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**ANTI-MONEY LAUNDERING PRACTICES**  
**AND FINANCIAL PERFORMANCE OF**  
**A BANK**

**Thida Linn**

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**ANTI-MONEY LAUNDERING PRACTICES  
AND FINANCIAL PERFORMANCE OF  
A BANK**

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**Supervised by:**

**Submitted by:**

Dr. Thynn Thynn Myint

Thida Linn

Professor/Head

Roll No. 34

Department of Commerce

EMBA 11<sup>th</sup> Batch

Yangon University of Economics

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**NOVEMBER, 2025**

## ACCEPTANCE

Accepted by the Board of Examiners of the Department of Commerce, Yangon University of Economics, in partial fulfillment for the requirements of the Master degree, Executive Master of Banking and Finance.

### BOARD OF EXAMINERS

---

(Chairperson)

Prof. Dr. Tin Tin Htwe

Rector

Yangon University of Economics

---

(Supervisor)

Prof. Dr. Thynn Thynn Myint

Professor/Head

Department of Commerce  
Yangon University of Economics

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(Examiner)

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Professor

Department of Commerce  
Yangon University of Economics

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(Examiner)

Prof. Dr. May Su Myat Htway Aung

Professor

Department of Commerce  
Yangon University of Economics

---

(Examiner)

Prof. Dr. Phu Pwint Nyo Win Aung

Professor

Department of Commerce  
Yangon University of Economics

**NOVEMBER, 2025**

## **ABSTRACT**

This study investigates the effect of Anti-Money Laundering (AML) practices on the financial performance of A Bank in Myanmar. AML practices examined in the study include internal policies, suspicious transaction reporting, customer due diligence, and compliance with financial laws and regulations. Financial performance is assessed through three indicators: deposit growth, loan growth, and return on assets (ROA). Using a quantitative research method, the study collected primary data from 113 employees selected through a simple random sampling method, with respondents representing key operational and compliance departments. Secondary data were obtained from academic literature, regulatory reports, and institutional documents to support the conceptual and analytical framework. Quantitative regression, including statistics and simple random sampling method, was used to evaluate the relationship between AML practices and financial outcomes. The findings indicate that AML practices play a significant role in strengthening financial stability. Internal policies and customer due diligence were found to be particularly influential in promoting transparency and reducing exposure to financial risks. Suspicious transaction reporting and financial law and regulation also contributed positively to financial performance by mitigating legal and reputational risks. Overall, the study concludes that effective AML implementation is not only a regulatory requirement but also a strategic driver of sustainable financial performance in the banking sector.

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# TABLE OF CONTENTS

|  | <b>Page</b> |
|--|-------------|
| <b>ABSTRACT</b>  | <b>i</b>    |
| <b>ACKNOWLEDGEMENTS</b>  | <b>ii</b>   |
| <b>TABLE OF CONTENTS</b>   | <b>iii</b>  |
| <b>LIST OF TABLES</b>  | <b>v</b>    |
| <b>LIST OF FIGURES</b>   | <b>vi</b>   |
| <b>LIST OF ABBREVIATIONS</b>   | <b>vii</b>  |
| <br>   |             |
| <b>CHAPTER 1 INTRODUCTION</b>  | <b>1</b>    |
| 1.1 Rationale of the Study   | 4           |
| 1.2 Objectives of the Study  | 7           |
| 1.3 Scope and Method of the Study  | 7           |
| 1.4 Organization of the Study  | 7           |
| <br>   |             |
| <b>CHAPTER 2 THEORETICAL BACKGROUND</b>                                    | <b>8</b>    |
| 2.1 Concept of Money Laundering  | 8           |
| 2.2 Anti-Money Laundering Practices  | 8           |
| 2.3 Financial Performance  | 14          |
| 2.4 Related Theories   | 16          |
| 2.5 Previous Studies   | 18          |
| 2.6 Conceptual Framework of the Study                                      | 22          |
| 2.7 Working Definition   | 23          |
| <br>   |             |
| <b>CHAPTER 3 PROFILE AND ANTI-MONEY LAUNDERING PRACTICES<br/>OF A BANK</b> | <b>30</b>   |
| 3.1 Profile of A Bank  | 30          |

|                      |  |           |
|----------------------|--|-----------|
| 3.2                  | Organizational Structure of A Bank   | 31        |
| 3.3                  | Anti-Money Laundering Practices of A Bank  | 34        |
| <b>CHAPTER 4</b>     | <b>ANALYSIS OF ANTI-MONEY LAUNDERING PRACTICES AND FINANCIAL PERFORMANCE OF A BANK</b> | <b>38</b> |
| 4.1                  | Research Design  | 38        |
| 4.2                  | Profiles of Respondents  | 39        |
| 4.3                  | Reliability Test   | 41        |
| 4.4                  | Respondents Perception of AML Practices and Financial Performance of A Bank            | 42        |
| 4.5                  | Analysis of Anti-Money Laundering Practices and Financial Performance                  | 49        |
| 4.6                  | Regression Analysis on the Effect of AML Practices and Financial Performance of A Bank | 50        |
| <b>CHAPTER 5</b>     | <b>CONCLUSION</b>  | <b>53</b> |
| 5.1                  | Findings and Discussions   | 53        |
| 5.2                  | Suggestions and Recommendations  | 55        |
| 5.3                  | Needs for Further Research   | 56        |
| <b>REFERENCES</b>    |  |           |
| <b>APPENDIX - I</b>  |  |           |
| <b>APPENDIX - II</b> |  |           |

## LIST OF TABLES

| <b>Table No.</b> | <b>Descriptions</b>   | <b>Page</b> |
|------------------|---|-------------|
| Table (4.1)      | Profile of the Respondents  | 40          |
| Table (4.2)      | Reliability Test  | 41          |
| Table (4.3)      | Reliability Test of Factors   | 41          |
| Table (4.4)      | Mean Score Interpretation Range   | 42          |
| Table (4.5)      | Mean Score of Internal Policy   | 43          |
| Table (4.6)      | Mean Score of Suspicious Transaction Reporting (STR)  | 44          |
| Table (4.7)      | Mean Score of Customer Due Diligence (CDD)  | 45          |
| Table (4.8)      | Mean Score of Financial Laws and Regulations  | 46          |
| Table (4.9)      | Overall Mean Scores for All Factors   | 47          |
| Table (4.10)     | Mean Score of Financial Performance   | 48          |
| Table (4.11)     | Correlation Coefficient Strength and Interpretation   | 49          |
| Table (4.12)     | Correlation between Anti-Money Practices and Financial Performance  | 49          |
| Table (4.13)     | Regression Analysis on the Effect of Anti-Money Laundering (AML) Practices on Financial Performance of A Bank | 50          |

