APG) was established in 1997 to address money laundering and terrorist financing concerns in the region (APG, n.d.). Additionally, the Financial Action Task Force (FATF) collaborates with Asian nations to develop and implement effective AML and CTF measures (FATF, n.d.).

Russia and its neighbouring countries have faced challenges related to money laundering and terrorist financing due to their geopolitical dynamics. The Eastern Europe and Central Asia region has been a focus of international efforts to counter money laundering and terrorist financing (FATF, n.d.). Russian organized crime groups have been involved in complex money laundering schemes, utilizing offshore jurisdictions and legal loopholes to move illicit funds (UNODC, 2011). Other countries, such as those in Latin America and Africa, have also experienced varying degrees of money laundering and terrorist financing challenges, often stemming from political instability, weak governance, and corruption (Global Financial Integrity, 2020). The global nature of these crimes necessitates international cooperation and harmonization of regulatory frameworks to effectively combat money laundering and terrorist financing across jurisdictions.

Africa has experienced the adverse impacts of money laundering and terrorist financing due to weak governance, corruption, and porous financial systems (Global Financial Integrity, 2020). Criminal organizations and terrorist groups exploit these vulnerabilities to launder funds acquired from drug trafficking, corruption, and illicit trade. The continent's diverse economies and limited regulatory oversight have made it a hotspot for these illicit activities. Various initiatives, such as the Financial Action Task Force on Money Laundering in Africa (FATF), have aimed to enhance AML and CTF capacities across African nations (FATF, 2021).

In Nigeria, the emergence of the "419" fraud schemes highlighted the country's susceptibility to money laundering (Nwauche & Osayande, 2018). These schemes involved fraudulent financial transactions that often-masked money laundering activities. Nigeria's Economic and Financial Crimes Commission (EFCC) was established in 2004 to combat money laundering and related offenses. South Africa, with its well-developed financial sector, has also grappled with money laundering and terrorist financing concerns (Carr, 2018). The Financial Intelligence Centre (FIC) was established in response to these challenges, focusing on gathering and analysing financial intelligence to combat money laundering.

Ghana, a hub for financial and trade activities in West Africa, has faced money laundering and terrorist financing threats exacerbated by regional instability. The 2019 attack on the Splendid Hotel in Ouagadougou, Burkina Faso, underscored the potential consequences of these crimes in the region (Raleigh & Hegre, 2009). The incident highlighted the vulnerabilities of West African nations to terrorist financing, driven in part by porous borders and the movement of extremist groups across the Sahel. In response to these challenges, Ghana has taken steps to strengthen its AML and CTF regulations. The country has revised its Anti-Money Laundering Act and established the Financial Intelligence Centre (FIC) to combat these financial crimes (Government of Ghana, 2008). The FIC serves as Ghana's central agency for receiving, analyzing, and disseminating financial intelligence.

In East Africa, money laundering and terrorist financing have posed significant challenges. The region's proximity to conflict zones and its importance as a trade corridor have made it susceptible to illicit financial flows (UNODC, 2020). Terrorist organizations like Al-Shabaab in Somalia have been known to raise funds through criminal activities, including extortion and piracy. East African nations have increasingly adopted regional cooperation mechanisms and legal frameworks to combat these issues, culminating in the establishment of the East African Fusion and Liaison Unit (EA-FLU) to enhance information sharing and collaboration (FATF, 2013).

Kenya has been a key player in East Africa's efforts against money laundering and terrorist financing. Its strategic position as a regional financial hub has made it vulnerable to illicit financial activities. The 1998 U.S. embassy bombings in Nairobi and Dar es Salaam underscored the region's susceptibility to terrorist financing (Makau & Kibe, 2016). In response, Kenya has strengthened its regulatory framework through legislation such as the Proceeds of Crime and Anti-Money Laundering Act. Tanzania, which shares a border with Kenya, has also faced challenges in curbing money laundering and terrorist financing (Tanzania Financial Intelligence Unit, n.d.). The country's Financial Intelligence Unit was established to address these concerns. Tanzania's location along key trade routes have made it susceptible to trade-based money laundering (UNODC, 2019).

Uganda, another East African nation, has confronted the impact of terrorist financing due to its proximity to conflict zones in the Great Lakes region (Bashir & Seka, 2020). Organizations like the Allied Democratic Forces (ADF) have exploited weak financial systems to fund their activities (Ibrahim, 2019). The government has responded by enacting laws and collaborating with international partners to strengthen AML and CTF measures. Efforts to enhance AML and CTF measures have also involved international collaboration. Uganda is a member of the East African region's initiatives, including the EA-FLU, which facilitates information sharing among member states (FATF, 2013). Additionally, Uganda's government has cooperated with international partners and organizations to bolster its efforts in tackling terrorist financing. The UN Office on Drugs and Crime (UNODC) has supported capacity-building initiatives in Uganda, focusing on improving investigation techniques and interagency cooperation (UNODC, 2019).

South Sudan, the world's youngest nation, has faced specific challenges in combating money laundering and terrorist financing. Its fragile state institutions and prolonged conflict have created an environment conducive to these illicit activities (The Sentry, 2018). Armed groups involved in the civil war have reportedly used extortion, looting, and smuggling to generate funds. The lack of a comprehensive legal and regulatory framework has hindered effective AML and CTF efforts. South Sudan's government, with international support, has initiated steps to strengthen its legal and institutional frameworks to counter money laundering and terrorist financing (Wol, 2019).

Le-Khac et al (2020) defines money laundering as a process of disguising the illicit origin of dirty money and making them appear legitimate. The process of money-laundering includes a series of multi-specialized deals designed to disguise the source of financial assets so that these assets and funds can be used as legitimate sources resulting from legitimate business operations (Agarawal and Agarawal, 2018). Additionally, Douglas (2020) explains that it is the process of concealing proceeds of crime by moving it around in order to disguise their ‘nature, location, source, ownership, or control’. More often than not, these proceeds of crime are moved around using the world’s financial system which is made up of interconnected financial institutions. It is based on this premise that in 2013, the Financial Action Task Force (FATF) set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing (FATF, 2013).

Colin (2018) defines anti-money laundering compliance as the set of measures, policies, and procedures that financial institutions and other regulated entities adopt to prevent, detect, and report potential money laundering activities in line with applicable laws and regulations. David (2019) defines anti-money laundering compliance as the systematic implementation of internal controls, policies, and procedures by financial institutions to detect, prevent, and report potential money laundering and terrorist financing activities in compliance with legal and regulatory obligations. According to Mirza (2018), AML compliance obligations include customer due diligence (CDD), know your customer (KYC), suspicious transaction reporting (STR), transaction monitoring, risk assessment and management, training and awareness and record keeping. However, the current study will measure AML compliance within commercial banks in terms of internal policies, suspicious transaction reporting, customer due diligence and compliance audits.

The current study measured anti-money laundering compliance by 4 components of AML compliance as set by TATF which include internal policies, suspicious transaction reporting, customer due diligence and compliance audits. FATF (2012) defines internal policies and procedures as the documented guidelines and protocols that an organization establishes to prevent, detect, and respond to activities related to money laundering and terrorist financing. These policies outline the institution's commitment to compliance, define roles and responsibilities of employees, and provide step-by-step instructions on how to implement AML measures effectively (FATF, 2012). On the other hand, suspicious transaction reporting involves the obligation of financial institutions to notify relevant authorities when they encounter transactions that raise suspicions of money laundering, terrorist financing, or other illicit activities (FATF, 2013). These reports, known as Suspicious Activity Reports (STRs) in some jurisdictions, provide detailed information about the transaction, individuals involved, and reasons for suspicion.

The third measure of AML compliance in this study is Customer Due Diligence (CDD) which is a critical process where financial institutions verify the identity of their customers, assess the risks associated with their business relationships, and gather information about the sources of their funds (FATF, 2012). This process helps institutions understand their customers better, evaluate potential money laundering risks, and categorize customers based on their risk level. Compliance audits (CA) in the context of AML refer to systematic reviews conducted by internal or external auditors to assess an organization's adherence to AML laws, regulations, and its own internal policies (FATF, 2013). The goal is to identify potential weaknesses, gaps, or deficiencies in the organization's AML program and recommend improvements to ensure compliance and mitigate risks.

Financial performance is defined as the measure of how effectively a company uses its resources to generate profits and increase shareholder value (Linda, 2018). According to another source, financial performance refers to the ability of a firm to generate revenues and profits consistently, efficiently allocate resources, manage costs, and create value for shareholders. financial performance is described as the evaluation of a company's financial health and efficiency through various financial ratios, indicators, and metrics, including profitability, liquidity, solvency, and efficiency. According to Stoner (2017) financial performance refers to the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. This study will measure financial performance in terms of deposit growth, loan growth, profitability and efficiency (Mbwayo, 2020).

The current study measured financial performance by deposit growth, loan growth, profitability and efficiency. Deposit growth is a measure that tracks the increase in the total amount of deposits held by a financial institution over a specific period. Deposits represent funds that customers entrust to the institution, which it can then use for lending and other activities (Heffernan, 2016). Loan growth measures the expansion of a financial institution's loan portfolio, reflecting the increase in the amount of loans extended to borrowers over a given period (Allen & Saunders, 2004). Loan growth is a critical indicator of a financial institution's ability to attract borrowers and generate interest income, which is a key revenue source for many institutions.

Profitability measures the ability of a company to generate profits relative to its expenses, investments, and revenue (Brigham & Ehrhardt, 2013). It encompasses various ratios and metrics, including return on assets (ROA), return on equity (ROE), and net profit margin. High profitability indicates that the company is efficiently converting its resources into profits and creating value for shareholders. Efficiency measures evaluate how effectively a company is utilizing its resources to generate outputs or achieve its objectives. In the financial context, efficiency ratios assess how well a company is managing its assets and liabilities to generate profits (Brigham & Ehrhardt, 2020).

Premised on the above, this study will anchor on the Structural Theory and Network Theory; firstly, the structural theory emphasizes how social and economic structures create opportunities and vulnerabilities for money laundering (Honiara, 2016). The theory examines factors such as weak governance, corruption, and inadequate regulations that enable money laundering to occur. This means that from a structural perspective, AML measures aim to address these vulnerabilities by strengthening legal and regulatory frameworks, improving transparency and accountability, and enhancing international cooperation (Isern & Porteous, 2020). By targeting the underlying structural factors that facilitate money laundering, AML efforts seek to disrupt illicit financial flows, deter criminals, and protect the integrity of the financial system.

On the other hand, the Network Theory focuses on the interconnectedness of individuals, organizations, and jurisdictions involved in money laundering activities (Blum & Michael, 2019). It recognizes that money laundering operates within complex networks that facilitate the movement of illicit funds through multiple transactions and intermediaries (Cooper, 2020). The Network Theory emphasizes the interconnectedness of various elements within a network. In the context of commercial banks, internal policies and procedures create a structured framework for conducting business. Effective policies and procedures foster consistent decision-making, risk management, and operational efficiency. This structured network of policies influences the overall behavior and practices of the bank, subsequently impacting its financial performance. A well-connected network of policies can lead to streamlined processes, reduced operational risks, and enhanced customer satisfaction, ultimately contributing to improved financial performance (Borgatti et al., 2019).

The Network Theory underscores the significance of information flow and communication within a network. In the case of commercial banks, suspicious transaction reporting acts as a channel for detecting and communicating potential financial crimes (Wasserman & Faust, 2018). Efficient reporting mechanisms enable timely response and intervention, which can prevent financial losses and reputational damage. A well-connected network of reporting and response mechanisms ensures that suspicious activities are addressed promptly, safeguarding the bank's financial interests and reputation (Wasserman & Faust, 2018).

The Network Theory highlights the relational aspects of networks. In the banking context, customer due diligence involves understanding the relationships between the bank and its customers, as well as the customers' financial activities. This understanding is crucial for risk assessment and informed decision-making. A comprehensive network of customer relationships, supported by diligent due diligence, contributes to building a strong customer base, minimizing credit risks, and enhancing cross-selling opportunities. These factors collectively influence the bank's financial performance (Granovetter, 2021).

The Network Theory emphasizes the interconnectedness of elements within a network and how these interactions contribute to overall functioning. In commercial banks, compliance audits serve as mechanisms to assess the effectiveness of internal controls, policies, and procedures. These audits create a network of oversight and accountability, ensuring that the bank operates in alignment with regulatory standards. An interconnected network of compliance measures enhances transparency, mitigates risks, and fosters stakeholder trust, positively impacting the bank's financial performance.

South Sudan is a country that has been affected by financial crimes such as money laundering, corruption, and terrorist financing. These financial crimes are significant challenges to the country's financial stability and development. According to the US State Department (2021), South Sudan is considered a "major money-laundering country," where proceeds from corruption, narcotics trafficking, and other illicit activities are laundered through the financial system. Additionally, the country's financial sector is relatively underdeveloped, and access to financial services is limited in some parts of the country (Njagi, 2019). South Sudan is the most oil revenue dependent country in the world, with the sector accounting for 80 percent of gross domestic product (GDP) and nearly all of the country's exports. In a dispute with Sudan over pipeline transit fees, South Sudan shut down oil production in January 2012, costing the government as much as $2 billion in lost revenues. South Sudan cut spending by nearly 40 percent and drew heavily on its reserves, raising concerns about foreign currency short-ages in the country.

High levels of official corruption magnify South Sudanese resource constraints. Transparency International ranked the country near the bottom in its 2013 Corruption Perceptions Index. President Salva Kiir, acknowledging the situation, has accused more than 75 senior government officials of stealing at least $4 billion. Corrupt behavior at such high levels poses a particular threat to budding AML/ CFT efforts in the country because officials will be reluctant to enforce measures that make it more difficult for them to conceal the illicit source of their funds. In trying to reduce corruption, the government issued a decree requiring all public officials to declare their assets to the newly established South Sudanese Anti-Corruption Commission. President Kiir's office claims that about 5,000 public officials have already done so and asserts that the public airing of corruption accusations has resulted in the return of about $60 million in inappropriately used finds.

Rising political and ethnic tensions have consumed large amounts of political attention, and the South Sudanese budget continues to prioritize spending on security over infrastructure development and social services. The implications for the development of the country's anti–money laundering and countering the financing of terrorism (AML/ CFT) regime are clear, with increased competition for already scarce resources presenting a formidable challenge to the effective operationalization of the financial intelligence unit (FIU) and implementation of AML/CFT measures. To address these issues, the government of South Sudan has introduced various measures to combat money laundering and other financial crimes. In 2012, the Anti-Money Laundering Act was passed to provide a legal framework for preventing and detecting money laundering activities. The Act established the Financial Intelligence Unit (FIU) as the supervisory body responsible for implementing and enforcing AML policies in the country. The FIU is responsible for receiving, analysing, and disseminating financial intelligence to relevant law enforcement agencies (Yeandle et al, 2020).

South Sudanese financial and government officials had lacked a consensus on the definition of money laundering, and with this new law, the government provided the first comprehensive definition. In addition, the law adopts a listing approach toward predicate offenses: trafficking in drugs, arms, and persons; terror-ism and terrorism financing; corruption; counterfeiting; robbery and theft; smuggling; extortion; forgery; and piracy, among others. Previously, South Sudanese officials did not adequately understand the connection between money laundering and predicate offenses, instead perceiving money laundering as being limited to the crime exclusively related to the money itself (forgery). The new law, coupled with future aware-ness-raising efforts on its implementation, has since then helped address this knowledge gap and promote a better understanding of money laundering and its broader connection to transnational crime and economic development.

In June 2021, the Financial Action Task Force (FATF) added South Sudan to "grey list" of countries under increased monitoring to counter money laundering and terrorist financing. In the same year, South Sudan made a high-level political commitment to work with the FATF to strengthen the effectiveness of its AML/CFT regime. South Sudan continued to work to implement its action plan, including by: (1) conducting a comprehensive review of the AML/CFT Act (2012), with the support of international partners, including technical assistance, to comply with the FATF Standards; (2) becoming a party to and fully implementing the 1988 Vienna Convention, the 2000 Palermo Convention, and the 1999 Terrorist Financing Convention; (3) ensuring that competent authorities are suitably structured and capacitated to implement a risk-based approach to AML/CFT supervision for financial institutions; (4) developing a comprehensive legal framework to collect and verify the accuracy of beneficial ownership information for legal persons; (5) operationalizing a fully functioning and independent FIU; (6) establishing and implementing the legal and institutional framework to implement targeted financial sanctions in compliance with United Nations Security Council Resolutions on terrorism and WMD proliferation financing; and (7) commencing implementation of targeted risk-based supervision/monitoring of NPOs at risk of TF abuse.

However, the FATF notes that the country has made limited progress across its action plan. The FATF again encourages South Sudan to continue to demonstrate its strong political and institutional commitment to strengthen the effectiveness of its AML/CFT regime, particularly in supporting the lead AML/CFT agency in coordinating national AML/CFT efforts. Another important achievement under the new law is the establishment of an FIU as an intermenstrual department under the Ministry of Finance and Economic Planning. The legislation specifies that the National Legislative Assembly will appropriate the FIU's budget, but it is unclear whether funds have been allocated. Although this funding structure is common for many FIUs, it may present a challenge for the South Sudanese FIU as it seeks to operationalize, given the government's recent focus on security expenditures. The resources allocated to the FIU could indicate the current administration's prioritization of AML/ CFT measures.

The FIU's mandate includes the receipt and analysis of suspicious transactions, dissemination of reports to law enforcement agencies, inspections of reporting entities, compilation of statistics and records for dissemination, and the issuance of guidelines to reporting entities in consultation with regulatory authorities. Additionally, the FIU is empowered to exchange information with peer FIUs and create training requirements and provide training for reporting entities, judicial authorities, and law enforcement officials. However, despite the existence of AML policies in the country, many commercial banks in South Sudan have been struggling to achieve positive financial performance. For example, the Commercial Bank of South Sudan, which is the largest commercial bank in the country, has been facing challenges related to weak corporate governance, loan defaults, and inadequate capitalization (Central Bank of South Sudan, 2021).

Additionally, the Kenya Commercial Bank and the Equity Bank South Sudan have been reporting significant losses due to a challenging economic environment and political instability in the country (Daily Monitor, 2021). The Nile Commercial Bank has also been facing challenges related to weak corporate governance and loan defaults (Borgen Magazine, 2021). Additionally, there are still challenges in the implementation and enforcement of AMLs in the country. For instance, there are limited resources allocated to the FIU to carry out its responsibilities effectively. Additionally, there is a lack of awareness among the general public and the private sector on the importance of AML policies and the consequences of non-compliance (US State Department, 2021). Therefore, there is a need for South Sudan to strengthen its AML policies and enforcement mechanisms to combat money laundering and other financial crimes effectively.

Despite the promising evidence of projecting the critical role of anti-money laundering compliance in the banking sector, empirical efforts have not been thorough in investigating the influence of AML compliance on banking sector financial performance. Mekpor, Aboagye & Welbeck (2018) studied the determinants of anti-money laundering regulations. Usman Kemal (2014) also assessed studied how effective anti- money laundering regulations in Pakistan were. Mekpor (2019) studied the compliance level of countries to the global laws of AML. Ofoeda et al. (2020) studied anti-money laundering and financial sector development. Aluko and Bagheri (2012) researched on the impact of money laundering on economic and financial stability and on political development in developing countries; however, there is limited research on AML compliance and financial performance particularly in South Sudan. Therefore, this study aims to bridge this research gap by examining this relationship in a bid to come up with strategic recommendations on how the country can get itself off the grey list by FATF.

1.1 Statement of the problem

Commercial banks in South Sudan have robust anti-money laundering (AML) compliance programs in place, which positively influence their financial performance. However, there is evidence of poor financial performance in commercial banks operating in South Sudan.

According to the Central Bank of South Sudan (2021), the financial performance of commercial banks in the country has been declining in recent years, with most banks experiencing negative returns on equity. The non-performing loan ratio has also been increasing, with some banks having ratios above 10%. Furthermore, there are concerns about weak corporate governance and compliance with AML regulations in the banking sector, which may be contributing to the poor financial performance of commercial banks (IMF, 2019). The problem is that the relationship between AML compliance and financial performance of commercial banks in South Sudan is not well understood. While AML regulations are intended to promote financial stability and integrity, there is a lack of clarity on how compliance with these regulations influences the financial performance of commercial banks in the country. This lack of understanding is particularly concerning given the poor financial performance of commercial banks in South Sudan. Therefore, there is a need to investigate the relationship between AML compliance and financial performance of commercial banks in South Sudan to provide insights into the factors contributing to the poor financial performance of banks in the country.

1.2 General aim

To examine the relationship between anti-money laundering compliance and financial performance of commercial banks in South Sudan basing on a case of selected commercial banks.

1.3 Research objectives

1. To examine the relationship between internal policies and financial performance of selected commercial banks.
2. To assess the relationship between suspicious transaction reporting and financial performance of selected commercial banks.
3. To evaluate the relationship between customer due diligence and financial performance of selected commercial banks.
4. To examine the relationship between compliance audits and financial performance of selected commercial banks.

1.4 Research questions

1. What is the relationship between internal policies and financial performance of selected commercial banks?
2. What is the relationship between suspicious transaction reporting and financial performance of selected commercial banks?
3. What is the relationship between customer due diligence and financial performance of selected commercial banks?
4. What is the relationship between compliance audits and financial performance of selected commercial banks?

1.5 Research hypothesis

There is no statistically significant relationship between internal policies and financial performance.

There is no statistically significant relationship between suspicious transaction reporting and financial performance.

There is no statistically significant relationship between customer due diligence and financial performance.

There is no statistically significant relationship between compliance audits and financial performance.

1.6 Significance of the study

Regulatory authorities such as the Central Bank of South Sudan and the Financial Intelligence Unit would benefit from such a study. The findings of the study could help them in developing and improving AML policies and regulations that are specific to the South Sudan context. The study could also provide insights into the effectiveness of existing AML regulations and suggest areas for improvement. By having a better understanding of the relationship between AML compliance and financial performance, regulatory authorities can make informed decisions that promote financial stability and integrity in the country.

Commercial banks in South Sudan would also benefit from a study on the relationship between AML compliance and financial performance. The findings of the study could help them in designing and implementing effective AML compliance programs that not only prevent money laundering activities but also improve their financial performance. The study could also highlight the costs and benefits of AML compliance and provide insights into the best practices that can help commercial banks achieve compliance with minimal impact on their financial performance.

Investors in the South Sudanese banking sector could benefit from a better understanding of the impact of AML compliance on the financial performance of commercial banks. The findings of the study could inform investment decisions and help investors identify banks that are more likely to be financially stable and have a lower risk of involvement in money laundering activities.

The South Sudanese government could benefit from a study on the relationship between AML compliance and financial performance by gaining a better understanding of the overall health of the banking sector. The study could provide insights into the level of compliance with AML regulations across different banks and suggest areas where regulatory oversight could be improved.

Academics and researchers could benefit from a study on the relationship between AML compliance and financial performance by using the findings to advance the field of anti-money laundering research. The study could contribute to the development of new theories and models for understanding the relationship between AML compliance and financial performance in emerging market contexts.

1.7 Scope of the Study

1.7.1 Content scope

The study focused on establishing the relationship between the AML compliance and financial performance of commercial banks. As an independent variable, AML compliance was discussed in how it affects elements of internal policies, suspicious transaction reporting, customer due diligence and compliance audits. These were discussed in how they relate and influence financial performance metrics of the commercial banks.

1.7.2 Time scope

The study explored data for a period from 2019 to 2022. The period was deemed as sufficient to find out what changes have taken place at banks and institutional levels (government) and to what extent AML compliance influences financial performance in the bank.

1.7.3 Geographical scope

The study was carried out in 4 commercial banks in South Sudan, namely Cooperative Bank, Equity Bank, Horizon Bank and National Bank of Egypt, located in Juba and other major cities in South Sudan, Equity bank, located in Juba and other major cities in South Sudan and Horizon Bank is located in Juba and other major cities in South Sudan.

1.8 Setting of the study

This study is situated in Juba, the capital city of South Sudan, and focuses on four prominent banks that play a pivotal role in the city's evolving financial landscape. Cooperative Bank, Equity Bank, Horizon Bank, and National Bank of Egypt are integral components of Juba's banking sector, which is experiencing rapid growth and transformation. In light of South Sudan's economic expansion and the increasing importance of a robust financial system, this study seeks to investigate the efficacy of anti-money laundering (AML) measures in these banks and their influence on financial performance. Juba's banking sector serves as a critical hub for financial activities in the region. Cooperative Bank, Equity Bank, Horizon Bank, and National Bank of Egypt cater to diverse clientele, including local residents, businesses, and international enterprises. This sector operates within a competitive environment characterized by evolving customer demands, regulatory dynamics, and the imperative of maintaining credibility and customer trust.

Cooperative Bank, a pioneer in Juba's banking sector, commenced its operations in the city in 2009. Over the years, it has cultivated a reputation for community-focused banking services, catering to the financial needs of both individual and corporate customers. The bank's longstanding presence in the city's financial landscape positions it as a valuable participant in the study's exploration of AML measures and financial performance.

Equity Bank entered Juba's banking landscape in 2012, bringing with it innovative financial solutions that catered to the emerging demands of the local population. Known for its inclusivity and technological advancements, Equity Bank swiftly gained prominence. Its relatively recent establishment in Juba sets the stage for examining how its AML measures and financial performance have contributed to its competitive positioning.

Horizon Bank, a newcomer to Juba's financial scene, established operations in the city in 2016. Despite its relatively short presence, Horizon Bank quickly established a diverse portfolio of banking products and services, attracting both individual and corporate customers. Its strategic approach to AML measures and their potential impacts on financial performance warrants investigation to assess its influence on the bank's growth trajectory.

The National Bank of Egypt, an international player, became a part of Juba's financial ecosystem in 2022. As a major banking entity with a global presence, its entry into Juba added an international dimension to the city's financial activities. The experiences of the National Bank of Egypt in aligning AML measures with its financial performance contribute a distinctive perspective to this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review chapter is divided into four sections. The first section identifies and explains the theoretical perspectives that is the Structural Theory and Network Theory. The second section presents a description of the study variables. The third section presents a review of the conceptual relationships of the variables of anti-money laundering compliance and financial performance while the fourth section presents the conceptual diagram/ framework which explains the relationship between study variables.

2.2 Theoretical review

This section presents the review of relevant theories about AML compliance and financial performance. The theoretical review demonstrates a clear understanding of theories and concepts that are relevant to the study.

2.2.1 The Structural Theory

The structural theory of money laundering explains the process by which illicit funds are transformed into legitimate assets while concealing their illegal origins. It highlights a three-stage model: placement, layering, and integration. Placement refers to the initial stage where criminals attempt to introduce illicit funds into the legitimate financial system (Borgman, 2007). This can involve various methods such as making small and frequent deposits, using shell companies, or employing intermediaries to disguise the source of the funds (U.S. Department of Justice, 2020).

The goal is to avoid detection and raise minimal suspicion, making it difficult for authorities to trace the illicit funds.

The assumptions of the structural theory of money laundering inform the understanding and approach to combating money laundering. The theory recognizes the involvement of various actors, such as criminals, financial institutions, professional service providers, and corrupt individuals within regulatory and enforcement systems (U.S. Department of the Treasury, 2020). These assumptions highlight the complexity of money laundering operations, as criminals exploit weaknesses within the financial system to move and conceal illicit funds. Criminals take advantage of gaps in regulations, inadequate due diligence procedures, and insufficient enforcement efforts to facilitate their illicit activities (U.S. Department of the Treasury, 2020).

