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**ANTI-MONEY LAUNDERING PRACTICES OF FOREIGN BANKS**  
**IN MYANMAR**

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**ANTI-MONEY LAUNDERING PRACTICES OF FOREIGN BANKS  
IN MYANMAR**

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## **ABSTRACT**

This study mainly focuses on anti-money laundering practices of foreign banks in Myanmar. The objectives of the study are to describe anti-money laundering practices of foreign banks in Myanmar and to analyze the effect of anti-money laundering practices on financial performance of foreign banks in Myanmar. The primary data in this study were collected by structured questionnaire with a 7-point Likert Scale. The total population includes 150 employees from the compliance department, risk department, operation department, and digital banking department. A sample size of 109 employees was selected by using a simple random sampling method. Multiple regression analysis showed that Know Your Customer (KYC), transaction monitoring, use of technology, and regulatory compliance had a statistically significant influence on financial performance, while human resource training did not have significant influence on financial performance at foreign banks in Myanmar. This study recommended that foreign banks operating in Myanmar should prioritize the strengthening of technological integration and regulatory compliance systems as key strategies for improving financial performance. In addition, maintaining know your customer procedures and effective transaction monitoring frameworks is essential to support comprehensive AML efforts.

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## LIST OF ABBREVIATIONS

AI	Artificial Intelligence
AML	Anti-Money Laundering
APG	Asia-Pacific Group
CBM	Central Bank of Myanmar
CBM	Central Bank of Myanmar
CDD	Customer Due Diligence
CFT	Countering the Financing of Terrorism
FATF	Financial Action Task Force
KYC	Know Your Customer
ML	Money laundering
NCCT	Non-Cooperative Countries and Territories
ROE	Return on Equity
ROI	Return on Investment

# CHAPTER I

## INTRODUCTION

Money laundering (ML) refers to the unlawful method of disguising the origin of money acquired through illegal means by channeling it through a complicated series of financial transactions or commercial activities (Schott, 2006). This enables criminals to legitimize their illicit earnings without directly affecting the illicit source itself. The ML process is generally categorized into three main stages: placement, layering, and integration (Reuter & Truman, 2004). During the placement stage, illicit funds are introduced into the financial system through methods such as opening bank accounts, making structured deposits, or purchasing monetary instruments and later converting them back into bank deposits (Unger, 2013). Layering involves obscuring the source of these funds by transferring them across multiple accounts, jurisdictions, or investment products to conceal their origins (Financial Action Task Force [FATF], 2023). Finally, the integration stage involves reintroducing the laundered money into the legitimate economy through investments in real estate, luxury assets, or lawful businesses (FATF, 2021; United Nations Office on Drugs and Crime [UNODC], 2022).

Anti-money laundering (AML) refers to the framework of laws, guidelines, and institutional procedures intended to detect, prevent, and report efforts to present illicit financial gains as lawful income. AML practices vary globally, as the definition of "criminal income" may differ between legal systems depending on national legislation (FATF, 2012). In Myanmar, the Central Bank has introduced specific AML regulations to curb the flow of illegal funds within the financial system (Central Bank of Myanmar, 2024). These measures form part of the country's broader strategy to align with global financial norms.

Despite ongoing regulatory efforts, Myanmar continues to face challenges in fully addressing money laundering risks. The FATF has identified significant strategic deficiencies, and Myanmar has been placed on its watch list. It was first designated on the Non-Cooperative Countries and Territories (NCCTs) list in June 2001 due to limited legal cooperation frameworks (FATF, 2023). However, the country was removed from this list in October 2016 after making substantial progress (FATF, 2016). Since joining the Asia/Pacific Group on Money Laundering (APG) in 2006, Myanmar has been expected to comply with the FATF's International Standards on AML (APG, 2023).

The Central Bank of Myanmar plays a vital role in enforcing the AML framework by issuing directives under the Anti-Money Laundering Law of 2014. These include measures related to Customer Due Diligence (CDD), record maintenance, and mandatory reporting, all aligned with international AML/CFT (Countering the Financing of Terrorism) standards (Central Bank of Myanmar, 2024). For foreign banks operating within Myanmar, strict adherence to these AML requirements is essential not only to prevent financial crimes but also to uphold the integrity and stability of the country's financial sector. As Myanmar becomes increasingly connected to the global financial system, the enforcement of AML policies remains a critical regulatory concern (FATF, 2022).

Evaluating financial performance involves analyzing how effectively a bank uses its resources to generate income. Common indicators such as Return on Equity (ROE) and Return on Investment (ROI) assess a bank's profitability, efficiency, liquidity, and asset management (Mishkin, 2021). This study investigates the extent to which AML practices influence the financial performance of foreign banks operating in Myanmar.

## **1.1 Rationale of the Study**

Anti-money laundering (AML) has emerged as a critical global concern due to the growing incidence of money laundering (ML) activities. In response, both international organizations and national governments have implemented legal and institutional frameworks aimed at deterring and penalizing involvement in such financial crimes. At the international level, the Financial Action Task Force (FATF) plays a central role by establishing global benchmarks for legal, regulatory, and operational measures to combat money laundering and terrorist financing. These benchmarks are outlined in the FATF's 40 Recommendations, which serve as a guide for aligning national AML systems with international standards (FATF, 2003). The FATF also evaluates member states' progress in implementing these standards and encourages ongoing improvements in their AML regimes.

Banks and financial institutions are expected to adopt robust AML frameworks to manage the risks associated with money laundering and terrorist financing. One of the fundamental components of these frameworks is the implementation of adequate customer due diligence (CDD) procedures for both new and existing clients. Institutions that fail to conduct proper CDD expose themselves to a range of risks, including reputational damage,

operational inefficiencies, legal repercussions, and concentrated exposure, all of which can result in significant financial losses (FATF, 2023; Basel Institute on Governance, 2022). On the other hand, effective AML practices enhance financial system transparency, build investor confidence, and ensure adherence to international norms—factors that are crucial for attracting foreign investment (Unger & Ferwerda, 2011). In contrast, weak AML controls may lead to substantial consequences, such as regulatory penalties, reputational harm, and erosion of public trust (IMF, 2022).

Despite existing efforts, several key challenges persist in AML implementation. Firstly, regulatory frameworks in many jurisdictions still contain gaps that hinder comprehensive AML coverage (FATF, 2023). Secondly, banks often struggle to adopt advanced technological solutions due to the high costs and complexity associated with integration (OECD, 2020). Thirdly, there is a notable shortage of qualified personnel with specialized AML knowledge, which limits institutional capacity (World Bank, 2021). Lastly, effective AML enforcement demands inter-agency cooperation, yet coordination among stakeholders often remains insufficient (UNODC, 2022).

Although previous studies have examined AML practices in individual countries or specific financial institutions, there is limited research that provides a holistic view of AML implementation across the banking sector in Myanmar, which includes both domestic and foreign banks. With increasing globalization, financial institutions in both developed and developing countries are more interconnected, resulting in a rise in cross-border banking, trade, and investment. In this context, alignment with international AML standards is essential for accessing the global financial system. Therefore, this study aims to contribute meaningfully to understanding and enhancing AML compliance among foreign banks operating in Myanmar, ultimately supporting both economic development and financial integrity in the country (FATF, 2023; IMF, 2022).

## **1.2 Objectives of the Study**

The objectives of the study are:

- (i) to identify anti-money laundering practices of foreign banks in Myanmar.
- (ii) to analyze the effect of anti-money laundering practices on financial performance of foreign banks in Myanmar.

## **1.3 Scope and Limitations of the Study**

This study focuses on Anti-Money Laundering Practices on Financial Performance of Foreign Banks in Myanmar. This study aims to analyze the effect of anti-money laundering practices which are the implementation and effectiveness of know your customer (KYC) protocols, transaction monitoring and reporting mechanisms, human resource training, technological applications in AML, and regulatory compliance on financial performance of foreign banks in Myanmar. Primary data were used to identify the AML practices of foreign banks in Myanmar. The Yamane (1967) formula was applied to determine the simple size.

According to Central Bank of Myanmar announcement list of foreign banks branches, there are 16 foreign banks with licensed operations in Myanmar. Two-stage simple random sampling methods were used in this survey. For the first stage, 5 banks among 16 foreign banks which are operating in Myanmar were randomly selected. The second stage, the data were collected from 109 employees from those banks out of probable 150 employees across the compliance department, risk department, operation department, and digital banking department using simple random sampling method. Data collection period was May 2025. For primary data, structured questionnaire which contain 7-point Likert Scale were used in online surveys such as Google Forms. Secondary data were collected from official reports by the Central Bank of Myanmar, FATF, IMF, and World Bank. Descriptive statistics were used to describe anti-money laundering practices of foreign banks in Myanmar and multiple regression model were used to analyze the effect of anti-money laundering practices on financial performance of foreign banks in Myanmar.

#### **1.4 Organization of the Study**

This study is composed of five chapters. Chapter I is the introduction that includes the rationale of the study, objectives of the study, scope and limitations of the study, and organization of the study. Chapter II theoretical background of the study also includes Anti-Money Laundering Concept, Anti-Money Laundering Practices, Financial Performance and related theories. Based on the previous studies, the conceptual framework of the study is also illustrated. Chapter III which also investigates Anti Money Laundering Practices of Foreign Banks. Chapter IV presents analysis of the effect of AML Practices on Financial Performance of Foreign Banks in Myanmar. Chapter V is the conclusion which includes the findings and discussions, suggestions and recommendations, and needs for further research.

## **CHAPTER II**

### **THEORETICAL BACKGROUND**

This section provides an outline of the principal concepts and theories that constituted the theoretical framework for this study. The document encompassed the concept of money laundering and anti-money laundering, anti-money laundering practices, financial performance, previous studies, and this study conceptual framework.

#### **2.1 Money Laundering Concept**

Money laundering (ML) is a general term that refers to the process by which criminals convert their illicit funds into clean money, thereby concealing the proceeds of their criminal activities and their sources in order to present them as legitimate. It is not a novel concept; it has been in use for centuries, as evidenced by Al Capone's use of launderettes to conceal illicit profits obtained from bootlegging (Unger, 2013). Consequently, it is a method by which criminals endeavour to conceal the true source or origin of their illegitimate income. ML is a deliberate and intricate process that involves the capture and meticulous organisation of the proceeds of crime to resemble those that were obtained through legal means. There are three primary phases to the procedure. Initially, black or tainted money must be removed from the predicate offence. Secondly, the money chain must be obscured or destroyed to prevent discovery. Lastly, the proceeds of the crime are re-injected into additional business activities to facilitate their laundering (Mugarura, 2016).

As a result of this complexity and the evolution of globalization processes, the notion of machine learning has a cross-cutting link with criminal, administrative, financial, and international public law. According to Vervaele (2013), the scope of derivative offences has expanded beyond drug money to include organized crimes, major crimes, and terrorism owing to the international nature of crime. This additional development into the funding of terrorism has expanded the focus beyond the illicit money of criminality to include both legal and unlawful monies, complicating the idea from a criminal law standpoint. Although the intent of many national legislatures in criminalizing ML was to combat drug trafficking, the international AML regime pushed nations to adopt new predicate offences to the offence of ML, thereby broadening the scope of the offence (Zoppei, 2017). This push created an urgency to develop symmetrized legislative and administrative AML strategies across jurisdictions with the primary goal of criminalizing

ML and its derivative offences while leaving legal concerns in their respective AML frameworks, such as administrative and criminal law measures, protection of individual rights, data protection, and privacy issues (Bergström, 2018).

## **2.2 Anti-Money Laundering Concept**

Anti-money laundering (AML) rules, regulations, and procedures prevent, identify, and report money laundering in financial institutions and other regulated companies. The rise of the financial industry, the relaxation of international capital controls, and the complexity of financial transactions led to AML legislation (Kenton, 2022). The Bank Secrecy Act of 1970, one of the first US AML legislation, required banks and financial institutions to disclose certain currency transactions and identify financial participants. The 1980s saw the Committee of Ministers of the Council of Europe advance AML measures. Money laundering became a UN crime in 1988. In 1989, the G7 nations created the Financial Action Task Force (FATF), which provided global AML guidelines and 40 recommendations to address illegal financial transactions (FATF, 2012).