## LIST OF FIGURES

| <b>Figure No.</b> | <b>Descriptions</b>                               | <b>Page</b> |
|-------------------|---|-------------|
| Figure (2.1)      | Conceptual Framework of Naser Chaabo              | 19          |
| Figure (2.2)      | Conceptual Framework of Mohamed Abdullahi Mohamud | 20          |
| Figure (2.3)      | Conceptual Framework of Abraham Telar Nicknora    | 21          |
| Figure (2.4)      | Conceptual Framework of the Study                 | 22          |
| Figure (3.1)      | Organizational Chart of A Bank                    | 32          |

## LIST OF ABBREVIATIONS

|         |   |
|---------|---|
| A BANK  | Ayeyarwaddy Farmers Development Bank                        |
| AML     | Anti-Money Laundering                                       |
| AML/CFT | Anti-Money Laundering/Countering the Financing of Terrorism |
| BSA     | Bank Secrecy Act  |
| CBM     | Central Bank of Myanmar                                     |
| CDD     | Customer Due Diligence                                      |
| CEO     | Chief Executive Officer                                     |
| CSR     | Corporate Social Responsibility                             |
| DNFBPs  | Designated Non-Financial Businesses and Professions         |
| EDD     | Enhanced Due Diligence                                      |
| EPS     | Earnings per Share  |
| ESG     | Environmental, Governance, and Social                       |
| FATF    | Financial Action Task Force                                 |
| FIU     | Financial Intelligence Unit                                 |
| FLR     | Financial laws and regulations                              |
| GDP     | Gross Domestic Product                                      |
| GRI     | Global Reporting Initiative                                 |
| IMF     | International Monetary Fund                                 |
| KYC     | Know Your Customer  |
| MFIU    | Myanmar Financial Intelligence Unit                         |
| PEPs    | Politically Exposed Persons                                 |
| ROA     | Return on Assets  |
| ROE     | Return on Equity  |
| SAR     | Suspicious Activity Report                                  |

|       |  |
|-------|--|
| SECM  | Securities and Exchange Commission       |
| SMEs  | Small and Medium-Sized Enterprises       |
| STR   | Suspicious Transaction Reporting         |
| TTRs  | Threshold Transaction Reports            |
| UBO   | Ultimate Beneficial Ownership            |
| UNODC | United Nations Office on Drugs and Crime |

# CHAPTER 1

## INTRODUCTION

Anti-money laundering (AML) policies include legal, regulatory, administrative, and technological measures to prevent criminals from hiding and integrating illicit gains into the financial system. Since 1989, the Financial Action Task Force (FATF) has set international AML standards with its 40 Recommendations to combat money laundering, terrorism financing, and proliferation financing (FATF, 2021). These guidelines require reporting institutions to implement Customer Due Diligence (CDD), Enhanced Due Diligence (EDD) for high-risk customers, systematic record keeping, ongoing monitoring, and timely submission of Suspicious Transaction Reports (STRs) to national Financial Intelligence Units. Collectively, these protocols enhance financial transparency and facilitate early detection of illicit financial activity.

In light of the frightening economic data, the worldwide significance of anti-money laundering enforcement is brought into focus. According to estimates provided by the United Nations Office of Drugs and Crime (2022), the amount of money that is laundered annually ranges from 2% to 5% of the world GDP, which is equivalent to USD 800 billion to USD 2 trillion. Illicit flows of this nature damage the integrity of financial institutions, weaken governance structures, raise institutional vulnerability, and expose banks to significant risks in the areas of regulation, law, and reputation. Because of this, a great number of nations have passed extensive anti-money laundering legislation. According to the United States Department of the Treasury (2020), the Bank Secrecy Act (BSA) of 1970 and subsequent revisions under the USA Patriot Act of 2001 contributed to a considerable strengthening of anti-money laundering (AML) compliance standards in the United States. These amendments included the expansion of reporting duties and the implementation of client identification requirements. In a similar vein, the Fourth, Fifth, and Sixth Anti-Money Laundering Directives of the European Union (2015, 2018, and 2021) included risk-based frameworks, Ultimate Beneficial Ownership (UBO) registries, and increased supervisory mechanisms (European Parliament, 2021).

Myanmar has also strengthened its anti-money laundering (AML) regulatory framework in order to conform to international norms. It was in 2014 that the government

passed the Anti-Money Laundering Law, also known as Pyidaungsu Hluttaw Law No. 11/2014. Subsequently, in 2015 and 2020, the government updated the law in order to increase compliance duties (Central Bank of Myanmar, 2020). In 2014, the Myanmar Financial Intelligence Unit (MFIU) was established, which further institutionalized anti-money laundering (AML) enforcement by mandating that banks produce Standard Transaction Reports (STRs) and Threshold Transaction Reports (TTRs). The Financial Institutions Law (2016), the Guidelines on Customer Due Diligence (2015), and the Risk-Based Anti-Money Laundering and Countering the Financing of Terrorism Supervisory Guidelines (2019) are examples of complementary pieces of legislation that establish clear expectations for internal controls, record-keeping, compliance officers, governance structures, and continuous staff training (CBM, 2020). Through the implementation of these steps, Myanmar intends to improve its transparency, institutional resilience, and integrity within the financial sector.