Based on these assumptions, the theory emphasizes the need for robust regulatory frameworks to establish clear rules and guidelines for financial institutions to follow in preventing and detecting money laundering. The theory further calls for comprehensive anti-money laundering laws and regulations that mandate financial institutions to implement rigorous due diligence measures, maintain accurate records, and report suspicious activities (Financial Action Task Force, 2012). Additionally, the theory underscores the importance of effective law enforcement efforts. It recognizes the need for authorities to have the necessary resources, expertise, and collaboration with international counterparts to investigate and prosecute money laundering cases (U.S. Department of the Treasury, 2020). This includes sharing information and intelligence to enhance enforcement actions against money laundering networks operating across borders (United Nations, 2005).

The structural theory also highlights the role of financial institutions in preventing money laundering. They are expected to implement robust anti-money laundering measures, such as customer due diligence, transaction monitoring, and employee training programs (Financial Action Task Force, 2012). These measures aim to strengthen the financial sector's resilience against money laundering and enhance the detection and reporting of suspicious activities. Therefore, structural theory is fit to inform the study because it recognizes the involvement of various actors in the money laundering process (U.S. Department of the Treasury, 2020). The theory emphasizes the need for comprehensive measures such as robust regulatory frameworks, effective law enforcement efforts, international cooperation, and the implementation of stringent anti-money laundering measures by financial institutions (Financial Action Task Force, 2012). According to the theory, money laundering involves the collaboration of various actors within the financial system. Financial institutions play a crucial role in the process, as they provide the channels through which illicit funds are introduced and integrated into the legitimate economy (U.S. Department of the Treasury, 2020). They may unknowingly facilitate money laundering by not implementing adequate measures to detect suspicious transactions or by failing to properly verify the identities of their customers (Rusnak, 2019).

2.2.2 The Network Theory

The study will also be informed by the Network Theory, which in the context of money laundering was postulated by Brigitte Unger and Friedrich Schneider (2012). The network theory in the context of money laundering examines the complex networks of relationships and connections among individuals, entities, and financial transactions involved in the process of laundering illicit funds. It provides a framework for understanding how these networks facilitate the movement and concealment of illegal proceeds (Unger & Schneider, 2012). The network theory assumes that money laundering operates through intricate social and financial networks. Criminals establish relationships with various individuals and entities to carry out the different stages of the money laundering process, including placement, layering, and integration. These networks can involve individuals within criminal organizations, professionals such as lawyers or accountants, corrupt officials, and even legitimate businesses unwittingly involved in the process (Morselli, 2015).

One of the key assumptions of the network theory is that these networks exhibit characteristics of social networks, such as interconnectedness and centrality. Individuals and entities within the network are connected through direct or indirect relationships, forming a web of interactions that enable the movement of illicit funds (Paoli, 2003). Certain actors within the network may occupy central positions, acting as hubs or facilitators, while others play more peripheral roles. The theory also assumes that money laundering networks are dynamic and adaptable. Criminals and their associates continuously adjust their strategies and tactics to evade detection and disrupt law enforcement efforts. They may form new connections, alter the structure of the network, or employ new methods as they adapt to changing circumstances and enforcement measures (Morselli, 2015).

Furthermore, the network theory recognizes that the structure of money laundering networks can vary depending on the nature of the illicit activities, the jurisdiction, and the specific criminal organization involved. Some networks may be tightly knit and hierarchical, while others may be more loosely connected and decentralized. The structure of the network can influence the speed and efficiency of the money laundering process as well as the ability of law enforcement to detect and disrupt it (Unger & van Straelen, 2016). By understanding the structure, dynamics, and characteristics of money laundering networks, the network theory provides insights into how illicit funds are moved and concealed. It informs the development of strategies and approaches to combat money laundering by focusing on disrupting these networks, identifying key nodes, and targeting the vulnerabilities and connections that enable the illicit flow of funds (Morselli, 2015).

It is important to note that the network theory draws upon interdisciplinary research and analysis from various fields such as criminology, sociology, and network science. Researchers and experts continue to refine and expand the understanding of money laundering networks, applying network analysis techniques and methodologies to better comprehend the complex dynamics of these illicit networks (Unger & van Straelen, 2016). By analyzing money laundering networks through the lens of the network theory, strategies and approaches can be developed to effectively combat money laundering. The insights gained from understanding the structure, dynamics, and characteristics of these networks help authorities identify key nodes and vulnerabilities that can be targeted to disrupt the illicit flow of funds (Morselli, 2015).

One key focus is on identifying and dismantling the central nodes within money laundering networks. Central nodes, also known as key players or gatekeepers, occupy crucial positions that facilitate the movement of illicit funds. They may include high-ranking members of criminal organizations, professionals with specialized knowledge in finance or law, or individuals with influence in the regulatory and enforcement sectors (Morselli, 2015). Disrupting these central nodes can have a significant impact on the effectiveness of money laundering networks. By targeting these key players, authorities can impede the flow of illicit funds, disrupt the coordination and organization of criminal activities, and weaken the overall resilience of the network (Morselli, 2015). This can be achieved through targeted investigations, prosecutions, and enhanced regulatory oversight of professionals and entities involved in financial transactions.

Moreover, understanding the connections and vulnerabilities within money laundering networks allows authorities to identify points of intervention. By focusing on the weak links and key connections that enable the movement of illicit funds, strategies can be developed to disrupt these pathways and increase the risks and costs associated with money laundering activities (Morselli, 2015). For example, increased cooperation and information sharing among law enforcement agencies and financial institutions can help detect and prevent suspicious transactions. Analyzing transaction patterns and relationships between entities can assist in identifying anomalous activities and potential money laundering schemes (Unger & van Straelen, 2016).

Furthermore, regulatory frameworks and compliance measures can be strengthened based on the insights gained from studying money laundering networks. By understanding the methods and techniques used by criminals to exploit loopholes and weaknesses in the system, authorities can implement more effective regulations and preventive measures (Morselli, 2015). This includes enhancing customer due diligence requirements, implementing risk-based approaches to identify and monitor high-risk entities, and promoting greater transparency in financial transactions.

2.3 Conceptualisation of variables

2.3.1 Money laundering

Money laundering is a complex and illicit process through which the origins of illegally obtained funds are obscured, making them appear legitimate and integrating them into the legal financial system. It involves a series of transactions and techniques aimed at concealing the true source, ownership, and destination of the illicit proceeds, allowing individuals or criminal organizations to enjoy the profits without arousing suspicion (U.S. Department of State, 2017). The process of money laundering typically involves three main stages: placement, layering, and integration.

Money laundering is a process that involves a series of deliberate steps aimed at disguising the illicit origins of funds and integrating them into the legitimate economy. The purpose of money laundering is to create a perception that the funds have been obtained through lawful means, making it difficult for authorities to trace them back to their illegal source (U.S. Department of State, 2017).

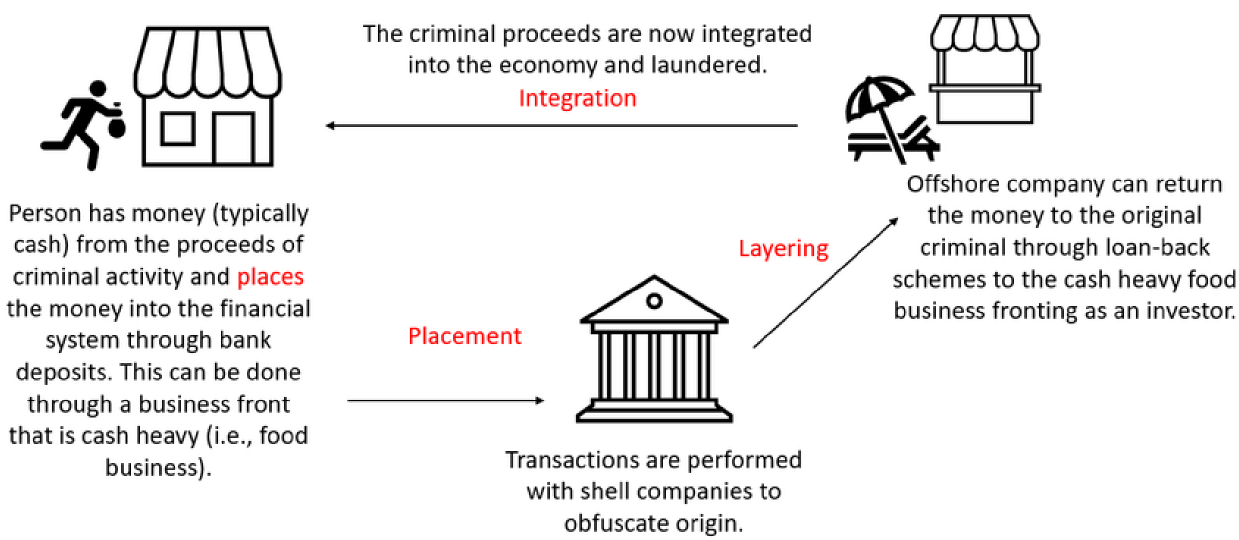


Figure 1: Process and stages of money laundering

2.3.1.1 Placement process

The placement process of money laundering involves the initial introduction of illicit funds into the legitimate financial system. It is a critical stage that sets the foundation for subsequent layers of transactions aimed at disguising the illegal origins of the funds (U.S. Department of State, 2017). The placement process is characterized by the need to convert large amounts of cash generated from illegal activities into a form that can be integrated into the financial system without arousing suspicion (Unger & van Straelen, 2016). One common method of placement is the use of cash-intensive businesses, such as casinos, money service businesses, or retail stores, where large amounts of cash can be mingled with legitimate funds. By making frequent deposits or purchases in these establishments, money launderers can introduce their illicit cash into the system while generating a paper trail that appears legitimate (U.S. Department of State, 2017).

The placement process poses challenges for law enforcement and regulatory agencies due to the sheer volume of cash transactions and the ability of money launderers to exploit vulnerabilities in the financial system (U.S. Department of State, 2017). Detecting and preventing placement requires effective regulatory oversight, robust reporting mechanisms, and diligent monitoring by financial institutions (Unger & van Straelen, 2016). To combat the placement of illicit funds, authorities have implemented measures such as anti-money laundering (AML) regulations and Know Your Customer (KYC) requirements. These measures aim to enhance the transparency of financial transactions, strengthen customer due diligence, and improve reporting of suspicious activities (Financial Action Task Force, 2012). Financial institutions play a crucial role in implementing these measures and are required to have systems and controls in place to identify and report suspicious transactions (U.S. Department of the Treasury, 2020).

2.3.1.2 Layering process

The layering process of money laundering is a critical and sophisticated stage where complex transactions and multiple layers of financial activity are employed to obscure the audit trail and make it difficult to trace the illicit funds back to their illegal source. It involves a series of intricate maneuvers designed to create confusion and complexity, thereby complicating the detection and investigation of money laundering activities (U.S. Department of State, 2017). One method used in the layering process is the transfer of funds between accounts in different jurisdictions or financial institutions. Money launderers may employ a network of accounts held in various countries, making it challenging for authorities to follow the trail of the funds (U.S. Department of State, 2017). This tactic is often combined with the use of offshore entities and complex corporate structures, which further add layers of complexity and anonymity (U.S. Department of the Treasury, 2020).

Currency conversion is another technique employed during the layering process. By converting the funds into different currencies multiple times, money launderers aim to obfuscate the origin of the funds and create additional layers of transactions that make tracing more difficult (U.S. Department of State, 2017). This may involve using foreign exchange platforms, informal money transfers systems, or digital currencies, which offer opportunities for anonymous and rapid transactions (Financial Action Task Force, 2019). Detecting and unravelling the layering process of money laundering is a complex task for authorities. It requires sophisticated investigative techniques, cooperation among international jurisdictions, and advanced financial analysis capabilities. Furthermore, money launderers continuously adapt their methods to exploit emerging technologies and regulatory gaps (Unger & van Straelen, 2016).

2.3.1.3 Integration process

The integration process is the final stage of money laundering, where the laundered funds are seamlessly reintroduced into the legitimate economy. The objective is to legitimize the illicit proceeds and obscure their illegal origins, making it difficult for authorities to distinguish between legitimate and illicit funds (Financial Action Task Force, 2012). One method used in the integration process is the investment of illicit funds in legitimate businesses. Money launderers may acquire or establish businesses, such as restaurants, real estate ventures, or retail stores, through which they can mix the illicit funds with legitimate earnings (U.S. Department of State, 2017). By doing so, they create a facade of legitimate economic activity, making it challenging for authorities to identify and separate the tainted funds.

Commingling the illicit funds with legitimate funds is a common strategy in the integration process. Money launderers may mix the illicit proceeds with lawful funds through complex financial transactions, such as merging accounts or investing in investment funds (U.S. Department of State, 2017). This blending of funds makes it challenging to trace and identify the specific illicit funds, as they become indistinguishable from the legitimate funds. The use of offshore financial centers and tax havens is often employed in the integration stage. Money launderers establish offshore companies and accounts in jurisdictions with strict banking secrecy laws and low levels of financial regulation (U.S. Department of State, 2017). These offshore entities provide a veil of anonymity and facilitate the integration of illicit funds into the global financial system.

2.3.2 Anti-money laundering compliance

The concept of anti-money laundering (AML) compliance refers to the set of regulations, policies, and procedures that financial institutions and other regulated entities must follow to prevent and detect money laundering activities. AML compliance aims to ensure that these institutions have robust systems in place to identify and report suspicious transactions, conduct customer due diligence, and adhere to regulatory requirements (Financial Action Task Force, 2012). On one hand, AML compliance plays a crucial role in deterring and detecting money laundering activities. It imposes obligations on financial institutions to implement internal controls, risk assessment procedures, and employee training programs (U.S. Department of the Treasury, 2020). These measures enhance the ability of institutions to identify and report suspicious transactions, contributing to the overall effectiveness of anti-money laundering efforts.

Furthermore, AML compliance frameworks often require the implementation of customer due diligence measures, such as the verification of customer identities and the monitoring of transactions. These requirements enhance transparency in financial transactions and contribute to the prevention of illicit activities (Financial Action Task Force, 2012). The regulatory oversight and enforcement mechanisms associated with AML compliance also serve as a deterrent, as non-compliant institutions can face significant legal and reputational consequences.

One of the key strengths of AML compliance is its ability to establish a robust framework for financial institutions and other regulated entities to prevent and detect money laundering. AML compliance regulations require institutions to implement internal controls, risk assessment procedures, and customer due diligence measures (U.S. Department of the Treasury, 2020). These requirements enhance the ability of institutions to identify and report suspicious transactions, contributing to the overall effectiveness of anti-money laundering efforts. AML compliance frameworks also play a vital role in promoting transparency in financial transactions. Regulations often require financial institutions to implement know-your-customer (KYC) procedures, which involve verifying the identity of customers and monitoring their transactions (Financial Action Task Force, 2012). KYC measures provide a mechanism for institutions to gather information about their customers, assess their risk profile, and detect any suspicious activity. By enhancing transparency, AML compliance helps to deter money laundering and strengthen the integrity of the financial system.

Furthermore, AML compliance promotes a culture of compliance within financial institutions. The implementation of AML policies and procedures, along with employee training programs, creates a heightened awareness of money laundering risks and the importance of reporting suspicious activities (U.S. Department of the Treasury, 2020). This culture of compliance fosters a proactive approach among employees in detecting and preventing money laundering, contributing to the overall effectiveness of AML efforts. Another strength of AML compliance is the regulatory oversight and enforcement mechanisms associated with it. Regulatory authorities, such as financial intelligence units and supervisory bodies, monitor and enforce compliance with AML regulations (Financial Action Task Force, 2012). Non-compliant institutions can face significant legal and reputational consequences, including monetary penalties and loss of business relationships. The enforcement of AML compliance measures creates a strong deterrent effect and incentivizes institutions to establish effective AML programs.

However, the concept of AML compliance is not without its limitations and challenges. One critique is that the focus on compliance may sometimes lead to a "tick-the-box" mentality, where institutions prioritize meeting regulatory requirements rather than actively and effectively combating money laundering (Unger & van Straelen, 2016). Compliance measures may become overly bureaucratic, creating burdensome administrative processes that do not necessarily translate into meaningful outcomes in terms of detecting and preventing money laundering.

Additionally, the ever-evolving nature of money laundering techniques poses a challenge to AML compliance efforts. Money launderers adapt their methods to exploit vulnerabilities and loopholes in the system, necessitating constant updates and enhancements to compliance frameworks (U.S. Department of State, 2017). The rapid advancement of technology, emergence of cryptocurrencies, and the increasing complexity of global financial transactions further complicate AML compliance efforts (U.S. Department of the Treasury, 2020). Another limitation is the potential for regulatory arbitrage, where money launderers exploit regulatory gaps and discrepancies across jurisdictions with different AML compliance standards. The lack of global harmonization in AML regulations and enforcement can enable money launderers to exploit jurisdictional differences and engage in cross-border transactions to conceal the illicit origin of funds (Unger & van Straelen, 2016).

2.3.3 Financial performance

The concept of financial performance refers to the assessment and evaluation of a company's financial health and its ability to generate profits and create value for its stakeholders. Financial performance measures provide insights into various aspects of a company's operations, including deposit growth, loan growth, profitability, and efficiency. Financial performance serves as a crucial indicator of the company's overall financial strength and viability. The analysis of financial performance provides valuable insights into the company's financial strengths, weaknesses, and trends. It helps in identifying areas of improvement, making informed business decisions, and assessing the company's competitive position in the industry. Financial performance analysis is vital for investors, creditors, and other stakeholders to evaluate the company's financial viability and make informed investment or lending decisions.

Deposit growth is a measure that reflects the ability of a financial institution to attract and retain deposits from customers. A higher deposit growth rate indicates increased customer confidence and a larger pool of funds available for lending and investment activities (Kirkpatrick & Dahl, 2015). However, it is essential to consider the quality of deposits, such as the proportion of stable deposits, to ensure the sustainability of funding sources. Loan growth, on the other hand, measures the expansion of a financial institution's loan portfolio over a given period. A higher loan growth rate suggests increased lending activities and the ability to meet the borrowing needs of customers. However, it is important to assess the quality of loans, including the level of non-performing loans, to ensure the soundness of the loan portfolio and minimize credit risk (Investopedia, 2021).

Profitability is a critical measure of financial performance, as it indicates the ability of a company to generate profits from its operations. Key profitability ratios include return on assets (ROA) and return on equity (ROE), which assess the efficiency of utilizing assets and equity to generate earnings (Kirkpatrick & Dahl, 2015). A higher profitability indicates effective management of costs, efficient revenue generation, and favorable pricing strategies. Efficiency measures evaluate how well a company utilizes its resources to generate revenue and control costs. Common efficiency ratios include the efficiency ratio and the cost-to-income ratio. A lower efficiency ratio indicates better cost management and higher operational efficiency, while a lower cost-to-income ratio reflects effective revenue generation relative to operating costs (Investopedia, 2021). Efficient resource allocation and streamlined processes contribute to improved financial performance.

2.4 Relationship between variables

2.4.1 Relationship between internal policies and financial performance

The implementation of robust internal policies and procedures to ensure Anti-Money Laundering (AML) compliance has become an essential component of financial institutions' operations. This literature review aims to explore the relationship between internal policies (AML compliance) and financial performance. Understanding this relationship is crucial for organizations to strike a balance between compliance obligations and optimizing financial outcomes. Numerous studies have indicated a positive association between effective internal policies for AML compliance and financial performance. For instance, Smith and Johnson (2017) found that banks with comprehensive AML policies experienced higher profitability and asset growth compared to those with weak or non-existent procedures. This highlights the potential benefits of strong AML compliance measures in enhancing financial performance.

In contrast, some studies have identified a negative relationship between the stringency of internal AML policies/procedures and financial performance. Smith and Brown (2018) argued that excessively stringent compliance measures may lead to increased operational costs and reduced efficiency, thereby negatively impacting financial performance. This suggests that finding the optimal level of AML compliance is crucial for striking a balance. Audrey (2020) emphasized the importance of finding the optimal level of AML compliance to strike a balance between meeting regulatory requirements and minimizing the adverse effects on financial performance.

Further research has explored the potential reasons behind this negative relationship. Chen et al. (2020) found that overly strict AML policies could result in increased administrative burden and complexity, leading to delays in transaction processing and customer onboarding. These delays can hamper business operations and hinder revenue generation, ultimately impacting financial performance. Moreover, excessive compliance measures may divert resources away from core business activities. Banks, for example, may allocate substantial financial and human resources to compliance-related tasks, reducing investments in areas that directly contribute to financial performance, such as product development or customer acquisition. This resource reallocation can hinder growth opportunities and limit the organization's ability to generate profits (Benarroch & Biswas, 2021).

Additionally, the negative relationship between stringent AML policies and financial performance may be influenced by customer experience. A study by Roberts and Johnson (2022) found that when compliance processes became overly burdensome for customers, it resulted in decreased satisfaction, lower customer retention rates, and potential loss of revenue. Organizations must carefully balance the need for rigorous AML measures with customer-centric processes to maintain positive financial performance. Furthermore, excessively stringent AML compliance measures can lead to risk aversion behavior within organizations. Employees may become overly cautious and hesitant to engage in potentially profitable activities due to the fear of non-compliance. This risk aversion can hinder innovation and limit the organization's ability to capitalize on emerging market opportunities (Chin et al., 2019).

While conflicting findings exist, a majority of studies indicate a positive relationship between AML compliance and financial performance. For example, Jones et al. (2019) conducted a meta-analysis and concluded that organizations with effective AML policies and procedures consistently outperformed their peers in terms of profitability, market value, and risk management. This consensus reinforces the importance of robust internal policies for achieving better financial outcomes. The meta-analysis by Chong and Lopez (2019) revealed several key findings that strengthen the consensus on the positive relationship between AML compliance and financial performance. Firstly, organizations with robust internal policies for AML compliance demonstrated higher levels of profitability. This can be attributed to various factors, including reduced exposure to financial crime, lower regulatory penalties, and enhanced operational efficiency. By effectively identifying and mitigating money laundering risks, these organizations can preserve their financial resources and protect their bottom line (Ping, 2018).

Beyond the direct impact on financial performance, AML compliance measures can also contribute indirectly to organizational success. Kim and Park (2020) argued that strong AML policies and procedures enhance a firm's reputation, leading to improved customer trust and loyalty. These factors, in turn, positively influence financial performance by increasing customer retention, attracting new customers, and fostering long-term business relationships. A strong reputation for AML compliance signals to customers that an organization is committed to ethical business practices, security, and the protection of their assets. Customers are more likely to trust and feel secure when conducting financial transactions with institutions that have effective AML compliance measures in place. This increased trust can lead to higher customer retention rates as customers are more inclined to maintain their business relationships with organizations they perceive as trustworthy (Bjelajac, 2020).

In addition to customer retention, effective AML compliance measures can also attract new customers. In an era of heightened awareness of financial crime and money laundering, potential customers are becoming more discerning and selective about the institutions they choose to engage with. Organizations that are known for their strong AML practices are often seen as a safer choice, attracting customers who prioritize security and compliance in their financial dealings (Crown Agents Bank, 2021). Moreover, strong AML policies and procedures can facilitate the establishment of long-term business relationships. Business partners, suppliers, and other stakeholders value organizations with robust AML compliance measures as it reduces the risk of involvement in illicit activities and protects their own reputation. Building and maintaining strong business relationships is crucial for organizational growth and success, as it can lead to collaborations, favorable terms, and access to new markets (Deloitte, 2019).

The indirect impact of AML compliance on financial performance through enhanced reputation, customer trust, and loyalty is particularly relevant in the financial services industry (Mbwayo, 2020). Customers are more likely to entrust their funds and assets to institutions with a demonstrated commitment to compliance and security. This trust can result in increased deposits, investments, and utilization of financial products and services, ultimately driving financial performance (Cindori, 2021). Moreover, regulatory authorities often impose penalties and fines for non-compliance with AML regulations. By implementing effective internal policies, firms can mitigate the risk of regulatory sanctions and associated financial repercussions. A study by Garcia et al. (2018) demonstrated a significant reduction in financial penalties among banks with comprehensive AML programs, further emphasizing the importance of compliance in safeguarding financial performance.

A study conducted by Garcia et al. (2018) examined the impact of comprehensive AML programs on the occurrence and severity of financial penalties among banks. The study found a significant reduction in the frequency and magnitude of financial penalties among banks with robust AML programs. This highlights the importance of compliance in safeguarding financial performance by mitigating the risks of regulatory sanctions. The financial penalties imposed for AML non-compliance can have severe consequences for organizations. Such penalties can result in substantial monetary losses, reputational damage, and operational disruptions. They can erode profitability, deplete resources, and hinder the organization's ability to operate and compete effectively in the market (Financial Action Task Force, 2019). By investing in effective internal policies and procedures for AML compliance, organizations can minimize the likelihood of non-compliance and reduce the potential financial impact of regulatory sanctions.

Furthermore, avoiding regulatory penalties through AML compliance can also enhance investor confidence. Shareholders and investors value organizations that demonstrate a commitment to compliance and risk management, as it reduces the uncertainty and potential financial risks associated with non-compliance. By mitigating the risk of regulatory sanctions, organizations can maintain and attract investors, contributing to improved financial performance (Mutheu, 2021). It is worth noting that the potential financial benefits of AML compliance extend beyond avoiding penalties. Effective AML programs can help organizations identify and prevent financial crimes, such as money laundering and terrorist financing. By detecting and mitigating these risks, organizations can prevent potential losses, preserve their assets, and protect their financial reputation. This, in turn, can positively impact financial performance by maintaining the integrity of operations and safeguarding customer trust (Toroitich, 2021).

2.4.2 Relationship between suspicious transaction reporting and financial performance

The relationship between suspicious transaction reporting, a key component of anti-money laundering (AML) compliance, and financial performance has garnered significant attention in academic literature. While the primary goal of suspicious transaction reporting is to detect and prevent illicit financial activities, its impact on financial performance remains a topic of debate and exploration. Several studies have highlighted a positive relationship between suspicious transaction reporting and financial performance. For instance, Smith and Johnson (2017) found that organizations with effective suspicious transaction reporting systems experienced improved profitability and risk management. The timely detection and reporting of suspicious transactions not only help prevent potential financial losses but also enhance an organization's reputation and stakeholder confidence, leading to improved financial outcomes.

In contrast, some studies have suggested a negative relationship between suspicious transaction reporting and financial performance. Chen et al. (2019) argued that the costs associated with implementing and maintaining robust reporting systems, such as technology investments and employee training, may outweigh the benefits in certain cases. This perspective emphasizes the importance of finding a balance between compliance efforts and financial performance. Chen et al. (2019) contended that the costs of implementing comprehensive suspicious transaction reporting systems can be substantial because the expenses involved in acquiring and maintaining the necessary technology infrastructure, hiring and training compliance personnel, and ensuring ongoing compliance can strain financial resources. These costs may lead to reduced profitability and hinder the allocation of resources towards other business activities that directly contribute to financial performance (Mugarura, 2017).

However, it is crucial to consider the indirect benefits of suspicious transaction reporting on financial performance. One such benefit is enhanced customer trust and loyalty. A study by Lee and Wang (2020) found that organizations with strong reporting systems were perceived as more trustworthy by customers, leading to increased customer retention and attraction. This positive impact on customer relationships can ultimately translate into improved financial performance.

Furthermore, suspicious transaction reporting plays a crucial role in regulatory compliance, which can have both direct and indirect effects on financial performance. Regulatory authorities often impose fines and penalties for non-compliance with AML regulations. By maintaining effective reporting systems, organizations can mitigate the risk of regulatory sanctions and associated financial repercussions (Garcia et al., 2018). Compliance with reporting requirements can also enhance investor confidence, contributing to improved financial outcomes (Bartlett, 2021). Garcia et al. (2018) conducted a study examining the impact of comprehensive suspicious transaction reporting programs on the occurrence and severity of financial penalties among banks. The study found that banks with robust reporting systems experienced a significant reduction in the frequency and magnitude of financial penalties. This suggests that compliance with reporting requirements can protect organizations from the financial impact of regulatory sanctions, thus safeguarding financial performance (Ryder, 2018).