To handle changing financial crime risks, institutions self-regulate beyond international AML requirements. Criminals target bank accounts like savings accounts, credit cards, and term deposits to launder money. Money laundering and financial crimes linked to terrorism pose reputational, operational, and legal problems for banks, including fines and public distrust (Smith, 2020). AML offences may also apply to bank personnel who deliberately or recklessly aid money laundering.

For financial organizations to retain economic integrity, money laundering legislation is needed. Banks and financial institutions must monitor and report unlawful transactions to comply with AML. These safeguards include KYC rules, CDD checks, CRA models, and Transaction Monitoring (TM) mechanisms to detect suspect activity (Jones, 2019). For AML enforcement, banks must keep transaction records and report to regulators.

Money laundering threatens global financial stability, thus international cooperation is essential to AML measures. AML standards are updated by financial regulators to maintain banking and financial market compliance and transparency. The FATF and national authorities implement AML requirements to combat illegal money flows, terrorist financing, and economic fraud (Brown, 2021).

## **2.3 Anti-Money Laundering Practices**

Anti-money laundering (AML) practices include critical components, including regulatory compliance, human resource training, transaction monitoring and reporting, Know Your Customer (KYC), and the use of technology, to prevent and detect financial crimes. To avoid the exploitation of banking systems for illicit activities by criminals, KYC procedures are implemented by financial institutions to verify customer identities and evaluate risk levels (Unger & van der Linde, 2013). Institutions are instructed to report any irregularities to regulatory authorities through transaction monitoring, which employs automated systems to monitor financial movements and identify suspicious activity (Financial Action Task Force, 2021). In addition, AML enforcement is strengthened by ongoing staff training, which provides employees with the ability to recognize and address red flags in financial transactions (Reuter & Truman, 2004). Blockchain and artificial intelligence are emerging technologies that improve fraud detection and strengthen risk assessment mechanisms, thereby enhancing anti-money laundering (AML) processes (Brown, 2021).

### **2.3.1 Know Your Customer**

Know Your Customer (KYC) is an essential procedure within Anti Money Laundering (AML) regulations, necessitating financial institutions to authenticate customer identities, evaluate risk levels, and oversee financial activities to avert unlawful transactions. KYC protocols encompass customer identification, due diligence procedures, and continuous transaction monitoring to identify potential fraudulent or money laundering activities (Unger & van der Linde, 2013). Through the implementation of KYC measures, financial institutions guarantee adherence to national and international AML regulations, thereby augmenting transparency and financial security. KYC regulations safeguard banks and financial institutions from reputational, legal, and financial risks linked to money laundering and fraudulent activities (Schott, 2006). Enhancing KYC frameworks is crucial for financial institutions to reduce financial crime risks, enhance regulatory compliance, and maintain the integrity of the financial system (Financial Action Task Force [FATF], 2021).

### **2.3.2 Transaction Monitoring and Reporting**

Transaction monitoring is essential in Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) initiatives, allowing financial institutions to identify

and stop unlawful financial operations efficiently. Financial institutions and regulated companies employ advanced automated systems to monitor transactions in real-time, facilitating the prompt detection of questionable activities necessitating further inquiry. These monitoring systems are perpetually revised to integrate developing money laundering typologies and evolving financial crime concerns, ensuring institutions remain alert in identifying possible threats (Taylor, 2024). The efficiency of transaction monitoring is evaluated using critical metrics, including the volume of warnings produced, the proportion of alerts examined, and the precision in detecting authentically questionable transactions. Through the implementation of a comprehensive transaction monitoring system, financial institutions improve their capacity to minimize financial crime risks, assure adherence to AML and CTF requirements, and maintain the integrity of the financial system (Taylor, 2024).

### **2.3.3 Human Resource Training**

Human resource training is essential in Anti Money Laundering (AML) initiatives, equipping workers of financial institutions with the requisite information and abilities to identify and avert unlawful actions. Effective AML training programs instruct staff on compliance rules, risk assessment methodologies, and indicators of money laundering (Reuter & Truman, 2004). Financial institutions must consistently revise training materials to incorporate new financial crime typologies and regulatory modifications. Moreover, ongoing professional development ensures that personnel can proficiently implement AML policies and utilise transaction monitoring systems to detect suspicious actions (Brown, 2021). An adequately trained staff bolsters compliance initiatives, mitigates institutional risks, and improves the financial sector's capacity to address money laundering and terrorism financing (Financial Action Task Force [FATF], 2021).

### **2.3.4 Using Technology in Anti-Money Laundering**

Foreign banks in Myanmar employ sophisticated technologies to enhance Anti-Money Laundering (AML) initiatives and adhere to international banking standards. Considering Myanmar's changing financial environment, banks are adopting artificial intelligence (AI), machine learning (ML), and big data analytics to improve transaction monitoring and identify suspicious activities. AI-driven systems analyze extensive financial data, allowing institutions to detect fraudulent transactions and money laundering tendencies with more efficiency (Than Swe, 2024). Furthermore, blockchain technology

enhances transparency and security in financial transactions, diminishing opportunities for criminals to alter records and launder illicit cash (Financial Action Task Force [FATF], 2023). Foreign banks incorporate computerized risk assessment algorithms to analyze customer profiles and identify high-risk transactions, thereby assuring adherence to Myanmar's AML legislation and international norms (Central Bank of Myanmar, 2024). By these technology advancements, foreign banks in Myanmar improve financial security, reduce risks, and support global anti-money laundering enforcement initiatives.

### **2.3.5 Regulatory Compliance**

Foreign banks in Myanmar must follow rigorous AML and CTF rules. The Myanmar Financial Intelligence Unit (MFIU) administers AML by means of rigorous KYC and risk-based compliance systems requiring institutions to identify and discourage illegal financial activity (MFIU, 2023). Under the Financial Institutions Law (FIL), foreign banks must additionally follow capital adequacy, customer due diligence, and regulatory reporting (Deloitte Myanmar, 2024). These laws guarantee Myanmar satisfies FATF financial security requirements (FATF, 2023). Foreign banks follow Myanmar's AML requirements and identify questionable activities using sophisticated transaction monitoring systems. Predictive analytics and artificial intelligence help organizations fulfil regulatory reporting obligations by enhancing fraud detection (World Bank Group, 2023). Regulatory compliance by foreign banks in Myanmar increases financial transparency, reduces systemic risks, and fosters international banking confidence. To strengthen Myanmar's AML system and financial sector development, financial authorities and international entities must cooperate.

## **2.4 Financial Performance**

The evaluation of banks' financial performance is conducted using key indicators, including profitability, liquidity, asset quality, investment efficiency, and operational effectiveness. Profitability metrics, including Return on Equity (ROE) and Return on Assets (ROA), assess the efficiency of banks in generating earnings in relation to shareholders' equity and total assets, respectively (Mishkin, 2021). Liquidity management enables banks to fulfil short-term financial obligations without experiencing financial distress, thereby preserving stability within the sector. Asset quality indicates the risk level of a bank's loan portfolio, affecting credit risk and long-term financial stability (Alvarez & Marston, 2020). Operational efficiency, as indicated by cost to income ratios, serves as

a measure of how effectively banks employ their resources to enhance profitability and competitiveness (Claessens & van Horen, 2015). Analyzing these indicators provides regulators, investors, and stakeholders with essential insights into a bank's financial health, facilitating informed decision-making and enhancing the resilience of the financial sector.

## **2.5 Related Theories**

Economic and financial theories contribute to explaining the association between anti-money laundering (AML) practices and the financial performance of banking institutions. These theories delve into the impact of AML compliance on banks' profitability, operational efficiency, and overall stability.

### **2.5.1 Agency Theory**

The Agency Theory (Jensen & Meckling, 1976), which the relationship between the principals (owners or shareholders) and agents (bank management and employees), becomes particularly relevant in AML compliance. The principal agent problem occurs when bank employees engage in activities that increase the institution's risk exposure, such as facilitating illegal transactions for personal gain, while the owners seek financial stability and long-term regulatory compliance (Eisenhardt, 1989). With the application of the AML policies that include an aspect of Know Your Customer (KYC), transaction monitoring, and internal controls, the bank operations can be brought in line with the regulatory requirements, therefore reducing risks on financial crime and enhancing financial performance (FATF, 2023).

### **2.5.2 Fraud Triangle Theory**

As constructed by Cressey (1953), the Fraud Triangle Theory indicates three causes of financial crime, namely: pressure (for financial need), opportunity (poor AML controls), and rationalization (reason for illegal acts). The ultimate aim of the AML practices is to reduce fraud and money laundering opportunities by enforcing strict compliance measures, overseeing activities, and employing technology to detect dubious behavior (Wells, 2017). Financial institutions that optimally apply AML controls will minimize fraud-related financial losses, regulatory credence, and economic preference (World Bank, 2021).

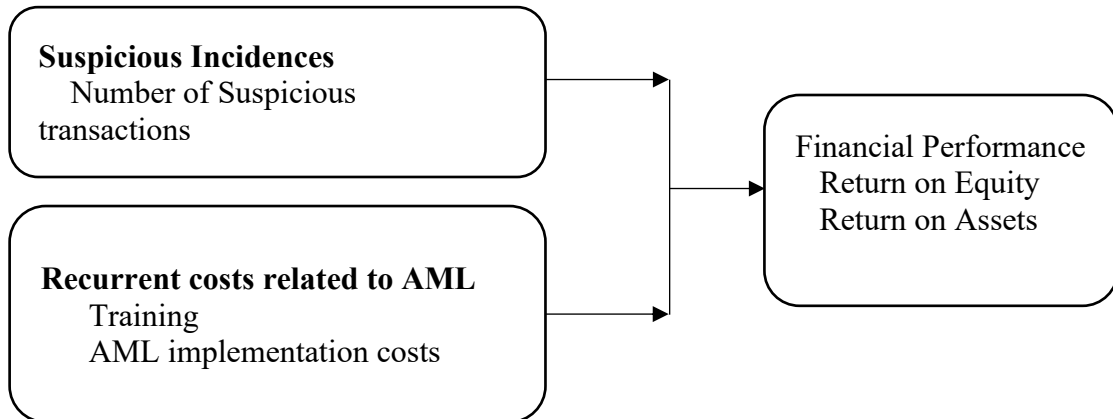
### **2.5.3 Institutional Theory**

The Institutional Theory describes how organizations comply with coercive and normative pressures for legitimacy (DiMaggio & Powell, 1983). Therefore, international banks are expected to adhere to anti-money laundering practices, which include legislation, mainly to appease regulators, investors, and the international market. Banks operating within jurisdictions known for high financial risk such as Myanmar face greater scrutiny in regulatory enforcement and, therefore, AML compliance helps sustain their access to markets, financial associations, and long-term growth (United Nations Office on Drugs and Crime, 2022).

### **2.6 Previous Studies**

Mohamed (2017) investigated “Effect of Anti-Money Laundering Risk Management on financial Performance of Commercial Banks in Kenya”. This study objective is to analyze the effect of anti-money laundering risk management on the financial performance of commercial banks in Kenya. Data was collected from 2005 to 2016, and multiple regression analysis was used to estimate the relationship between dependent and independent variables. The results showed a direct relationship between the number of suspicious transactions and financial performance but contradicted the previous findings. An inverse relationship was found between the expense of anti-money laundering (AML) implementation and financial performance. The study concluded that an increase in suspicious transactions can either increase or diminish financial performance. The study recommends massive investment in technology for detecting and identifying suspicious transactions, financial support for risk management systems, and cooperation between the central bank and other regulatory bodies to establish appropriate monetary and fiscal policies. As can be seen in Figure (2.1), the conceptual framework of the research is presented.