It is essential for financial institutions to have strong internal systems in place in order for anti-money laundering to be effective from an operational standpoint. The internal policies of a business describe the obligations of the organization, as well as the procedures for onboarding, KYC verification, high-risk customer management, and guidelines for escalation. The Customer Due Diligence (CDD) regulations ensure that financial institutions check the identities of their customers, comprehend the purpose of accounts, and carry out risk assessments. Politically exposed people (PEPs), significant transactions, and activities linked to high-risk jurisdictions are all subject to increased scrutiny as a result of executive discretion. It is necessary for banks to disclose any transactions that are deemed to be odd to the Financial Intelligence Units (FIUs), while internal audits and monitoring systems continuously evaluate compliance performance. These interdependent components help to maintain the integrity of the institution, reduce the risk of being victimized by financial criminals, and maintain the trust of customers.

Financial performance is a measure of the extent to which an organization is able to successfully fulfill its financial objectives through efficient management of its resources, generation of income, and maintenance of its operational sustainability (Investopedia, 2023). Indicators such as profitability, liquidity, solvency, and efficiency ratios are typically utilized in order to evaluate it (SoFi, 2023). It functions as a reflection of the entire financial health of the organization. According to Dealhub (2024), financial performance is comprised of the consequences of strategic decisions, cost management,

and asset utilization elements that contribute to the long-term competitiveness of an institution. In a larger sense, financial performance encompasses more than just short-term profits; it also encompasses an organization's ability to generate long-term value for its stakeholders while simultaneously preserving its operational stability (Corporate Finance Institute, 2023).

In the context of banking, the increase of deposits is an important measure of customer trust, the competitiveness of the market, and the strength of market liquidity. According to Investopedia (2023), improved lending capacity and overall financial resiliency are both a result of increased deposit growth. According to the International Monetary Fund (2022) and the World Bank (2023), loan growth, which is defined as the expansion in credit disbursed to individuals, enterprises, and governmental bodies, is essential to profitability and implies healthy demand, solid credit regulations, and effective risk management. Return on assets (ROA) is a performance statistic that is frequently used to analyze how well a bank utilizes its resources to generate net income. This metric is a reflection of both the profitability and operational efficiency of the bank (Investopedia, 2023; Corporate Finance Institute, 2023).

In the years after the economic liberalization that took place in Myanmar at the beginning of the 2010s, the banking industry has been subjected to significant reform. One of the most important aspects of this transformation has been the strengthening of regulatory frameworks in order to guarantee financial stability and conformity with global banking standards. Under the command of the Central Bank of Myanmar (CBM), the Ayeyarwaddy Farmers Development Bank (A Bank) was founded in December 2014 with a developmental mandate to promote agriculture and small and medium-sized enterprises (SMEs) in the Ayeyarwaddy area (CBM, 2014). A Bank was established in order to provide assistance to the growing agricultural sector. Since it was first established, A Bank has been steadily expanding while maintaining a strong commitment to adhering to anti-money laundering and regulatory norms.

A Bank has implemented stringent internal controls as part of its institutional strategy. These controls include powerful anti-money laundering frameworks that consist of CDD and STR reporting, as well as strong governance structures that are in accordance with the Financial Institutions Law (2016). At the same time, these procedures reflect Myanmar's regulatory obligations, and they also represent worldwide best practices. According to the research that has been conducted, excellent compliance in emerging

economies increases customer confidence, lowers risk, and supports improved financial indicators (Chen & Hasan, 2021). In the case of A Bank, it is believed that the incorporation of transparent governance and effective risk management procedures will contribute to the consolidation of deposit growth, the expansion of strategic lending opportunities, and an improvement in return on assets through the enhancement of operational efficiency.

In order to conduct a thorough investigation into anti-money laundering (AML) measures and the impact they have on financial performance, it is necessary to clearly articulate the factors that are involved. The practices of anti-money laundering (AML) comprise internal rules that direct compliance functions, STR reporting responsibilities that provide regulatory transparency, CDD methods for risk detection, and financial laws and regulations that establish institutional accountability. On the other hand, the increase of deposits, the growth of loans, and the return on assets are all indicators of financial performance. All of these variables, when taken together, constitute an analytical basis for comprehending the manner in which anti-money laundering (AML) measures contribute to the achievement of sustainable and ethical financial performance outcomes inside Myanmar's banking institutions.

### **1.1 Rationale of the Study**

The financial performance of an organization is widely recognized as an essential indicator of the organization's overall success and ability to endure. Indicators like profitability, liquidity, efficiency, and solvency are frequently utilized in the process of evaluating it (Brigham & Ehrhardt, 2016). Strong financial performance is considered essential because it reveals that resources are being utilized effectively to create income and maintain stability. This is the reason why strong financial performance is considered essential. According to Rose and Hudgins (2013), the assessment of financial success in the banking industry is a reflection of the degree to which banks are able to effectively manage deposits, develop lending activities, and obtain returns on assets. It should also be underlined that financial success is a factor that helps to long-term competitiveness, creates investor trust, and gives assurance to stakeholders (Mishkin, 2019). According to Saunders and Cornett's research from 2020, it is generally acknowledged that the financial performance of an organization needs to be continuously examined and improved in order to guarantee both growth and resilience.

The growth of deposits, the growth of loans, and the return on assets (ROA) are all components that have a significant impact on the financial success of an organization, which is considered to be an important consequence. When it comes to the stability and competitiveness of businesses, notably in the banking sector, these factors are regarded to be vital. Because larger client deposits are associated with more liquidity and greater lending capacity, deposit growth is seen as a foundation for solid financial performance (Athanasoglou et al., 2008). This is because higher deposits are related to increasing consumer deposits. The expansion of deposit levels reflects confidence in the institution, which in turn strengthens the institution's ability to maintain stability over the long term. It is widely acknowledged that the expansion of loans is a significant contributor to profitability, given that lending operations are considered to be the core role of banks that generate income (Levine, 2005). When loans are deliberately expanded, it helps to support profitability, which in turn helps to facilitate economic progress. It is deemed essential to have sustainable loan growth since it allows for the management of risks while simultaneously increasing income. There is a consensus among industry experts that return on assets (ROA) is an essential metric of both efficiency and profitability. Higher ROA values are attained, and operational effectiveness is demonstrated when assets are employed effectively to generate income (Samad & Glenn, 2012). Furthermore, this results in increased profitability. On the other hand, a lower ROA is considered to be an indication of inefficiency, whilst a higher ROA is seen to be proof that resources are being used in a productive manner.