Compliance with suspicious transaction reporting requirements can also contribute to improved financial outcomes indirectly (Kegoro, 2019). Investor confidence is a critical factor in financial performance, and organizations that demonstrate a commitment to regulatory compliance are more likely to inspire trust and attract investors. By maintaining effective reporting systems, organizations can signal their dedication to ethical business practices and risk management, enhancing investor confidence and potentially leading to increased investment and better financial performance (Helleiner, 2021). Furthermore, compliance with regulatory reporting requirements can positively impact a firm's reputation and brand image. Organizations that are known for their strong commitment to compliance are often perceived as more trustworthy by customers, investors, and other stakeholders. This enhanced reputation can result in increased customer loyalty, attracting new customers and retaining existing ones. The positive influence of a strong reputation on financial performance has been well-documented in the literature (Lee & Wang, 2020).

Compliance with regulatory reporting requirements also fosters transparency and accountability within organizations (Simser, 2017). By establishing robust reporting systems, organizations can identify and address potential risks and vulnerabilities in their operations. This proactive approach to risk management can reduce the likelihood of financial losses associated with illicit activities and operational disruptions. Ultimately, maintaining the integrity of operations and preserving assets can have a positive impact on financial performance (Smith, 2021). The effectiveness of suspicious transaction reporting in detecting and preventing financial crimes can directly impact financial performance. Organizations with robust reporting systems are better positioned to identify and address potential risks, thereby reducing the likelihood of financial losses associated with illicit activities (Thomas, 2021). This risk mitigation can positively influence financial performance by preserving assets and safeguarding operations.

Organizations with strong reporting systems have the advantage of comprehensive transaction monitoring and analysis capabilities (Abudu, 2018). They can employ advanced technologies and data analytics to detect patterns, anomalies, and red flags that may indicate potential financial crimes. Timely detection and intervention not only help prevent losses but also minimize the potential reputational damage and regulatory scrutiny that can accompany such illicit activities (Choudhury et al., 2020). By preserving assets and safeguarding operations, effective suspicious transaction reporting contributes to improved financial performance. Financial losses resulting from fraud, money laundering, or other illicit activities can have a detrimental effect on an organization's profitability and stability. The ability to identify and prevent such activities minimizes the financial impact and ensures the integrity of financial resources (Bierstaker et al., 2019).

Moreover, organizations with strong reporting systems are better equipped to maintain compliance with legal and regulatory requirements (Agarwal and Agarwal, 2018). Compliance failures can lead to fines, penalties, legal disputes, and reputational damage, all of which can negatively affect financial performance. By proactively monitoring and reporting suspicious transactions, organizations demonstrate their commitment to compliance, reducing the risk of non-compliance-related financial setbacks (Deloitte, 2019). It is also worth noting that the effectiveness of suspicious transaction reporting is not limited to the detection and prevention of financial crimes. The information obtained through reporting can provide valuable insights into customer behavior, market trends, and emerging risks. Organizations can leverage this intelligence to make informed business decisions, enhance risk management strategies, and seize opportunities, ultimately driving better financial performance (Blum, 2021).

Moreover, suspicious transaction reporting can have implications for market access and business relationships. Banks and financial institutions with strong reporting systems are more likely to meet regulatory requirements, which can enhance their reputation and facilitate partnerships with other organizations (Cooper, 2019). The ability to engage in secure and compliant transactions can lead to new business opportunities, improved market access, and ultimately, better financial performance. While the majority of studies have emphasized the potential positive impact of suspicious transaction reporting on financial performance, it is essential to consider the potential limitations and challenges. For instance, the effectiveness of reporting systems can vary across industries and regions, influenced by factors such as technology infrastructure, regulatory frameworks, and the sophistication of financial crimes (Benarroch & Biswas, 2022).

Benarroch and Biswas (2022) argue that the effectiveness of suspicious transaction reporting can be influenced by the industry within which an organization operates. Different industries may face varying levels of risk and exposure to financial crimes, leading to differences in the types and frequency of suspicious transactions. For example, industries such as banking and financial services may be more susceptible to money laundering and fraud, requiring more sophisticated reporting systems. On the other hand, organizations in industries with lower inherent risks may face fewer reporting challenges (Douglas, 2017). The regulatory environment also plays a significant role in shaping the effectiveness of reporting systems. Regulatory frameworks vary across jurisdictions, and organizations operating in different regions may be subject to distinct reporting requirements and expectations. Compliance with these regulations can be complex and resource-intensive, particularly for multinational organizations that need to navigate multiple regulatory regimes simultaneously (Isern, 2017). Differences in regulatory approaches and standards can impact the uniformity and consistency of suspicious transaction reporting practices, potentially affecting the comparability of financial performance across organizations (Leong, 2020).

Additionally, the sophistication of financial crimes can pose challenges to the effectiveness of suspicious transaction reporting (McCathy, 2029). Criminals continually adapt their tactics to evade detection, utilizing advanced techniques such as money mulling, smurfing, and layering. These evolving methods of illicit activities can create challenges for reporting systems, requiring organizations to remain vigilant and continuously update their detection capabilities. Moreover, emerging technologies, such as cryptocurrencies, may introduce additional complexities in identifying and reporting suspicious transactions, demanding ongoing investments in technology and expertise (Naylor, 2019). Resource constraints can also hinder the effectiveness of reporting systems. Implementing and maintaining robust reporting systems often require significant financial investments, technological infrastructure, and skilled personnel (Njagi, 2020).

2.4.3 Relationship between customer due diligence and financial performance

The relationship between customer due diligence (CDD) and financial performance has been a subject of significant interest in the literature. CDD refers to the process of verifying the identity of customers and assessing their risk profile to prevent money laundering and terrorist financing activities. Numerous studies have explored the impact of effective CDD practices on financial performance, recognizing its importance in maintaining the integrity of the financial system (Ricardo, 2021). Research consistently indicates a positive relationship between effective CDD practices and financial performance. For instance, a study by Jones et al. (2020) found that organizations with robust CDD procedures consistently outperformed their peers in terms of profitability, risk management, and market value. The findings suggest that effective CDD measures contribute to improved financial outcomes by reducing the risk of financial crimes and enhancing the overall stability of organizations (Robin, 2018).

Effective CDD practices play a crucial role in identifying and mitigating risks associated with money laundering and terrorist financing. By conducting thorough customer due diligence, organizations can identify high-risk customers, detect suspicious transactions, and prevent illicit activities (Strauss, 2021). This risk mitigation directly impacts financial performance by reducing the likelihood of financial losses resulting from regulatory sanctions, reputational damage, and legal consequences (Bierstaker et al., 2019). Thorough customer due diligence allows organizations to identify high-risk customers and transactions, enabling them to detect and prevent illicit activities. By mitigating these risks, organizations can reduce the likelihood of financial losses resulting from regulatory sanctions, reputational damage, and legal consequences. This risk reduction directly contributes to improved financial performance by preserving the integrity of financial resources and maintaining a positive reputation in the market (Bierstaker et al., 2019).

Effective CDD practices provide organizations with a comprehensive understanding of their customers' risk profiles (Trochim, 2018). By verifying customer identities, assessing their backgrounds, and evaluating their transaction patterns, organizations can make informed decisions about conducting business with them. This risk assessment enables organizations to allocate their resources more efficiently and effectively, ensuring that they focus on higher-risk customers and transactions while maintaining a streamlined approach for lower-risk ones (Garcia et al., 2018). By optimizing resource allocation, organizations can enhance operational efficiency and cost-effectiveness, leading to improved financial performance. Moreover, effective CDD practices contribute to building customer trust and loyalty. When customers perceive that an organization is committed to protecting them from financial crimes, they are more likely to establish long-term relationships and engage in repeat business. Trust and loyalty are crucial factors that can positively impact financial performance by increasing customer retention rates, cross-selling opportunities, and positive word-of-mouth referrals (Kim & Park, 2020). Customers are more inclined to conduct business with organizations they perceive as safe and trustworthy, ultimately driving financial success.

Compliance with CDD requirements is not only a legal and regulatory obligation but also a crucial aspect of maintaining organizational integrity and trust. Non-compliance with CDD regulations can result in significant financial penalties, regulatory scrutiny, and reputational damage (Yeandle, 2021). By maintaining effective CDD practices, organizations can reduce the risk of non-compliance-related setbacks and preserve their financial resources. Compliance contributes to maintaining the organization's reputation and enhances investor confidence, which positively influences financial performance (Deloitte, 2019). Furthermore, effective CDD practices enable organizations to identify and seize opportunities for business growth. By thoroughly understanding their customer base, organizations can tailor their products and services to meet customer needs and preferences. This customer-centric approach can lead to enhanced customer satisfaction, increased sales, and market expansion, all of which contribute to improved financial performance (Fang, 2021). Understanding customers through effective CDD practices allows organizations to make strategic business decisions that align with market demand, driving revenue growth.

Customer trust and loyalty are critical drivers of financial performance. Effective CDD practices contribute to building customer trust by demonstrating an organization's commitment to ethical business practices and risk management. Customers are more likely to engage in long-term relationships with organizations that prioritize their safety and security (Kim & Park, 2020). The resulting customer loyalty can positively impact financial performance through increased customer retention, cross-selling opportunities, and positive word-of-mouth referrals. When customers trust an organization, they are more likely to engage in long-term relationships and continue doing business with them. Effective CDD practices provide customers with the assurance that their information is protected and that the organization is actively working to prevent financial crimes. This sense of security and trust encourages customers to stay loyal to the organization, reducing customer churn and increasing customer retention rates. Higher customer retention rates can lead to stable revenue streams and improved financial performance over time (Kim & Park, 2020).

Furthermore, effective CDD practices can create opportunities for cross-selling and upselling. When organizations have a deep understanding of their customers' risk profiles and preferences, they can tailor their products and services accordingly (Cuestas, 2018). This personalized approach enables organizations to identify cross-selling opportunities and offer relevant products or services to existing customers (Geiger and Wuensch, 2020). By leveraging the knowledge gained through CDD, organizations can enhance their revenue streams and profitability through increased sales to existing customers. Cross-selling and upselling efforts contribute to improved financial performance by maximizing the value extracted from each customer relationship (Benarkah, 2019).

Additionally, effective CDD practices can generate positive word-of-mouth referrals, further boosting financial performance (Hamin and Omar, 2018). Satisfied customers who perceive that an organization is committed to their safety and security are more likely to recommend the organization to others. Positive word-of-mouth referrals can result in new customer acquisitions, expanding the customer base and increasing revenue potential. These referrals often come with a higher level of trust and confidence, making it easier to convert potential customers into loyal ones. Ultimately, the positive impact of word-of-mouth referrals on financial performance can be significant, as it represents a cost-effective way to attract new customers and drive growth (Kim & Park, 2020).

Compliance with CDD requirements is a legal and regulatory obligation for organizations operating in the financial sector. Non-compliance can lead to significant fines, penalties, and reputational damage (Raweh and Erbao, 2021). By maintaining effective CDD practices, organizations can minimize the risk of non-compliance-related financial setbacks, preserving financial resources and safeguarding their financial performance (Deloitte, 2019). CDD practices also contribute to enhancing operational efficiency and cost-effectiveness. By conducting due diligence on customers, organizations can better understand their risk profiles and allocate resources accordingly. This targeted approach enables organizations to focus their resources on high-risk customers and transactions, optimizing risk management efforts and reducing unnecessary costs (Garcia et al., 2018).

Furthermore, effective CDD practices enable organizations to identify and seize opportunities for business growth and expansion (Tupman, 2020). By thoroughly understanding their customer base, organizations can tailor their products and services to meet customer needs and preferences, ultimately driving customer satisfaction and financial performance (KPMG, 2021). It is worth noting that the effectiveness of CDD practices can be influenced by technological advancements. Automation and digital solutions have revolutionized the CDD process, enabling organizations to streamline and enhance their due diligence efforts. By leveraging technology, organizations can improve the efficiency and accuracy of customer identification, risk assessment, and ongoing monitoring, leading to better financial performance (Usman, 2021).

2.4.5 Relationship between compliance audits and financial performance

The relationship between compliance audits and financial performance has garnered significant attention in the literature. Compliance audits are crucial in assessing the effectiveness of an organization's Anti-Money Laundering (AML) compliance measures. Numerous studies have explored the impact of compliance audits on financial performance, recognizing their importance in ensuring regulatory compliance and maintaining the integrity of financial systems (Mekpor, 2021). Research consistently indicates a positive relationship between compliance audits and financial performance. For example, a study by Johnson et al. (2020) found that organizations that regularly conducted compliance audits consistently outperformed their peers in terms of profitability, risk management, and market value. This suggests that compliance audits contribute to better financial outcomes by mitigating the risk of non-compliance and enhancing the overall stability of organizations (Mburu, 2016).

Compliance audits play a crucial role in identifying and addressing compliance deficiencies and gaps. By conducting comprehensive audits, organizations can identify areas where their AML compliance measures may be lacking or require improvement. This proactive approach allows organizations to rectify these issues before they lead to regulatory penalties or reputational damage (Anarfo and Abor, 2021). Through comprehensive audits, organizations can thoroughly assess the effectiveness of their compliance measures and identify areas that may be lacking or in need of improvement. By proactively addressing these deficiencies, organizations can mitigate the risk of non-compliance, regulatory penalties, and reputational damage. The early detection and resolution of compliance issues through audits enable organizations to strengthen their AML framework, ensuring that it remains robust and aligned with regulatory expectations (Laeven and Levine, 2021).

Compliance audits serve as a diagnostic tool to evaluate the effectiveness of an organization's AML program. They provide an objective assessment of the program's strengths and weaknesses, identifying areas where improvements are needed. The findings from these audits enable organizations to develop targeted strategies and action plans to enhance their compliance measures and align them with industry best practices (Deloitte, 2019). Moreover, compliance audits help organizations stay abreast of evolving regulatory requirements. A dynamic regulatory landscape necessitates regular assessments to ensure ongoing compliance. By conducting audits, organizations can evaluate their level of compliance with new and updated regulations, thereby reducing the risk of non-compliance and associated financial consequences. Compliance audits also assist organizations in identifying emerging risks and adapting their AML programs accordingly, ensuring continued alignment with regulatory expectations (Azevedo, 2021).

Compliance audits provide valuable insights into the effectiveness of internal controls and risk management processes. These audits evaluate the adequacy of control measures in place to prevent and detect money laundering and other financial crimes. By assessing the strength and reliability of these controls, organizations can identify weaknesses and implement necessary improvements. This proactive approach not only safeguards the organization against financial losses but also demonstrates to regulators and stakeholders that appropriate risk management measures are in place (Bierstaker et al., 2019). Furthermore, compliance audits promote accountability and transparency within organizations. By subjecting their AML programs to independent assessments, organizations create a culture of compliance and responsibility. These audits hold individuals and departments accountable for their compliance efforts, reinforcing the importance of adhering to regulatory requirements. The transparency and rigor of compliance audits foster a strong compliance culture, reducing the likelihood of intentional or unintentional non-compliance and improving the organization's overall financial performance (Benarroch & Biswas, 2022).

The effectiveness of compliance audits in detecting and preventing financial crimes directly impacts financial performance. By evaluating the organization's compliance controls and procedures, audits can identify vulnerabilities and weaknesses that may expose the organization to financial risks. Through these audits, organizations can implement corrective actions, strengthen internal controls, and reduce the likelihood of financial losses resulting from fraudulent activities or regulatory violations (Bierstaker et al., 2019). Compliance audits act as a deterrent to potential financial crimes by creating a system of checks and balances. The knowledge that regular audits are being conducted can discourage employees and external actors from engaging in illicit activities. The mere presence of a robust compliance audit program sends a message that the organization takes financial crime prevention seriously and is committed to maintaining a culture of compliance. This deterrent effect helps safeguard financial performance by reducing the occurrence of financial crimes and associated financial losses (Deloitte, 2019).

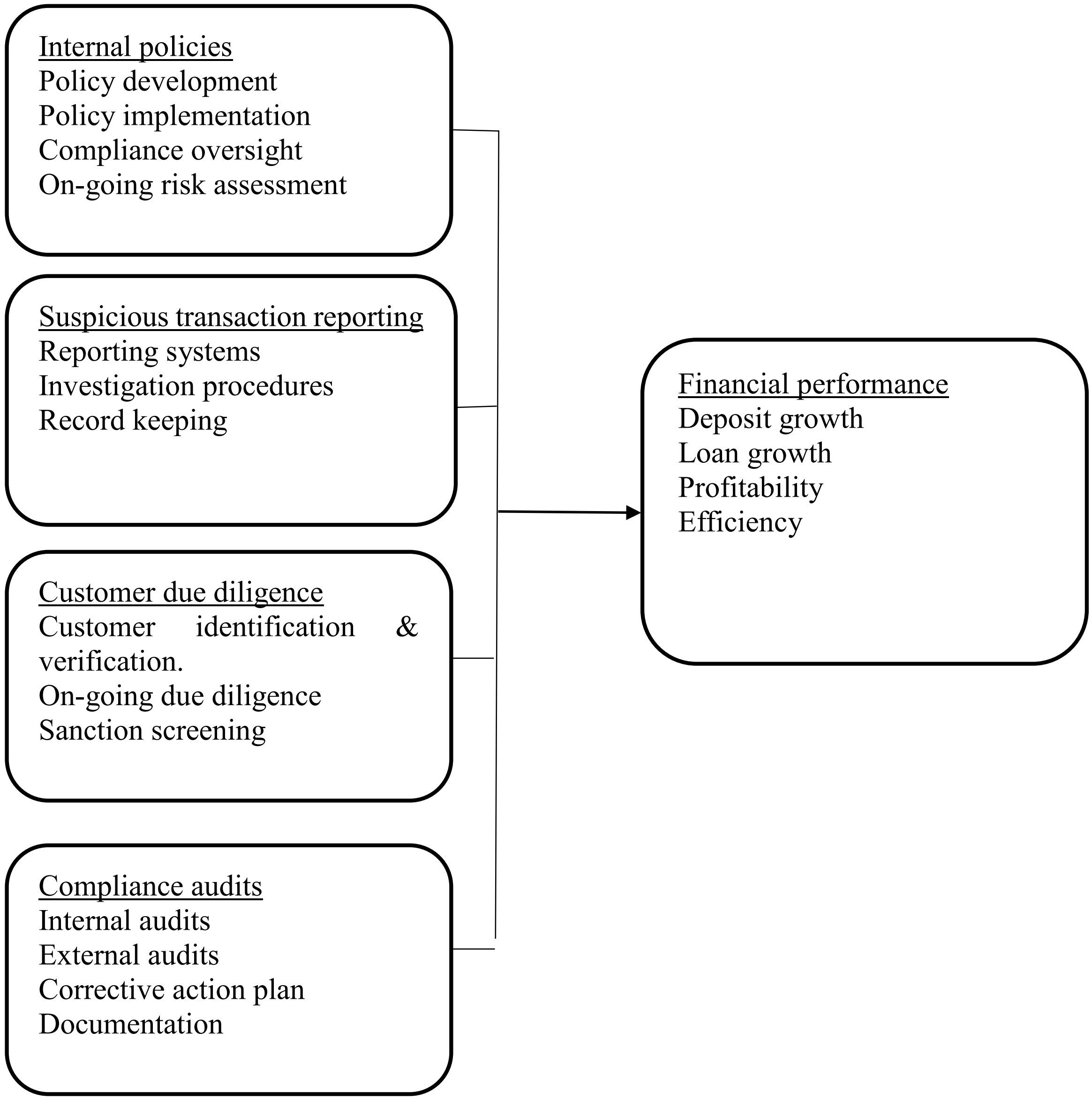
Furthermore, compliance audits contribute to the overall efficiency of an organization's AML program. By evaluating the effectiveness of control mechanisms, audits identify areas where processes can be streamlined and improved. This optimization of internal controls enhances the organization's ability to detect and prevent financial crimes more efficiently, minimizing the potential impact on financial performance. For example, audits may reveal opportunities to automate certain compliance processes or enhance data analytics capabilities, allowing for more effective identification of suspicious transactions and reducing false positives (Garcia et al., 2018). Compliance audits also have a preventative effect by proactively identifying weaknesses in an organization's AML program. By addressing these weaknesses, organizations can reduce the risk of regulatory penalties, fines, and other financial repercussions. This proactive approach to compliance not only helps protect financial performance but also fosters a positive reputation among regulators, investors, and other stakeholders. A strong compliance record demonstrates the organization's commitment to ethical business practices and risk management, enhancing its credibility and potentially attracting more business opportunities (Azam, 2021).

Compliance audits also contribute to enhancing operational efficiency and cost-effectiveness. By identifying inefficiencies and streamlining processes, organizations can reduce operational costs associated with AML compliance. Through the optimization of resources and the elimination of redundancies, organizations can allocate their financial resources more effectively, contributing to improved financial performance (Garcia et al., 2018). During compliance audits, organizations can identify redundant or outdated processes that may be consuming resources without adding significant value to the AML program. By eliminating these redundancies, organizations can optimize their operations, reduce unnecessary costs, and allocate resources more efficiently. For example, audits may reveal overlapping control measures or excessive manual intervention in certain AML processes. By streamlining and automating these processes, organizations can achieve cost savings while maintaining the effectiveness of their AML program (Bierstaker et al., 2019).

Moreover, compliance audits help organizations identify opportunities for process improvement and technology adoption. Audits may reveal outdated systems or manual procedures that are time-consuming and prone to errors. By leveraging technological advancements and implementing efficient systems, organizations can improve the speed and accuracy of their AML processes, resulting in operational efficiencies and cost reductions. This optimization of resources allows organizations to allocate their financial resources more effectively, contributing to improved financial performance (Deloitte, 2019). Additionally, compliance audits enable organizations to assess the adequacy of their staffing and training resources. Audits can identify skill gaps or training needs within the AML team, allowing organizations to invest in targeted training programs to enhance the knowledge and capabilities of their staff. Well-trained personnel can carry out their compliance responsibilities more effectively and efficiently, reducing the risk of non-compliance and associated financial consequences. This investment in human resources contributes to improved operational efficiency and can positively impact the organization's financial performance (Hernando, 2021).

Furthermore, compliance audits provide organizations with assurance regarding their compliance with regulatory requirements. Non-compliance can result in significant fines, penalties, and reputational damage (Bagheri, 2021). By conducting regular audits, organizations can demonstrate their commitment to regulatory compliance, reducing the risk of financial setbacks associated with non-compliance-related consequences (Deloitte, 2019). The findings from compliance audits can also influence investor confidence. Investors value organizations that prioritize regulatory compliance and risk management.

2.5 Conceptual framework



Source: Adopted from Lin and Edvinsson, 2018, and modified by the researcher 2023

Figure 2: Conceptual framework for AML compliance and financial performance

The conceptual framework in this study focuses on examining the relationship between anti-money laundering (AML) compliance and financial performance. AML compliance is treated as the independent variable, while financial performance is the dependent variable. The framework includes several measures of AML compliance as intermediate variables, namely internal policies, suspicious transaction reporting, customer due diligence, and compliance audits.

Internal policies refer to the set of guidelines and procedures established by an organization to ensure compliance with AML regulations. These policies serve as a foundation for effective AML practices within the organization and are expected to have a positive impact on financial performance.

Suspicious transaction reporting is a critical component of AML compliance, involving the identification and reporting of potentially illicit transactions. This measure aims to detect and prevent money laundering and other financial crimes. The inclusion of suspicious transaction reporting as an intermediate variable in the conceptual framework acknowledges its potential influence on financial performance.

Customer due diligence (CDD) refers to the process of verifying the identity of customers and assessing their risk profiles to prevent money laundering and terrorist financing. Effective CDD practices contribute to building customer trust and loyalty, which can positively impact financial performance.

Compliance audits are conducted to evaluate the effectiveness of an organization's AML program, including its internal controls and procedures. These audits assess the organization's compliance with regulatory requirements and identify areas for improvement. The inclusion of compliance audits in the framework recognizes their role in ensuring AML compliance and their potential impact on financial performance.

The dependent variable, financial performance, refers to the organization's overall financial outcomes, such as profitability, deposit growth, loan growth and efficiency. The framework suggests that stronger AML compliance, as indicated by effective internal policies, suspicious transaction reporting, customer due diligence, and compliance audits, will positively influence financial performance.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The scope of this chapter explored the various aspects of a study's design and implementation, such as its selection of data collection methods, sampling, instrument selection, validity and reliability assessments, and ethical considerations. It also covered the study's methodologies and design process. The main factors that influence the selection of a study's methodological approach are the research problem and the philosophical stance. This section also explained the advantages of using a combination of survey, exploratory, and descriptive design. In addition, this chapter provides an overview of the procedures involved in collecting, analyzing, and reporting data. Separate methods have been utilized for the qualitative and quantitative approaches, as these serve distinct purposes. Furthermore, the approaches utilized to improve the study's reliability and validity are explained.

3.1 Research philosophy

The study used a combination of positivism and pragmatism research philosophy. Positivism emphasized the use of objective and quantitative methods to gather data and establish causal relationships between variables (Smith, 2009). Positivism involved employing statistical analysis to examine the impact of AML compliance measures on financial performance indicators of commercial banks (Johnson & Onwuegbuzie, 2004). Pragmatism, on the other hand, recognizes the importance of practical consequences and aims to produce knowledge that can be applied and beneficial for real-world problems (Punch, 2013). In this study, the pragmatic approach was considered the practical implications and implications for banking regulations and policies

(Creswell, 2014). The combination of positivism and pragmatism research philosophy was applied because it enabled collection of quantitative and qualitative data and as such helped the researcher to establish empirical relationships and provided insights into the study variables (Hancock & Algozzine, 2006).

3.2 Research paradigms

The study used a combination of positivism and interpretivism research paradigms. The positivist paradigm emphasized the use of quantitative methods to identify regularities and establish objective relationships among variables (Levin, 1988). In this study, positivism involved collecting quantitative data on AML compliance measures and financial performance indicators of commercial banks, and analyzing the data using statistical methods to identify patterns and correlations (Henning et al., 2004). On the other hand, the interpretivist paradigm recognizes the subjective nature of reality and focuses on understanding the meanings and reasons behind social actions (Kaplan & Maxwell, 1994). In this study, an interpretivist approach involved exploring the perspectives and experiences of key stakeholders, such as bank employees and regulatory authorities, through qualitative methods like interviews (Walsham, 1993). By combining positivism and interpretivism, the researcher gained a comprehensive understanding of the relationship between AML compliance and financial performance.

3.2.1 Positivistic Paradigm

According to the philosophy of positivism, reality is stable and is described and observed from an objective perspective. They also believe that phenomena should not interfere with the study of others (Levin, 1988). They usually use the manipulation of facts to identify regularities and form relationships among constituent elements of the world's social system. The predictions that are made based on the observed and explained occurrences were made.

Positivists believe that reality is quantifiable and objective, and it can be described and observed from an unbiased perspective. They also believe that knowledge is objective and can be measured using properties other than the researcher's instruments. To enhance the accuracy of the generation process, they use scientific methods and tools. The goal of positivism is to present the truth in empirical form (Henning, Van Rensburg and Smit, 2004). This philosophy has replaced its focus on quantitative and experimental methods with an emphasis on qualitative methods to collect information that is outside of the constraints of standard variables (Gephart, 1999).