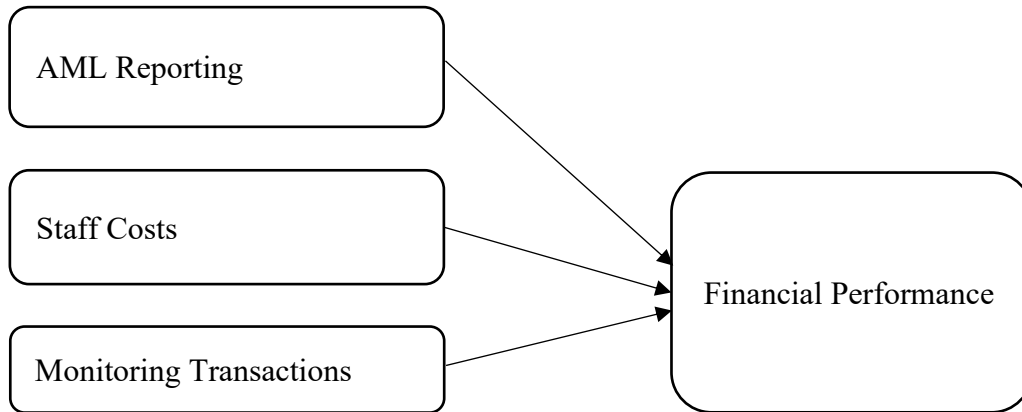
**Figure (2.1) Effect of AML Risk Management on Financial Performance of Commercial Banks in Kenya**



Source: Mohamed, 2017

Sainah (2015) analyzed “The Effect of Anti Money Laundering Risk Assessment on The Financial Performance of Commercial Banks in Kenya”. This study uses descriptive research and secondary data from 43 commercial banks' 2014 financial statements. Pearson's correlation and regression analyses were implemented for analyzing the data. The association between financial performance and independent factors, such as bank reporting, AML personnel expenses, and AML cost of monitoring transactions, was investigated using a multiple regression model. The results indicate that the relationship between financial performance and AML Risk Assessment is poor, with an adjusted R2 of 21.24%. The results show that there is a negative association between commercial banks' AML risk assessment and ROA. This may be elucidated by the perspective that AML compliance incurs supplementary operating expenses for these institutions, hence diminishing their net revenue and, subsequently, resulting in a lower ROA. Based on the results of the study, AML Risk Assessment is not the only factor that affects the company's financial success; there is also another factor that affects ROA. As can be seen in Figure (2.2), the conceptual framework of the research is presented.

**Figure (2.2) The Effect of Anti Money Laundering Risk Assessment on The Financial Performance of Commercial Banks in Kenya**

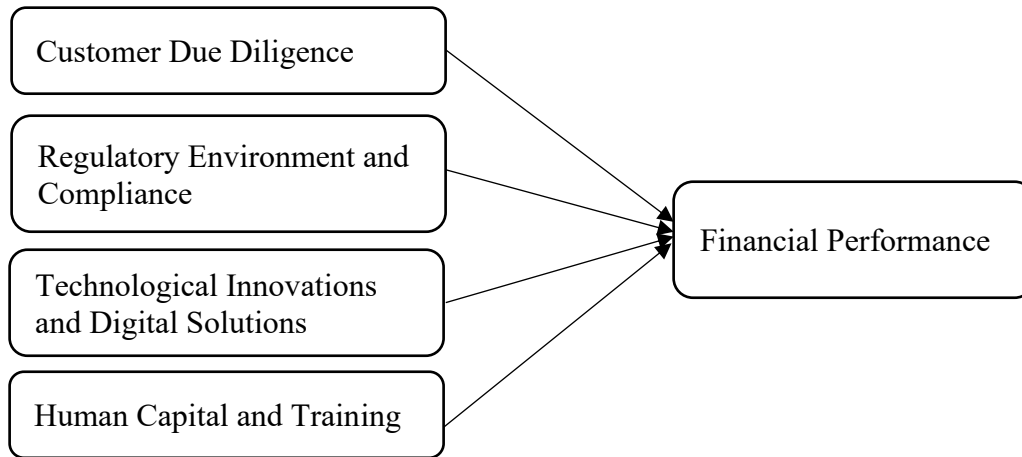


Source: Sainah, 2015

Nicknora (2024) explored “Anti-Money Laundering Compliance and Financial Performance of Selected Commercial Banks in South Sudan: A Survey of Literature on Customer Due Diligence”. The study examines the correlation between the financial performance of South Sudanese commercial banks and compliance with Anti-Money Laundering (AML) regulations, particularly with customer due diligence. South Sudan's financial industry is severely harmed by its extended membership on the FATF grey list, despite considerable government expenditure in anti-money laundering programs. The study identified a significant positive association between financial success and customer due diligence, which explained 29% of the variance. However, the analysis revealed a slight positive association, suggesting that there is opportunity for improvement in AML compliance to bolster the financial integrity of commercial institutions in South Sudan. The conceptual model of the research is shown in Figure (2.3).

**Figure (2.3) Anti-Money Laundering Compliance and Financial Performance of Selected Commercial Banks in South Sudan**

**Anti-Money Laundering Practices**



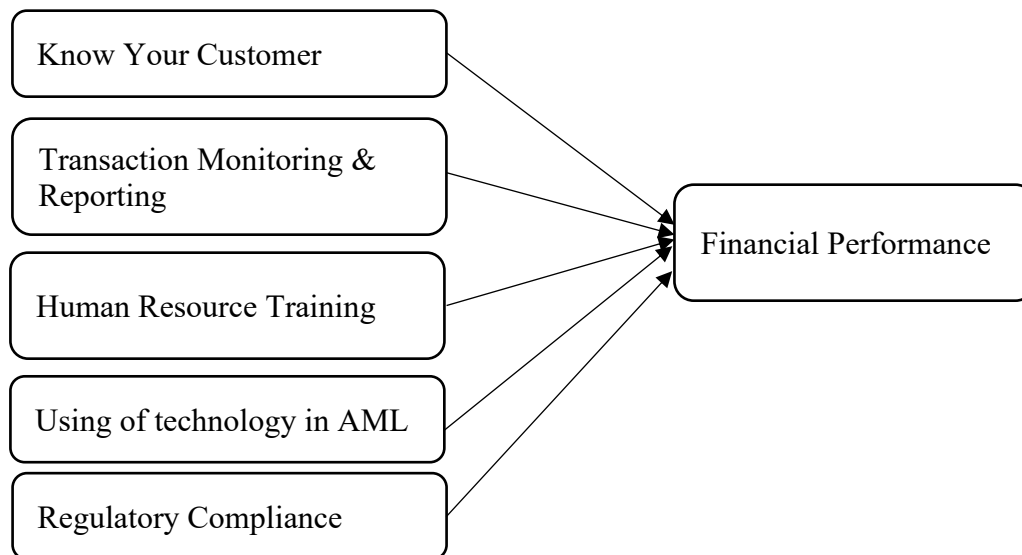
Source: Nicknora, 2024

**2.7 Conceptual Framework of the Study**

This conceptual framework illustrates the relationship between independent variables such as know your customer, transaction monitoring and reporting, human resource training, using of technology in AML and regulatory compliance and dependent variables financial performance. The selected variable for this study is based on theoretical background and previous studies support the identified variables of understanding Anti-Money Laundering (AML) practices and financial performance.

Know Your Customer (KYC) variable is adopted from Yusoff, Safar, and Yusoff (2024), Yilmaz et al. (2024) and Nicknora (2024). Transaction Monitoring and Reporting variable is adopted from Aksu and Budka (2024), Rose and Jensen (2025), Sainah (2015) and Mohamed (2017). Human Resource Training variable is adopted from Borgia and La Torre (2022), Kwok (2013), Mohamed (2017) and Nicknora (2024). Use of Technology in AML variable is adopted from Murinde et al. (2022), Eddin et al. (2021) and Nicknora (2024). The Regulatory Compliance variable is adopted from Ferwerda (2009), Masciandaro et al. (2020) and Nicknora (2024). Based on the previous studies, the conceptual framework of the study is described in Figure (2.4).

**Figure (2.4) Conceptual Framework of the Study**



Source: Own Compilation ,2025

### **Working Definitions**

**Know Your Customer (KYC):** A process used by financial institutions to verify the identity of customers before establishing a business relationship.

**Transaction Monitoring and Reporting:** Transaction Monitoring and Reporting refer to the continuous process of tracking financial transactions to detect suspicious activities, potential money laundering, fraud, and regulatory violations.

**Human Resource Training:** Human Resource Training in the AML context refers to specialized training programs designed to equip banking professionals with knowledge of anti-money laundering regulations, compliance procedures, and risk mitigation strategies.

**Use of Technology in AML:** The use of technology in Anti-Money Laundering (AML) refers to the application of digital tools, artificial intelligence (AI), machine learning (ML), blockchain, and automated transaction monitoring systems to detect and prevent financial crimes, including money laundering and terrorist financing.

**Regulatory Compliance:** Regulatory compliance refers to a financial institution's adherence to laws, regulations, and guidelines established by governing bodies, such as the Central Bank of Myanmar (CBM), Financial Action Task Force (FATF), and Financial Intelligence Units (FIUs), to prevent financial crimes, ensure transparency, and maintain the integrity of the banking sector.

**Financial Performance:** Financial performance refers to the overall financial health and efficiency of a bank or financial institution, measured through profitability, revenue growth, return on assets (ROA), return on equity (ROE), and other financial indicators.

## **CHAPTER III**

### **ANTI MONEY LAUNDERING PRACTICES OF FOREIGN BANKS IN MYANMAR**

In this chapter, history of foreign bank in Myanmar, laws, Regulations and international standards on Anti-Money Laundering and Anti-Money laundering practices of foreign banks.

#### **3.1 History of Foreign Bank in Myanmar**

Foreign banks have been important to Myanmar's financial sector by supporting trade, investment and economic modernization. Prior to nationalization, Myanmar had a varied banking system in which foreign banks operated alongside Burmese banks (Turnell 2009). Foreign banks primarily served as facilitators of trade and commerce for businesses seeking foreign financial services. As a part of the colonial economy, British banks were among the largest financial institutions in Myanmar and were integral to the economy (Kyaw 2017).

In 1963, the government of Myanmar nationalized all private and foreign banks, and these were incorporated into government owned and controlled financial institutions (Than and Thein, 2018). Private and foreign banks were merged into the Bank of Union of Burma to create the Union of Burma bank, in a way marking a major shift towards a closed financial system. This effectively removed foreign banks from Myanmar's banking system for decades and limited the country's access to international financial services foreign investment (OECD 2017).

The late 20th-century economic reforms played an important role in further developing and improving the banking sector in Myanmar. The Financial Institutions of Myanmar Law of 1990 established a legal basis for some financial operations, and provided some restriction on foreign investment (ADB, 2020). This law limited access for foreign banks, but the legal reforms represented a major step toward re-entry into the global financial system and paved the way for increased investment in the banking sector. The international interest in the Myanmar banking sector grew in the 1990s, despite restrictions on investment (Turnell, 2009).

In 2014, a major change occurred with the Myanmar Central Bank allowing foreign banks to operate in Myanmar with restricted license to allow limited entry (OECD, 2017).

The measures were part of a wider liberalization of the economy with the goal of providing greater access to financial services and international investment. The first banks to establish branches as foreign banks were MUFG Bank, OCBC Bank, Bangkok Bank, and Maybank (Than & Thein, 2018).

Myanmar became a member of the ASEAN Economic Community in 2016, which provided further reforms in the financial sector. Foreign banks were allowed to conduct a wider spectrum of operations, including corporate lending and being able to facilitate investments (ADB, 2020). The changes in Myanmar represented a deeper integration into regional of the global financial networks to encourage economic development. Developing Myanmar's economy will require support from international financial institutions so that future investments can focus on infrastructure, trade expansion, and development of businesses (Kyaw, 2017).

While foreign banks are developing within Myanmar, they are still hindered with challenges. Even if recent developments have progressed in Myanmar's financial system, regulatory limitations, political instability, and compliance with international banking policies still pose operational challenges (Than & Thein, 2018). Foreign banks must now comply with proper anti-money laundering (AML) policies and risk management requirements, which creates obstacles because of the rapidly changing landscape in Myanmar. These considerations impact the foreign banks' operating models and investment strategies in Myanmar (ADB,2020).