When it comes to maintaining the integrity, stability, and credibility of the financial system, anti-money laundering (AML) procedures contribute significantly to the preservation of these qualities. The necessity of understanding and strengthening anti-money laundering procedures has grown more essential and academically significant as a result of the rising exposure that financial institutions are experiencing to global financial crime. According to Shanmugam and Thanasegaran (2008), effective anti-money laundering (AML) systems prevent banks from being exploited as conduits for the movement of illegal funds, increase transparency in financial transactions, and lower both operational and reputational threats to the institution.

By establishing duties, processes, and controls, internal policies serve as the underlying structure for compliance. This structure ensures that institutions function within the confines of ethical and regulatory standards. According to Unger and Ferwerda

(2011), the Suspicious Transaction Reporting (STR) system acts as a frontline defense by facilitating the early identification of activities that are deemed to be odd or high-risk. This, in turn, provides support for national and international efforts to combat money laundering and terrorist funding. Through the verification of client identities, the assessment of risk levels, and the prevention of anonymous exploitation of financial services, client Due Diligence (CDD) provides an additional layer of protection for this defense (Zdanovic, 2019). Through the establishment of a uniform legal framework that encourages accountability, standardization, and sector-wide consistency, financial rules and regulations serve as a complementary mechanism to the internal processes that are previously mentioned.

When taken as a whole, these components highlight the significance of analyzing anti-money laundering policies within the context of academic research. Mechanisms for anti-money laundering (AML) do more than just ensure regulatory compliance; they also actively modify the risk-management processes of institutions, strengthen confidence in the financial system, and maintain economic stability over the long run. For this reason, evaluating the efficacy of anti-money laundering frameworks is not only essential for policymakers and financial institutions, but it is also essential for researchers who are interested in comprehending the ways in which compliance measures contribute to the development of responsible financial practices.

In the operations of A Bank, anti-money laundering measures have been prioritized in order to successfully limit the risks of money laundering. This was done in order to ensure that the bank is able to achieve its goals. There has been an increase in the number of internal policies, the reporting of suspicious transactions has been implemented, and the application of customer due diligence has been consistently implemented. In addition, there has been an increase in the efforts made to guarantee that international standards are fulfilled by strengthening compliance with financial law and regulation. The implementation of these safeguards has resulted in an increase in both transparency and trust, while simultaneously reducing the likelihood of this information being misused. At the same time, several aspects of financial performance, including the increase of deposits and loans, as well as the return on assets, have been meticulously examined. The institution has been positioned as a credible and responsible financial body within Myanmar's banking industry as a result of the incorporation of these practices, which have resulted in the improvement of operations.

## **1.2 Objectives of the Study**

The objectives of the study are as follows:

- (a) To identify Anti-Money Laundering (AML) practices on the financial performance of A Bank.
- (b) To examine the effect of Anti-Money Laundering (AML) practices on the financial performance of A Bank.

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

The study investigates the relationship between anti-money laundering practices and the financial performance of A Bank. The population consists of 158 employees from the bank's head office and branches, including the legal and compliance, risk management, and finance departments. A sample of 113 employees is selected using Taro Yamane's formula and simple random sampling.

Quantitative research uses primary and secondary data. Structured questionnaires employing a 5-point Likert scale collect primary data, while textbooks, academic papers, and other sources provide secondary data. Data analysis comprises descriptive statistics to summarize data and linear regression to determine how anti-money laundering procedures affect financial performance.

## **1.4 Organization of the Study**

This study is divided into five chapters. The first chapter introduces the study, outlining the rationale, objectives, scope, methodology, and organization. Chapter two presents the theoretical background, focusing on anti-money laundering practices, financial performance, related theories, previous studies, the conceptual framework, and the working definitions. Chapter three describes the profile of A Bank, including its vision, mission, objectives, goals, organizational structure, corporate social responsibility, and anti-money laundering practices. Chapter four presents the demographic profile of respondents, reliability tests, data analysis, and examines the effect of anti-money laundering practices on the financial performance of A Bank. Finally, chapter five provides the conclusion, summarizing key findings, discussions, suggestions, recommendations, and highlighting areas for further research.

## **CHAPTER 2**

### **THEORETICAL BACKGROUND**

This chapter introduces anti-money laundering and financial performance theories to the study. Previous anti-money laundering and financial performance studies are also evaluated. It also describes this study's conceptual framework and working definition, based on earlier research.

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

Money laundering is a complicated financial crime that conceals illegal cash through placement, layering, and integration. These stages involve introducing illicit monies into the financial system, concealing their origin through many transactions and institutions, and integrating them into the normal economy. Financial institutions are directly implicated in these operations, hence strong AML regulations are crucial to financial system integrity (Cameron, 2025).

Global financial integration has increased money laundering and terrorist financing dangers; hence AML standards have grown during the 1990s. The Financial Action Task Force (FATF) and Central Bank of Myanmar design and implement these frameworks. Internal Policies, Suspicious Transaction Reporting, Customer Due Diligence, and Financial Law and Regulation are AML essentials. Support from international organizations, industry associations, and financial institutions, together with the adoption of advanced technologies, enhances the effectiveness of Anti-Money Laundering (AML) frameworks, which in turn contribute positively to financial performance by reducing compliance risks, strengthening operational efficiency, and improving institutional credibility in the face of evolving financial crime threats (Zdanovic, 2019)

#### **2.2 Anti-Money Laundering Practices**

The term "anti-money laundering" (AML) practices refers to systematic policies, procedures, and regulatory mechanisms that have been established by financial institutions and related entities in order to prevent criminals from legitimizing illicit funds through the financial system (Nicknora, 2024). Not only do these practices serve as compliance requirements that are imposed by regulators, but they also serve as protective

measures that are designed to ensure the integrity and stability of the global economy. The fundamental idea of anti-money laundering (AML) is to make certain that financial institutions and other service providers of financial services actively identify, monitor, and report suspicious activity that may be associated with money laundering or financing terrorist organizations (KYC2020, 2023).