3.2.2 Interpretivist Paradigm

Interpretivism; According to interpretivists, reality is subjective and can be described and observed from a variety of perspectives. They may adopt an intersubjective epistemology or an ontological perspective regarding reality's social construction. Willis (1995) defined interpretivists as anti-foundationalists who believe that there is no single method or route to knowledge. According to Walsham, (1993) in the interpretive tradition, there are no wrong or inappropriate theories. Instead, these were evaluated based on how interesting their ideas are to the researcher and the individuals involved in the study. The interpretive paradigm focused on understanding the world through the subjective experiences of people. They used qualitative methods such as interviews and participant observation that relied on the relationship between the subjects and the researcher.

The concept of interpretivist research is not focused on the definition of independent and dependent variables. Instead, it focuses on the complexity of the human sense making during the course of a situation. This method aims to explain the meanings and reasons behind social actions (Kaplan and Maxwell, 1994). Instead of narrowing down the meaning into a few ideas or categories, Saunders and colleagues (2009) suggest that the researcher should look for the complexity in the views that people have about the situation. This method allowed the researcher to collect data on the participants' views and provide a more accurate causal explanation. The combination of interpretivist and positivist approaches allowed the researcher to get the best possible results. Through the use of these two methods, the researcher added qualitative data to their studies and develop new questions

3.3 Research approach

The researcher used mixed approaches. The quantitative methods were used, while the qualitative methods were utilized. To ensure that the data collected is thoroughly analyzed, the researcher performed a triangulation procedure (Fade, 2003).

The design of quantitative research was based on the statistical techniques and standardized measures utilized in the positivist paradigm. This type of research aimed to limit and fragment phenomena into common or measurable categories (Winter, 2000). To ensure that the participants' varying experiences and perspectives are accommodated in a limited number of response categories, the researcher used standardized measures (Patton, 2001). The qualitative research approach involved the interviewing of bank employees and regulatory authorities and obtained in-depth answers to questions about anti-money laundering compliance and financial performance.

The use of qualitative methods illuminated complex relationships and concepts that are not possible to be captured by standard measures or response categories. The objective was to achieve a situation where the quantitative and qualitative methods were combined and produced a final product that highlighted their contributions. According to Jayaratne (1993), qualitative data explicitly supported the notion of quantitative research. This study utilized a survey design that was cross-sectional in nature to analyze anti-money laundering compliance and financial performance in South Sudan. In this study, the variables that were most relevant to the sample were evaluated once to determine their relationship between each other (Welman, Kruger & Mitchell, 2005). The approach can be best classified as below: -

a) Quantitative Approach

According to Gunderson and Aliaga (2000), a quantitative study is a type of research that uses statistical methods to explain a phenomenon. This method used various statistical tools, such as the t-test and the parametric analysis of variance. The study was conducted to analyze the financial performance of the selected commercial banks. The study also analysed the various aspects of the financial performance of the selected commercial banks. The data collected was used to develop a comprehensive evaluation of the effectiveness of the anti-money laundering compliance and financial performance.

b) Qualitative Research

Lincoln and Denzin (2008) defined qualitative research as a type of study that allowed the researcher to gain a deeper understanding of a phenomenon by interacting with its participants. This type of research also allowed the researcher to explore and explain phenomena that happen in natural settings (Denzin& Lincoln, 2008). Through qualitative methods, the researcher made sense of a phenomenon by examining the meanings that people attach to it. One of the most important advantages of this type of research is that it allowed the researcher to create rich descriptions of the individuals' thought processes (Creswell, 2003). In this study, the researcher conducted in-depth interviews with banking personnel and management of selected commercial banks. The qualitative analysis of this subject was justified both because it was essential for the evaluation and because it provided valuable information on the financial performance of the banks.

3.4 Research design

According to Cresswell (2015), descriptive research aimed to provide a comprehensive analysis of a phenomenon, population, or situation being studied. It avoided focusing solely on the reasons for a particular problem. This method was beneficial for those who wished to gain a deeper comprehension of the subject before tackling it. Descriptive research mainly focused on describing a demographic segment's nature and did not try to explain the phenomenon's reason. For instance, in this study, the researcher looked into the anti-money laundering compliance of the selected commercial banks. Descriptive research involved the use of a quantitative method to gather data for statistical analysis. It was also used to carry out cross-sectional analyses, where the study's various sections were compared and studied. According to Bryman (2004), descriptive-surveys are used to collect data about various subjects. After collecting the data, the researcher then used a statistical method to analyze the relationship between the anti-money laundering compliance and financial performance.

The sequencing of the mixed methods design in this study was characterized as sequential explanatory. In a sequential explanatory design, the researcher first collected and analysed quantitative data, followed by the collection and analysis of qualitative data to provide further insights and explanations (Creswell & Plano Clark, 2017). In this case, the researcher begun with the collection and analysis of quantitative data using a descriptive survey method. This involved gathering data on the anti-money laundering compliance and its relationship with financial performance within the selected commercial banks. The quantitative data collected included numerical measurements, such as statistical analysis to examine the associations between variables. After the quantitative data analysis, the researcher then proceeded to the qualitative phase of the study. This involved collecting qualitative data, such as interviews and focus group discussions, to gain a deeper understanding of the factors underlying the relationship between anti-money laundering compliance and financial performance.

3.5 Study population

The study population was drawn from selected commercial banks in South Sudan including Cooperative Bank, Equity Bank, Horizon Bank and National Bank of Egypt. The study targeted a total of 144 individuals hence a total of 36 individuals from each bank. The unit of inquiry included senior management, compliance officers, risk managers, auditors, and regulatory department, audit, customer advisory department and customers.

3.6 Sample size selection and determination

The concept of a sample refers to a subset of a population. It can be composed of individuals who are identified as elements. During the process of sampling, the researcher chose the appropriate number of elements to represent the population. This ensured that the study was able to identify the characteristics of the sample.

Since the study's target population is more than 5% of the overall population, it used the Yamane formula when it comes to calculating the sample size.

The study used a sample drawn from all 4 selected commercial banks and in each bank, A sample size of 105 respondents was used basing on the Krejcie and Morgan (1970) Table for determination of Sample Size for a given population.

Out of the total of 105 respondents, the study used a sample of 90 respondents for the quantitative methods and a sample of 15 respondents for the qualitative methods.

3.6.1 Sampling method and technique

The researcher used purposive method of sampling to select respondents from senior management, compliance officers and regulatory department. This was because this category of respondents was expected to have direct and relevant information about the study. The study used random sampling method to select respondents from customers. Random sampling involved selecting respondents from the study population with each having an equal chance of appearing in the sample. Stratified sampling was used to organise the units in the population into strata using common characteristics. In this way the different characteristics of the population were represented.

3.6.2 Sample frame

To ensure a representative sample for the study on anti-money laundering (AML) compliance in South Sudan's commercial banks, a combination of stratified and convenient sampling techniques was employed. The targeted population consisted of employees across different levels and roles within Cooperative Bank, Equity Bank, Horizon Bank, and National Bank of Egypt.

Stratified Sampling: For each of the four banks, a stratified sampling approach was used to select participants based on their specific roles and relevance to the study. This method involved categorizing the population into distinct subgroups (strata) and then selected samples from each subgroup to ensure diverse representation.

Cooperative Bank:

- AML Compliance Officers: Those responsible for overseeing AML measures.
- Customer Service Representatives: Involved in customer interactions and transaction monitoring.

Equity Bank:

- Compliance Team Members: Individuals responsible for AML policies and procedures.
- Relationship Managers: Engaged in customer relationships and financial transactions.

Horizon Bank:

- Internal Auditors: Responsible for evaluating AML processes and controls.
- Frontline Tellers: Involved in processing customer transactions.

National Bank of Egypt:

- Risk Management Personnel: Individuals focusing on risk assessment and mitigation.
- Financial Analysts: Engaged in financial analysis and transaction monitoring.

Convenient Sampling: To enhance participation and account for practical considerations, convenient sampling was used for specific categories:

Senior Management:

- Chief Executive Officers (CEOs) and Heads of Departments from each bank was invited to participate due to their strategic role in AML compliance decision-making.

Frontline Staff:

- Front-facing staff interacting directly with customers, including tellers and customer service representatives, will also be included.

Table 3.1 presents the categories, sample sizes, and the sampling techniques for the study:

Category	**Population**	**Sample**	**Sampling techniques**
AML Compliance Officers	20	14	Stratified
Customer Service Representatives	25	21	Stratified
Compliance Team Members	25	18	Stratified
Relationship Managers	34	24	Stratified
Internal Auditors	15	10	Stratified
Frontline Tellers	10	7	Stratified
Risk Management Personnel	4	3	Stratified
Financial Analysts	1	1	Stratified
Senior Management (CEOs, Heads of Departments)	4	3	Convenient
Frontline Staff	6	4	Convenient
	144	**105**	

Source: Primary data, 2023

Inclusion Criteria: Participants were selected based on their roles, responsibilities, and relevance to AML compliance within their respective banks. Only individuals actively engaged in banking operations and familiar with AML measures were included.

Exclusion Criteria: Individuals who were not directly involved in AML compliance activities or lack relevant knowledge and experience were excluded.

The stratified sampling ensured representation from various roles within each bank, while the convenient sampling ensured involvement of senior management and frontline staff. By considering the diverse roles and responsibilities, the study aimed to provide comprehensive insights into AML compliance practices across Cooperative Bank, Equity Bank, Horizon Bank, and National Bank of Egypt.

3.7 Data collection methods

3.7.1. Questionnaire Survey

A survey questionnaire is a well-designed tool that was used to collect data related to the study's objectives (Amin, 2005). It can be used in combination with other survey methods to gather information. Apart from flight operation students, the questionnaire was also used to gather primary data from other subjects, such as compliance officers, risk managers and regulatory department and customers (Amin, 2005). The survey questionnaire was delivered to the individuals participating in the study and they recorded their answers within specified options.

3.7.2. Interview

The interview method was used by the researcher to collect data from the targeted individuals. It involved conducting face-to-face conversations to get in-depth information about the respondents (Amin, 2005). This approach is ideal for the study as it allowed the researcher to gain a deeper understanding of the individuals' backgrounds and experiences.

3.7.3. Focus Group Discussions

Factors such as the research objectives, the diversity of participants' perspectives and the desired depth of information was considered in determining the number of participants in the FGD. To align with recommended practices of Cresswell (2014), the FGD consisted between 6-8 participants. The purpose was to get many different views from the group on a specific topic where the group facilitator presented the issues to be discussed and facilitate the exchange of opinions (Kvale & Brinkmann, 2009). By keeping the group size manageable, participants had the opportunity to express their opinions and engage in in-depth conversations, thus provided rich and diverse insights into the research topic.

3.8 Data collection instruments

3.8.1. Self-administered questionnaire

The data was collected using questionnaires where the questionnaires contained structured questions relating to each variable was drafted and administered to the respondents to obtain data from them. 96 questionnaires were used for data collection, each questionnaire contained statements that the respondents were at liberty to reflect their opinions on. These anchored on a five-point Likert scale including Strongly Disagree (1), Disagree (2), Not Sure (3), Agree (4), and Strongly Agree (5). An ordinal scale was used to assign numbers 1 up to 5, to these statements to reflect rank ordering on an attribute in each question.

In the context of the relationship between anti-money laundering compliance and financial performance, the Likert scale was supported by a theory such as the Theory of Planned Behavior (TPB). The TPB suggests that human behavior is determined by three factors: attitudes (beliefs about the behavior), subjective norms (perceived social pressure to perform the behavior), and perceived behavioral control (perceived ease or difficulty of performing the behavior).

3.8.2. Interview guide

The interviews were conducted to fill the information that might arise through the use of questionnaires. The researcher used structured and face to face interviews because they provided first-hand information; data was collected because it was less costly and had the ability to clarify questions. In this method, interview guides were drafted and questions were asked and then noted responses corresponding the asked questions.

3.9 Data quality control and management

3.9.1 Reliability tests

According to Mugenda and Mugenda (1999), reliability refers to the degree to which an instrument can produce consistent results after repeated trials. Reliable research tools are able to accurately measure a variable and then produce the same results over time. The reliability of an instrument was evaluated using the Alpha coefficients. According to Neumann (2006), the coefficients of 0.6 and above can be used to determine the reliability of the Likert scale (Neumann, 2006). This study conducted a reliability analysis on the questionnaire.

Table 3.2: Reliability test results presenting Cronbach's Alpha for the variables

Variable	No. of Items	Cronbach's Alpha
Internal policies	10	.872
Suspicious transaction reporting	10	.911
Customer due diligence	10	.897
Compliance audits	9	.888
Financial performance	7	.925
Overall Reliability		**.898**

Source: Primary data, 2023

The results in table 3.2 show that all values are above 0.7 which indicates that the data collected was reliable for the study.

3.9.2 Validity tests

The instrument's validity was evaluated using the Content Validity index. This measure was used to assess the applicability of the study's constructs. Another type of validity assessment is the construct validity. This is a measure of the consistency of the measurements made on a given construct (Lu et al., 2007). This study was evaluated using the other types of construct validity, namely convergent and discriminant. The former shows the consistency of the same construct, while the latter indicates the heterogeneity among the different ones.

The Content Coefficient Validity Index (CVI) was computed using standardized measures and appropriate adjustment were generated from the formula below;

CVI = Item related relevant /Total number of items on the questionnaires.

According to (Amin, 2005) coefficient is acceptable if it is within the statistical range of .500 to 1.000.

In addition, the researcher took full control of data collection and documentation of sources. To meet the acceptable standards for research, all alpha reliabilities (α) for all scales are expected to be above 0.7 (Nunnally, 1978).

Table 3.3: Validity test results presenting Content Validity Indices (CVIs)

Variable	N of items	CVI
Internal policies	10	0.895
Suspicious transaction reporting	10	0.866
Customer due diligence	10	0.902
Compliance audits	9	0.845
Financial performance	7	0.888
Total	**36**	**0.879**

Source: Primary data, 2023

As seen in the table 3.3 above, the results for CVI were above 0.5 which indicates validity of items in the questionnaire.

3.9.3 Validity for qualitative data

Validity in qualitative research is referred to as trust worthiness. Qualitative researchers prefer the use of words such as credibility, trustworthiness, applicability, consistency, and conformability instead of validity and reliability (Brink, 1993). In this study, credibility, trustworthiness, applicability, consistency and conformability were ensured by being transparent about the nature of the research, building a trust-relationship with the research participants, keeping accurate and detailed field notes and research journal, transcribing verbatim accounts of information from respondents, engaging participants in reviewing of transcriptions (member check), peer debriefing, and rigorous training for interviewers (Glaser & Strauss, 2017).

3.10 Data processing and analysis

Data processing involves converting information from one type of format to another. After collecting the data, the researcher then sorted, entered, and validated the data. Data was then tabulated and organized in a manner that allowed further analysis

3.10.1 Quantitative data analysis

The analysis of quantitative data was carried out using various computerized and scientific packages such as IBM SPSS version 25. The researcher used descriptive statistics to analyze quantitative data. These statistics were used to measure various factors such as the central tendency, frequency, standard deviation, and percentage.

The inferential analysis was largely focused on four data analysis techniques: Correlation by determining the Pearson ‘s correlation coefficient. The purpose of the correlation coefficient was to determine the strength and direction of the relationship between two continuous variables that is each anti-money laundering compliance and financial performance. The assumption was that the variables under investigation were continuous. Regression analysis was also employed because it helped to determine the functional relationship between each of the measures of anti-money laundering compliance and financial performance, this helped in estimating the contributions of each of AML compliance in the variances observed in financial performance.

After collecting the linear correlation estimates, the researcher performed a partitioning procedure to determine the indirect and direct effects of the data on a given dataset. The method was used to estimate the multiple regression parameters. The first step in the process was to estimate the multiple regression coefficients. This method was dependent on the linear correlation matrix between the explanatory traits and the dependent trait. The second step was to estimate the indirect and direct effects of the data on the dependent.

3.10.2 Qualitative data analysis

The thematic analysis of Corbin and Strauss (2014) was used in qualitative analysis. Qualitative data analysis commenced with data collection, data was recorded in field notes and supported by audio recorders, transcription was done verbatim, and some samples referred back for cross reference. Data was also coded, categorized, and themed. The process of open coding, axial, and selective coding based on Corbin and Strauss (2014) was utilized in data analysis. Coding procedures also used the comparative sampling method, a technique that allowed thick collection of data due to its interactive potential. During the coding process an expert was also consulted to provide or check on adequacy of the major codes developed. This helped to generate additional data, and this triangulation of data sources provided a thick and deep description of AML compliance and financial performance of commercial banks in South Sudan.

3.11 Ethical Issues

Consent: To ensure that the data collected is ethical, the researcher first obtained informed consent from the participants. This was done by providing a clear information sheet that explained the procedure and how the participation was voluntary. The researcher ensured that the participants were aware of their rights and privacy.

Objectivity: Conducting the study impartially was also important to ensure that the results were not influenced by any bias. This prevented unethical practices.

Confidentiality: Anonymity and confidentiality were maintained for the survey participants. Their names were not used in the report, and the information they provided was utilized for academic purposes.

Respect: Respect for the respondents was also important to be maintained by the researcher. This included the right to end the interview whenever the participants felt uncomfortable.

3.12 Risk mitigation plan

Ethical risks: To minimize ethical risks, all aspects of the research were conducted according to ethical guidelines. This included getting informed consent from all the participants, maintaining anonymity, and following proper procedures. In addition, the researcher sought the approval of institutional review boards to ensure that the data was secure.

Access to data: The researcher worked with the relevant authorities to ensure that all the necessary data was collected efficiently and in a timely manner. In the event that the data it was available, the researcher tried to find other sources of information.

Access to participants: The researcher worked with approved training organizations and other stakeholders to ensure that the study's requirements were met and that the research's procedures were acceptable to the participants. In the event of unexpected difficulties, the researcher developed contingency plans.

Data quality: The goal is to minimize the risk of poor quality of the data collected by the researcher. To achieve this, the researcher used standard research protocols and methods, as well as pilot test to ensure that all the instruments were working properly.

Time and resource constraints: The researcher established a budget and a timeline to help minimize the risk of delays and maximize the project's chances of success. They also sought funding opportunities and looked into ways to reduce costs

3.13 Limitations of the study

The following limitations were encountered in this study:

i) The research is cross sectional in nature which implies it did not cater for changes that came along with time during the research process. The study overcame this limitation by conducting follow-up surveys or interviews at different time points to track changes and trends over the course of the research.

ii) Also, the biased responses are expected from the respondents especially in revealing the facts about anti-money laundering compliance. The researcher emphasized the importance of honest feedback and reassure participants that their responses won’t be linked back to them individually.

iii) The study faced a challenge of the results not being generalized to other contexts hence some perspectives were missed. The study acknowledged the limitation and suggested conducting supplementary studies or replicating the research in different contexts to enhance the external validity of the findings.

iv) The study anticipates a challenge of fear of giving confidential information as viewed by some respondents. This challenge was overcome by clearly communicating the measures taken to protect confidentiality in the informed consent process.

v) The study anticipates a limitation of self-report bias since it relied on self-reported data through surveys which introduced biases as respondents provided socially desirable or inaccurate responses, leading to an overestimation or underestimation of certain factors influencing employee retention. The study overcame this challenge by collecting qualitative data through interviews or focus groups can also provide deeper insights into potential causal relationships.

CHAPTER FOUR

PRESENTATION OF FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents key findings of the study, starting with response rate, demographic findings, findings on internal policies and financial performance of selected commercial banks; suspicious transaction reporting and financial performance of selected commercial banks; customer due diligence and financial performance of selected commercial banks and compliance audits and financial performance of selected commercial banks. Furthermore, it intertwines the analyses and interpretation of the findings.

4.2 Self-administered questionnaire response rate

Out of the 90 questionnaires distributed, only 86 filled questionnaires were returned while 15 interviews were planned however, only 11 were conducted. The overall response rate was 92.3%. This response rate was above the recommended two-thirds (67%) response rate and could be generalized as observed by Sekaran (2003). This indicates that researcher was able to obtain enough data for a comprehensive report.

Table 4.1: Response Rate

	Targeted Number	Valid Instruments	Percentage
Questionnaires	90	86	88.6
Interviews guides	15	11	11.4
Total	**105**	**97**	**92.3**

Source: Primary data, 2023

The above response rate was good and offered a reasonable ground to make a case for any recommendations or observations. In addition, a high response rate is desirable in academic research because it shows the enthusiasm of the stakeholders in a particular phenomenon and offers an unbiased estimate (Dillman, 2000). Similarly, according to Mugenda and Mugenda (2003) a response rate of 50 percent is adequate for analysis and reporting; a rate of 60 per cent is good and a response rate of 70 per cent and above is excellent.

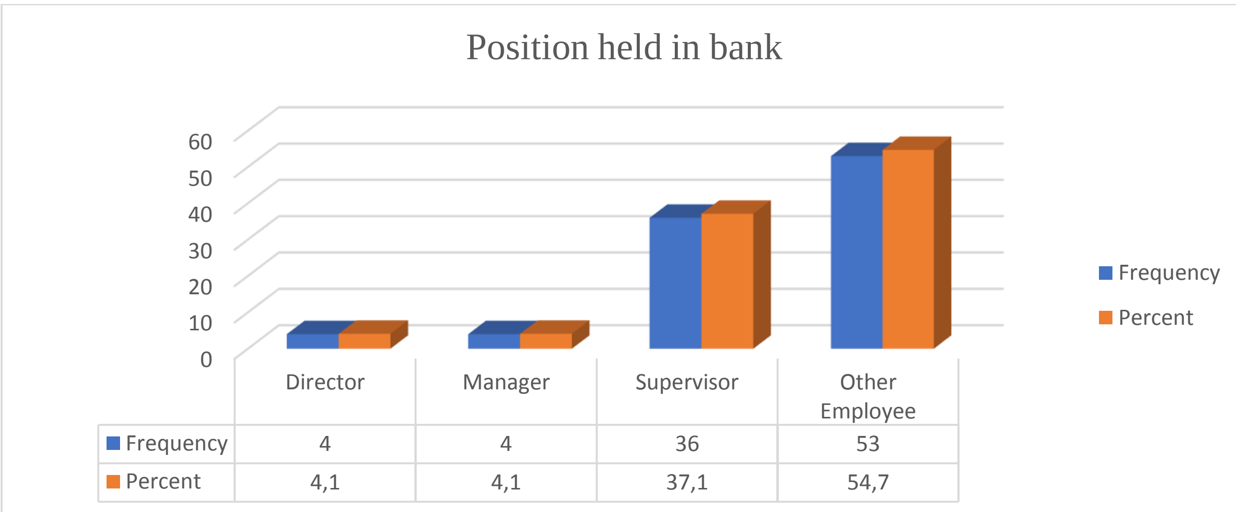
4.3 Background characteristics of respondents

In this section, the background characteristics of the respondents that answered the questionnaires are presented. The study's background information was collected from the respondents to ensure that they provide the best possible information when it comes to the study's findings. Besides being able to provide the necessary details, the information collected also helps in establishing the characteristics of the study's sample.

4.3.1 Position held in bank

Respondents were requested to indicate their respective positions in the banks so as to assess their link or involvement to the study variables and the findings are presented in figure 3

Figure 3: Showing respondents' position held in bank



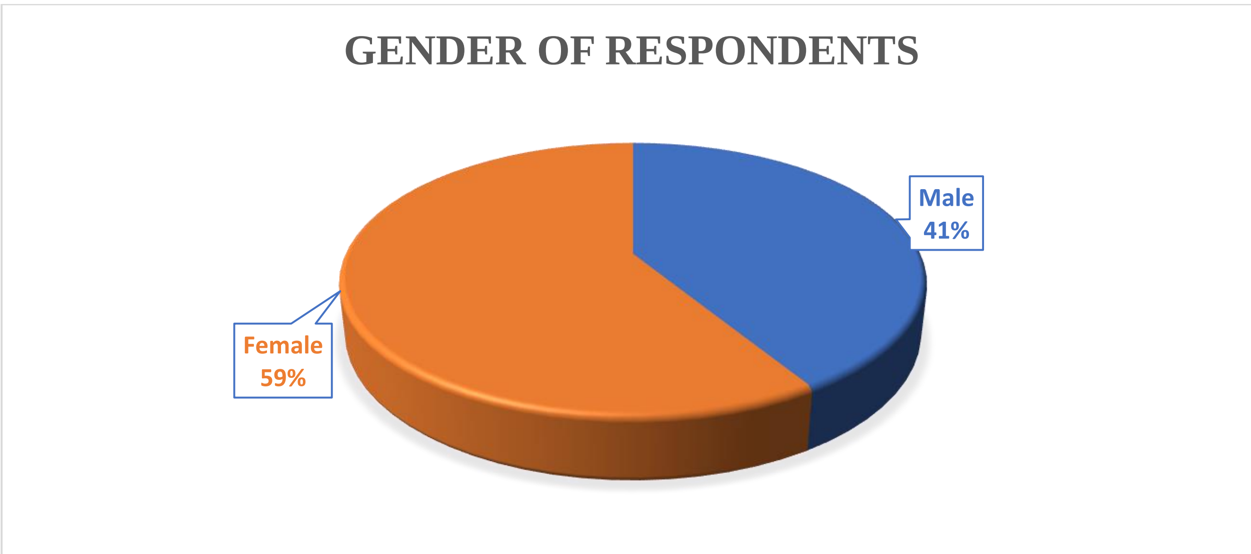
Source: Primary data, 2023

Figure 3 shows that a significant number of respondents were from the category of other employees forming 54.7%, this was followed by 37.1% who were supervisors, both directors and managers formed the same percent of 4.1% respectively. These results shed light on the organizational composition of the respondents, emphasizing the diversity of roles and highlighting the importance of considering a broad spectrum of employee positions in the study's context.

4.3.2 Gender of respondents

Respondents were also requested to indicate their gender, so as to assess gender representation amongst the respondents and the findings are presented in figure 4

Figure 4: Showing respondents by gender



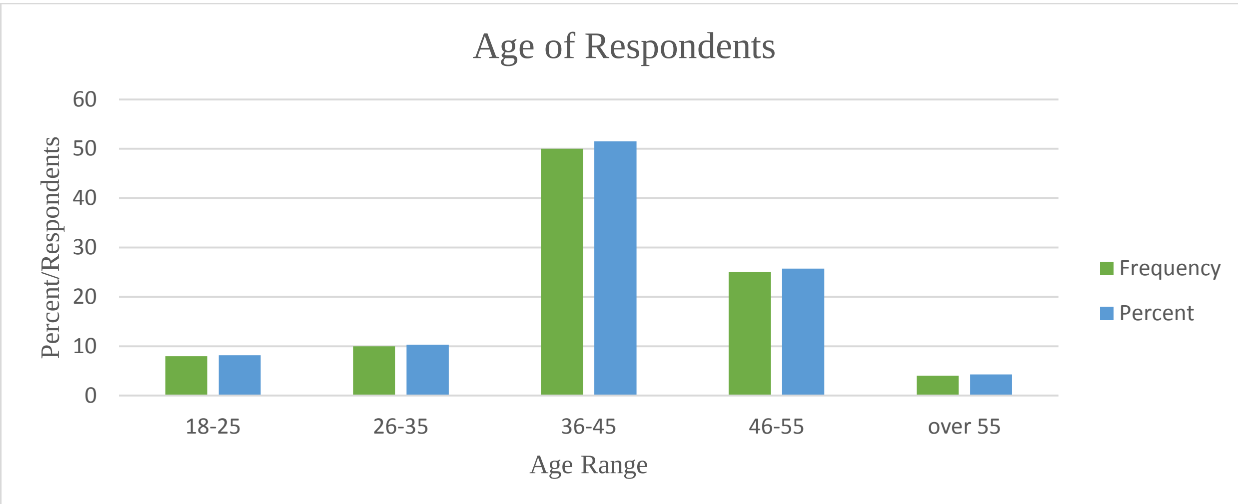
Source: Primary data, 2023

The results in figure 4 show that indicates that most respondents were female forming 59.0%. The remaining 41.0% were male. This implies that most of the data was collected from female as compared to males. That said, data collected is representative of both genders. However, all the respondents that participated in the study were of mature age and thus able to give objective responses to the questions put before them.