Looking ahead, it is likely that foreign banks will become an increasingly important part of Myanmar's financial services development. Foreign banks contribute to the financial inclusion of Myanmar's population, facilitate trade with the outside world, and contribute to a more resilient economy (Turnell, 2009). However, the proper policy environment and stability must be in place to ensure the long-term development of Myanmar's banking sector. Proper financial regulations and institutional capacity will be crucial to creating a banking environment that attracts foreign lenders and investors (OECD, 2017).

### **3.2 Laws, Regulations and International Standards on Anti-Money Laundering**

Money laundering is a global threat that undermines financial stability, economic integrity, and national security (Schott, 2006). To prevent financial systems from being exploited for illicit purposes, Myanmar has developed a legal and regulatory framework

that aligns with international standards, particularly the Financial Action Task Force (FATF) recommendations.

Myanmar's key AML legislation includes the Anti-Money Laundering Law (Pyidaungsu Hluttaw Law No. 11, 2014) and the Control of Money Laundering Law (2002). These laws require financial institutions, including foreign banks operating in Myanmar, to carry out Customer Due Diligence (CDD), maintain records of transactions, and report suspicious activities to the authorities. The Central Bank of Myanmar (CBM) is the main regulatory body responsible for enforcing AML laws and ensuring compliance with both local and international standards (Central Bank of Myanmar, 2020).

Foreign banks in Myanmar are required to adopt Know Your Customer (KYC) procedures, which include verifying customer identities, understanding the nature of business relationships, and assessing risks associated with transactions. These procedures are essential for detecting and preventing money laundering and terrorism financing (FATF, 2012).

To ensure alignment with international obligations, foreign banks must also implement Enhanced Due Diligence (EDD) for high-risk customers and jurisdictions, conduct regular internal audits, and update their AML systems to reflect changes in laws and emerging threats. The CBM also mandates the appointment of compliance officers, staff training on AML obligations, and the integration of technology-based solutions such as automated monitoring systems and artificial intelligence to improve detection and reporting capacities (Unger & Van den Broek, 2016).

Additionally, foreign banks in Myanmar are required to submit Suspicious Activity Reports (SARs) to the Financial Intelligence Unit (FIU) when suspicious transactions are detected. Non-compliance with these requirements may result in legal and regulatory penalties and damage to institutional reputation (Global Financial Integrity, 2021).

As financial crime evolves, especially with the rise of digital payments and cryptocurrencies, the CBM and financial institutions in Myanmar must continuously review and strengthen their AML frameworks to ensure continued compliance and risk mitigation (APG, 2016). International cooperation and the consistent application of global standards especially by foreign banks remain essential for safeguarding the integrity of Myanmar's financial system.

### **3.3 Anti Money Laundering Practices of Foreign Banks**

In this section, the Anti-Money Laundering (AML) practices adopted by foreign banks operating in Myanmar are examined in detail. These banks implement robust AML frameworks to ensure compliance with both international standards and local regulatory requirements. Key elements of these frameworks include Know Your Customer (KYC), transaction monitoring and reporting, human resource training, use of technology, and regulatory compliance. The following subsections explore each of these components, illustrating how they collectively contribute to effective risk management and the overall resilience of the banking sector.

#### **3.3.1 Know Your Customer (KYC)**

A basic component of Anti-Money Laundering (AML) efforts, foreign banks use strong Know Your Customer (KYC) policies. These processes include confirming client identity, knowing the type of activity, and evaluating the possible dangers may present. Using trustworthy and independent sources, including government-issued identification documents, banks gather and confirm customer data (Central Bank of Myanmar, 2020).

Apart from fundamental identification, foreign banks investigate customers' financial activities and the origins of their money rather than just identity checks. They evaluate whether the customer's transactions fit the established profile and risk category. Foreign banks, therefore, make sure client data is not just correct but also constantly updated and evaluated to identify any possible fraudulent actions (Financial Action Task Force, 2012).

For instance, especially with overseas transactions, foreign banks may demand papers establishing the source of significant transfers from clients. In keeping with KYC standards, international banks implement Enhanced Due Diligence (EDD) measures to analyze and manage the risks associated with high-risk customers. EDD entails gathering more information on the customer's identity, business activity, and the purpose of transactions. Banks implement more rigorous safeguards for high-risk consumers, encompassing the acquisition of supplementary information and the execution of more regular monitoring (Central Bank of Myanmar, 2020).

Enhanced Due Diligence (EDD) processes are especially critical for clients classified as Politically Exposed Persons (PEPs) or possessing intricate ownership arrangements. To alleviate this risk, foreign banks necessitate supplementary documents,

including financial statements, tax reports, and comprehensive background investigations of the PEP's business affiliations and financial history (Financial Action Task Force, 2012). Foreign banks likewise apply their Enhanced Due Diligence standards to high-risk regions. In such instances, banks exercise greater vigilance in examining the authenticity of transactions, particularly by evaluating foreign transfers, to ascertain that they are not utilized for the movement of illicit funds (Basel Institute on Governance, 2020).

### **3.3.2 Transaction Monitoring and Reporting**

Foreign banks in Myanmar utilize extensive transaction monitoring systems to identify and report suspicious activities. These systems conduct real-time analysis of customer transactions to detect patterns that could signify money laundering or terrorist financing. Banks generate alerts for further investigation upon detection of suspicious activities. Suspicious Activity Reports (SARs) are submitted to the Financial Intelligence Unit (FIU) of Myanmar and other relevant authorities when required. This proactive strategy aids in the prevention of illicit activities and ensures compliance with Myanmar's AML regulations (Financial Action Task Force, 2012).

The transaction monitoring system employed by foreign banks in Myanmar use algorithms to evaluate the size, frequency, and characteristics of transactions to identify any anomalies. Large or atypical transfers, particularly from high-risk jurisdictions, may activate an alert. Foreign banks conduct periodic reviews of transaction data alongside real-time monitoring to identify potential patterns indicative of systemic money laundering activities (Financial Action Task Force, 2020).

Additionally, foreign banks in Myanmar invest in technology that facilitates the automatic generation of Suspicious Activity Reports (SARs) upon detection of suspicious transactions. These reports are filed with the Myanmar FIU in accordance with local regulatory requirements. The integration of automated systems with manual oversight enables banks to maintain vigilance and respond effectively to emerging threats in real-time. Moreover, it improves the capacity of banks to participate in the global effort to combat financial crime (Global Financial Integrity, 2021).

### **3.3.3 Human Resource Training**

Foreign banks in Myanmar acknowledge the significance of adequately trained personnel in the fight against money laundering, leading to investments in ongoing training programs for their employees. The programs encompass multiple facets of AML, such as

KYC procedures, transaction monitoring, and reporting obligations. Training sessions are held for new hires and current employees to update them on recent regulatory developments and emerging risks. Banks conduct refresher courses to reinforce staff knowledge and skills, ensuring effective identification and response to potential money laundering activities (Central Bank of Myanmar, 2020).

Foreign banks prioritize the establishment of a compliance culture at all organizational levels, alongside regular AML training. This entails training compliance officers and educating front-line staff, including relationship managers and customer service representatives, on the significance of early identification of suspicious behaviors during customer interactions. Fostering an organization-wide understanding of AML policies enables banks to ensure that all employees contribute to the integrity of the financial system (Financial Action Task Force, 2012).

In Myanmar, foreign banks implement simulations and scenario-based training to enable employees to identify and respond to potential money laundering scenarios. Hands-on exercises are essential for reinforcing theoretical knowledge and ensuring employees are equipped to respond effectively in real cases. The effectiveness of AML training programs is regularly evaluated using performance metrics to assess staff understanding and competency. This continuous training guarantees that foreign banks uphold rigorous compliance standards and remain equipped to address the changing landscape of financial crimes (Basel Institute on Governance, 2020).

### **3.3.4 Use of Technology in AML**

Foreign banks in Myanmar employ new technologies to better their AML operations. Banks deploy automated systems for transaction monitoring, which enables the examination of enormous volumes of data to spot suspicious actions effectively. These systems are equipped with algorithms that can identify unusual patterns and produce alarms for further investigation. Additionally, banks are modernizing their core banking software to improve service quality and optimize both back-office processes and frontline procedures. This modernization enhances the bank's capacity to identify and stop money laundering activities (Central Bank of Myanmar, 2020).

Foreign banks in Myanmar are increasingly using artificial intelligence (AI) and machine learning (ML) capabilities to improve their AML systems. By learning from previous data and adjusting algorithms accordingly, these technologies enhance the

accuracy and efficiency of transaction monitoring. AI-powered tools enable banks to detect complex patterns of suspicious behavior that traditional methods might overlook, thereby helping them manage financial crime risks more proactively (Basel Institute on Governance, 2020).

Furthermore, foreign banks in Myanmar are including blockchain technology into their AML initiatives. Blockchain's open and unchangeable record provides a safe method to monitor cross-border financial activities. Using blockchain, banks can improve their capacity to confirm the validity of transactions and lower the possibility of fraud. Particularly in the fight against cross-border money laundering, this technical advancement is crucial since it enables international banks to keep a high degree of openness and responsibility in their worldwide operations (Global Financial Integrity, 2021).

### **3.3.5 Regulatory Compliance**

A basic component of international banks' AML policies is their compliance with legal rules. Banks follow the regulations established by the Central Bank of Myanmar and ensure alignment with local laws. These rules call for banks to create efficient procedures and policies including customer due diligence rules to avoid being exploited for criminal activity. Demonstrating their dedication to preserving the integrity of the financial system, banks make sure their AML policies fit local laws as well as international standards (Central Bank of Myanmar, 2020).

Foreign banks in Myanmar must also keep current with changing AML rules, including those recommended by the Financial Action Task Force (FATF). Banks must change their internal procedures to guarantee complete compliance as worldwide regulatory criteria change. This could mean changing regulations, strengthening monitoring systems, and educating employees on updated legal obligations. Failure to follow AML rules might lead to major penalties, legal consequences, and harm to a bank's standing (Financial Action Task Force, 2012).

Foreign banks in Myanmar name compliance officers and form specific teams to handle regulatory compliance. These teams make sure the bank's policies are current in compliance with worldwide regulatory criteria and that every process is followed properly. Regular internal audits and compliance reviews help identify any gaps, enabling foreign banks to remain alert in their AML efforts and reduce the risk of involvement in financial crimes (Global Financial Integrity, 2021).

## **CHAPTER IV**

### **ANALYSIS OF ANTI MONEY LAUNDERING PRACTICES ON FINANCIAL PERFORMANCE OF FOREIGN BANKS IN MYANMAR**

In this chapter, research design, demographic information of respondents, reliability test, descriptive statistics and the effect of anti-money laundering practices on financial performance of foreign banks in Myanmar are presented.

#### **4.1 Research Design**

This research utilizes a quantitative approach to analyze the effect of Anti-Money Laundering (AML) procedures on the financial performance of international banks in Myanmar. A descriptive and explanatory study methodology was employed to delineate the present status of AML implementation and to examine the causal links between AML practices and financial performance.

The study employed a structured questionnaire as the principal data collecting tool, with closed-ended items assessed on a 7-point Likert scale. The questionnaire was disseminated to personnel across several departments, including compliance, risk management, operations, and digital banking, inside designated international banks in Myanmar. These departments were selected because of direct engagement in anti-money laundering functions and financial supervision.

The study's population comprised personnel from international banks operating in Myanmar, utilizing a simple random sampling approach to guarantee that only respondents possessing pertinent AML-related tasks or expertise were chosen. A total of 109 valid replies were gathered and utilized in the study.

Descriptive statistics were employed to encapsulate demographic characteristics and average scores for AML practice areas. Pearson correlation analysis was conducted to evaluate the relationships among AML components, while multiple regression analysis was utilized to ascertain the impact of AML practices such as Know Your Customer (KYC), Transaction Monitoring & Reporting, Human Resource Training, Use of Technology, and Regulatory Compliance on the financial performance of banks.