In the realm of anti-money laundering (AML), one of the most essential processes is risk assessment. This involves firms evaluating potential threats and categorizing clients according to the level of risk they pose. Through the use of this method, institutions are able to implement more stringent restrictions on high-risk institutions and individuals. The process of client due diligence (CDD), which entails validating the identification of customers, determining the authenticity of their sources of funds, and monitoring continuing actions, is closely tied to this process. In situations when consumers are considered to be high-risk, enhanced due diligence (EDD) is implemented to ensure that their transactions are subjected to a higher level of inspection (Microblink, 2024). It is via the implementation of these processes that financial institutions are able to ensure that their operations are transparent and accountable.

The monitoring of transactions is yet another fundamental AML activity. Financial institutions rely on automated technologies in addition to manual checks in order to identify anomalous transaction patterns. These patterns may include rapidly transferred funds, deposits that are unusually large, or inconsistent behavior on the part of customers. The filing of suspicious transaction reports (STRs) or suspicious activity reports (SARs) makes it possible for regulators to conduct additional investigations (Veriff, n.d.). These reports are filed once such actions have been discovered. Additionally, in order to enable future audits and compliance checks, it is required that accurate record-keeping of client data, risk assessments, and transaction information be maintained. When institutions keep records that are accurate, they ensure that they are able to offer evidence of compliance whenever it is required (Firmcheck, 2025).

AML that is effective also largely depends on the control of the organization and the skill of the workforce. Compliance officers are designated by financial institutions to be in charge of providing oversight of anti-money laundering frameworks and ensuring that internal and external regulations are adhered to. Further assurance that anti-money laundering (AML) systems continue to be functional and up to date is provided by regulators through the use of regular internal audits and inspections. At the same time, it

is necessary to provide training to staff members since frontline employees need to be able to recognize warning signs, adhere to reporting protocols, and comprehend the consequences of failing to comply with anti-money laundering legislation (Financial Crime Academy, 2025). These initiatives, when taken together, increase the capacity of institutions to prevent the laundering of money and to maintain public faith in the financial system.

### **2.2.1 Internal Policies**

Internal policies refer to the structured set of organizational rules, guidelines, and procedures that are formally developed to regulate employee conduct, operational activities, and compliance responsibilities within a business (Sekaran & Bougie, 2010). These policies act as internal governance tools that translate external regulatory requirements into day-to-day operational standards, ensuring that all staff members act consistently and in alignment with both ethical values and legal obligations (CIPD, 2023). In the context of risk-sensitive sectors such as banking and finance, internal policies serve as the backbone for regulatory compliance, safeguarding institutions from financial crime, reputational damage, and operational inefficiencies (Kenton, 2022).

The implementation of internal policies involves a systematic process. First, management teams or compliance officers identify key regulatory requirements and industry risks that the organization faces. Based on these assessments, policy documents are drafted to provide clear expectations in areas such as the code of conduct, anti-bribery, anti-money laundering, data protection, and conflict of interest (O'Rourke, 2021). These documents are then reviewed and approved by senior management to ensure that they align with the organization's strategic goals and comply with relevant legal frameworks.

Once approved, effective dissemination is essential. Policies are typically communicated through employee handbooks, training sessions, and internal communication platforms. To ensure practicality, organizations supplement policies with detailed procedures, workflows, and examples of acceptable versus unacceptable behavior. Ongoing training is also important, particularly in compliance-driven environments, where staff must be equipped to identify risks and follow escalation procedures (Deloitte, 2020).

Monitoring and enforcement represent another critical element of policy implementation. Organizations establish compliance monitoring systems, internal audits,

and periodic reviews to assess whether staff are adhering to established rules. Violations of policies are usually addressed through disciplinary measures, which can range from warnings to termination, depending on severity. In parallel, continuous feedback and updates are necessary to ensure that internal policies remain relevant in light of regulatory changes, technological advancements, and emerging threats (EY Forensic & Integrity Services, 2021).

### **2.2.2 Suspicious Transaction Reporting**

Financial institutions and other reporting entities must notify competent authorities of suspicious transactions that are unusual, inconsistent with a customer's known profile, or potentially linked to money laundering, terrorist financing, or other financial crimes (Financial Action Task Force, 2022). The purpose of STR is not to prove criminal conduct but to provide timely alerts that may trigger further investigation by regulators or law enforcement (Financial Action Task Force, 2023). STRs, therefore function as one of the most important early-warning mechanisms within anti-money laundering (AML) frameworks worldwide.

The process of STR implementation generally begins with detection. Institutions rely on a combination of automated monitoring systems and employee vigilance to identify abnormal activities such as unusually large cash deposits, frequent transfers to high-risk jurisdictions, or transactions without an apparent economic purpose. Once such activities are flagged, they are escalated to compliance or anti-money laundering officers, who assess whether the activity should be reported. If deemed suspicious, an STR must be submitted to the designated financial intelligence unit (FIU) within a specified timeframe. Reports typically include customer details, transaction records, and reasons for suspicion. Strict confidentiality is required, and financial institutions are prohibited from informing the customer involved, a practice known as “tipping off” (Basel Committee on Banking Supervision, 2020).

In the context of Myanmar, suspicious transaction reporting is governed by the Anti-Money Laundering Law of 2014 and its 2015 and 2020 amendments. The Myanmar Financial Intelligence Unit (MFIU), operating under the Central Bank of Myanmar, oversees the receipt, analysis, and dissemination of suspicious transaction reports. Banks, non-bank financial institutions, and designated non-financial businesses and professions (DNFBPs) are legally required to report unusual or potentially illicit activities without

delay. The MFIU also provides regulatory guidance and feedback to improve reporting quality and ensure alignment with Financial Action Task Force (FATF) standards (Central Bank of Myanmar, 2020).

The effectiveness of suspicious transaction reporting (STR) frameworks, both internationally and within the context of Myanmar, depends largely on ongoing employee training, the establishment of comprehensive monitoring systems, and the implementation of periodic audits. Frontline personnel are trained to recognize potential red flags and to comply with internal reporting procedures. At the same time, regulatory authorities emphasize careful record-keeping and the timely submission of reports to ensure the reliability of financial intelligence systems. Collectively, these measures enable the early detection of suspicious activities, support accurate reporting, and facilitate investigations that contribute to the broader prevention of financial crime (World Bank, 2021).