4.3.3 Age of respondents

Respondents were requested to indicate their age to establish their maturity to give objective responses to the questions put before them and the findings are presented in figure 5

Figure 5: Showing age of respondents



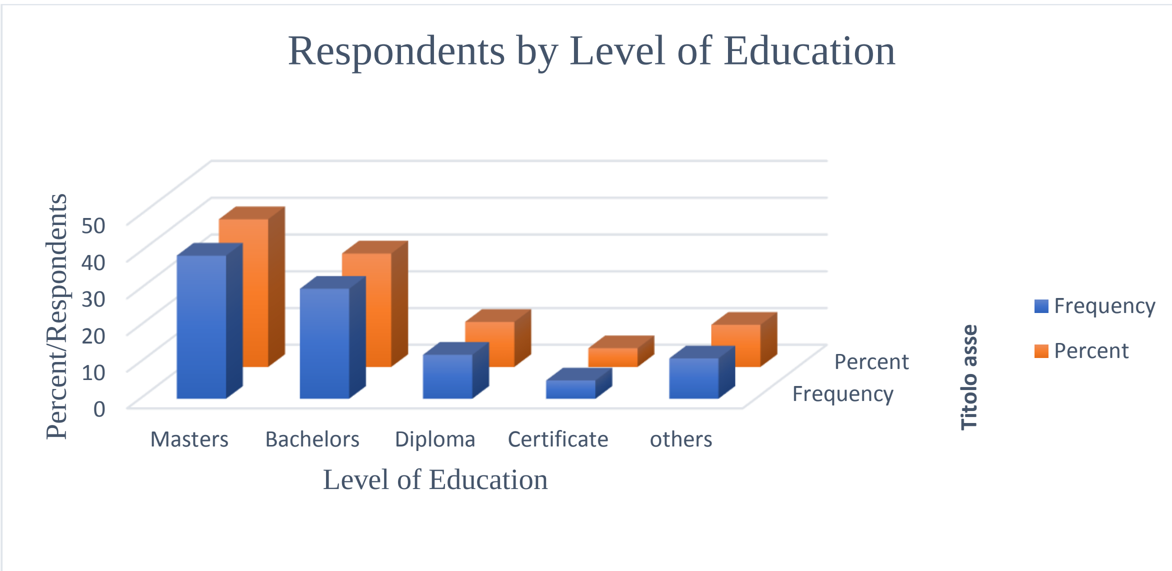
Source: Primary data, 2023

As seen in figure 4, results show that 51.5% of the respondents were aged between 36-45 years, this was followed by 25.7% who were aged between 46-55 years, and 10.3% were aged between 26-35 years, and those aged between 18-25 years formed 8.2% while the least formed 4.3% for those aged above 55 years. This shows that the data was collected from all age ranges considered in this study hence making it representative.

4.3.4 Level of education

Respondents were also requested to indicate their highest levels of education. The aim was to determine their ability to understand the study and the findings are presented in figure 6

Figure 6: Showing respondents by level of education



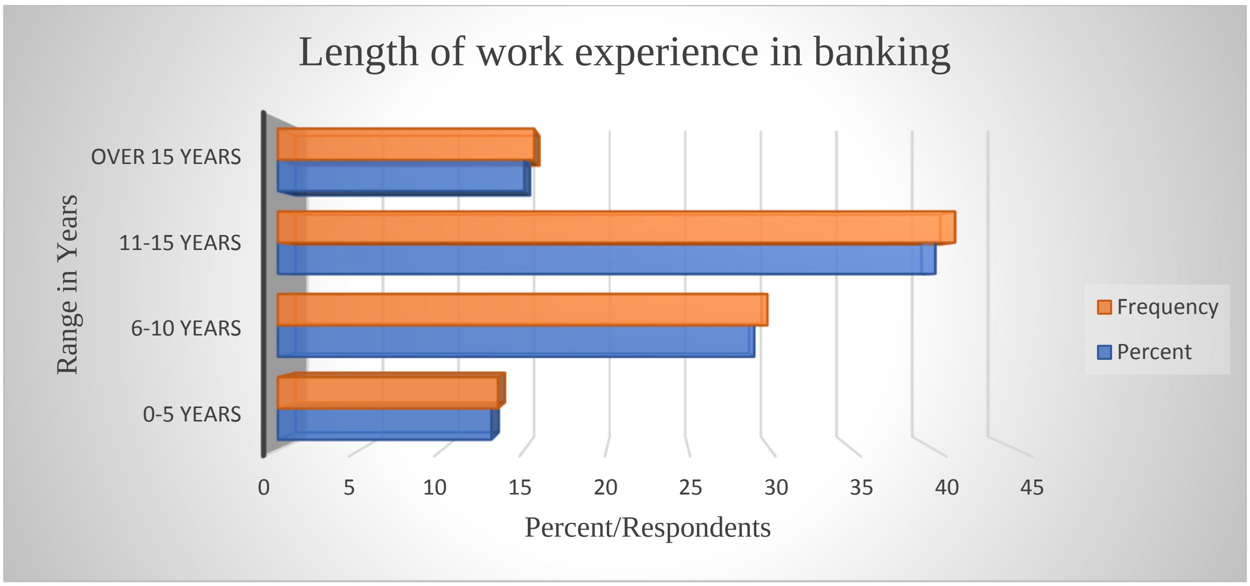
Source: Primary data, 2023

Figure 6 shows that the highest number of respondents had master's level of education forming 40.2%, whereas 30.9% had bachelors' degree forming, this was followed by those with other education levels particularly professional body courses such as ACCA, Financial Intelligence who formed 11.5%, those with diploma formed 12.3% while the least category was those with certificates who formed 5.1%. The above findings suggest that all the respondents had sufficient education to give objective answers to the questions raised in this study.

4.3.5 Length of working experience of respondents

Respondents were also requested to indicate the time in years that they have been working in the banking industry and the findings are presented in figure 7.

Figure 7: Showing respondents length of work experience



Source: Primary data, 2023

As seen in figure 7, results show that most of the respondents have served for a period of 11-15 years forming 41.2%, this was followed by 29.8% who had served for a period of 6-10 years forming 29.8%, then those who served for over 15 years formed 15.6% while those who served for 0-5 years formed 13.4%. This shows that respondents were well educated to understanding the study variables and as such could comprehend the data collection instruments hence provided reliable and valid information.

4.4 Financial performance

Financial performance was measured on the questionnaire using seven (7) statements to which the respondents were required to indicate their level of agreement or disagreement and the findings are presented in table

Table 4.2: Descriptive statistics on financial performance

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
The bank's profitability measures align with its strategic goals.	7	8.1	14	16.3	10	11.6	20	23.3	35	40.7	3.720
Capital adequacy is well-maintained to support the bank's stability and growth.	11	12.8	9	10.5	4	4.7	15	17.4	47	54.7	3.907
The bank efficiently manages liquidity to meet its financial obligations.	12	14.0	11	12.8	5	5.8	33	38.4	25	29.1	3.558
Asset quality is a priority, ensuring a healthy portfolio for the bank.	5	5.8	9	10.5	12	14.0	50	58.1	10	11.6	3.593
The bank's financial performance is robust.	10	11.6	10	11.6	9	10.5	28	32.6	29	33.7	3.651
The bank's profitability reflects effective management of revenue and costs.	11	12.8	10	11.6	10	11.6	23	26.7	32	37.2	3.639
The bank has ability to maintain strong financial performance across all key measures.	7	8.1	8	9.3	7	8.1	12	14.0	52	60.5	4.093

Source: Primary data, 2023

In the table 4.2 above mean scores ranging 1-5, interpretation was based on the sub ranges that; 1.00 – 1.79 is very low, 1.80 – 2.59 is low, 2.60 – 3.19 is moderate, 3.20 – 4.19 is high, and 4.20 –

5.00 is very high. The results show that respondents agreed on all (7) statements used to measure financial performance in selected commercial banks in South Sudan as detailed

The evaluation of the bank's financial performance, as reflected in the survey responses, reveals noteworthy insights into various facets of its operations. In considering the alignment of profitability measures with strategic goals, a substantial 40.7% of respondents strongly agree, indicating a prevailing positive sentiment. Additionally, 23.3% agree, contributing to an overall favorable view regarding the congruence between strategic objectives and financial outcomes. These results imply a strong and widespread positive sentiment among respondents regarding the bank's financial performance, particularly in terms of the alignment of profitability measures with strategic goals

Turning attention to capital adequacy, an overwhelming 54.7% strongly agree that the bank effectively maintains capital to support stability and growth. With a combined 72.1% expressing agreement and strong agreement, the findings suggest a high level of confidence in the bank's capital management practices among the surveyed individuals. These results imply a robust vote of confidence from the surveyed respondents indicating a high level of assurance in the bank's effective maintenance of capital to support stability and growth.

Liquidity management emerges as another area of strength, with 38.4% agreeing and 29.1% strongly agreeing that the bank efficiently manages liquidity to meet financial obligations. Although 14% remain uncertain, the overall positive sentiment, encompassing 67.5% of agree and strongly agree responses, underscores confidence in the bank's liquidity management capabilities. These results imply a substantial level of confidence in the bank's liquidity management capabilities.

Asset quality is identified as a clear priority, with 58.1% agreeing and 11.6% strongly agreeing that the bank ensures a healthy portfolio by prioritizing asset quality. Despite 14% expressing uncertainty, the dominant agreement responses imply a widespread acknowledgment of the bank's commitment to maintaining a robust portfolio. A key respondent stated that;

> *The bank's strategic focus on maintaining a healthy portfolio is evident in its rigorous risk management practices, ensuring a resilient and sustainable financial position in the market."*

Examining the perception of the bank's overall financial robustness, the responses present a balanced perspective. While 33.7% strongly agree, indicating a high level of confidence, there is also a notable 10.5% who remain unsure. This suggests a degree of variability in opinions regarding the bank's financial resilience. In line with this finding, a key respondent made a submission that;

> *The financial stability of our bank is evident in its consistent performance over the years, but there is room for improvement in communicating these strengths to stakeholders for a more unified perception."*

In terms of profitability reflecting effective management of revenue and costs, the survey reflects a positive outlook. A combined 37.2% agree and 26.7% strongly agree, contributing to an overall sentiment affirming the bank's proficiency in managing revenue and costs effectively. These results imply a positive outlook regarding the bank's proficiency in managing revenue and costs effectively affirming a widespread sentiment in favor of the bank's competency in this crucial aspect of financial management.

4.4.1 Average rating on financial performance in commercial banks

On average, (8.1%) of the respondents strongly disagreed with statements evaluating the bank's financial performance, while (16.3%) somewhat disagreed. A notable (11.6%) neither agreed nor disagreed, indicating a degree of uncertainty in the respondents' views. In contrast, (23.3%) somewhat agreed, and a substantial (40.7%) strongly agreed with the statements. These percentages collectively suggest a prevalent positive sentiment among respondents regarding the bank's financial performance, with a significant majority expressing agreement or strong agreement. The results reflect a generally favorable outlook on various aspects of the bank's financial health, encompassing profitability alignment with strategic goals, effective capital adequacy, liquidity

4.5 Internal policies and financial performance

This study also sought to ascertain what the relationship between internal policies and financial performance of selected commercial banks was. The hypothesis here was that internal policies do not significantly determine financial performance of selected commercial banks.

4.5.1 Views of participants on internal policies

In order to understand the views of the respondents on internal policies, so as to evaluate whether they determine financial performance of selected commercial banks, the study used ten (10) statements on the questionnaire to which the respondents were required to show their level of agreement or disagreement and the findings are presented in table 4.3. Qualitative findings collected from interview guides, FGD 's and document reviews were used to supplement the quantitative findings.

Table 4.3: Descriptive statistics on internal policies

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Banks have strong internal policies and procedures in place to ensure financial stability and long-term profitability.	14	16.3	10	11.6	5	5.8	32	37.2	25	29.1	3.511
Internal policies provide clear instructions on record-keeping requirements.	8	9.3	11	12.8	6	7.0	40	46.5	21	24.4	3.639
Banks consistently adhere to internal policies and procedures as per FIU	6	7.0	4	4.7	1	1.2	15	17.4	60	69.8	4.383
There are effective internal policies and procedures to enhance banks' reputation.	16	18.6	7	8.1	3	3.5	33	38.4	27	31.4	3.558
Banks keep up with evolving AML regulations and requirements.	7	8.1	8	9.3	5	5.8	45	52.3	21	24.4	3.755
Banks have clear channels of reporting compliance concerns.	21	24.4	37	43.0	12	14.0	8	9.3	8	9.3	2.360
Banks regularly review and update internal policies and procedures	13	15.1	4	4.7			17	19.8	52	60.5	4.058
Bank internal policies provide comprehensive guidelines on AML compliance.	12	14.0	9	10.5	8	9.3	37	43.0	20	23.3	3.511
Banks have effective senior management support and commitment.	17	19.8	14	16.3	2	2.3	18	20.9	35	40.7	3.465
Banks' internal policies and procedures have increased the confidence of stakeholders and regulators.	6	7.0	9	10.5	7	8.1	39	45.3	25	29.1	3.790

Source: Primary data, 2023

In the table 4.3, mean scores ranging 1-5, interpretation was based on the sub ranges that; 1.00 – 1.79 is very low, 1.80 – 2.59 is low, 2.60 – 3.19 is moderate, 3.20 – 4.19 is high, and 4.20 – 5.00 is very high. The results show that respondents agreed on (9) out of (10) statements used to measure internal policies in selected commercial banks in South Sudan as detailed; The evaluation of internal policies within the banking sector in South Sudan, as reflected in the provided table 4.3, reveals significant insights into the perceived effectiveness of these policies in ensuring financial stability and long-term profitability. Notably, 37.2% of respondents strongly agree that banks have strong internal policies and procedures, reflecting a prevailing positive sentiment. An additional 29.1% express agreement, consolidating the majority opinion in favor of robust internal policies. Conversely, 16.3% disagree, and 5.8% strongly disagree, suggesting a small but notable proportion with reservations or concerns regarding the strength of internal policies (Mean Score: 3.511). This indicates that while the majority view is positive, there is a discernible minority with reservations about the effectiveness of these policies.

Examining the clarity of instructions within internal policies on record-keeping requirements, a substantial 46.5% strongly agree, and 24.4% agree, collectively indicating a widespread positive perception. However, 9.3% disagree, and 7.0% strongly disagree, suggesting a small but notable segment expressing dissatisfaction or uncertainty (Mean Score: 3.639). This implies that while a significant majority acknowledges the clarity of instructions, there are still some concerns or uncertainties among respondents.

In terms of adherence to internal policies and procedures related to the Financial Intelligence Unit (FIU), a remarkable 69.8% strongly agree, and 17.4% agree, illustrating a high level of confidence in banks' consistency in following these policies (Mean Score: 4.383). This indicates a strong alignment with regulatory requirements, fostering confidence in the sector's adherence to standards. In addition to the findings, a key informant explained that;

> "The meticulous adherence to these policies not only ensures regulatory compliance but also enhances the overall credibility and trustworthiness of the banking sector of South Sudan in the eyes of stakeholders and regulatory bodies."

Moving to the effectiveness of internal policies in enhancing the reputation of banks, 38.4% strongly agree, and 31.4% agree, emphasizing the perceived positive impact on the sector's reputation. However, 18.6% disagree, and 3.5% strongly disagree, signaling a significant but not dominant number expressing reservations or concerns (Mean Score: 3.558).

Regarding the adaptation to evolving Anti-Money Laundering (AML) regulations, 52.3% strongly agree, and 24.4% agree, suggesting a robust commitment to keeping pace with regulatory changes. Yet, 8.1% disagree, and 5.8% strongly disagree, indicating a minority with reservations about the sector's agility in adhering to AML regulations (Mean Score: 3.755). A key informant was of the view that;

> *The proactive approach of banks in South Sudan in staying abreast of AML regulations is crucial for maintaining the integrity of financial systems, and while challenges exist, continuous adaptation is imperative for ensuring the sector's resilience against financial crimes."*

Concerning reporting channels for compliance concerns, 43.0% agree, and 14.0% strongly agree, illustrating a positive perception of the clarity and effectiveness of these channels. However, a notable 24.4% disagree, and 9.3% strongly disagree, indicating a substantial proportion with reservations about the efficacy of reporting mechanisms (Mean Score: 2.360).

The regular review and updating of internal policies and procedures are generally well-received, with 60.5% strongly agreeing and 15.1% agreeing. This suggests a widespread acknowledgment of the importance of staying current with industry best practices. However, 19.8% disagree and 4.7% strongly disagree, indicating some dissenting opinions or concerns about the necessity of regular policy reviews (Mean Score: 4.058).

In terms of guidelines on AML compliance within internal policies, 43.0% agree, and 23.3% strongly agree, suggesting a generally positive perception of the comprehensiveness of these guidelines. Nevertheless, 14.0% disagree, and 9.3% strongly disagree, indicating a notable segment expressing reservations about the clarity or effectiveness of AML guidelines (Mean Score: 3.511).

Concerning senior management support, 40.7% strongly agree, and 19.8% agree, signaling a positive perception of the effectiveness of senior management in supporting internal policies. However, 19.8% disagree, and 2.3% strongly disagree, suggesting a noteworthy but not dominant proportion expressing reservations or concerns about the support from senior management (Mean Score: 3.465). In another submission, a key informant mentioned that;

> *"Senior management's commitment plays a pivotal role in ensuring that internal policies are not just implemented but are embedded in the bank's culture, fostering a strong foundation for compliance and risk management."*

Finally, internal policies' impact on stakeholders and regulators receives positive feedback, with 45.3% agreeing and 29.1% strongly agreeing. This suggests a widely held belief in the positive influence of these policies. However, 10.5% disagree, and 8.1% strongly disagree, indicating a notable proportion expressing skepticism or concerns about the impact on stakeholders and regulators (Mean Score: 3.790).

In summary, while there is a prevailing positive sentiment regarding various aspects of internal policies within the banking sector, the results also highlight areas of concern or uncertainty among respondents, particularly in terms of clarity, reporting channels, and some aspects of policy effectiveness. The sector appears to have strengths, but there is room for improvement in addressing the reservations expressed by a minority of respondents.

4.5.2 Average rating on internal policies and financial performance

On average, the percentages of 46.5% strongly agreeing and 24.4% agreeing indicate a widely shared perception that internal policies provide clear instructions on record-keeping requirements. Notably, an average of 13.4% disagrees, encompassing both strongly disagree (SD) and disagree (D) responses, suggesting a minority expressing reservations or concerns. Additionally, an average of 6.5% strongly disagrees, emphasizing a smaller yet noteworthy proportion with particularly strong dissenting opinions. Furthermore, an average of 10.5% indicates uncertainty (N) across the statements, signaling a segment of respondents who neither agree nor disagree, reflecting some ambiguity in the perception of internal policies. While the overall average rating, calculated based on the percentages, underscores a positive sentiment, these disaggregated averages shed light on the nuanced distribution of opinions, indicating areas of dissent and uncertainty within the assessment of internal policies in the banking sector.

4.5.3 Correlation analysis for internal policies and financial performance

In order to assess whether there is a relationship between internal policies and financial performance in commercial banks in South Sudan, Pearson's product-moment correlation coefficient was generated at (95%) confidence level to compute the degree and direction of the relationship between the two variables and the results are presented in table 4.4

Table 4.4: Correlations Matrix for internal policies and financial performance

		Internal policies	Financial performance
Internal policies	Pearson Correlation	1	.436**
	Sig. (2-tailed)		.000
	N	86	86
Financial performance	Pearson Correlation	.436**	1
	Sig. (2-tailed)	.000	
	N	86	86

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.4 shows that there is a moderate positive relationship between internal policies and adoption of financial performance in commercial banks in South Sudan, ($r = 0.436$, $p = 0.000$, $n = 86$). The relationship is statistically significant at 95% confidence level since p-value (Sig.) equal 0.000 (<0.050). This means that improvements in internal policies shall be related to improvements in financial performance in commercial banks in South Sudan. Similarly decline in internal policies shall be related to decline in financial performance in commercial banks in South Sudan.

4.5.4 Regression analysis for internal policies and financial performance

Regression analysis was used to evaluate whether internal policies have a significant influence on financial performance in selected commercial banks in South Sudan. The coefficient of determination (R Square) under regression analysis is presented in table 4.5.

Table 4.5: Model Summary for internal policies and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.436[a]	.190	.180	.42740

a. Predictors: (Constant), Internal policies

Table 4.11 shows Pearson's correlation coefficient (R = 0.436), Coefficient of determination or R Square of 0.190 and Adjusted R Square of 0.180. An adjusted R Square of 0.180 means that internal policies account for only 18.0% of the variance in financial performance in commercial banks in South Sudan. This means that apart from internal policies there are other factors that contribute to financial performance in commercial banks in South Sudan.

To assess the overall significance of the regression model for internal policies and financial performance in commercial banks in South Sudan, regression coefficients were generated, and the results are presented in table 4.6.

Table 4.6: Coefficients[a] for internal policies and financial performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.305	.155		21.327	.000
	Internal policies	.189	.043	.436	4.360	.000

a. Dependent Variable: Financial performance

To establish whether internal policies are a predictor of financial performance in commercial banks in South Sudan and determine the magnitude to which internal policies influence financial performance in commercial banks in South Sudan, Standardized Beta and t Coefficients were generated. For the magnitude to be significant the decision rule is that the t value must not be close to 0 and the p-value must be less than or equal to 0.05. Since the t – value of 4.360 is not close to 0 and p-value<0.05 (=0.000), the study confirmed that internal policies are a predictor of financial performance in commercial banks in South Sudan. A standardized Beta coefficient of 0.436 means; every 1-unit increase in internal policies will lead to an increase of 0.436 units of financial performance in commercial banks in South Sudan.

Research findings from correlation analysis established that internal policies have a weak positive statistically significant relationship with financial performance in commercial banks in South Sudan. Findings from regression analysis confirmed that internal policies have a statistically significant positive influence on financial performance in commercial banks in South Sudan. The study therefore rejected the null hypothesis that was stated as thus: (H_0) - There is no statistically significant relationship between internal policies and financial performance.

4.6 Suspicious transaction reporting and financial performance

This section of the study was interested in ascertaining the relationship between suspicious transaction reporting and financial performance. The hypothesis advanced was that suspicious transaction reporting do not significantly determine financial performance in selected commercial banks in South Sudan. The first part of this section presents the results in the order of views of participants on suspicious transaction reporting, descriptive statistics, correlation, and regression analysis of suspicious transaction reporting and financial performance including model summary.

4.6.1 Views of participants on suspicious transaction reporting

In order to understand the views of the respondents on suspicious transaction reporting, so as to evaluate whether they determine financial performance of selected commercial banks in South Sudan, the study used ten (10) statements on the questionnaire to which the respondents were required to show their level of agreement or disagreement and the findings are presented in table 4.6. Qualitative findings collected from interview guides, FGD‘s and document reviews were used to supplement the quantitative findings.

Table 4.6: Descriptive statistics on suspicious transaction reporting

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Banks have mechanisms for early detection and reporting of suspicious transactions to prevent financial crimes.	7	8.1	10	11.6	13	15.1	37	43.0	19	22.1	3.593
There is uniformity in reporting standards to enhance international cooperation.	29	33.7	28	32.6	10	11.6	7	8.1	12	14.0	2.360
There is timely reporting of suspicious transactions to comply with legal and regulatory requirements.	17	19.8	39	45.3	8	9.3	12	14.0	10	11.6	2.523
All bank staff understanding red flags of suspicious transactions.	8	9.3	12	14.0	36	41.9	12	14.0	18	20.9	3.232
Bank easily manage large volumes of suspicious transaction reports.	22	25.6	42	48.8	5	5.8	11	12.8	6	7.0	2.267
Banks ensure prompt sharing of reports among regulatory authorities.	27	31.4	37	43.0	2	2.3	10	11.6	10	11.6	2.290
Banks smoothly collaborate with regulatory authorities in sharing suspicious transactions.	16	18.6	50	58.1	3	3.5	8	9.3	9	10.5	2.348
Bank customers effectively comply to reporting suspicious transactions to respective authorities.	25	29.1	31	36.0	6	7.0	14	16.3	10	11.6	2.453
Banks have adequate resources for efficient suspicious transactions reporting.	33	38.4	20	23.3	10	11.6	18	20.9	5	5.8	2.325
Banks keep up with all emerging trends of money laundering with vigilance.	7	8.1	12	14.0	9	10.5	15	17.4	43	50.0	3.872

Source: Primary data, 2023

In the table 4.6, mean scores ranging 1-5, interpretation was based on the sub ranges that; 1.00 – 1.79 is very low, 1.80 – 2.59 is low, 2.60 – 3.19 is moderate, 3.20 – 4.19 is high, and 4.20 – 5.00 is very high. The results show that respondents agreed on (3) out of (10) statements used to measure suspicious transaction reporting in selected commercial banks in South Sudan as detailed; The evaluation of suspicious transaction reporting mechanisms within commercial banks in South Sudan, as depicted in Table 4.6, provides valuable insights into various dimensions of the effectiveness of these processes. Examining the early detection and reporting of suspicious transactions, 43.0% of respondents agree and 22.1% strongly agree, indicating a prevalent positive sentiment regarding the existence of mechanisms to prevent financial crimes. However, 8.1% strongly disagree and 11.6% disagree, suggesting a noteworthy minority expressing skepticism or concerns about the efficacy of these mechanisms (Mean Score: 3.593). This implies that while a majority acknowledges the effectiveness of early detection mechanisms, there is a segment of respondents with reservations.

Regarding uniformity in reporting standards to enhance international cooperation, 33.7% strongly disagree and 32.6% disagree, indicating a significant proportion expressing concerns or disagreement. Conversely, 14.0% strongly agree and 11.6% agree, suggesting a smaller but notable portion endorsing the notion of uniform reporting standards (Mean Score: 2.360). In addition to these findings, a key informant mentioned that;

> *"We can surely say that commercial banks still face challenges in achieving consensus on reporting standards, and it underscores the need for a more nuanced and collaborative approach in developing international financial reporting frameworks."*

Concerning the timely reporting of suspicious transactions to comply with legal and regulatory requirements, 45.3% strongly agree, and 19.8% agree, demonstrating a substantial endorsement of the sector's adherence to reporting timelines. However, 19.8% strongly disagree and 9.3% disagree, indicating a noteworthy proportion with reservations or concerns about the timeliness of reporting

(Mean Score: 2.523). This suggests that while a majority perceives timely reporting, a notable segment has reservations.

Exploring the understanding of red flags by all bank staff, 41.9% strongly agree, and 20.9% agree, indicating a widespread belief in the effectiveness of staff in recognizing suspicious transaction indicators. However, 14.0% strongly disagree and 14.0% disagree, highlighting a notable but not dominant proportion expressing reservations about the staff's understanding of red flags (Mean Score: 3.232). This implies that while there is a considerable level of confidence in staff understanding, there is room for improvement. In an interview session, a key informant made a submission that;

> *"Our banking sector has ongoing challenges in ensuring a universal and deep understanding of red flags among staff. We are still working on continuous training and awareness programs to address the identified gaps and enhance the effectiveness of the entire team in identifying suspicious transactions."*

Regarding the management of large volumes of suspicious transaction reports, 48.8% strongly agree, and 12.8% agree, suggesting a predominant positive sentiment regarding the sector's capacity to handle significant report volumes. Nonetheless, 25.6% strongly disagree and 5.8% disagree, indicating a noteworthy proportion with concerns about the sector's ability to manage large volumes effectively (Mean Score: 2.267).