The study design was created to yield empirical information regarding the impact of AML measures on financial performance and to ascertain the most important practices.

## 4.2 Demographic Information of Respondents

The demographic characteristics of respondents are presented in this section. The following section contains the demographic results, including age, gender, education, department and experience. It is shown in Table (4.1).

**Table (4.1) Demographic Characteristics of Respondents**

<b>Demographic Characteristics</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age (Year)</b>		
Under 25	15	13.8
26–35	26	23.9
36–45	35	32.1
46–55	25	22.9
56 and above	8	7.3
<b>Gender</b>		
Male	44	40.4
Female	65	59.6
<b>Education</b>		
Bachelor's Degree	35	32.1
Master's Degree	58	53.2
Doctorate	11	10.1
Professional Certification (e.g., CPA, CFA, etc.)	5	4.6
<b>Department</b>		
Compliance Department	27	24.8
Risk Department	25	22.9
Operation Department	31	28.4
Digital Bank Department	26	23.9
<b>Experience</b>		
0–2 years	3	2.8
3–5 years	30	27.5
6–10 years	59	54.1
11+ years	17	15.6

Source: Survey Data, 2025

According to the results in Table (4.1), the respondents' age groups are divided into under 25, 26–35, 36–45, 46–55, and 56 and above. Among them, 13.8% of the respondents are under 25 years, 23.9% are in the 26–35 years age group, 32.1% are in the 36–45 years age group, 22.9% are in the 46–55 years age group, and 7.3% of the respondents are 56 years and above. The highest percentage is from the 36–45 age group, indicating that most participants are experienced mid-career professionals.

In terms of gender, 40.4% of the respondents are male and the remaining 59.6% are female. The number of female respondents is higher than that of males in this survey, showing greater female representation among participants. Education level of respondents are classified into Bachelor's Degree, Master's Degree, Doctorate, and Professional Certification holders. 32.1% of respondents are Bachelor's Degree, 53.2% are Master's Degree, 10.1% have completed a Doctorate, and 4.6% of respondents are professional certifications such as CPA or CFA. The majority of respondents are Master's degree holders, reflecting a highly educated sample group.

Respondents are from various departments, including the Compliance Department, Risk Department, Operation Department, and Digital Bank Department. 24.8% of respondents are from the Compliance Department, 22.9% from the Risk Department, 28.4% from the Operation Department, and 23.9% from the Digital Bank Department, indicating a well-distributed representation across the core functional units involved in AML practices.

In terms of work experience, respondents reported varying years of experience in the banking sector. 2.8% have 0–2 years of experience, 27.5% have 3–5 years, 54.1% have 6–10 years, and 15.6% have more than 11 years. The majority of respondents, 54.1%, fall within the 6-10 years category.

### **4.3 Reliability Test**

Reliability is the scales construction counterpart of precision and accuracy in physical measurement. Reliability can be thought of as consistency in measurement (Sekaran & Bougie, 2016). To establish the reliability of the data, the reliability coefficient (Cronbach Alpha) was verified. There are a number of different reliability coefficients. One of the most used is Cronbach's Alpha (Tavakol & Dennick, 2011). Cronbach's Alpha can be interpreted as a correlation coefficient; it ranges a value from 0 to 1.

It is very important to test the reliability of the dimensions in the dimensions in the questionnaires. Cronbach's Alpha, a statistical test used to examine the internal

consistency of attributes, was determined for each dimension (Gliem & Gliem, 2003). This statistical test shows the attributes are related to each other and to the composite scores. The composite scores for each section of the questionnaires was obtained by summing up the scores of individual statements. If alpha value is high, then this indicates that all of the items are reliable and the entire test is internally consistent. If alpha is low, then at least one of the items is unreliable and must be identified via item analysis procedure (Pallant, 2020).

**Table (4.2) Cronbach's Alpha Range**

<b>Level of reliability</b>	<b>Coefficient Alpha ranges</b>
Poor reliability	Less than 0.6
Fair reliability	0.60 to 0.70
Good reliability	0.70 to 0.80
Very good reliability	0.80 to 0.95

Source: Cronbach

**Table (4.3) Reliability Test of Variables**

<b>No.</b>	<b>Variables</b>	<b>No. of Items</b>	<b>Cronbach's Alpha</b>
1	Know Your Customer	7	0.734
2	Transaction Monitoring & Reporting	7	0.771
3	Human Resource Training	7	0.840
4	Using of Technology in AML	7	0.817
5	Regulatory Compliance	7	0.870
6	Financial Performance	7	0.850

Source: Survey Data, 2025

#### **4.4 Descriptive Statistics**

Descriptive statistics are essential as these methods offer a preliminary understanding of the data, highlight key characteristics, and provide a foundation for further statistical analysis. Therefore, in this section, the descriptive statistics were explored for the variables of interest in this study and the results were presented.

**Table (4.4) Mean Value Interpretation**

<b>Mean Value</b>	<b>Description</b>
1.00 - 1.85	Very bad
1.86 - 2.71	Rather bad
2.72 - 3.57	Bad
3.58 - 4.43	Neither good nor bad
4.44 - 5.29	Good
5.30 - 6.15	Rather good
6.16 - 7.00	Very good

Source: Pimentel ,2019

Pimentel (2019) systematically categorizes the interpretation of mean values from Likert-scale survey responses into seven distinct levels. This classification aids in comprehending the overall sentiment or perception indicated by the responses. Mean scores between 1.00 and 1.85 are classified as Very Bad, reflecting significant dissatisfaction or disagreement. Scores ranging from 1.86 to 2.71 are classified as Rather Bad, indicating a marginally less negative yet still unfavorable response. The Bad category encompasses mean values ranging from 2.72 to 3.57, indicating a generally low level of approval among respondents. Scores ranging from 3.58 to 4.43 are categorized as Neither good nor bad, indicating a balanced or indifferent perspective. The Good category ranges from 4.44 to 5.29, reflecting a favorable trend in perception or agreement. Mean scores ranging from 5.30 to 6.15 are classified as rather good, indicating a moderately high level of satisfaction. Scores ranging from 6.16 to 7.00 are categorized as Very Good, indicating a high level of agreement or approval. This interpretive framework equips researchers with a precise tool for the analysis and reporting of survey results, ensuring a meaningful connection between numerical values and qualitative descriptors.

#### **4.4.1 Perception on Know Your Customer**

The perception of Know Your Customer (KYC) practices is measured through seven key factors. These include compliance with local and international KYC regulations, regular updating and verification of customer information, effective integration of KYC procedures into the onboarding process, enhanced due diligence for high-risk customers,

monitoring of customer activities to detect suspicious transactions, reliable customer identification methods, and regular reviews by the compliance team to ensure alignment with changing regulatory requirements. The results of the perception on KYC practices implemented by the bank are presented in Table (4.5).

**Table (4.5) Mean Score of Know Your Customer**

<b>No.</b>	<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	Complying KYC policy with local and international regulations	5.56	0.673
2	Updating regularly and verifying customer KYC information.	5.36	0.553
3	Integrating KYC procedures effectively into the customer onboarding process.	5.75	0.841
4	Conducting enhanced due diligence for high-risk customers in accordance with regulatory requirements	5.50	0.867
5	Monitoring customer activity and detecting suspicious transactions.	5.50	1.006
6	Identifying customer verification through reliable and secure methods.	5.76	0.665
7	Reviewing KYC regularly by the bank's compliance team to ensure alignment with changing regulations.	5.69	0.959
	<b>Overall Mean</b>	<b>5.59</b>	

Source: Survey Data, 2025

Table (4.5) provides insights into the anti-money laundering (AML) practices related to know your customer (KYC). The analysis of mean scores related to Know Your Customer (KYC) practices among foreign banks in Myanmar reveals an overall positive perception, with an overall mean score of 5.59, which falls within the "rather good" category based on the established interpretation scale. This indicates that, generally, foreign banks in Myanmar have implemented KYC practices effectively, though there is still room for further enhancement to reach the "very good" level.

Among the individual statements, the highest-rated item is “Identifying customer verification through reliable and secure methods”, with a mean score of 5.76. This falls into the "very good" category, demonstrate that banks place strong emphasis on secure and trustworthy methods for verifying customer identities. Similarly, “Integrating KYC procedures effectively into the customer onboarding process.” also received a “very good” rating with a mean of 5.75, reflecting the strong alignment of KYC protocols with customer acquisition strategies.

Other statements such as “Reviewing KYC regularly by the bank’s compliance team to ensure alignment with changing regulations” (mean = 5.69), “Complying KYC policy with local and international regulations” (mean = 5.56), and “Conducting enhanced due diligence for high-risk customers in accordance with regulatory requirements” (mean = 5.50) also fall within the "rather good" category. These results indicate that compliance oversight, policy clarity, and due diligence for high-risk clients are generally well managed.

The statements “Monitoring customer activity and detecting suspicious transactions” and “Updating regularly and verifying customer KYC information” both received slightly lower scores, with means of 5.50 and 5.36 respectively. Although these are still considered “rather good”, they represent areas that may require additional attention, particularly in maintaining the accuracy and currency of customer information.

In conclusion, the findings show that foreign banks in Myanmar demonstrate a commendable level of compliance with KYC requirements. The strong performance in identity verification and onboarding integration is especially notable.

#### **4.4.2 Perception on Transaction Monitoring & Reporting**

The perception on transaction monitoring and reporting is assessed based on seven key indicators. These include the regular updating of monitoring tools in line with evolving regulatory requirements, the reporting of suspicious transactions to relevant authorities, the effective integration of transaction monitoring systems with KYC and risk management processes, and the identification of high-value or unusual transactions through AML systems. Additional aspects include prompt investigation of suspicious activities following defined protocols, conducting internal audits to evaluate system effectiveness, and enhancing monitoring systems to prevent fraudulent and money

laundering activities. The results of the perception on transaction monitoring and reporting practices adopted by the bank are presented in Table (4.6).

**Table (4.6) Mean Score of Transaction Monitoring & Reporting**

<b>No.</b>	<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	Updating regularly transaction monitoring tools to meet evolving regulatory requirements.	5.42	0.984
2	Reporting suspicious transactions with regulatory requirements to the relevant authorities.	5.68	0.951
3	Integrating transaction monitoring system effectively with KYC and risk management procedures.	5.83	0.826
4	Identifying the AML system flags high-value or unusual transactions based on pre-defined criteria.	5.42	0.874
5	Investigating suspicious transactions promptly and following a defined protocol.	5.16	1.226
6	Conducting regular internal audits to ensure the effectiveness of transaction monitoring systems.	5.07	1.144
7	Enhancing the transaction monitoring system to prevent fraud and money laundering activities.	5.79	1.155
	<b>Overall Mean</b>	<b>5.48</b>	

Source: Survey Data, 2025

The analysis of the mean scores for Transaction Monitoring & Reporting practices among foreign banks in Myanmar reveals an overall “rather good” perception, with an overall mean score of 5.48. This recommends that the banks generally have well-established monitoring and reporting mechanisms in place to support their Anti-Money Laundering (AML) efforts, though certain areas show potential for improvement.

The highest-rated statement is “Integrating transaction monitoring system effectively with KYC and risk management procedures”, which received a mean score of 5.83, falling into the “very good” category. This indicates strong integration between monitoring tools and other core AML functions, a key element in effective risk mitigation.

Closely following this is the statement “Enhancing the transaction monitoring system to prevent fraud and money laundering activities”, with a mean of 5.79, also rated as “very good”, suggesting a high level of confidence in the system’s overall impact and effectiveness.

Additionally, the statement “Reporting suspicious transactions with regulatory requirements to the relevant authorities” received a mean of 5.68, falling within the “rather good” category. This reflects a strong commitment to regulatory compliance and transparency. Two other statements “Updating regularly transaction monitoring tools to meet evolving regulatory requirements” and “Identifying the AML system flags high-value or unusual transactions based on pre-defined criteria” both scored 5.42, which also places them in the “rather good” range. These results indicate that the tools and criteria used for monitoring are perceived as adequately updated and responsive to risk patterns.