### **2.2.3 Customer Due Diligence**

Customer Due Diligence (CDD) is the process by which financial institutions and designated entities verify client identities, assess money laundering and terrorist financing risks, and ensure customer activities comply with legal and regulatory requirements (FATF, 2023). It is a fundamental component of the “Know Your Customer” (KYC) framework and plays a central role in preventing the misuse of the financial system (Financial Action Task Force [FATF], 2023). CDD requires institutions not only to collect basic identification data but also to evaluate the nature of the customer’s business relationships, sources of funds, and expected patterns of transactions (World Bank, 2021).

The implementation of CDD generally follows a risk-based approach. At the initial stage, financial institutions must obtain and verify essential documents such as national identification, business registration, or beneficial ownership information. Following this, institutions conduct customer risk profiling by analyzing geographic exposure, industry type, and the scale of financial activities. Politically exposed persons (PEPs), clients from jurisdictions with inadequate AML procedures, and those participating in exceptionally complex transactions are subject to enhanced due diligence (EDD) (Basel Committee on Banking Supervision, 2020).

An essential part of CDD is ongoing monitoring. Institutions are required to track customer accounts and transactions continuously to ensure that they remain consistent with the customer’s profile. Unusual or inconsistent activities must trigger further

scrutiny and, if necessary, suspicious transaction reporting. Additionally, proper record-keeping is mandated to ensure that authorities can trace and review transactions when needed (United Nations Office on Drugs and Crime, 2022).

In Myanmar, customer due diligence (CDD) requirements are mandated under the Anti-Money Laundering Law of 2014 and further strengthened through the 2015 and 2020 amendments. The Myanmar Financial Intelligence Unit (MFIU) is responsible for supervising the implementation of these obligations across reporting entities, including banks and other financial institutions. Under these regulations, institutions must conduct identity verification during account opening, maintain updated customer information, and apply enhanced due diligence procedures to clients classified as high risk. In addition, the Central Bank of Myanmar provides regulatory directives aligned with the Financial Action Task Force (FATF) standards and offers technical support to improve compliance practices within the financial sector (Central Bank of Myanmar, 2020).

#### **2.2.4 Financial Law and Regulation**

For financial stability, transparency, and integrity, governments and regulatory agencies construct legal frameworks, norms, and supervisory mechanisms (Bank for International Settlements, 2022). These frameworks are designed to govern the activities of banks, non-bank financial institutions, and capital markets while protecting consumers, preventing misconduct, and promoting economic growth (Lastra, 2015). They provide a structured environment that addresses issues such as prudential standards, anti-money laundering compliance, consumer protection, and systemic risk management (International Monetary Fund [IMF], 2020).

The implementation of financial law and regulation generally involves several layers. At the legislative level, parliaments or competent authorities enact primary laws such as banking acts, securities laws, or anti-money laundering legislation. These are complemented by secondary regulations and guidelines issued by supervisory bodies like central banks, securities commissions, or financial intelligence units. Enforcement mechanisms include licensing requirements, regular inspections, reporting obligations, and penalties for non-compliance. Regulators also play a proactive role by monitoring financial stability indicators, issuing directives, and conducting stress tests to mitigate risks in advance (World Bank, 2021).

In practice, financial institutions implement regulatory requirements through internal compliance programs, risk management frameworks, and governance structures. This includes adhering to capital adequacy requirements, ensuring proper customer due diligence, maintaining accurate reporting systems, and conducting internal audits. Staff training and the use of technology-based compliance tools are also central to effective implementation (Basel Committee on Banking Supervision, 2020).

In Myanmar, financial law and regulation are primarily governed by the Financial Institutions Law (2016), the Anti-Money Laundering Law (2014, amended 2015 and 2020), and directives issued by the Central Bank of Myanmar (CBM). The CBM supervises commercial banks and non-bank financial institutions, sets prudential requirements, and monitors compliance with international standards such as those of the FATF and Basel Committee. The Myanmar Securities and Exchange Commission (SECM) regulates capital markets, while the Myanmar Financial Intelligence Unit (MFIU) oversees compliance with AML/CFT obligations. These institutions collectively ensure that Myanmar's financial system aligns with global regulatory practices while addressing domestic challenges (Central Bank of Myanmar, 2020).

### **2.3 Financial Performance**

Financial performance is how well an organization manages its resources, generates profits, and grows (Brigham & Ehrhardt, 2022). It is commonly used to measure how well a company utilizes assets, liabilities, revenues, and expenses to create value for its stakeholders (Penman, 2013). According to Brigham and Ehrhardt (2016), financial performance can be understood as the outcome of managerial decision-making reflected in financial indicators such as profitability, liquidity, leverage, and efficiency ratios. It thus serves as a critical benchmark for evaluating organizational success and competitiveness.

Financial performance assessment uses accounting- and market-based measures. Accounting-based statistics like ROA, ROE, and net profit margin show internal efficiency and profitability (Ross et al., 2019). Market-based measures, on the other hand, rely on stock market data, including earnings per share (EPS) and market-to-book ratios, which reflect investors' perceptions and confidence in a firm's future performance (Damodaran, 2012). Additionally, non-financial dimensions such as customer satisfaction,

innovation, and corporate governance are increasingly considered part of financial performance since they affect long-term sustainability (Kaplan & Norton, 1996).

Financial performance refers to the extent to which an organization achieves its financial objectives through the effective management of resources, generation of profitability, and maintenance of sustainable growth (Brigham & Ehrhardt, 2022). Key financial indicators, such as revenue, profit margins, return on assets, and asset growth, are commonly used to assess an organization's operational efficiency and contribution to broader economic development. Monitoring and evaluating these indicators enable organizations to make informed managerial decisions, enhance investor confidence, and ensure compliance with regulatory requirements, as referred to by the World Bank (2021).

### **2.3.1 Deposit Growth**

Deposit growth refers to the increase in customer deposits held by financial institutions over time, which reflects customer trust, financial stability, and the bank's ability to mobilize funds (Rose & Hudgins, 2013). It is considered one of the most important measures of a bank's performance, as deposits form the foundation for lending and investment activities. According to Koch and MacDonald (2014), deposit growth indicates the capacity of a bank to expand its customer base, attract savings, and provide liquidity to the economy.