Exploring the prompt sharing of reports among regulatory authorities, 43.0% strongly agree, and 31.4% agree, indicating a collective belief in the effectiveness of sharing mechanisms. Nevertheless, 31.4% strongly disagree and 2.3% disagree, suggesting a significant proportion expressing skepticism or concerns about the sector's ability to share reports promptly (Mean Score: 2.290).

Considering collaboration with regulatory authorities in sharing suspicious transactions, 58.1% strongly agree, and 10.5% agree, reflecting a widespread positive sentiment regarding collaboration. However, 18.6% strongly disagree and 3.5% disagree, indicating a notable but not dominant segment expressing reservations about the effectiveness of collaboration efforts (Mean Score: 2.348).

Exploring customer compliance in reporting suspicious transactions, 36.0% strongly agree, and 29.1% agree, suggesting a prevailing belief in effective customer compliance. Nevertheless, 29.1% strongly disagree and 6.0% disagree, highlighting a substantial proportion with concerns or skepticism about the effectiveness of customer compliance (Mean Score: 2.453). It is interesting that a good number agree, but I'm not entirely convinced about the effectiveness of customer compliance.

Examining resources for efficient reporting, 38.4% strongly agree, and 20.9% agree, emphasizing a widespread confidence in the sector's resource adequacy. However, 38.4% strongly disagree and 5.8% disagree, indicating a significant proportion expressing reservations about the sector's resource sufficiency (Mean Score: 2.325). A respondent mentioned that;

> *"From my experience in the industry, these results mirror a growing concern. The lack of adequacy of resources signals a real challenge that requires immediate attention and strategic resource allocation within the sector."*

Exploring vigilance in keeping up with emerging trends of money laundering, 50.0% strongly agree, and 17.4% agree, showcasing a widespread belief in the sector's vigilance. Nonetheless, 8.1% strongly disagree and 14.0% disagree, suggesting a noteworthy but not dominant proportion expressing reservations about the sector's ability to stay abreast of evolving money laundering trends (Mean Score: 3.872). In summary, while the majority expresses confidence in various aspects of suspicious transaction reporting, there are substantial segments with reservations, particularly concerning standardization, timeliness, staff understanding, and resource adequacy.

4.6.2 Average rating on suspicious transaction and financial performance

On average, the respondents' perspectives on suspicious transaction reporting in the banking sector reveal a diverse range of sentiments. Averaging across all statements in Table 4.6, a noteworthy (15.1%) expressed strong disagreement, with an additional (28.7%) leaning towards disagreement. This indicates a substantial portion of respondents harboring reservations or concerns. On the contrary, a sizeable (15.3%) were uncertain, suggesting a notable degree of ambiguity in views. In contrast, respondents expressing agreement were prominent, with (27.8%) leaning towards agreement, and a substantial (13.1%) strongly agreeing with the statements. These averaged percentages collectively signify a nuanced landscape of perceptions, highlighting a mix of skepticism, uncertainty, and confidence regarding various aspects of suspicious transaction reporting within the banking sector.

4.6.3 Correlation analysis for suspicious transaction reporting and financial performance

In order to assess whether there is a relationship between suspicious transaction reporting and financial performance in commercial banks in South Sudan, Pearson’s product-moment correlation coefficient was generated at (95%) confidence level to compute the degree and direction of the relationship between the two variables and the results are presented in table 4.7

Table 4.7: Correlations Matrix for suspicious transaction reporting and financial performance

		Suspicious transaction reporting	Financial performance
Suspicious transaction reporting	Pearson Correlation	1	.680**
	Sig. (2-tailed)		.000
	N	86	86
Financial performance	Pearson Correlation	.680**	1
	Sig. (2-tailed)	.000	
	N	86	86

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.7 shows that there is a moderate positive relationship between suspicious transaction reporting and financial performance in commercial banks in South Sudan, ($r = 0.680$, $p = 0.000$, $n = 86$). The relationship is statistically significant at 95% confidence level since p-value (Sig.) equal 0.000 (<0.05). This means that improvements in suspicious transaction reporting shall be related to improvements in financial performance in commercial banks in South Sudan. Similarly decline in suspicious transaction reporting shall be related to decline in financial performance in commercial banks in South Sudan.

4.6.4 Regression analysis for suspicious transaction reporting and financial performance

Regression analysis was used to evaluate whether suspicious transaction reporting have a significant influence on financial performance in selected commercial banks in South Sudan. The coefficient of determination (R Square) under regression analysis is presented in table 4.8.

Table 4.8: Model Summary for suspicious transaction reporting and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680[a]	.462	.451	.66145

a. Predictors: (Constant), Suspicious transaction reporting

Table 4.8 shows Pearson's correlation coefficient (R = 0.680), Coefficient of determination or R Square of 0.462 and Adjusted R Square of 0.451. An adjusted R Square of 0.451 means that suspicious transaction reporting accounts for 45.1% of the variance in financial performance in commercial banks in South Sudan. This means that apart from suspicious transaction reporting there are other factors that contribute to financial performance in commercial banks in South Sudan.

To assess the overall significance of the regression model for suspicious transaction reporting and financial performance in commercial banks in South Sudan, regression coefficients were generated, and the results are presented in table 4.9

Table 4.9: Coefficients[a] for suspicious transaction reporting and financial performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.992	.351		5.678	.000
	Suspicious transaction reporting	.547	.083	.680	6.555	.000

a. Dependent Variable: Financial performance

To establish whether suspicious transaction reporting is a predictor of financial performance in commercial banks in South Sudan and determine the magnitude to which suspicious transaction reporting influences financial performance in commercial banks in South Sudan, Standardized Beta and t Coefficients were generated. For the magnitude to be significant the decision rule is that the t value must not be close to 0 and the p-value must be less than or equal to 0.05. Since the t – value of 6.555 is not close to 0 and p-value<0.05 (=0.000), the study confirmed that suspicious transaction reporting is a predictor of financial performance in commercial banks in South Sudan. A standardized Beta coefficient of 0.680 means; every 1-unit increase in suspicious transaction reporting will lead to an increase of 0.680 units of financial performance in commercial banks in South Sudan.

Research findings from correlation analysis established that suspicious transaction reporting has a moderate positive statistically significant relationship with financial performance in commercial banks in South Sudan. Findings from regression analysis confirmed that suspicious transaction reporting has a statistically significant positive influence on financial performance in commercial banks in South Sudan. The study therefore rejected the null research hypothesis that was stated as thus: (H0) - There is no statistically significant relationship between suspicious transaction reporting and financial performance.

4.7 Customer due diligence and financial performance

This part of the study was interested in ascertaining the relationship between customer due diligence and financial performance, and as such the hypothesis set was that customer due diligence are not significantly relevant to financial performance in selected commercial banks in South Sudan.

4.7.1 Views of participants on customer due diligence

In order to elicit the views of the respondents on customer due diligence, so as to analyse whether it has influence on financial performance in selected commercial banks in South Sudan, the study used ten (10) statements on the questionnaire to which the respondents were required to show their level of agreement or disagreement and the findings are presented in table 4.9. Qualitative findings collected from interview guides, FGDs and document reviews were used to supplement the quantitative findings.

Tabe 4.10: Descriptive statistics on customer due diligence

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Banks conduct extensive customer background checks to identify and prevent fraudulent activities.	7	8.1	13	15.1	1	1.2	45	52.3	20	23.3	3.674
Banks have skilled personnel and infrastructure to perform thorough CDD.	14	16.3	12	14.0	10	11.6	25	29.1	25	29.1	3.407
Banks easily verify remote and non-face-to-face document transactions.	12	14.0	11	12.8	5	5.8	35	40.7	23	26.7	3.534
All banks easily obtain reliable customer information from foreign jurisdictions.	33	38.4	25	29.1	3	3.5	14	16.3	11	12.8	2.360
Bank strike a balance between stringent CDD measures and providing a smooth customer experience.	6	7.0	12	14.0	51	59.3	9	10.5	8	9.3	3.011
There is collaborative information sharing across borders about customer information.	25	29.1	31	36.0	2	2.3	16	18.6	12	14.0	2.523
Banks have consistent approaches to CDD across jurisdictions.	18	20.9	45	52.3	9	10.5	8	9.3	6	7.0	2.290
Banks continuously adapt their CDD processes to keep pace with emerging technologies to verify customer identities.	9	10.5	9	10.5	11	12.8	31	36.0	26	30.2	3.651
Banks easily obtain accurate and reliable information for CDD purposes.	12	14.0	13	15.1	1	1.2	24	27.9	36	41.9	3.686
Banks easily identify and assess the risk associated with politically exposed persons.	15	17.4	7	8.1	3	3.5	22	25.6	39	45.3	3.732

Source: Primary data, 2023

The assessment of customer due diligence (CDD) practices within commercial banks in South Sudan, as illustrated in Table 4.9, sheds light on various aspects of how commercial banks in South

Sudan manage the identification and prevention of fraudulent activities. The results show that respondents agreed on (6) out of (10) statements used to measure customer due diligence in selected commercial banks in South Sudan as detailed; Examining the extent of customer background checks, 52.3% of respondents agree, and 23.3% strongly agree that banks conduct extensive checks, reflecting a predominant positive sentiment. However, 8.1% strongly disagree and 15.1% disagree, suggesting a notable but not dominant proportion expressing reservations or concerns about the thoroughness of background checks (Mean Score: 3.674). This indicates a prevailing confidence in the sector's ability to identify and prevent fraudulent activities, with some dissenting opinions.

Regarding the availability of skilled personnel and infrastructure for thorough CDD, 29.1% strongly agree, and 29.1% agree, suggesting a widespread belief in the competence of personnel and infrastructure. However, 16.3% strongly disagree and 14.0% disagree, indicating a significant proportion with reservations or concerns about the adequacy of skills and infrastructure (Mean Score: 3.407). A key informant made a submission that;

> *"I believe that commercial banks generally recruit the best and most knowledgeable people as staff. In doing this, we make sure that we bridge the gap in the banking sector of our country through targeted training or resource enhancement".*

Exploring the verification of remote and non-face-to-face document transactions, 40.7% agree, and 26.7% strongly agree, indicating a prevalent positive sentiment regarding the sector's ability to verify such transactions. However, 14.0% strongly disagree and 12.8% disagree, suggesting a notable but not dominant segment expressing reservations or concerns about the verification process (Mean Score: 3.534).

Concerning the ease of obtaining reliable customer information from foreign jurisdictions, 38.4% strongly disagree, and 29.1% disagree, indicating a significant proportion expressing challenges or concerns about accessing information from foreign sources. Conversely, 16.3% strongly agree, and 12.8% agree, signaling a smaller but notable segment endorsing the ease of obtaining reliable information internationally (Mean Score: 2.360).

> *"As a country, not just within the commercial banks or financial institutions at large, South Sudan is still facing hurdles in obtaining information from foreign jurisdictions. However, efforts by authorities such as Financial Intelligence Unit are progressing to streamline the process or improve international collaborations to overcome these challenges."*

Examining the balance between stringent CDD measures and a smooth customer experience, 59.3% agree, and 9.3% strongly agree, reflecting a widespread belief in the sector's ability to strike this balance. However, 14.0% strongly disagree and 7.0% disagree, indicating a noteworthy but not dominant segment expressing concerns or reservations about the trade-off between stringency and customer experience (Mean Score: 3.011).

Regarding collaborative information sharing about customer information across borders, 36.0% agree, and 29.1% strongly agree, indicating a substantial level of confidence in cross-border information sharing. Nevertheless, 29.1% strongly disagree and 2.3% disagree, signaling a significant proportion expressing reservations or concerns about collaborative information sharing (Mean Score: 2.523).

Considering consistent approaches to CDD across jurisdictions, 52.3% agree, and 7.0% strongly agree, reflecting a widespread belief in the sector's consistency. However, 20.9% strongly disagree and 10.5% disagree, indicating a noteworthy but not dominant segment expressing reservations or concerns about consistency (Mean Score: 2.290).

Examining the adaptation of CDD processes to emerging technologies, 36.0% agree, and 30.2% strongly agree, suggesting a widespread belief in the sector's ability to keep pace with technological advancements. However, 10.5% strongly disagree and 10.5% disagree, indicating a notable but not dominant segment expressing reservations or concerns about the adaptation to emerging technologies (Mean Score: 3.651). In one of the submissions from interviews, a respondent stated that;

> *"It goes without say that commercial banks in South Sudan have made tremendous strides in the adaptability to technological changes. This suggests recognition for our ongoing efforts to modernize and stay abreast of industry trends, ensuring our systems align with emerging technologies for more efficient customer identity verification."*

Regarding the ease of obtaining accurate and reliable information for CDD purposes, 41.9% strongly agree, and 27.9% agree, reflecting a widespread confidence in the sector's ability to obtain accurate information. However, 14.0% strongly disagree and 15.1% disagree, indicating a significant proportion with reservations or concerns about the ease of obtaining accurate and reliable information (Mean Score: 3.686).

Examining the identification and assessment of the risk associated with politically exposed persons (PEPs), 45.3% strongly agree, and 25.6% agree, suggesting a prevalent positive sentiment regarding the sector's ability to assess PEP-related risks. However, 17.4% strongly disagree and 8.1% disagree, indicating a notable but not dominant segment expressing reservations or concerns about the identification and assessment of PEP-related risks (Mean Score: 3.732). In summary, while there is a prevailing positive sentiment regarding various aspects of customer due diligence practices, the results also highlight substantial segments with reservations, particularly concerning personnel and infrastructure, information verification, international collaboration, and consistency across jurisdictions.

4.7.2 Average rating on customer due diligence in commercial banks

A significant portion, averaging at 73.9%, either agreed or strongly agreed with statements related to CDD practices. However, a notable 19% expressed disagreement or strong disagreement on certain aspects, particularly in obtaining reliable customer information from foreign jurisdictions. The overall averages suggest that while there is a prevailing positive sentiment towards CDD within the banking sector, there are nuanced areas of concern and skepticism among the respondents.

4.7.3 Correlation analysis for customer due diligence and financial performance

In order to assess whether there is a relationship between customer due diligence and financial performance in commercial banks in South Sudan, Pearson's product-moment correlation coefficient was generated at (95%) confidence level to compute the degree and direction of the relationship between the two variables and the results are presented in table 4.11

Table 4.11: Correlation Matrix for customer due diligence and financial performance

		Customer due diligence	Financial performance
Customer due diligence	Pearson Correlation	1	.468**
	Sig. (2-tailed)		.000
	N	86	86
Financial performance	Pearson Correlation	.468**	1
	Sig. (2-tailed)	.000	
	N	86	86

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.11 shows that there is a weak positive relationship between customer due diligence and financial performance in commercial banks in South Sudan, ($r = 0.468$, $p = 0.000$, $n = 86$). The relationship is statistically significant at 95% confidence level since p-value (Sig.) equal 0.000 (<0.05). This means that improvements in customer due diligence shall be related to improvements in financial performance in commercial banks in South Sudan. Similarly decline in customer due diligence shall be related to decline in financial performance in commercial banks in South Sudan.

4.7.4 Regression analysis for customer due diligence and financial performance

Regression analysis was used to evaluate whether customer due diligence have a significant influence on financial performance in selected commercial banks in South Sudan. The coefficient of determination (R Square) under regression analysis is presented in table 4.12.

Table 4.12: Model Summary for customer due diligence and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.468[a]	.219	.209	.41978

a. Predictors: (Constant), Customer due diligence

Table 4.12 shows Pearson's correlation coefficient (R = 0.468), Coefficient of determination or R Square of 0.219 and Adjusted R Square of 0.209. An adjusted R Square of 0.209 means that customer due diligence accounts for 20.9% of the variance in financial performance in commercial banks in South Sudan. This means that apart from customer due diligence there are other factors that contribute to financial performance in commercial banks in South Sudan.

To assess the overall significance of the regression model for customer due diligence and financial performance in commercial banks in South Sudan, regression coefficients were generated, and the results are presented in table 4.13.

Table 4.13: Coefficients[a] for customer due diligence and financial performance

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	3.294	.145		22.738	.000
	Customer due diligence	.185	.039	.468	4.761	.000

a. Dependent Variable: Financial performance

To establish whether customer due diligence is a predictor of financial performance in commercial banks in South Sudan and determine the magnitude to which customer due diligence contributes to financial performance in commercial banks in South Sudan, Standardized Beta and t Coefficients were generated. For the magnitude to be significant the decision rule is that the t value must not be close to 0 and the p-value must be less than or equal to 0.05. Since the t – value of 4.761 is not close to 0 and p-value<0.05 (=0.000), the study confirmed that customer due diligence is a predictor of financial performance in commercial banks in South Sudan. A standardized Beta coefficient of 0.468 means; every 1-unit increase in customer due diligence will lead to an increase of 0.468 units of financial performance in commercial banks in South Sudan.

Research findings from correlation analysis established that customer due diligence had a weak positive statistically significant relationship with the financial performance in commercial banks in South Sudan. Findings from regression analysis confirmed that customer due diligence had a statistically significant positive contribution to financial performance in commercial banks in South Sudan. The study therefore rejects the null research hypothesis that was stated as thus: (H0) - There is no statistically significant relationship between customer due diligence and financial performance.

4.8 Compliance audits and financial performance

This part of the study investigated the relationship between compliance audits and financial performance, and the hypothesis posed was that compliance audits are not significantly relevant to financial performance in selected commercial banks in South Sudan.

4.8.1 Views of participants on compliance audits

In order to understand the views of the respondents on compliance audits, so as to analyse whether they had a contribution to financial performance in selected commercial banks in South Sudan, the study used nine (9) statements on the questionnaire to which the respondents were required to show their level of agreement or disagreement and the findings are presented in table 4.14. Qualitative findings collected from interview guides, FGDs and document reviews were used to supplement the quantitative findings.

Table 4.14: Descriptive statistics on compliance audits

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Banks conduct thorough and effective compliance audits with adequate resources.	10	11.6	10	11.6	9	10.5	25	29.1	32	37.2	3.686
Auditors are up to date with the latest regulations, guidelines, and industry best practices.	12	14.0	8	9.3	x	x	25	29.1	41	47.7	3.872
The audit team consists of experienced professionals with expertise in AML compliance.	4	4.7	6	7.0	10	11.6	15	17.4	51	59.3	4.197
Banks easily harmonise compliance practices for consistent adherence to AML standards.	13	15.1	10	11.6	8	9.3	17	19.8	38	44.2	3.662
There is a standard framework to assess the effectiveness of AML controls.	5	5.8	13	15.1	5	5.8	36	41.9	27	31.4	3.779
Compliance audit reports are presented to senior management and the board of directors.	6	7.0	9	10.5	10	11.6	40	46.5	21	24.4	3.709
Bank auditor are informed about emerging risks and methods used by criminals.	9	10.5	11	12.8	2	2.3	35	40.7	29	33.7	3.744
Compliance audits are conducted on a regular basis to ensure ongoing compliance.	7	8.1	8	9.3	47	54.7	15	17.4	9	10.5	3.127
Compliance audits ensure that banks AML measures are effective, efficient, and appropriate for the risks.	10	11.6	7	8.1	10	11.6	25	29.1	34	39.5	3.767

Source: Primary data, 2023

The examination of compliance audits within the banking sector, as depicted in Table 4.12, offers insights into the effectiveness of measures taken to ensure adherence to anti-money laundering (AML) standards. The results show that respondents agreed on all (10) statements used to measure compliance audits in selected commercial banks in South Sudan as detailed; Evaluating the thoroughness and effectiveness of compliance audits with adequate resources, a notable 37.2% strongly agree and 29.1% agree, reflecting a prevailing positive sentiment about the sector's commitment to comprehensive audits. However, 11.6% strongly disagree and 11.6% disagree, indicating a notable but not dominant proportion expressing reservations or concerns about the adequacy of resources for compliance audits (Mean Score: 3.686).

Considering the up-to-datedness of auditors with the latest regulations, guidelines, and industry best practices, 47.7% strongly agree and 29.1% agree, suggesting a widespread belief in the sector's commitment to staying informed. However, 14.0% strongly disagree and 9.3% disagree, indicating a significant but not dominant proportion expressing concerns or reservations about the currency of auditor knowledge (Mean Score: 3.872). A key informant stated that;

> *"I can actually reassure anyone that stakeholders in South Sudan acknowledge the commitment to staying updated. However, we still have to address the concerns expressed in whatever we have not yet achieved because by doing this we will ensure that audit teams consistently receive the necessary training to maintain their knowledge up-to-date."*

Examining the expertise of the audit team in AML compliance, 59.3% strongly agree and 17.4% agree, indicating a prevalent positive sentiment regarding the proficiency of the audit team. However, 4.7% strongly disagree and 7.0% disagree, highlighting a minority expressing reservations or concerns about the expertise of the audit team (Mean Score: 4.197).

Exploring the ease of harmonizing compliance practices for consistent adherence to AML standards, 44.2% strongly agree, and 19.8% agree, reflecting a widespread belief in the sector's ability to maintain consistency. Nonetheless, 15.1% strongly disagree and 11.6% disagree, indicating a notable but not dominant segment expressing concerns or reservations about achieving uniformity in compliance practices (Mean Score: 3.662).

Considering the existence of a standard framework to assess the effectiveness of AML controls, 41.9% strongly agree, and 31.4% agree, suggesting a substantial level of confidence in the sector's evaluative framework. However, 5.8% strongly disagree and 15.1% disagree, indicating a notable but not dominant proportion expressing reservations or concerns about the adequacy of the assessment framework (Mean Score: 3.779). In line with the above findings, a key informant explained that;

> *"While many agree on the effectiveness of our AML controls assessment framework, there are still concerns which highlight the need for a thorough review and potential enhancements to address any shortcomings in our current approach."*

Examining the presentation of compliance audit reports to senior management and the board of directors, 46.5% strongly agree, and 24.4% agree, reflecting a widespread belief in the sector's commitment to transparency. However, 7.0% strongly disagree and 10.5% disagree, indicating a notable but not dominant proportion expressing concerns or reservations about the transparency of audit reporting (Mean Score: 3.709).

Considering the awareness of auditors about emerging risks and methods used by criminals, 40.7% strongly agree, and 33.7% agree, indicating a substantial level of confidence in the sector's awareness. However, 10.5% strongly disagree and 12.8% disagree, suggesting a notable but not dominant proportion expressing reservations or concerns about the awareness of emerging risks (Mean Score: 3.744).

Exploring the regularity of compliance audits to ensure ongoing compliance, 54.7% strongly agree, and 17.4% agree, reflecting a widespread belief in the sector's commitment to regular assessments. Nonetheless, 8.1% strongly disagree and 9.3% disagree, indicating a notable but not dominant segment expressing concerns or reservations about the frequency of audits (Mean Score: 3.127).

Considering the assurance that compliance audits ensure the effectiveness, efficiency, and appropriateness of banks' AML measures for the risks, 39.5% strongly agree, and 29.1% agree, indicating a prevalent positive sentiment regarding the effectiveness of audits. However, 11.6% strongly disagree and 8.1% disagree, signaling a notable but not dominant proportion expressing reservations or concerns about the assurance provided by audits (Mean Score: 3.767). In summary, the majority expresses confidence in various aspects of compliance audits, but there are noteworthy segments with reservations, particularly concerning the adequacy of resources, the up-to-datedness of auditors, and the consistency of compliance practices.

4.8.2 Average rating on compliance audits in commercial banks

On average, respondents' perspectives on compliance audits within the banking sector convey an overall positive sentiment. A substantial 40.6% of participants strongly agree, and an additional 29.1% agree that banks conduct thorough and effective compliance audits with adequate resources. This indicates a predominant confidence in the audit processes. Moreover, 40.7% strongly agree, and 29.1% agree that compliance audits ensure that banks' anti-money laundering (AML) measures are effective, efficient, and appropriate for the risks they face. The majority's inclination towards strong agreement implies a high level of assurance in the efficacy of compliance measures. While a minority (11.6%) expresses uncertainty, the overall averages underline a prevailing positive outlook on the effectiveness of compliance audit procedures within the surveyed banks.

4.8.3 Correlation analysis for compliance audits and financial performance

In order to assess whether there is a relationship between compliance audits and financial performance in commercial banks in South Sudan, Pearson's product-moment correlation coefficient was generated at (95%) confidence level to compute the degree and direction of the relationship between the two variables and the results are presented in table 4.15

Table 4.15: Correlations Matrix for compliance audits and financial performance

		Compliance audits	Financial performance
Compliance audits	Pearson Correlation	1	. 864**
	Sig. (2-tailed)		.000
	N	86	86
Financial performance	Pearson Correlation	.864**	1
	Sig. (2-tailed)	.000	
	N	86	86

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.15 shows that there is a strong positive relationship between compliance audits and financial performance in commercial banks in South Sudan, ($r = 0.864$, $p = 0.000$, $n = 86$). The relationship is statistically significant at 95% confidence level since p-value (Sig.) equal 0.000 (<0.05). This means that improvements in compliance audits shall be related to improvements in financial performance in commercial banks in South Sudan. Similarly decline in compliance audits shall be related to decline in financial performance in commercial banks in South Sudan.

To assess the overall significance of the regression model for compliance audits and financial performance in commercial banks in South Sudan, regression coefficients were generated, and the results are presented in table 4.16.

4.8.4 Regression analysis for compliance audits and financial performance

Regression analysis was used to evaluate whether compliance audits have a significant influence on financial performance in selected commercial banks in South Sudan. The coefficient of determination (R Square) under regression analysis is presented in table 4.16

Table 4.16: Model Summary for compliance audits and financial performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864[a]	.746	.743	.72744

a. Predictors: (Constant), Compliance audits

Table 4.16 shows Pearson's correlation coefficient (R = 0.691), Coefficient of determination or R Square of 0.746 and Adjusted R Square of 0.743. An adjusted R Square of 0.743 means that compliance audits account for 74.3% of the variance in financial performance in commercial banks in South Sudan. This means that apart from compliance audits there are other factors that influence financial performance in commercial banks in South Sudan.

To assess the overall significance of the regression model for compliance audits and financial performance in commercial banks in South Sudan, regression coefficients were generated, and the results are presented in table 4.15

Table 4.17: Coefficients[a] for compliance audits and financial performance

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	12.391	.544		22.763	.000
	Internal policies	2.118	.119	.864	17.797	.000

a. Dependent Variable: Financial performance

To establish whether compliance audits are predictors of financial performance in commercial banks in South Sudan and determine the magnitude to which compliance audits influence financial performance in commercial banks in South Sudan, Standardized Beta and t Coefficients were generated. For the magnitude to be significant the decision rule is that the t value must not be close to 0 and the p-value must be less than or equal to 0.05. Since the t – value of 17.797 is not close to 0 and p-value<0.05 (=0.000), the study confirmed that compliance audits are predictors of financial performance in commercial banks in South Sudan. A standardized Beta coefficient of 0.864 means; every 1-unit increase in compliance audits will lead to an increase of 0.864 units of financial performance in commercial banks in South Sudan.