However, slightly lower scores were observed in operational and follow-up areas. The statement “Investigating suspicious transactions promptly and following a defined protocol” scored 5.16, and “Conducting regular internal audits to ensure the effectiveness of transaction monitoring systems” received the lowest score of 5.07. Although both are still within the “rather good” category, these findings indicate room for improvement in the speed of investigations and the consistency of internal oversight.

In summary, the data indicates that foreign banks in Myanmar generally maintain effective transaction monitoring and reporting systems. Strengths lie in system integration, regulatory compliance, and the ability to detect potentially illicit activity. However, to move toward a “very good” overall rating, improvements should be focused on strengthening internal audit processes and ensuring prompt investigations of flagged transactions.

#### **4.4.3 Perception on Human Resource Training**

The perception on human resource training in relation to Anti-Money Laundering (AML) compliance is evaluated through seven key indicators. These include providing comprehensive training on AML and regulatory compliance, regularly updating training content to reflect regulatory changes, and assessing the effectiveness of training programs. The evaluation also considers the provision of specialized training for staff directly involved in AML and KYC functions, ensuring that training is continuous rather than a one-time event, offering adequate resources to keep employees informed of regulatory

developments, and conducting regular testing of employees’ compliance knowledge. The results of the perception on human resource training practices implemented by the bank are presented in Table (4.7).

**Table (4.7) Mean Score of Human Resource Training**

No.	Statement	Mean	Std. Deviation
1	Providing comprehensive training on Anti-Money Laundering (AML) and regulatory compliance to all relevant employees.	5.38	0.581
2	Training on compliance and KYC procedures is updated regularly to reflect regulatory changes.	5.51	0.559
3	Establishing process for evaluating the effectiveness of compliance training programs.	5.04	1.162
4	Offering specialized training to employees in departments directly involved in AML compliance and KYC procedures.	5.36	0.948
5	Ensuring that compliance training is a continuous basis rather than as one-time event.	5.11	1.030
6	Providing sufficient resources to help employees stay updated on regulatory developments.	5.63	0.846
7	Testing employees regularly on their compliance knowledge.	5.45	0.855
	Overall Mean	5.35	

Source: Survey Data, 2025

The analysis of the Human Resource Training component in relation to AML practices among foreign banks in Myanmar indicates a generally “rather good” perception, with an overall mean score of 5.35. This implies that banks are actively investing in AML-related training and compliance education, though certain aspects could benefit from greater consistency or depth to reach a “very good” standard.

The highest-rated item is “Providing sufficient resources to help employees stay updated on regulatory developments”, which received a mean score of 5.63, indicating a “rather good” to “very good” level of support in keeping staff informed. Closely following this is “Training on compliance and KYC procedures is updated regularly to reflect

regulatory changes”, with a mean of 5.51, showing that banks are responsive to the evolving regulatory environment.

Statements such as “Testing employees regularly on their compliance knowledge” (mean = 5.45), “Providing comprehensive training on AML and regulatory compliance to all relevant employees” (mean = 5.38), and “Offering specialized training to employees in departments directly involved in AML compliance and KYC procedures” (mean = 5.36) all fall within the “rather good” range. These results indicate that basic and advanced training provisions are in place and positively received, especially for personnel directly handling compliance-related tasks.

On the lower end, “Ensuring that compliance training is a continuous basis rather than as one-time event” scored 5.11, and “Establishing process for evaluating the effectiveness of compliance training programs” received the lowest mean score of 5.04. While both are still within the “rather good” category, they point to potential weaknesses in follow-up and evaluation mechanisms.

#### **4.4.4 Perception on Using of Technology in AML**

The perception on the use of technology in Anti-Money Laundering (AML) practices is assessed through seven key factors. These include the bank’s ability to detect suspicious transactions in real time using digital tools, the extent to which technology has reduced manual workload in AML processes, and the integration of AML systems with other banking platforms. Additional aspects evaluated are the effectiveness of technology in identifying cross-border money laundering activities, enhancing the speed and accuracy of filing AML-related Suspicious Activity Reports (SARs), and the challenges of adapting international AML technologies to Myanmar’s regulatory environment. The level of investment in AML-related technology is also considered. The results of the perception on the use of technology in AML are presented in Table (4.8).

**Table (4.8) Mean Score of Using of Technology in AML**

<b>No.</b>	<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	Utilizing digital tools, the bank detects suspicious transactions in real time.	5.12	0.988
2	Using technology has significantly reduced the manual workload related to AML practices.	5.72	0.768
3	Integrating AML technology with other banking systems.	5.52	0.812
4	Helping AML technology in identifying cross-border money laundering activities.	5.72	0.708
5	Improving technology, the speed and accuracy of filing AML related Suspicious Activity Reports (SARs).	5.76	0.849
6	Adapting international AML technology to the Myanmar regulatory environment presents significant challenge.	5.61	0.817
7	Investing in AML-related technology is a high priority.	5.40	0.982
	Overall Mean	5.55	

Source: Survey Data, 2025

The assessment of technology use in Anti-Money Laundering (AML) practices among foreign banks in Myanmar reveals a generally strong and positive perception, with an overall mean score of 5.55, which falls within the “rather good” category. This indicates that while technology adoption in AML operations is seen as effective and beneficial, there is still room to elevate these systems to a “very good” performance level across the sector.

The highest-rated statement is “Improving technology, the speed and accuracy of filing AML related Suspicious Activity Reports (SARs)”, with a mean score of 5.76, placing it in the “very good” range. This reflects a strong endorsement of how technology enhances operational efficiency in critical reporting processes. Similarly, two other statements “Using technology has significantly reduced the manual workload related to AML practices” and “Helping AML technology in identifying cross-border money laundering activities” both received high mean scores of 5.72, also categorized as “very

good”. These responses highlight the value that advanced systems provide in both streamlining internal tasks and addressing the complex risks of cross-border transactions.

Integrating AML technology well with other banking systems, was also viewed positively, with a score of 5.52, indicating “rather good” system connectivity and alignment across compliance functions. Similarly, “Investing in AML-related technology is a high priority” received a mean of 5.40, reflecting a shared organizational commitment to enhancing AML capabilities through technological upgrades.

Interestingly, the statement “Adapting international AML technology to the Myanmar regulatory environment presents significant challenge” scored 5.61, which, although classified as “rather good”, reflects a notable concern. It suggests that while banks value international AML tools, adapting them to Myanmar’s local regulatory context remains an area of ongoing difficulty and could be a potential barrier to optimization.

The lowest score in the set was for “Utilizing digital tools, the bank detects suspicious transactions in real time”, with a mean of 5.12. While still within the “rather good” range, this indicates that real-time detection capabilities might not be fully mature across all banks and could benefit from further development or investment.

In summary, the results indicate that foreign banks in Myanmar have made meaningful strides in leveraging technology for AML purposes. Particular strengths lie in reducing manual workload, supporting accurate and timely SAR filings, and identifying cross-border threats.

#### **4.4.5 Perception on Regulatory Compliance**

The perception on regulatory compliance in relation to Anti-Money Laundering (AML) is measured using seven indicators. These include strict adherence to both local and international AML regulations, the clarity and consistency of the regulatory environment, and alignment of internal compliance policies with global AML standards such as those set by the Financial Action Task Force (FATF). The assessment also considers the presence of effective internal controls, the frequency of AML compliance reviews and audits, active monitoring of geopolitical and regional AML risks by the compliance team, and the integration of AML compliance into the bank’s broader risk management strategy. The results of the perception on regulatory compliance practices are presented in Table (4.9).

**Table (4.9) Mean Score of Regulatory Compliance**

<b>No.</b>	<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	Complying strictly with local and international AML regulations.	5.59	1.011
2	The Regulatory environment is clear and consistent regarding AML requirements.	5.84	1.020
3	Aligning compliance policy with international AML standards (e.g., FATF).	5.58	1.125
4	Having effective internal controls to ensure adherence to AML regulations.	5.63	0.930
5	Reviewing AML regulatory compliance and auditing.	5.53	1.159
6	Actively monitoring by compliance team geopolitical and regional risks related to AML.	5.59	1.203
7	Considering AML regulatory compliance is a strategic part of risk management.	5.12	1.289
Overall Mean		5.55	

Source: Survey Data, 2025

The results from the Regulatory Compliance component indicate a generally positive assessment, with an overall mean score of 5.55, placing it in the “rather good” category. This suggests that foreign banks in Myanmar have a strong commitment to adhering to Anti-Money Laundering (AML) regulations, but there is still room for improvement in certain aspects of regulatory compliance practices.

The highest-rated statement is “The Regulatory environment is clear and consistent regarding AML requirements.”, with a mean score of 5.84, which falls in the “very good” category. This reflects the perception that the regulatory framework in Myanmar is well-defined and stable, providing a solid foundation for compliance activities. Similarly, the statement “Complying strictly with local and international AML regulations” also received a strong mean score of 5.59, indicating a high level of adherence to both local and international standards, a critical aspect for maintaining compliance.

Statements such as “Aligning compliance policy with international AML standards (e.g., FATF)” (mean = 5.58) and “Having effective internal controls to ensure adherence to AML regulations” (mean = 5.63) both received high marks. These responses indicate that the banks are not only aware of international AML standards but also have internal mechanisms in place to enforce these standards effectively, supporting robust compliance frameworks.

The statement “Reviewing AML regulatory compliance and auditing” scored 5.53, which shows that banks actively monitor and audit their compliance efforts, ensuring continuous alignment with AML regulations. However, the relatively higher standard deviation (1.159) indicates some variability in how consistently this is practiced across different banks.

“Complying strictly with local and international AML regulations” also received a mean of 5.59, demonstrating that banks are proactive in identifying and addressing risks that may arise from external political or regional factors, which can influence money laundering activities.

The lowest-rated statement is “Considering AML regulatory compliance is a strategic part of risk management”, with a mean score of 5.12. This indicates that while regulatory compliance is recognized, it may not always be seen as an integral part of the broader risk management strategy within the organization.

In conclusion, foreign banks in Myanmar generally exhibit strong regulatory compliance practices, particularly in adhering to local and international regulations, aligning with global standards, and maintaining effective internal controls. However, there are areas where greater consistency could be achieved, particularly in integrating compliance as a central element of overall risk management. The variability in responses across different compliance statements also indicates that some banks may need to refine their approach to regulatory compliance to achieve a higher level of uniformity and strategic integration.

#### **4.4.6 Overall Mean Score of AML Practices**

The overall mean score of Anti-Money Laundering (AML) practices offers a thorough assessment of the perceived efficacy of several AML methods and processes employed by foreign banks in Myanmar. By consolidating responses across essential AML domains namely Know Your Customer (KYC), Transaction Monitoring and Reporting,

Human Resources Training, Utilization of Technology in AML, and Regulatory Compliance the overall mean score provides significant insights into the perceived effectiveness of these practices. The average score is obtained using a 7-point Likert scale, where elevated values signify greater agreement on the efficacy of the implemented procedures. This research examines the mean scores, elucidating the effectiveness of the bank's AML initiatives in relation to international standards and best practices.

**Table (4.10) Overall Mean Score of AML Practices**

Step	AML laundering Practices	Average Mean Score
1	Know Your Customer	5.59
2	Transaction Monitoring & Reporting	5.48
3	Human Resource Training	5.35
4	Using of Technology in AML	5.55
5	Regulatory Compliance	5.55

Source: Survey Data, 2025.

Table 4.10 presents the overall mean scores of respondents' perceptions across five key Anti-Money Laundering (AML) practice areas, each measured using seven Likert-scale statements. These areas include Know Your Customer (KYC), Transaction Monitoring & Reporting, Human Resource Training, Use of Technology in AML, and Regulatory Compliance. The average scores were derived from responses on a 7-point Likert scale, with higher scores indicating stronger agreement with the effectiveness of the bank's practices in each domain.