In implementation, banks achieve deposit growth by offering competitive interest rates, diversifying deposit products, and enhancing customer services such as digital banking and mobile applications (Mishkin & Eakins, 2018). Regulatory compliance and a strong brand reputation also contribute to sustaining deposit inflows, ensuring stability in the financial system.

### **2.3.2 Loan Growth**

Loan growth refers to the expansion of a financial institution's loan portfolio over a given period, which indicates the ability to generate income and support economic development (Saunders & Cornett, 2019). It is a critical performance indicator for banks, as loans constitute their primary source of revenue through interest income. Loan growth also reflects the bank's credit risk management capacity and willingness to finance businesses and households (Koch & MacDonald, 2014).

In practice, loan growth is driven by effective credit policies, market expansion, and product diversification, such as consumer loans, mortgages, and SME financing.

Moreover, bank balance growth with prudent risk management by assessing borrowers creditworthiness and complying with regulatory capital requirements (Hull, 2018).

### **2.3.3 Return on Assets**

Return on assets (ROA) is a financial ratio that measures the profitability of an organization relative to its total assets, reflecting how efficiently management uses resources to generate earnings (Brigham & Ehrhardt, 2016). ROA is widely used as a key performance indicator in banking because it indicates the bank's ability to convert its asset base into net income (Ross et al., 2019). According to Penman (2013), ROA is crucial for comparing profitability across firms regardless of size, since it standardizes earnings against total assets.

In implementation, ROA is calculated by dividing net income by total assets. Banks use this ratio to monitor performance, identify operational inefficiencies, and compare results with industry benchmarks. Improvements in ROA can be achieved through better cost control, effective asset allocation, and increased revenue generation without disproportionately expanding assets (Damodaran, 2012).

## **2.4 Related Theories**

The study's key variables, Anti-Money Laundering (AML) Practices, Internal Policies, Suspicious Transaction Reporting (STR), Customer Due Diligence (CDD), and Financial Law and Regulation, can be theoretically linked to multiple organizational and criminological frameworks. The main theories commonly discussed in AML practices literature include the Fraud Triangle Theory, Agency Theory, Risk-Based Approach Theory, and Regulatory Compliance Theory.

### **2.4.1 Fraud Triangle Theory**

The Fraud Triangle Theory, developed by Cressey (1953), explains that fraud occurs when three conditions are present: pressure, opportunity, and rationalization (Cressey, 1953). Pressure may stem from financial need, personal obligations, or performance targets. Opportunity arises from weaknesses in internal controls, inadequate monitoring, or gaps in reporting mechanisms. Rationalization occurs when individuals justify unethical behavior, often believing that the act is temporary or deserved.

AML measures, including transaction monitoring, internal reporting procedures, and employee awareness programs, are designed to address these three components. By

reducing opportunities for fraud and raising awareness of ethical obligations, financial institutions can mitigate the risk of internal misconduct. In Myanmar, banks implement Suspicious Transaction Reporting (STR) frameworks aligned with the Fraud Triangle Theory to detect unusual or high-risk transactions. Employees are trained to recognize red flags and follow internal reporting procedures, which strengthens the institution's capacity to prevent and detect money laundering (World Bank, 2021).

#### **2.4.2 Agency Theory**

Agency Theory, proposed by Jensen and Meckling (1976), examines the relationship between principals (owners or management) and agents (employees), highlighting potential conflicts of interest and opportunistic behavior (Jensen & Meckling, 1976). Information asymmetry may occur when agents have access to more information than principals, potentially leading to actions that deviate from organizational goals.

To address this, financial institutions establish internal policies, governance mechanisms, and monitoring systems. In the context of AML, Agency Theory justifies the need for internal audits, compliance reviews, and employee training. Myanmar banks leverage this theory by implementing robust internal control systems and oversight mechanisms to ensure that employees comply with AML regulations and reporting obligations. For instance, frontline staff are regularly trained to verify client information accurately and detect suspicious activities, aligning their behavior with both organizational and regulatory expectations. Effective governance structures based on Agency Theory reduce internal fraud, ensure operational compliance, and enhance institutional credibility.

#### **2.4.3 Risk-Based Approach Theory**

The Risk-Based Approach (RBA) Theory emphasizes that financial institutions should assess the risk level of each customer and apply appropriate oversight measures accordingly (World Bank, 2021). Customers with higher risk profiles, such as politically exposed persons, clients with complex transaction patterns, or those from high-risk jurisdictions are subject to enhanced monitoring and reporting procedures, while low-risk customers are managed with standard controls.

Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) procedures are practical implementations of this theory. They allow banks to allocate resources

efficiently, focus on high-risk areas, and mitigate exposure to money laundering and terrorist financing. The Myanmar Financial Intelligence Unit (MFIU) provides guidance and technical support to ensure that banks comply with RBA principles while aligning with FATF recommendations. By categorizing customers according to risk and applying proportional monitoring, financial institutions can improve the efficiency of AML programs, ensure compliance, and protect the integrity of the national financial system (World Bank, 2021).

#### **2.4.4 Regulatory Compliance Theory**

Regulatory Compliance Theory emphasizes the importance of adherence to laws, regulations, and guidelines in mitigating the risk of sanctions, enhancing stakeholder trust, and ensuring organizational legitimacy (Lastra, 2015). In financial institutions, regulatory compliance encompasses internal policies, reporting obligations, monitoring mechanisms, and audit procedures.