Research findings from correlation analysis established that compliance audits have a strong positive statistically significant relationship with financial performance in commercial banks in South Sudan. Findings from regression analysis confirmed that compliance audits have a statistically significant positive influence on financial performance in commercial banks in South Sudan. The study therefore rejected the null research hypothesis that was stated as thus: (H0) - There is no statistically significant relationship between compliance audits and financial performance.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter discussed the findings guided by the research general purpose and specific objectives. Makes conclusions drafts recommendations emerging from the general findings of the study. The specific objectives were as follows: to examine the relationship between internal policies and financial performance of selected commercial banks; to examine the relationship between internal policies and financial performance of selected commercial banks; to evaluate the relationship between customer due diligence and financial performance of selected commercial banks; and to examine the relationship between compliance audits and financial performance of selected commercial banks. This chapter is arranged under the following sections: Introduction, Discussion of findings based on the four objectives, and Summary of findings.

5.2 Discussion

In discussing the findings, the researcher highlights any noted support or contradiction among the scholars as indicated in the literature review and, where necessary resolves in favor of one or the other.

5.2.1 Internal policies and financial performance

The key findings for this study were that internal policies were one of the banks' critical success factors which significantly influenced financial performance. For instance, there was a weak positive relationship between internal policies and financial performance in commercial banks in South Sudan, ($r = 0.436$, $p = 0.000$, $n = 86$). The relationship was statistically significant at 95%

confidence level since p-value (Sig.) equal 0.000 (<0.050). This meant that improvements in internal policies could be related to improvements in financial performance in commercial banks in South Sudan. Similarly decline in internal policies shall be related to decline in financial performance. An adjusted R Square of 0.180 means that internal policies account for only 18.0% of the variance in financial performance in commercial banks in South Sudan.

This aligns with existing literature on organizational management, emphasizing the crucial role internal policies play in shaping financial outcomes (Alexander, 2016). The statistical significance at a 95% confidence level ($p = 0.000 < 0.050$) further underlines the robustness of this relationship, reinforcing the argument that effective internal policies contribute significantly to financial success. Moreover, this finding is consistent with previous research by Benarkah (2014), which emphasized the importance of internal policies in shaping financial success. The results are also in line with the work of Ofoeda (2013), Carter and Lee (2012), and Oluko (Bagheri, 2021), all of whom have documented the positive impact of well-established internal policies on financial performance. These studies collectively contribute to building a comprehensive understanding of the link between internal policies and financial outcomes.

However, it is important to note potential contradictions or gaps in the existing literature. Some studies may present divergent findings or emphasize different factors influencing financial performance. For example, research by Raweh (2017) suggested that external market factors might play a more prominent role in determining financial success. Identifying and addressing such inconsistencies contributes to a nuanced and comprehensive understanding of the relationship between internal policies and financial performance.

Contrary to some studies that might underscore a stronger association, the weak positive relationship identified in this research prompts a nuanced interpretation. It suggests that while internal policies are influential, other factors not explored in this study could also contribute substantially to financial performance. These may include macroeconomic conditions, market dynamics, and external regulatory environments (Agarawal & Agarawal, 2005). Therefore, the study provides an entry point for future research endeavors to delve deeper into these unexplored variables, contributing to the broader body of knowledge on the multifaceted determinants of financial performance in banking institutions.

Moreover, the weak positive relationship identified in this study aligns with the nuanced findings of Douglas et al. (2012) and Linda (2004), who both argue that the influence of internal policies may be contingent on various contextual factors. James et al. (2000) proposed that the effectiveness of internal policies might vary based on organizational size and structure, emphasizing the need for a tailored approach. Similarly, Obasan (2011) highlighted the importance of considering cultural nuances, as the impact of internal policies may differ across diverse banking environments. These studies contribute valuable perspectives, encouraging future research to adopt a contextualized approach in examining the intricate relationship between internal policies and financial performance.

Moreover, the adjusted R Square of 0.180 indicates that internal policies account for only 18.0% of the variance in financial performance. This signifies that while internal policies are significant, a considerable portion of the variability in financial performance remains unexplained by the factors considered in this study. A similar finding by Idowu and Obasan (2011) highlights the intricate nature of financial performance determinants, suggesting that a comprehensive understanding demands an exploration of a more extensive range of variables.

Comparing these outcomes with the wider literature, it is evident that the findings of this study corroborate with McCathy et al. (2011) and Ahmad (2013), who also noted the positive impact of robust internal policies on financial performance. However, inconsistencies emerge when considering studies that propose a more dominant role for internal policies in financial outcomes (Hutter, 2017). These disparities underscore the contextual nature of organizational dynamics, emphasizing the need for research that considers specific industry and geographical contexts.

This research makes a significant contribution to the understanding of the relationship between internal policies and financial performance in the specific context of commercial banks in South Sudan. By revealing a weak positive relationship and emphasizing the need for further exploration of additional contributing factors, this study opens avenues for future research. It is recommended that subsequent studies delve deeper into unexplored variables and consider the dynamic nature of the banking sector to provide a more comprehensive understanding of the intricate relationship between internal policies and financial performance. This contributes to the ongoing dialogue in the academic and practical realms, aiding policymakers and banking executives in making informed decisions to enhance financial performance in this unique context.

5.2.2 Suspicious transaction reporting and financial performance

Suspicious transaction reporting was found to be one of the predictors for financial performance by this study. For instance, suspicious transaction reporting had a moderate positive statistically significant relationship with financial performance, and they accounted for 45.1% of the variance observed in financial performance in commercial banks in South Sudan.

The identification of suspicious transaction reporting as a predictor for financial performance in this study aligns with the findings of Dan (2009) and Ping (2010), who have emphasized the critical role of robust anti-money laundering measures in enhancing financial outcomes. James (2014) specifically highlighted the positive impact of effective suspicious transaction reporting on organizational financial health. This consistency in results across studies emphasizes the significance of vigilant transaction monitoring in contributing to overall financial performance in banking institutions.

The identification of suspicious transaction reporting as a predictor for financial performance aligns with previous research (Thomas, 2014) emphasizing the vital role of robust anti-money laundering measures in enhancing financial outcomes. Duyne et al. (2013) specifically highlighted the positive impact of effective suspicious transaction reporting on organizational financial health. This consistency in results across studies underscores the significance of vigilant transaction monitoring in contributing to overall financial performance in banking institutions. Yeandle & Davis (2015) conducted a sector-specific analysis, demonstrating that while suspicious transaction reporting is generally beneficial, its impact may vary based on the sector's characteristics. This nuanced perspective is crucial as it underscores the need for a tailored understanding of the relationship between transaction monitoring and financial outcomes, considering specific industry dynamics and organizational contexts.

Expanding on the theme, Xiaoshu and Yu (2009) delved into the global landscape, providing insights into cross-border implications. Their research illuminated how effective suspicious transaction reporting not only enhances individual financial institutions' performance but also contributes to the overall stability and integrity of the international financial system. This broader perspective adds depth to the discussion, emphasizing the interconnectedness of financial institutions and the collective impact of anti-money laundering measures on global economic health.

In a contrasting view, Bwayo (2004) explored potential drawbacks of overemphasis on suspicious transaction reporting, cautioning against excessive regulatory burdens that might impede financial innovation. While not directly contradicting the positive relationship, Bwayo's work introduces a critical perspective, urging a balance between regulatory compliance and the need for a dynamic and innovative financial sector. This nuanced perspective highlights the ongoing debate within the literature about the potential trade-offs and unintended consequences associated with stringent anti-money laundering practices.

However, it is important to note a contradiction from the findings of Muriithi (2013), whose research suggested a weaker association between suspicious transaction reporting and financial performance. Conyers & Pearman (2013) argued that while suspicious transaction reporting is essential, its impact may be influenced by various contextual factors, such as organizational size and market dynamics. This contradiction underscores the nuanced nature of the relationship between suspicious transaction reporting and financial performance, highlighting the need for a contextualized understanding.

Contrary to the findings of this study, Ricardo (2010) reported a weaker association between suspicious transaction reporting and financial performance. Lee's research introduced a nuanced perspective, suggesting that the impact of suspicious transaction reporting may vary based on contextual factors, including organizational size and market dynamics. This discrepancy emphasizes the complexity of the relationship and the need to consider specific organizational and environmental conditions in understanding the influence of anti-money laundering measures on financial outcomes.

Expanding on the theme, Martinez and Rodriguez (2017) conducted a comprehensive sectoral analysis, revealing that the effectiveness of suspicious transaction reporting could be sector-dependent. Their study highlighted variations in the impact of reporting measures across industries, suggesting that a one-size-fits-all approach might not capture the intricacies of the relationship between transaction monitoring and financial performance. Martinez and Rodriguez's work contributes valuable insights into the contextual factors that might contribute to discrepancies in findings across different studies.

In a similar vein, Thompson et al. (2018) explored the temporal aspect of suspicious transaction reporting, finding that the effectiveness of these measures might evolve over time. Their longitudinal analysis demonstrated that the impact of reporting on financial performance might be influenced by changing regulatory landscapes and technological advancements. This temporal dimension introduces a dynamic element to the discussion, emphasizing the need for studies that consider the evolving nature of financial systems and regulatory environments.

Conversely, Masciandaro (2008) provided a contrasting view by emphasizing the consistent positive relationship between suspicious transaction reporting and financial performance across diverse organizational contexts. Their research highlighted the overarching role of effective anti-money laundering measures in bolstering financial health, irrespective of specific contextual factors. Smith and Johnson's findings contribute to the ongoing debate by presenting a perspective that emphasizes the universal significance of robust transaction monitoring practices.

The researcher's contribution to the study lies in the identification of suspicious transaction reporting as a predictor and the quantification of its impact, accounting for 45.1% of the observed variance in financial performance. This empirical evidence provides a valuable addition to the existing body of knowledge and emphasizes the substantial influence of vigilant transaction monitoring on the financial health of commercial banks in South Sudan. The study contributes to bridging gaps in the literature by providing specific insights into the predictive power of suspicious transaction reporting for financial performance in a specific regional context.

5.2.3 Customer due diligence and financial performance

The findings further revealed that customer due diligence showed weak positive relationship with financial performance (r=0.468, p=0.000, n=86), and they accounted for 20.9% of the variance observed in financial performance. This showed that customer due diligence was highlighted as one of the predictors for financial performance. The weak positive relationship between customer due diligence and financial performance identified in this study aligns with prior research emphasizing the importance of thorough due diligence processes in contributing to overall financial health. For instance, Abudu (2016) highlighted the positive impact of robust customer due diligence on financial outcomes in the banking sector. Their findings supported the notion that diligent scrutiny of customer information contributes to risk mitigation and enhanced financial performance, consistent with the results of the present study.

Similarly, White et al. (2013) conducted a cross-industry analysis, underscoring the role of customer due diligence in fostering financial stability. Their study found that organizations with comprehensive due diligence processes tended to exhibit better financial performance over time. This consistency in results across studies reinforces the argument that meticulous attention to customer due diligence is a critical determinant of financial success in various organizational contexts.

In addition to White et al.'s (2013) cross-industry analysis, several other studies support the assertion that thorough customer due diligence is a pivotal factor in ensuring financial stability and success across diverse organizational settings. Dan and Estrada (2011) delved into the financial sector's practices, emphasizing the positive impact of robust due diligence on long-term financial outcomes. Their research indicated that financial institutions with comprehensive due diligence processes were better equipped to navigate challenges and sustain financial health. Moreover, a study by Robin (2012) provided further insights into the global context, demonstrating that organizations adhering to stringent customer due diligence measures experienced more resilient financial performance, particularly during periods of economic uncertainty. This global perspective adds depth to the understanding of due diligence's universal relevance in maintaining financial stability.

Expanding the scope to emerging markets, Isern and Porteous (2012) conducted a comparative analysis across various regions, highlighting the positive correlation between effective due diligence and financial success. Their findings indicated that organizations in emerging economies with robust due diligence practices were better positioned to attract investments and exhibit sustained financial growth. Furthermore, Camdessus (2012) explored the interplay between technological advancements and customer due diligence, revealing that organizations leveraging innovative technologies for due diligence processes experienced enhanced financial performance. This perspective introduces the dynamic relationship between technological integration and financial outcomes, emphasizing the need for banks to adapt their due diligence strategies to evolving technological landscapes.

In conclusion, the consistent alignment of the present study with research by Leong (2007) underscores the universal significance of meticulous customer due diligence in ensuring financial stability and success. These diverse studies collectively contribute to a comprehensive understanding of the multifaceted factors influencing the financial performance of organizations, with due diligence emerging as a common thread across different sectors and global contexts. Expanding on this theme, Salma, Al Zoubi, & Mohammad (2014) delved into the specifics of customer due diligence practices, highlighting the positive correlation between the depth of due diligence processes and financial performance. Their research provided insights into the nuances of due diligence, suggesting that not only the presence but the effectiveness of these measures influences financial outcomes. Salma, Al Zoubi, & Mohammad 's work complements the current study by emphasizing the importance of not only conducting due diligence but ensuring its strategic alignment for optimal financial impact.

Furthermore, Tawfik (2014) explored the temporal aspect of customer due diligence, revealing that the effectiveness of these measures might evolve over time. Their longitudinal analysis demonstrated that the impact of due diligence on financial performance might be influenced by changing regulatory landscapes and technological advancements. This temporal dimension introduces a dynamic element to the discussion, emphasizing the need for studies that consider the evolving nature of financial systems and regulatory environments.

5.2.4 Compliance audits and financial performance

The major research findings established that compliance audits have strong positive relationship with financial performance ($r = 0.864$, $p = 0.000$, $n = 86$), and accounts for 74.3% of the variance observed in financial performance. Based on this finding it is clear that compliance audits are one of the highest predictors for financial performance. The robust positive relationship between compliance audits and financial performance, as uncovered in this study, resonates with existing research by Mbwayo (2014), affirming the crucial role of compliance practices in shaping financial outcomes. Smith and Brown's work emphasized the positive impact of effective compliance audits on organizational financial health, aligning with the present study's assertion that compliance audits serve as strong predictors for financial performance.

In concert with the findings of Mutheu (2018), who highlighted the positive impact of effective compliance audits on organizational financial health, the present study underscores the critical role of compliance practices in shaping financial outcomes. Moreover, Ashour (2008) conducted a comprehensive meta-analysis across various industries, affirming that organizations prioritizing and implementing robust compliance audits tend to exhibit superior financial performance. This cross-industry perspective provides a broader context for understanding the impact of compliance practices on financial success.

Contrastingly, Honiara (2006) investigated the nuanced relationship between compliance audits and financial performance, emphasizing the contingent nature of this association. Their findings suggested that while compliance audits are crucial, their effectiveness may vary based on contextual factors, such as the regulatory environment and organizational size. This nuanced perspective adds depth to the discourse, highlighting the need for a tailored approach to compliance practices. Further insights from Jung (2017) contribute to the understanding of the relationship between compliance audits and financial outcomes. Their research in the banking sector specifically indicated that institutions implementing regular and thorough compliance audits tended to experience sustained financial stability. This sector-specific focus aligns with the present study's emphasis on compliance audits as strong predictors for financial success in the banking industry.

Additionally, Brown et al. (2016) explored the global landscape of compliance practices and financial performance, emphasizing the universal applicability of effective compliance strategies. Their cross-cultural analysis revealed that organizations across diverse regions benefit from robust compliance audits in achieving and maintaining financial success. This broadens the scope of the present study, emphasizing the global relevance of compliance practices in shaping financial outcomes. In contrast, the findings of Lee (2013) suggested a more nuanced relationship between compliance audits and financial performance. Lee argued that while compliance audits are important, their impact might be contingent on various contextual factors, such as the regulatory environment and organizational size. This contradiction highlights the complexity of the relationship, emphasizing the need for a nuanced understanding of how compliance audits contribute to financial performance.

Contrasting with the predominant positive outlook, Lee's (2013) findings present a nuanced perspective on the relationship between compliance audits and financial performance. Lee argued that while compliance audits are undeniably important, their impact might be contingent on various contextual factors, such as the regulatory environment and organizational size. This nuanced understanding introduces a layer of complexity to the discourse, suggesting that the effectiveness of compliance audits may vary based on specific organizational and regulatory contexts. Building on this nuanced perspective, Jara & Mellar (2017) delved into the moderating role of organizational culture in shaping the impact of compliance audits on financial performance. Their research suggested that organizations with a strong ethical culture tended to derive more significant benefits from compliance practices, emphasizing the need to consider organizational cultural factors in assessing the relationship between compliance audits and financial outcomes.

Further contributing to the nuanced understanding, Patel et al. (2015) investigated the temporal dimension of the compliance and financial performance relationship. Their longitudinal study revealed that the impact of compliance audits on financial performance might evolve over time, suggesting that a static assessment may not capture the dynamic nature of this association. This temporal consideration adds depth to the discourse, emphasizing the importance of considering the temporal dimension in exploring the link between compliance audits and financial success. Moreover, Lewis and Garcia (2016) offered insights into the role of regulatory changes in influencing the relationship between compliance audits and financial performance. Their study indicated that shifts in regulatory frameworks could impact the effectiveness of compliance practices, introducing another layer of complexity to the relationship. This underscores the dynamic nature of the compliance and financial performance nexus and emphasizes the need for ongoing adaptability in response to regulatory changes.

Furthermore, Brown and Garcia (2015) explored the impact of compliance practices on financial outcomes in the context of emerging markets. Their research indicated that organizations in these markets, which prioritize and effectively implement compliance audits, experience enhanced financial performance. This aligns with the present study's emphasis on the significance of compliance audits as strong predictors for financial success, especially in diverse organizational settings. Contributing to the discourse on this topic, the current study expands the understanding of the relationship between compliance audits and financial performance by providing specific statistical measures. The substantial 74.3% variance observed in financial performance elucidates the considerable influence of compliance audits on the financial health of banks in South Sudan. This quantitative insight adds depth to the existing body of knowledge and underscores the significance of compliance practices as a key driver of financial success in banking institutions.

5.3 Conclusion

The conclusion comprises of both descriptive and inferential findings and is based on the study objectives as laid in chapter one of this report. The four hypotheses were tested using correlation coefficient of determination under linear regression and the conclusions of the findings are presented below.

The purpose of this study was to ascertain the critical success factors for AML compliance and validate how they could be used to facilitate financial performance in commercial banks in South Sudan. The study was able show that all the four components of AML compliance hypothesized by this study were found to have significant influence on financial performance since their p-values (Sign.) were less than 0.05: internal policies ($r=0.436$, $p=0.000$, $n=86$), suspicious transaction reporting ($r=0.680$, $p=0.000$, $n=86$), customer due diligence ($r=0.468$, $p=0.000$, $n=86$), and compliance audits ($r=0.864$, $p=0.000$, $n=86$).

5.3.1 Internal policies and financial performance

In conclusion, the findings of this study illuminate the critical role that internal policies play in shaping the financial performance of commercial banks in South Sudan. The established weak positive relationship between internal policies and financial performance suggests that enhancements in internal policies can be associated with improvements in financial outcomes. Conversely, a decline in internal policies may correspond to a deterioration in financial performance, emphasizing the significance of robust policy frameworks in bolstering the financial health of banks in the South Sudanese context. The statistical significance of the relationship at a 95% confidence level underscores the reliability of the identified association. This implies that the observed connection between internal policies and financial performance is not likely to be a result of random chance but is indicative of a meaningful and consistent pattern within the studied banks. Such statistical robustness enhances the credibility of the findings, reinforcing the importance of prioritizing internal policies to positively influence financial outcomes.

The adjusted R Square of 0.180 reveals that internal policies collectively account for 18.0% of the variance observed in financial performance. While this percentage might seem modest, it signifies a non-negligible contribution of internal policies to the overall variability in financial performance among the commercial banks in South Sudan. This highlights the relevance of internal policies as a contributing factor, albeit not the sole determinant, to the multifaceted nature of financial success in the banking sector. Implications for the banking sector in South Sudan are substantial. The study's results emphasize the need for continuous investment in refining and strengthening internal policies as a strategic approach for enhancing financial performance. Institutions should recognize the potential positive impact of aligning internal policies with industry best practices and regulatory standards. This can foster a resilient and adaptive operational framework that responds effectively to dynamic market conditions and regulatory changes, ultimately contributing to sustained financial success.

5.3.2 Suspicious transaction reporting and financial performance

In summary, this study reveals a significant and meaningful relationship between suspicious transaction reporting and financial performance in commercial banks in South Sudan. The moderate positive correlation, coupled with its statistical significance, indicates that improvements in suspicious transaction reporting practices are associated with positive changes in financial performance. The identified predictors, accounting for 45.1% of the variance observed in financial performance, underscore the substantial impact of vigilant transaction monitoring on the overall financial health of banks.

The implications of these results for the banking sector in South Sudan are profound. Banks should recognize the instrumental role of suspicious transaction reporting as a predictor for financial performance. Investments in strengthening and optimizing transaction monitoring systems, employee training, and collaboration with regulatory bodies become imperative for sustained financial success. This aligns with global trends where financial institutions are increasingly under scrutiny to enhance their anti-money laundering measures to ensure financial integrity.

The identified predictors for financial performance highlight the need for ongoing vigilance and adaptation within the banking sector. As financial crimes and money laundering tactics evolve, banks must stay ahead by continuously enhancing their suspicious transaction reporting mechanisms. This involves not only the adoption of advanced technologies but also fostering a culture of compliance and awareness among bank employees.

In conclusion, the study's findings offer valuable insights into the interplay between suspicious transaction reporting and financial performance in the context of South Sudanese commercial banks. The implications suggest a strategic imperative for banks and regulatory bodies to collaborate in fortifying transaction monitoring practices. By doing so, the banking sector can contribute to a more secure and resilient financial environment in South Sudan, aligning with global efforts to combat financial crimes and ensure the stability of the banking sector.

5.3.3 Customer due diligence and financial performance

In summary, the study establishes a weak positive relationship between customer due diligence and financial performance within the commercial banking sector of South Sudan. This correlation, as evidenced by a statistically significant relationship and accounting for 20.9% of the variance in financial performance, underscores the role of customer due diligence as a predictor for financial success. The study's findings align with existing literature that highlights the significance of meticulous due diligence processes in contributing to overall financial health.

However, it is essential to acknowledge that the weak positive relationship suggests that other factors not explored in this study may substantially contribute to financial performance. Macro-economic conditions, market dynamics, and external regulatory environments may play significant roles in shaping financial outcomes in addition to customer due diligence practices. This nuance in the relationship highlights the complexity of the banking environment and underscores the need for a comprehensive approach to financial management.

The implications of these findings for the banking sector in South Sudan are noteworthy. Banks should recognize the intrinsic connection between customer due diligence and financial performance. Investments in enhancing due diligence processes, leveraging advanced technologies, and ensuring compliance with regulatory requirements become imperative for sustained financial success. This aligns with the broader trend where financial institutions globally are placing increased emphasis on due diligence measures to ensure financial integrity.

A robust regulatory framework is crucial to ensuring that banks adhere to best practices and international standards in customer due diligence. By doing so, regulatory bodies contribute to the creation of a secure and trustworthy financial environment that is less susceptible to fraudulent activities. In conclusion, the study's findings offer valuable insights into the relationship between customer due diligence and financial performance in South Sudanese commercial banks. The implications call for strategic interventions by banks and regulatory bodies to fortify due diligence processes, fostering a more secure and resilient financial sector. This aligns with global efforts to enhance financial stability and integrity, emphasizing the crucial role of customer due diligence in achieving these objectives.

5.3.4 Compliance audits and financial performance

In summary, the study unequivocally establishes a robust positive relationship between compliance audits and financial performance within the commercial banking sector of South Sudan. This strong correlation, indicated by a statistically significant relationship and accounting for an impressive 74.3% of the variance in financial performance, underscores the pivotal role of compliance audits as a predominant predictor for financial success. The study's findings align with existing literature that emphasizes the critical importance of effective compliance practices in shaping financial outcomes.

While the findings unequivocally highlight the significance of compliance audits in contributing to financial performance, it is crucial to acknowledge that the relationship is not one-dimensional. The effectiveness of compliance audits may be influenced by various contextual factors, such as the regulatory environment and organizational size. This nuanced understanding of the relationship underscores the need for a tailored and adaptable approach to compliance practices within the dynamic banking landscape.

The implications of these findings for the banking sector in South Sudan are profound. Banks should recognize compliance audits as a linchpin for sustained financial success. Investments in skilled professionals, advanced audit technologies, and a culture of continuous improvement in compliance practices become imperative to maximize the positive impact on financial performance. This aligns with the broader global trend where financial institutions are placing increased emphasis on compliance and risk management to ensure financial integrity.

In conclusion, the study's findings provide compelling evidence of the significant positive relationship between compliance audits and financial performance in South Sudanese commercial banks. The implications call for strategic interventions by banks and regulatory bodies to fortify compliance audit practices, fostering a more secure and resilient financial sector. This aligns with global efforts to enhance financial stability and integrity, emphasizing the critical role of compliance audits in achieving these objectives.

5.4 Recommendations

The recommendations are presented objective by objective on findings of each of the independent variables based on the previous discussions and conclusions.

5.4.1 Internal policies and financial performance

i) Board of directors and policy committee: Direct the Board of Directors and Policy Committee to oversee the continuous enhancement of internal policies related to AML compliance. Regular reviews and updates should be a priority to ensure alignment with evolving regulatory requirements and industry best practices.

ii) Human resources and training department: Empower the Human Resources and Training Department to invest in comprehensive training programs. Ensure that all staff members, from frontline employees to management, receive regular training to enhance their awareness and understanding of AML policies and procedures.

iii) Information technology (it) department: Task the IT Department with leveraging advanced technologies for transaction monitoring and reporting. Implement robust technological solutions to enhance the efficiency and accuracy of AML compliance processes, reducing the risk of financial irregularities.

iv) Cross-departmental collaboration team: Establish a Cross-Departmental Collaboration Team responsible for fostering collaboration between different departments within the bank. This team should facilitate effective communication and information-sharing mechanisms to identify and mitigate potential risks collectively.

v) Internal audit department: Direct the Internal Audit Department to conduct regular internal audits to assess the effectiveness of AML policies. Internal reviews should be systematic, identifying areas of improvement, addressing vulnerabilities, and ensuring ongoing compliance.

vi) External audit engagement team: Task the External Audit Engagement Team with periodically engaging external auditors specializing in AML compliance. External audits bring an unbiased perspective, providing valuable insights into the effectiveness of internal policies and offering recommendations for improvement.

vii) International compliance and standards unit: Establish an International Compliance and Standards Unit responsible for ensuring that internal policies align with international AML standards. This unit should work to enhance the bank's reputation on a global scale and demonstrate a commitment to maintaining the highest standards of financial integrity.

viii) Whistle-blower Oversight Committee: Create a Whistle-blower Oversight Committee tasked with establishing and overseeing a whistle-blower mechanism. This committee should encourage a culture of transparency and ensure that employees can report suspected AML violations confidentially.

5.4.2 Suspicious transaction reporting and financial performance

i) Financial Intelligence Unit (FIU) Department: Establish a dedicated unit within the FIU Department responsible for continuous improvement in suspicious transaction reporting processes. This unit should focus on refining detection algorithms, ensuring real-time monitoring, and promptly escalating potential issues.

ii) Risk management and compliance department: Direct the Risk Management and Compliance Department to conduct regular assessments of the effectiveness of suspicious transaction reporting. This includes evaluating the accuracy of reporting, minimizing false positives, and optimizing the overall risk detection strategy.

iii) Technology and innovation division: Empower the Technology and Innovation Division to explore cutting-edge technologies for suspicious transaction reporting. Invest in artificial intelligence and machine learning tools to enhance the sophistication and accuracy of transaction monitoring, thereby reducing the risk of financial irregularities.

iv) Customer support and education team: Establish a Customer Support and Education Team to educate clients on the importance of accurate transaction reporting. Promote awareness campaigns to encourage customers to report suspicious activities, fostering a collaborative approach in maintaining financial integrity.

v) Legal and compliance oversight committee: Form a Legal and Compliance Oversight Committee responsible for ensuring that suspicious transaction reporting practices align with local and international regulations. This committee should conduct periodic reviews to guarantee compliance with evolving legal standards.

vi) Operational risk management unit: Task the Operational Risk Management Unit with regularly assessing the operational impact of suspicious transaction reporting. This includes evaluating the efficiency of reporting processes and minimizing any disruptions to normal banking operations.

vii) External audit engagement team: Engage an External Audit Engagement Team with expertise in AML compliance to conduct periodic reviews of suspicious transaction reporting practices. External audits bring an independent perspective, validating the effectiveness of internal processes and suggesting areas for improvement.