Among the five areas, Know Your Customer (KYC) achieved the highest mean score of 5.59, indicating a strong organizational performance in customer verification, risk classification, and ongoing due diligence procedures. Use of Technology in AML and Regulatory Compliance both received a mean score of 5.55, reflecting favorable perceptions of the bank's investment in technology solutions for real-time monitoring, system integration, and regulatory reporting. These results also show that the bank's compliance framework is well-aligned with international standards such as FATF and that regulatory obligations are taken seriously at a strategic level.

Transaction Monitoring & Reporting was rated slightly lower, with a mean score of 5.48. Although still relatively high, this score indicates a perception that there is room for enhancement in areas such as automated monitoring, alert quality, or the efficiency of filing Suspicious Transaction Reports (STRs). The lowest score was reported for Human Resource Training at 5.35. While this is still above the neutral midpoint of the scale, it points to a potential area for further development.

#### 4.4.7 Perception on Financial Performance

The perception on financial performance is assessed through seven key indicators. These include demonstrating consistent profitability over recent fiscal years, effective liquidity management to meet short-term obligations, and maintaining high asset quality to reduce credit risk exposure. Additional aspects involve controlling operational expenses to improve efficiency, achieving optimal financial returns while minimizing associated risks, maintaining a sound capital structure that supports long-term sustainability and growth, and implementing stable financial policies and risk management frameworks. The results of the perception on the bank’s financial performance are presented in Table (4.11).

**Table (4.11) Mean Score of Financial Performance**

No.	Statement	Mean	Std. Deviation
1	Demonstrating consistent profitability over the past fiscal years.	5.57	0.927
2	Managing liquidity effectively, ensuring its ability to meet short-term obligations.	4.63	1.392
3	Maintaining high asset quality, minimizing exposure to credit risks.	4.83	1.339
4	Controlling operational expenses well, contributing to strong operational efficiency.	5.54	1.041
5	Providing optimal financial returns while minimizing risks.	5.17	1.104
6	Supporting capital structure in long-term sustainability and growth.	4.98	1.354
7	Ensuring financial policies and risk management frameworks stable financial performance.	5.28	1.106
Overall Mean		5.14	

Source: Survey Data, 2025

The financial performance component reflects the overall financial health and management effectiveness of foreign banks in Myanmar, with an overall mean score of 5.14, which places it in the “rather good” category. This suggests that while foreign banks generally show satisfactory financial performance, there are some areas where further improvements could enhance their financial stability and profitability.

The highest-rated statement is “Demonstrating consistent profitability over the past fiscal years”, with a mean score of 5.57, falling into the “good” category. This indicates that foreign banks in Myanmar have been able to maintain a strong and stable profitability record over the years, contributing positively to their financial performance.

Similarly, “Controlling operational expenses well, contributing to strong operational efficiency” scored 5.54, highlighting the effective management of operational costs, which helps ensure that the banks operate efficiently and maintain profitability. These results demonstrate that cost management is a key strength for foreign banks in Myanmar, helping them optimize their resources and increase their overall financial efficiency.

In terms of investment returns, the statement “Providing optimal financial returns while minimizing risks” achieved a mean score of 5.17, reflecting the banks’ ability to strike a balance between generating good financial returns and managing investment risks. This score indicates that foreign banks are capable of making sound investment decisions that contribute positively to their financial performance.

On the other hand, some areas show more room for improvement. The statement “Managing liquidity effectively, ensuring its ability to meet short-term obligations” received a mean score of 4.63, indicating that liquidity management is a relatively weaker area for foreign banks in Myanmar. The relatively higher standard deviation (1.392) for this statement suggests significant variability in how different banks manage liquidity, with some banks potentially facing challenges in maintaining sufficient liquidity for short-term obligations.

Similarly, “Maintaining high asset quality, minimizing exposure to credit risks” scored 4.83, suggesting that while asset quality is generally well-managed, there is some concern regarding the level of credit risk exposure. The relatively high standard deviation (1.339) reflects some inconsistency in how asset quality and credit risk are managed across banks.

Regarding long-term sustainability, “Supporting capital structure in long-term sustainability and growth” received a mean score of 4.98, which is slightly below the “good” category, implying that capital structure management may not be optimized to its full potential in all banks. This could show that some banks may face challenges in balancing their capital to support long-term growth and stability.

The statement “Ensuring financial policies and risk management frameworks stable financial performance” received a mean score of 5.28, indicating that banks generally have solid financial policies and risk management systems in place. These frameworks are essential for maintaining a stable financial environment and safeguarding against potential financial disruptions.

In conclusion, while foreign banks in Myanmar demonstrate solid financial performance in areas such as profitability, operational efficiency, and investment returns, challenges remain in liquidity management, asset quality, and capital structure. These areas may benefit from further refinement to enhance overall financial stability and ensure sustainable growth. The variability in responses, especially in liquidity and credit risk management.

#### **4.5 The Effect of Anti-Money Laundering Practices on Financial Performance**

A Pearson Correlation Analysis was conducted to assess the factors that affect the influence of Anti-Money Laundering Practices on the financial performance of foreign banks in Myanmar. Pearson Correlation Analysis is a statistical method employed to determine the strength and direction of the linear relationship between two continuous variables. This research presents a quantitative depiction of the extent to which two factors correlate with one another. The Pearson correlation coefficient, denoted as ( $r$ ), represents it. The coefficient can range from -1 to +1, where +1 signifies a perfect positive linear correlation, -1 denotes a perfect negative linear correlation, and 0 indicates no evidence of a linear relationship (Pearson, 1896). Rodgers and Nicewander (1988) declare that the Pearson Correlation is a statistical technique employed to elucidate the linear relationship between variables. Nonetheless, it does not indicate a causal link between the variables and may be influenced by outliers or non-linear interactions. This study used Pearson Correlation analysis to examine the link between Anti-Money Laundering practices and financial performance, as detailed in Table 4.12.

**Table (4.12) Correlation Analysis on Anti-Money Laundering Practices and Financial Performance**

No.	Variables	Correlation
1	Know Your Customer	0.653**
2	Transaction Monitoring & Reporting	0.544**
3	Human Resource Training	0.634**
4	Using of Technology in AML	0.540**
5	Regulatory Compliance	0.675**

Source: Survey Data, 2025

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

Table 4.12 presents the Pearson correlation coefficients between five key Anti-Money Laundering (AML) variables: Know Your Customer, Transaction Monitoring & Reporting, Human Resource Training, Use of Technology in AML, and Regulatory Compliance. All correlation values are statistically significant at the 0.01 level (2-tailed), indicating strong and meaningful linear relationships among these variables based on the survey data.

The highest correlation was found between Regulatory Compliance and Know Your Customer ( $r = 0.675$ ), showing that a strong customer due diligence process is closely aligned with the effectiveness of regulatory compliance frameworks. Likewise, Human Resource Training also demonstrated a strong positive relationship with Know Your Customer ( $r = 0.634$ ), indicating that continuous staff development contributes significantly to successful implementation of KYC practices.

The moderately strong correlations between Transaction Monitoring & Reporting ( $r = 0.544$ ) and Use of Technology in AML ( $r = 0.540$ ) with other AML components highlight their supportive roles in enhancing overall compliance. These findings indicate that AML effectiveness is best achieved through an integrated approach, where reinforcing one area such as employee training or regulatory systems can lead to improvements in others. The results reinforce the importance of maintaining balance across all AML pillars to ensure sustainable risk management and regulatory adherence.

**Table (4.13) Regression Analysis on the Effect of Anti-Money Laundering Practices on Financial Performance**

Explanatory Variables	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	0.782**	0.367		2.128	0.036	
Know Your Customer	0.166***	0.038	0.275	3.700	0.000	1.848
Transaction Monitoring & Reporting	0.142**	0.062	0.177	2.663	0.009	1.460
Human Resource Training	0.116	0.087	0.117	1.325	0.188	2.878
Using of Technology in AML	0.252***	0.070	0.284	3.602	0.000	2.326
Regulatory Compliance	0.179***	0.050	0.280	3.601	0.000	2.021
R Square	0.692					
Adjusted R Square	0.677					
F-value	46.244***					

Source: Survey Data, 2025

Table 4.13 presents the results of a regression analysis conducted to examine the effect of various Anti-Money Laundering (AML) practices on the financial performance of foreign banks operating in Myanmar. This model clearly shows how the variables are related, with an R Square value of 0.692, indicating that approximately 69.2% of the variance in financial performance can be explained by the AML practices included in the model. The Adjusted R Square value of 0.677 confirms the strength of the model after accounting for the number of predictors. Additionally, the F-value of 46.244, which is statistically significant at the 1% level ( $p < 0.001$ ), suggests that the model as a whole fit the data well and that the set of AML variables included has a significant impact on financial performance.

Among the variables, Know Your Customer (KYC) practices show a statistically significant and positive effect on financial performance, with an unstandardized coefficient of 0.166 and a p-value of 0.000. This indicates that strengthening KYC measures contributes meaningfully to improving financial outcomes by helping banks better understand and manage customer-related risks. Similarly, Transaction Monitoring and Reporting has a significant positive effect, with a coefficient of 0.142 and a p-value

of 0.009, suggesting that careful monitoring of transactions can enhance financial performance by detecting and addressing suspicious or high-risk activities in a timely manner.

The role of Human Resource Training, although yielding a positive coefficient of 0.116, is not statistically significant ( $p = 0.188$ ), implying that while staff training is conceptually important for effective AML implementation, its direct impact on financial performance is not strong enough to be confirmed in this model. On the other hand, the Use of Technology in AML shows a highly significant positive relationship with financial performance, with a coefficient of 0.252 and a p-value of 0.000. This demonstrates that integrating advanced technologies such as automation, AI, or machine learning into AML processes substantially boosts the operational efficiency and effectiveness of AML compliance, thereby improving overall financial results.

Furthermore, Regulatory Compliance emerges as another key driver of financial performance. It has an unstandardized coefficient of 0.179 and a p-value of 0.000, confirming a statistically significant positive relationship. This underscores the importance of aligning with local and international AML regulations, which not only helps avoid legal penalties but also builds institutional trust and credibility, contributing to better financial outcomes.

In conclusion, the regression analysis highlights that AML practices such as know your customer, transaction monitoring, use of technology, and regulatory compliance all have significant and positive effects on the financial performance of foreign banks in Myanmar. Among these, the most influential factors are the use of technology, followed closely by regulatory compliance, KYC and transaction monitoring. While employee training does not exhibit a statistically significant direct effect on this model, it remains an important foundation for supporting effective AML practices. It is recommended that foreign banks operating in Myanmar should prioritize the strengthening of technological integration and regulatory compliance systems as key strategies for improving financial performance. In addition, maintaining know your customer procedures and effective transaction monitoring frameworks is essential to support comprehensive AML efforts.

## **CHAPTER V**

### **CONCLUSION**

In this chapter, findings and discussions, suggestions and recommendations, and needs for further research are described.

#### **5.1 Findings and Discussions**

The main objective of this study is to analyze the effect of anti-money laundering practices on financial performance of foreign banks in Myanmar. The demographic profile of the respondents reveals that the majority of respondents are in the 36-45 age group, indicating strong mid-career representation. Showing higher female participation. Most respondents are highly educated, with a master's degree. Respondents are well distributed across key departments, with the highest in Operations. A significant majority have 6-10 years of banking experience, reflecting strong professional expertise.

Among the five assessed Anti-Money Laundering (AML) practice areas, Know Your Customer (KYC) received the highest mean score. Use of Technology in AML and Regulatory Compliance followed closely with equal scores. While Transaction Monitoring & Reporting scored a slightly lower mean score. The lowest score was for Human Resource Training. Overall, the results reflect a strong AML framework, with specific opportunities for improvement in employee training and monitoring systems to further bolster compliance effectiveness.