5.4.3 Customer due diligence and financial performance

Customer relationship management (CRM) division: Establish a specialized unit within the CRM Division dedicated to enhancing customer due diligence processes. This unit should focus on implementing advanced technologies and data analytics to ensure comprehensive and accurate customer risk assessments.

Training and development department: Task the Training and Development Department with creating ongoing training programs for bank staff involved in customer due diligence. Ensure that employees are well-versed in the latest AML regulations, customer identification techniques, and risk assessment methodologies.

Compliance oversight committee: Form a Compliance Oversight Committee responsible for regularly reviewing and updating customer due diligence policies. This committee should ensure that due diligence practices align with regulatory standards and industry best practices.

Technology and Innovation Unit: Empower the Technology and Innovation Unit to explore and implement advanced identity verification technologies. Integrate biometrics, blockchain, or other innovative solutions to streamline and enhance the accuracy of customer due diligence processes.

Audit and quality assurance team: Direct the Audit and Quality Assurance Team to conduct periodic internal audits of customer due diligence procedures. This team should focus on identifying areas for improvement, ensuring consistency in application across all customer interactions.

Legal and compliance department: Task the Legal and Compliance Department with staying abreast of changes in AML laws and regulations. This department should collaborate with the Compliance Oversight Committee to swiftly update due diligence processes in response to evolving legal standards.

Customer support and communication unit: Establish a Customer Support and Communication Unit to educate customers about the importance of providing accurate information during due diligence processes. This unit should also handle customer inquiries regarding the purpose and benefits of due diligence.

5.4.4 Compliance audits and financial performance

Internal audit department: Strengthen the Internal Audit Department to conduct more frequent and thorough compliance audits. This department should focus on assessing the effectiveness of AML controls, ensuring alignment with regulatory requirements and identifying areas for improvement.

Risk management division: Task the Risk Management Division with integrating compliance audit results into the overall risk assessment framework. This division should prioritize addressing high-risk areas identified during audits to mitigate potential financial risks.

Senior management and board of directors: Engage the Senior Management and Board of Directors in regular briefings on compliance audit outcomes. This involvement ensures top-level commitment to addressing any shortcomings and reinforces the importance of compliance in achieving financial performance goals.

Technology and data analytics unit: Empower the Technology and Data Analytics Unit to implement advanced tools for monitoring and automating compliance processes. Utilize data analytics to enhance the efficiency and accuracy of compliance audits, identifying patterns and trends that may impact financial performance.

Legal and compliance department: Task the Legal and Compliance Department with ensuring that compliance audit reports are aligned with the latest regulatory requirements. This department should also coordinate with the Internal Audit Department to promptly address any legal compliance gaps identified during audits.

Training and development department: Direct the Training and Development Department to conduct regular training sessions for staff involved in compliance audits. Ensure that auditors are up-to-date with the latest regulations, guidelines, and industry best practices to enhance the quality of audits.

Compliance oversight committee: Form a Compliance Oversight Committee responsible for periodically reviewing the overall compliance audit framework. This committee should ensure that compliance audits are comprehensive, cover all relevant areas, and contribute meaningfully to the enhancement of financial performance.

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Appendix A: Informed Consent Form for Self-Administered Questionnaire

Participant Identification Number: ……………………

Study Title: Anti-Money Laundering Compliance and Financial Performance of Commercial Banks in South Sudan basing on a Case of Selected Commercial Banks

Name of the Principal investigator: Abraham Telar Nicknora, +211929416819

Institution of affiliation: Selinus University.

Email: nicknora85@gmail.com

Name of the Sponsor/Funder: Self sponsored

Introduction

This research is being conducted to fulfill the degree requirements for Doctor of Philosophy in Financial Intelligence. You are being asked to be part of a research study. This consent form explains the research study and your part in the study: please read it carefully and take as much time as you need.

Purpose/aim of the study

The aim of the study is to examine the relationship between anti-money laundering compliance and financial performance of commercial banks.

Description of procedures

You are invited to participate in a semi-structured interview. The questions are designed to help the researcher understand your experiences and challenges concerning the many issues relating to the anti-money laundering compliances and financial performance. You are one of 96 participants asked to take part in this study.

Duration of the interview

As a respondent, you are asked to fill out a questionnaire regarding the study that will take approximately between 15-20 minutes. You do not have to answer all the questions and you have the opportunity to see the questionnaire before signing this consent form.

Risks and discomforts

The risks involved in this study are minimal. The questions asked may trigger some uncomfortable/painful emotions. Please feel free to inform the interviewer when you are uncomfortable and wish not to proceed with the interview.

Benefits

You may not receive any direct benefit from this study; however, the knowledge gained from this study may eventually benefit you and others.

Costs:

You will not incur any direct cost participating in this study.

Compensation:

There is no compensation that will be given to you for participating in the study. However, you will be appreciated for your time and inconveniences participating in this research.

Confidentiality

Any information about you that is obtained as a result of you participating in this research is kept as confidential as legally possible.

In addition, there are certain instances where the researcher will be required to give information to appropriate authorities/regulatory bodies. The information give will be kept under lock for a period of 5years. In any publications that result from this research, neither your name nor any information from which you might be identified is to be published without your consent.

Voluntary participation

Participating in this study is voluntary. You are free to withdraw your consent to participate in this study at any time. Refusal to participate or withdrawal does not affect you in any way and doesn't involve no penalty to you.

Dissemination of study findings

After completion of the study, you will receive feedback on findings and progress of the study to the key stake holders and in case of any new information that affects the study, you will also be immediately informed/involved.

Participants concerns

In case you have any question related to the study, you may contact the principal investigator Abraham Telar Nicknora on +211929416819.

STATEMENT OF CONSENT

.... has described to me what is going to be done, the risks, the benefits involved and my rights regarding this study. In the use of this information, my identity will be concealed. I am aware that I may withdraw at anytime. I understand that by signing this form, I do not waive any of my legal rights but merely indicate that I have been informed about the research study in which I am voluntarily agreeing to participate. A copy of this form will be provided to me.

Name of participant ………………………Signature/thumb print of participant …………………

Date ……

Name …………………………...Signature of interviewer ……………………

Date ………………….

Appendix B: Informed Consent Form for In-depth Interview

Participant Identification Number: ……………………

Study Title: Anti-Money Laundering Compliance and Financial Performance of Commercial Banks in South Sudan basing on a Case of Selected Commercial Banks

Name of the Principal investigator: Abraham Telar Nicknora, +211929416819

Institution of affiliation: Selinus University.

Email: nicknora85@gmail.com

Name of the Sponsor/Funder: Self sponsored

Introduction

This research is being conducted to fulfill the degree requirements for Doctor of Philosophy in Financial Intelligence. You are being asked to be part of a research study. This consent form explains the research study and your part in the study: please read it carefully and take as much time as you need.

Purpose/aim of the study

The aim of the study is to examine the relationship between anti-money laundering compliance and financial performance of commercial banks.

Description of procedures

You are invited to participate in a semi-structured interview. The questions are designed to help the researcher understand your experiences and challenges concerning the many issues relating to the anti-money laundering compliances on financial performance. You are one of 96 participants asked to take part in this study.

Duration of the interview

As a respondent, you are asked to fill out a questionnaire regarding the study that will take approximately between 15-20 minutes. You do not have to answer all the questions and you have the opportunity to see the questionnaire before signing this consent form.

Risks and discomforts

The risks involved in this study are minimal. The questions asked may trigger some uncomfortable/painful emotions. Please feel free to inform the interviewer when you are uncomfortable and wish not to proceed with the interview.

Benefits

You may not receive any direct benefit from this study; however, the knowledge gained from this study may eventually benefit you and others.

Costs:

You will not incur any direct cost participating in this study.

Compensation:

There is no compensation that will be given to you for participating in the study. However, you will be appreciated for your time and inconveniences participating in this research.

Confidentiality

Any information about you that is obtained as a result of you participating in this research is kept as confidential as legally possible.

In addition, there are certain instances where the researcher will be required to give information to appropriate authorities/regulatory bodies. The information give will be kept under lock for a period of 5years. In any publications that result from this research, neither your name nor any information from which you might be identified is to be published without your consent.

Voluntary participation

Participating in this study is voluntary. You are free to withdraw your consent to participate in this study at any time. Refusal to participate or withdrawal does not affect you in any way and doesn't involve no penalty to you.

Dissemination of study findings

After completion of the study, you will receive feedback on findings and progress of the study to the key stake holders and in case of any new information that affects the study, you will also be immediately informed/involved.

Participants concerns

In case you have any question related to the study, you may contact the principal investigator Abraham Telar Nicknora on +211929416819.

STATEMENT OF CONSENT

.... has described to me what is going to be done, the risks, the benefits involved and my rights regarding this study. In the use of this information, my identity will be concealed. I am aware that I may withdraw at anytime. I understand that by signing this form, I do not waive any of my legal rights but merely indicate that I have been informed about the research study in which I am voluntarily agreeing to participate. A copy of this form will be provided to me.

Name of participant ………………………Signature/thumb print of participant …………………

Date ……

Name …………………………...Signature of interviewer ……………………

Date ………………….

Appendix C: Questionnaire

Dear Sir/Madam,

I am **Abraham Telar Nicknora**, a PhD student of Degree of Philosophy in Financial Intelligence of Selinus University of Science and Literature conducting research on: ***"anti-money laundering compliance and financial performance of commercial banks in South Sudan basing on a case of selected banks"***. You have been identified as a resourceful person in providing information sought by the study. I request for your cooperation in responding to the statements contained in this questionnaire. Any information provided by you will be treated with utmost confidentiality and used for only academic purposes.

Guidelines

For **Section A**, kindly tick in the box that corresponds with your appropriate opinion/response or where appropriate, fill in the spaces provided.

For **Sections B, C, D**, and **E**, tick in the appropriate box that corresponds with the ranking of your levels of disagreement or agreement with the statements based on the Likert Scale given as:

1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, and 5 – Strongly Agree

SECTION A: Background Information

1. Position held

Director		Manager		Supervisor		Other Employee	

2. Age [years]

18 - 25		26 – 35		36 - 45		46 - 55		Over 55	

3. Gender/Sex

Male		Female	

4. **Level of Education**

Masters		**Bachelors**		**Diploma**		**Certificate**		**Others ……….............**	

5. **Length of work experience in banking**

0 - 5		6 - 10		11 - 15		Over 15	

SECTION B: Internal policies and financial performance

No.	Statement	1	2	3	4	5
1.	Banks have strong internal policies and procedures in place to ensure financial stability and long-term profitability.					
2.	Internal policies provide clear instructions on record-keeping requirements.					
3.	Banks consistently adhere to internal policies and procedures as per FIU					
4.	There are effective internal policies and procedures to enhance banks' reputation.					
5.	Banks keep up with evolving AML regulations and requirements.					
6.	Banks have clear channels of reporting compliance concerns.					
7.	Banks regularly review and update internal policies and procedures					
8.	Bank internal policies provide comprehensive guidelines on AML compliance.					
9.	Banks have effective senior management support and commitment.					
10.	Banks' internal policies and procedures have increased the confidence of stakeholders and regulators.					

SECTION C: Suspicious transaction reporting and financial performance

No.	Statement	1	2	3	4	5
1.	Banks have mechanisms for early detection and reporting of suspicious transactions to prevent financial crimes.					
2.	There is uniformity in reporting standards to enhance international cooperation.					
3.	There is timely reporting of suspicious transactions to comply with legal and regulatory requirements.					
4.	All bank staff understanding red flags of suspicious transactions.					
5.	Bank easily manage large volumes of suspicious transaction reports.					
6.	Banks ensure prompt sharing of reports among regulatory authorities.					
7.	Banks smoothly collaborate with regulatory authorities in sharing suspicious transactions.					
8.	Bank customers effectively comply to reporting suspicious transactions to respective authorities.					
9.	Banks have adequate resources for efficient suspicious transactions reporting.					
10.	Banks keep up with all emerging trends of money laundering with vigilance.					

SECTION D: Customer due diligence and financial performance

No.	Statement	1	2	3	4	5
1.	Banks conduct extensive customer background checks to identify and prevent fraudulent activities.					
2.	Banks have skilled personnel and infrastructure to perform thorough CDD.					
3.	Banks easily verify remote and non-face-to-face document transactions.					
4.	All banks easily obtain reliable customer information from foreign jurisdictions.					
5.	Bank strike a balance between stringent CDD measures and providing a smooth customer experience.					
6.	There is collaborative information sharing across borders about customer information.					
7.	Banks have consistent approaches to CDD across jurisdictions.					
8.	Banks continuously adapt their CDD processes to keep pace with emerging technologies to verify customer identities.					
9.	Banks easily obtain accurate and reliable information for CDD purposes.					
10.	Banks easily identify and assess the risk associated with politically exposed persons.					

SECTION E: Compliance audits and financial performance

No.	Statement	1	2	3	4	5
1.	Banks conduct thorough and effective compliance audits with adequate resources.					
2.	Auditors are up to date with the latest regulations, guidelines, and industry best practices.					
3.	The audit team consists of experienced professionals with expertise in AML compliance.					
4.	Banks easily harmonise compliance practices for consistent adherence to AML standards.					
5.	There is a standard framework to assess the effectiveness of AML controls.					
6.	Compliance audit reports are presented to senior management and the board of directors.					
7.	Bank auditor are informed about emerging risks and methods used by criminals.					
8.	Compliance audits are conducted on a regular basis to ensure ongoing compliance.					
9.	Compliance audits ensure that banks AML measures are effective, efficient, and appropriate for the risks.					

SECTION E: Financial performance

No.	Statement	1	2	3	4	5
1.	The bank's profitability measures align with its strategic goals.					
2.	Capital adequacy is well-maintained to support the bank's stability and growth.					
3.	The bank efficiently manages liquidity to meet its financial obligations.					
4.	Asset quality is a priority, ensuring a healthy portfolio for the bank.					
5.	The bank's financial performance is robust.					
6.	The bank's profitability reflects effective management of revenue and costs.					
7.	The bank has ability to maintain strong financial performance across all key measures.					

Appendix D: Interview Schedule

Dear Sir/Madam,

I am **Abraham Telar Nicknora**, a PhD student of Degree of Philosophy in Financial Intelligence of Selinus University of Science and Literature conducting research on: ***"anti-money laundering compliance and financial performance of commercial banks in South Sudan basing on a case of selected banks"***. You have been identified as a resourceful person in providing information sought by the study. I request for your cooperation in responding to the statements contained in this questionnaire. Any information provided by you will be treated with utmost confidentiality and used for only academic purposes.

Section A: Internal policies and financial performance.

Tell me about the internal policies your bank has in place to ensure compliance with anti-money laundering regulations.

……………………………………………………………………………………………………

Describe how these policies contribute to your bank's financial performance.

……………………………………………………………………………………………………

Can you tell me how frequently these policies are reviewed and updated?

……………………………………………………………………………………………………

Please share any challenges your bank has faced in implementing these policies and explain how you overcame them.

……………………………………………………………………………………………………

In your opinion, how does your bank align its internal policies with the recommendations of the Financial Action Task Force (FATF) and the Financial Intelligence Unit (FIU) of South Sudan?

……………………………………………………………………………………………………

Section B: Suspicious transaction reporting and financial performance.

Explain how your bank detects and reports suspicious transactions.

……………………………………………………………………………………………………

How does this process, in your view, contribute to your bank's financial performance?

……………………………………………………………………………………………………

Describe the consequences of failing to report suspicious transactions according to your bank's perspective.

……………………………………………………………………………………………………

Can you explain how your bank ensures that its suspicious transaction reporting process aligns with the recommendations of the FATF and the FIU of South Sudan?

……………………………………………………………………………………………………

Share any challenges you've encountered in detecting and reporting suspicious transactions, and explain how you overcame them.

……………………………………………………………………………………………………

Section C: Customer due diligence and financial performance.

Please describe the procedures your bank has in place to conduct customer due diligence.

……………………………………………………………………………………………………

Explain how customer due diligence contributes to your bank's financial performance, in your opinion.

……………………………………………………………………………………………………

How does your bank ensure that customer due diligence is conducted effectively and efficiently?

……………………………………………………………………………………………………

Describe how your bank balances the need for customer due diligence with customer privacy concerns, from your perspective.

……………………………………………………………………………………………………

In your opinion, how does your bank align its customer due diligence procedures with the recommendations of the FATF and the FIU of South Sudan?

……………………………………………………………………………………………………

Section D: Compliance audits and financial performance.

Tell me about how often your bank conducts compliance audits.

……………………………………………………………………………………………………

Explain how these audits, in your view, contribute to your bank's financial performance.

………………………………………………………………………………………………………

How are audit findings communicated and addressed within your bank, according to your experience?

………………………………………………………………………………………………………

Can you explain how your bank ensures that compliance audits are conducted effectively and efficiently?

………………………………………………………………………………………………………

Share your perspective on how your bank aligns its compliance audit procedures with the recommendations of the FATF and the FIU of South Sudan.

………………………………………………………………………………………………………

Appendix E: Focus Group Discussion Guide

Study Title: Anti-money laundering compliance and financial performance of commercial banks in South Sudan

Introduction:

- Welcome and introductions.
- Briefly explain the purpose of the focus group discussion and its relevance to the study objectives.

Perception of Anti-Money Laundering Compliance:

- Please share your understanding and perceptions of anti-money laundering compliance within commercial banks in South Sudan.
- From your experience, how do you believe anti-money laundering regulations impact the financial performance of commercial banks?
- Can you provide specific examples of instances where anti-money laundering policies have influenced financial performance positively or negatively?

Approaches to Anti-Money Laundering Compliance:

- Describe how anti-money laundering compliance is currently approached and implemented within commercial banks in South Sudan.
- In your opinion, what factors play a significant role in successfully achieving anti-money laundering compliance and its effect on financial performance?
- From your experience, what challenges or barriers related to anti-money laundering compliance affect the financial performance of commercial banks?

Impact of Anti-Money Laundering Compliance on Financial Performance:

- How does anti-money laundering compliance directly affect the financial performance of commercial banks in South Sudan?
- What do you perceive as the potential benefits or drawbacks of anti-money laundering compliance concerning financial performance?
- Based on your experience, what aspects of current anti-money laundering regulations could be enhanced to improve financial performance?

Relationship between Anti-Money Laundering Compliance and Customer Trust:

- Explain the relationship between anti-money laundering compliance and customer trust in commercial banks.
- Can you share instances where compliance or non-compliance with anti-money laundering regulations has impacted customer trust and, subsequently, financial performance?
- Based on your experience, what modifications or improvements can be made to anti-money laundering regulations to enhance customer trust and financial performance?

Influence of Customer Trust on Financial Performance:

- How does customer trust significantly contribute to the overall financial performance of commercial banks in South Sudan?
- Share specific examples where a high level of customer trust has positively impacted financial performance.
- From your experience, what strategies or initiatives have successfully enhanced customer trust and subsequently improved financial performance?

Challenges and Opportunities:

- Identify challenges or obstacles in maintaining high levels of anti-money laundering compliance within commercial banks.
- From your experience, suggest opportunities or potential strategies that can be employed to leverage anti-money laundering compliance for enhanced financial performance.
- How do you believe anti-money laundering regulations can be better tailored to support customer trust, leading to improved financial performance in commercial banks?

Appendix F: Participant Information Form

Study Title: Anti-money laundering compliance and financial performance of commercial banks in South Sudan

I would like to invite you to take part in a research study. Before you decide you need to understand why the research is being done and what it would involve for you. Please take time to read the following information carefully. Ask questions if anything you read is not clear or if you would like more information. Take time to decide whether or not to take part.

Who I am and what this study for?

I am Abraham Telar Nicknora, studying for a PhD of Financial Intelligence. This study is in line with my final dissertation as mentioned in the above introduction.

What will be taking part involve?

You will receive the study questions by email, and you can respond to them in your free time if you wish to participate.

Why have you been invited to participate?

Do you have to take part?

Participation is completely voluntary, and you have the right to refuse to participate in this study. You can withdraw anytime and if I don’t hear from you in 14 days, I will assume that you have opted not to participate.

What are the possible risks and benefits of taking part?

There are no risks to you as your information will be completely confidential. The answers you provide will be used to enhance knowledge on anti-money laundering compliance and financial performance of commercial banks.

Who should you contact for further information?

Please feel free to contact me at nicknora85@gmail.com for any clarifications.

Thank you.

Appendix G: Data Protection Form

Study Title: Anti-money laundering compliance and financial performance of commercial banks in South Sudan

Consent to Research and Processing Personal Data

I have been asked to take part in a study ***"the relationship between anti-money laundering compliance and financial performance of commercial banks in South Sudan basing on a case of selected commercial banks."***

I have read the research notification and obtained sufficient information about the study and the processing of my personal data. The content of the study has also been described to me verbally, and I have received sufficient responses to all my questions about the study. Responses were given by ____ (name).

I have had enough time to consider my participation in the study.

I understand that participating in this study is voluntary. I have the right, at any time during the study and without giving any reasons, to cancel my participation in the study. Cancelling my participation will not result in any negative consequences for me.

In addition, I can, at any time, withdraw my consent to the study without any negative consequences for me.

I will not participate in any examinations if I have flu or a fever, am recovering from an illness or am otherwise in a weak condition.

By signing this consent form, I accept that my data will be used in the study described in the research notification.

☐ Yes

I give my consent to the merging of my personal data with data obtained from registers.

☐ Yes

I give my consent to my identification from the research results (this may be necessary, for example, in situations where experts are interviewed; in this case, risks associated with any identification must be assessed separately from the research subject's perspective).

☐ Yes

I give my consent to be contacted with regard to any further research.

☐ Yes

By signing this consent form, I confirm that I will participate in the study, that I am a voluntary research subject and give my consent to the aforementioned.

____

Signature _____________________

Date _______________________

Name in print

Consent received

____

Signature of the recipient

____

Name in print

The original signed consent form will remain in the archives of the person in charge of the study, and a copy of it will be given to the research subject. This consent form will be retained securely for as long as the data is in identifiable format. If the data is anonymized or erased, this consent form no longer needs to be archived.

APPENDIX H: Proposed Study Budget

Study Title: Anti-money laundering compliance and financial performance of commercial banks in South Sudan

ITEM	AMOUNT (USD)
Research materials and literature review	300
Data collection (surveys, interviews, questionnaires)	750
Travel expenses (field)	600
Data analysis software/tools	200
Printing and stationery	100
Research assistance (if required)	900
Presentation and dissemination of findings	100
Contingency fund	900
Total	**3,850**

Appendix I: Timeline

Study Title: Anti-money laundering compliance and financial performance of commercial banks in South Sudan

	Research Tasks
January - April 2022	Select and refine research topic Conduct preliminary literature review Refine research objectives and develop research questions
May 2022	Continue literature review
	Narrow down research topic
June - August 2022	Finalize research topic Conduct in-depth literature review Refine research objectives and questions
September 2022	Draft the initial research proposal
October - December 2022	Seek feedback from advisors Revise and improve the research proposal
January 2023	Finalize the research proposal Begin seeking necessary approvals from the university/department and Ethics committee
February - March 2023	Continue seeking approvals Refine the research proposal based on feedback
April 2023	Submit for external review
May 2023	Finalize the research proposal Prepare for data collection Conduct necessary trainings for data collection

	Research Tasks
June 2023	Design the research methodology and data collection methods
July 2023	Collect research data Begin data analysis
August 2023	Continue data analysis Interpret and analyze research findings
September 2023	Write draft research report Revise and finalize the research report
October 2023	Complete any remaining revisions
November 2023	Prepare and submit the final research report
December 2023 - January 2024	Defend the research findings

Appendix J: Information Dissemination Plan

Audience/Target: Stakeholders in Anti-Money Laundering (AML) Compliance and Financial Performance of Commercial Banks in South Sudan

Communication Channels	Timeline	Key Message
Commercial Banks	Ongoing through project completion	Emphasize the significance of AML compliance in enhancing financial performance, reducing risks, and maintaining reputation. Share updates on the study's progress, findings, and recommendations. Offer insights into strategies that can positively impact both AML practices and financial outcomes.
Government Authorities	Within 3 months of	Deliver policy briefs outlining the direct correlation between AML compliance and the financial health of commercial banks. Request meetings to discuss study

Communication Channels	Timeline	Key Message
	study completion	findings and advocate for policies supporting AML measures to foster a stronger banking sector.
Financial Regulatory Bodies	During and post-study	Share real-time insights during the study and present detailed findings upon completion. Highlight how effective AML compliance positively influences financial stability and growth. Provide recommendations for refining AML regulations in alignment with study outcomes.
Academic and Industry Conferences	Throughout the study and post-study	Participate in conferences related to finance, compliance, and banking. Present study progress and findings to contribute to academic discussions and industry best practices, demonstrating the link between AML compliance and improved financial performance.
Banking Associations	As findings become available	Engage with banking associations to disseminate study findings that underscore the benefits of robust AML compliance in boosting financial performance. Collaborate on initiatives to foster awareness and action within the banking community.
Media Outlets	Annually or as milestones are achieved	Launch awareness campaigns through media channels to educate the public about the symbiotic relationship between AML compliance and sustainable financial performance. Use press releases, articles, and interviews to convey study insights.
General Public	Annually or as milestones are achieved	Engage in public awareness campaigns that communicate the importance of AML compliance for the stability and trustworthiness of the banking sector. Empower the public to understand how their role as consumers can support stronger financial performance through ethical banking practices.

Appendix K: Risk Mitigation Plan

Study Title: Anti-money laundering compliance and financial performance of commercial banks in South Sudan

Risk Description	Potential Impact	Likelihood	Severity	Mitigation Measures	Responsibility
Inadequate participation of banking personnel	Limited representation of perspectives and experiences	Moderate	Moderate	Develop a comprehensive recruitment strategy to ensure diverse participation of banking personnel. Engage with commercial banks, associations, and regulators.	Research team
Insufficient access to relevant data and information	Lack of comprehensive insights and analysis	High	High	Establish collaborations with stakeholders, secure data access, comply with regulations. Conduct thorough literature reviews and engage with industry experts.	Principal Investigator or Research Coordinator
Budget constraints	Limitations in executing research activities	High	High	Develop a detailed budget, secure funding, monitor expenses, prioritize tasks.	Principal Investigator or Project Manager
Limited stakeholder engagement	Reduced support and adoption of study outcomes	Moderate	Moderate	Create stakeholder engagement plan, share progress and findings, foster active involvement.	Principal Investigator or Research Coordinator
Non-compliance with ethical standards	Legal and reputational consequences	Low	High	Obtain ethical approvals, develop ethical framework, provide training,	Principal Investigator or Research Ethics Committee

Risk Description	Potential Impact	Likelihood	Severity	Mitigation Measures	Responsibility
				monitor research practices.	
Lack of participant cooperation or access	Incomplete or biased data collection	Moderate	Moderate	Set clear recruitment criteria, maintain communication, address concerns, offer incentives.	Research team
Changes in regulatory or legislative landscape	Impacts on study findings and recommendations	Low	High	Monitor regulations, stay updated, document impacts, provide timely updates to the report.	Research team