According to the Pearson correlation analysis revealed statistically significant and positive relationships between the five key Anti-Money Laundering (AML) variables: Know Your Customer, Transaction Monitoring & Reporting, Human Resource Training, Use of Technology in AML, and Regulatory Compliance. The strongest correlation was observed between Regulatory Compliance and Know Your Customer, indicating that effective KYC processes are closely aligned with strong regulatory compliance. Similarly, Human Resource Training showed a strong correlation with Know Your Customer, highlighting the importance of continuous employee development in enhancing customer due diligence practices. Moderate but meaningful correlations were also found between Transaction Monitoring and Reporting and Use of Technology in AML with other AML components, suggesting these areas play a crucial supporting role in the overall AML framework. These findings emphasize that a well-balanced and integrated AML strategy

where improvements in one area can positively influence others is essential for achieving comprehensive compliance and effective risk management.

The key findings from the regression analysis indicate that Anti-Money Laundering (AML) practices significantly influence the financial performance of foreign banks in Myanmar. Specifically, Know Your Customer (KYC), Transaction Monitoring, Use of Technology, and Regulatory Compliance all show statistically significant and positive effects on financial performance. Among them, Use of Technology are significantly positive effect of financial performance. Regulatory Compliance, KYC and transaction monitoring also contribute meaningfully to financial performance, reinforcing the importance of customer risk assessment and transaction oversight. While Human Resource Training shows a positive but statistically not significant effect, it still supports AML implementation. Overall, the analysis emphasizes the value of a well-rounded AML strategy particularly through technology and compliance alignment for enhancing financial outcomes.

## **5.2 Suggestions and Recommendations**

Based on the findings of this study, several key recommendations can be made to improve the effectiveness of Anti Money Laundering (AML) practices and the financial performance of foreign banks operating in Myanmar. The results suggest that AML practices are relatively well implemented, specific areas particularly Transaction Monitoring and Reporting require further development. These gaps through strategic investments and policy improvements will contribute to a more robust AML framework that not only complies with regulatory standards but also supports the financial stability and reputation of the banks.

In addition, foreign banks invest in improving Transaction Monitoring and Reporting systems. A moderately high score and positive relationship with financial performance, there is a need to further improve accuracy, and efficiency of detecting suspicious activities. Effective transaction monitoring is essential for identifying potential money laundering activities before increasing systemic risks. Therefore, banks should consider implementing automatic investigation systems that are able to analyze large volumes of data in real time. Risk scoring algorithms, alert creation mechanisms, and integrated situation management tools can significantly improve the timeliness and quality of suspicious transaction reports (STRs), so enhancing compliance with regulatory expectations and reducing operational risk.

Another recommendation from the findings is the need to invest in advanced technologies to support AML practices processes. The Use of Technology in AML practices had the most significant and positive effect on financial performance, underscoring its value in enhancing compliance effectiveness and operational efficiency. Artificial intelligence (AI), machine learning, and big data analytics offer powerful tools for risk detection, customer behavior analysis, and transaction pattern detection. These technologies can help automate routine tasks, reduce human error, and allow compliance teams to focus on high-risk cases. Foreign banks should arrange the integration of these digital tools into their existing AML systems and allocate sufficient resources to technology operated innovation.

Furthermore, Foreign banks should support compliance policies with international standards set by the Financial Action Task Force (FATF). This includes regular updates to internal policies, conducting independent audits, and maintaining transparent reporting methods. All AML practices are instructed in up-to-date regulatory guidance not only helps inhibit legal punishments and reputational damage but also promotes customer and investor confidence. The findings confirm that improvements, such as training or transaction monitoring, can have positive effects on KYC and regulatory compliance. Therefore, it is recommended that banks establish integrated compliance teams, cross functional coordination frameworks, and integrated data management systems to ensure communication and operational alignment across all AML related departments.

Finally, monitoring, evaluation and improvement of AML practices must be contained in the strategic management of foreign banks. The nature of financial crimes and the regulatory environment, AML policies should not be stable. Banks should implement robust performance measurement frameworks, feedback procedures, and risk assessments to identify occurring risks and refine existing procedures. Regular reviews, internal compliance records, and benchmarking international best practices can help ensure that AML strategies continue responsive and effective. The study highlights the need for foreign banks in Myanmar to improve human capital, upgrade monitoring systems, modern technologies, support regulatory alignment, and maintain an integrated and adaptable AML strategy. By implementing these recommendations, banks can not only improve fulfillment and reduce financial crime risks but also improve operational efficiency and financial performance in a competitive and evolving financial landscape.

### **5.3 Needs for Further Research**

While this study provides valuable insights into the impact of Anti-Money Laundering (AML) practices on the financial performance of foreign banks in Myanmar, further research is needed to explore several areas more deeply. Future studies could include a comparative analysis between local and foreign banks to determine if the effects of AML practices differ across institutional types. Additionally, qualitative research involving interviews with compliance officers and regulators could provide a richer understanding of practical challenges and contextual factors influencing AML implementation. Expanding the sample size and incorporating longitudinal data would also help capture changes over time and improve the generalizability of the findings. Exploring the role of emerging technologies such as blockchain and AI in AML compliance could further enhance strategic recommendations for the banking sector.

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## **APPENDIX - I**

### **Survey Questionnaires**

#### **Anti-Money Laundering Practices of Foreign Banks in Myanmar**

I would be grateful to your participation in the survey. This survey is a partial fulfillment of the requirements for Master of Banking Finance. This questionnaire is only concerned for academic purposes of Master Degree and not related to other business purposes. This questionnaire consists of seven sections. The respondent will be required to answer all the questions presented in each section. The respondent is expected to circle whichever is appropriate with his or her opinion. Please be assured that your responses will be strictly confidential. This study relates to the “Anti-Money Laundering Practices of Foreign Banks in Myanmar”.

#### **Section 1: Demographic and Socio-Economic Characteristics**

**1. What is your age group?**

- Under 25
- 26–35
- 36–45
- 46–55
- 56 and above

**2. What is your gender?**

- Male
- Female

**3. What is the highest level of education you have completed?**

- High School
- Bachelor's Degree
- Master's Degree
- Doctorate
- Professional Certification (e.g., CPA, CFA, etc.)

**4. What is your department within the organization?**

- Compliance Department
- Risk Department
- Operation Department
- Digital Bank Department

**5. How many years of experience do you have in the banking sector?**

- 0–2 years
- 3–5 years
- 6–10 years
- 11+ years

## Section 2: Know Your Customer (KYC)

1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Neither Agree nor Disagree, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree

No.	Statement	1	2	3	4	5	6	7
1	The bank has a clear KYC policy that complies with local and international regulations.							
2	The bank regularly updates and verifies KYC information.							
3	KYC procedures are effectively integrated into the customer onboarding process.							
4	High-risk customers undergo enhanced due diligence as per regulatory requirements.							
5	The bank monitors customer activity and detects suspicious transactions.							
6	Customer identity verification is done using reliable and secure methods.							
7	KYC compliance is regularly reviewed by the bank's compliance team.							

## Section 3: Transaction Monitoring & Reporting

1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Neither Agree nor Disagree, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree

No.	Statement	1	2	3	4	5	6	7
1	Transaction monitoring tools are updated to meet evolving regulatory requirements.							
2	The bank reports suspicious transactions to the relevant authorities in compliance with regulations.							
3	The monitoring system integrates effectively with KYC and risk management procedures.							
4	The AML system flags high-value or unusual transactions based on predefined criteria.							
5	Suspicious transactions are investigated promptly, following a defined protocol.							
6	Regular internal audits assess the effectiveness of transaction monitoring systems.							
7	The monitoring system enhances the bank's ability to prevent fraud and money laundering.							

#### Section 4: Human Resource Training

1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Neither Agree nor Disagree, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree

No.	Statement	1	2	3	4	5	6	7
1	Employees receive comprehensive training on AML and regulatory compliance.							
2	Training on compliance and KYC procedures is regularly updated to reflect regulatory changes.							
3	The effectiveness of compliance training is regularly evaluated.							
4	Specialized AML/KYC training is provided to relevant departments.							
5	Compliance training is conducted on a continuous basis rather than as a one-time event.							
6	The bank provides sufficient resources to help employees stay updated on regulatory developments.							
7	Employees are regularly tested on compliance knowledge.							

#### Section 5: Technology in AML

1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Neither Agree nor Disagree, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree

No.	Statement	1	2	3	4	5	6	7
1	The bank uses digital tools to detect suspicious transactions in real time.							
2	Technology has reduced the manual workload related to AML practices.							
3	AML technology is well integrated with other banking systems.							
4	The bank uses technology to detect cross-border money laundering.							
5	Technology improves speed and accuracy of filing AML related Suspicious Activity Reports (SARs).							
6	Adapting international AML tech to Myanmar regulations poses challenges.							
7	Investment in AML-related technology is a high priority for the bank.							

## Section 6: Regulatory Compliance

1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Neither Agree nor Disagree, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree

No.	Statement	1	2	3	4	5	6	7
1	The bank strictly complies with local and international AML regulations.							
2	Myanmar's AML regulatory environment is clear and consistent.							
3	Compliance policies align with international AML standards.							
4	Effective internal controls ensure adherence to AML regulations.							
5	Compliance with AML regulations is regularly reviewed and audited.							
6	The compliance team monitors geopolitical/regional AML risks.							
7	Compliance with AML practices is a strategic part of our bank's risk management approach							

## Section 7: Financial Performance

1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Neither Agree nor Disagree, 5 = Somewhat Agree, 6 = Agree, 7 = Strongly Agree

No.	Statement	1	2	3	4	5	6	7
1	The bank demonstrates consistent profitability over past fiscal years.							
2	The institution effectively manages liquidity to meet short-term obligations.							
3	The bank maintains high asset quality, minimizing credit risk exposure.							
4	Operational expenses are controlled to support efficiency.							
5	Investments provide optimal returns while minimizing risks.							
6	The capital structure supports sustainability and long-term growth.							
7	Financial and risk frameworks ensure stable financial performance.							

## APPENDIX - II

### Know Your Customer

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.734	.762	7

### Transaction Monitoring & Reporting

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.771	.773	7

### Human Resource Training

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.840	.872	7

### Using of Technology in AML

#### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.817	.827	7

## Regulatory Compliance

### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.870	.874	7

### Correlation

		FP	KYC	TMR	HRT	TA	RC
FP	Pearson Correlation	1	.653**	.544**	.634**	.540**	.675**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	109	109	109	109	109	109
KYC	Pearson Correlation	.653**	1	.443**	.423**	.251**	.654**
	Sig. (2-tailed)	.000		.000	.000	.009	.000
	N	109	109	109	109	109	109
TMR	Pearson Correlation	.544**	.443**	1	.410**	.234*	.508**
	Sig. (2-tailed)	.000	.000		.000	.014	.000
	N	109	109	109	109	109	109
HRT	Pearson Correlation	.634**	.423**	.410**	1	.749**	.452**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	109	109	109	109	109	109
TA	Pearson Correlation	.540**	.251**	.234*	.749**	1	.270**
	Sig. (2-tailed)	.000	.009	.014	.000		.004
	N	109	109	109	109	109	109
RC	Pearson Correlation	.675**	.654**	.508**	.452**	.270**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.004	
	N	109	109	109	109	109	109

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

\* . Correlation is significant at the 0.05 level (2-tailed).

### Regression

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832 <sup>a</sup>	.692	.677	.31464

a. Predictors: (Constant), RC, TA2, TMR, KYC, HRT

b. Dependent Variable: FP

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.890	5	4.578	46.244	.000 <sup>b</sup>
	Residual	10.197	103	.099		
	Total	33.087	108			

a. Dependent Variable: FP

b. Predictors: (Constant), RC, TA2, TMR, KYC, HRT

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics	
		B	Std. Error	Beta	t	Tolerance	VIF
1	(Constant)	.782	.367		2.128		
	KYC	.166	.038	.275	3.700	.542	1.846
	TMR	.142	.062	.177	2.663	.680	1.471
	HRT	.116	.087	.117	1.325	.383	2.609
	TA	.252	.070	.284	3.602	.482	2.077
	RC	.179	.050	.280	3.601	.495	2.019

a. Dependent Variable: FP