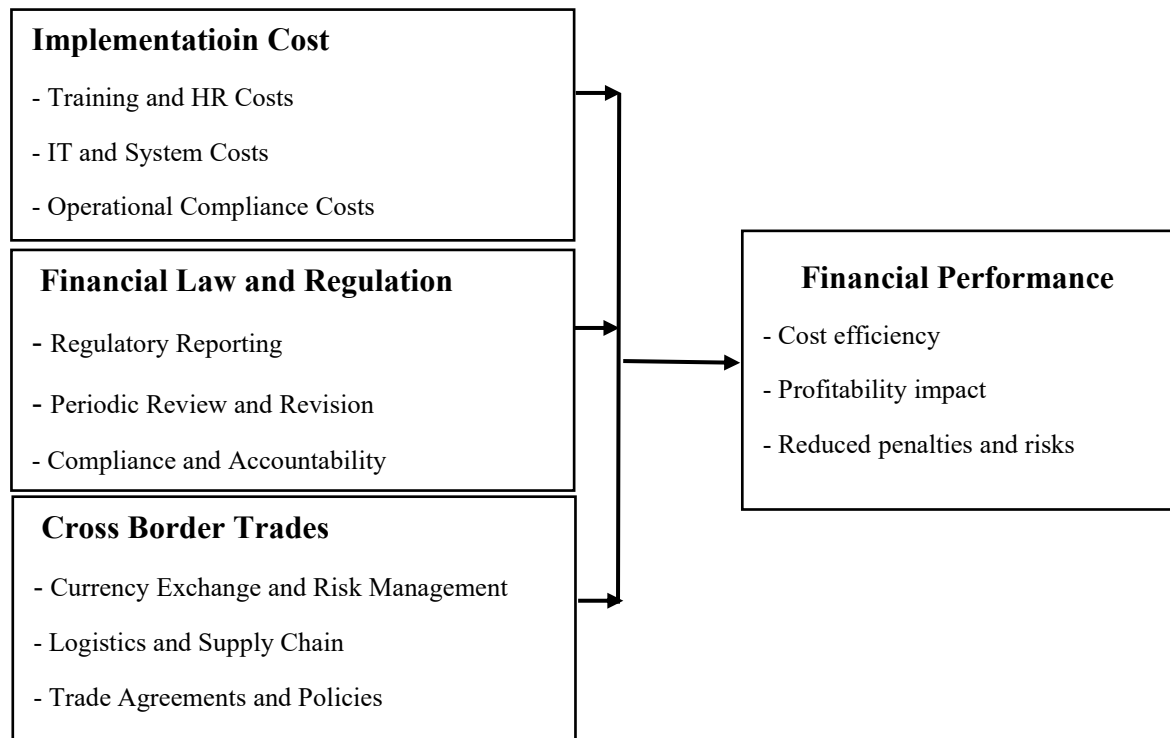
In Myanmar, the Anti-Money Laundering Law (2014, amended in 2015 and 2020) and the oversight of the MFIU reflect the practical application of Regulatory Compliance Theory. Banks must verify customer identities, maintain updated records, and submit suspicious transaction reports (STRs) as required. Such compliance strengthens operational integrity, safeguards institutional reputation, and promotes trust among regulators and stakeholders. The theory also supports systematic evaluation of AML effectiveness, ensuring adherence to legal obligations while enhancing internal monitoring practices.

#### **2.5 Previous Studies**

This section reviews past studies on anti-money laundering (AML) and financial performance, which formed the basis of this research. Chaabo (2021) evaluated how AML/CFT compliance expenses affect Lebanese banks' financial performance in the first research. Using a quantitative approach, the study analyzed financial and operational data to assess the impact of compliance systems on key indicators such as operating expenses and profitability. Figure (2.1) illustrates the conceptual model developed by Chaabo (2021).

**Figure (2.1) Conceptual Framework of Naser Chaabo**

Impact of AML/CFT implementation on the financial performance of Lebanese bank



Source: Naser Chaabo (2021)

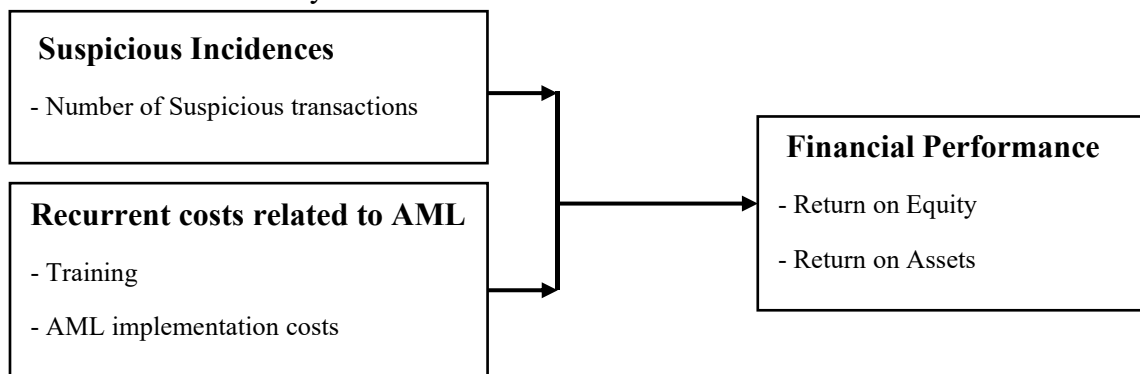
The findings indicated that AML/CFT implementation costs, including training, system upgrades, and operational compliance activities, had a notable effect on the financial performance of Lebanese banks. Although these costs increased short-term operational expenses, they contributed to lower regulatory and legal risks. Strengthened financial laws and regulations particularly enhanced reporting, periodic reviews, and greater accountability were also associated with improved financial outcomes. In addition, effective oversight of cross-border transactions reduced banks' exposure to financial crime and operational vulnerabilities. Overall, the results suggest that comprehensive AML/CFT measures, supported by strong regulatory frameworks and cross-border monitoring, play an important role in enhancing cost efficiency, profitability, and risk reduction within Lebanese banks.

The second previous study, conducted by Mohamud (2017) and titled Effect of Anti-Money Laundering Risk Management on Financial Performance of Commercial Banks in Kenya, explored the relationship between AML risk management and bank performance. The study's conceptual framework identified suspicious transactions and AML implementation costs as independent variables, while financial performance

measured using Return on Equity (ROE) and Return on Assets (ROA) served as the dependent variable. The research assessed how AML practices and compliance costs influence operational and financial outcomes, emphasizing the balance between regulatory requirements and performance efficiency. Figure (2.2) presents the conceptual model developed by Mohamud (2017).

**Figure (2.2) Conceptual Framework of Mohamed Abdullahi Mohamud**

Anti-Money Laundering Risk Management and Kenyan Commercial Bank Financial Performance. University of Nairobi.



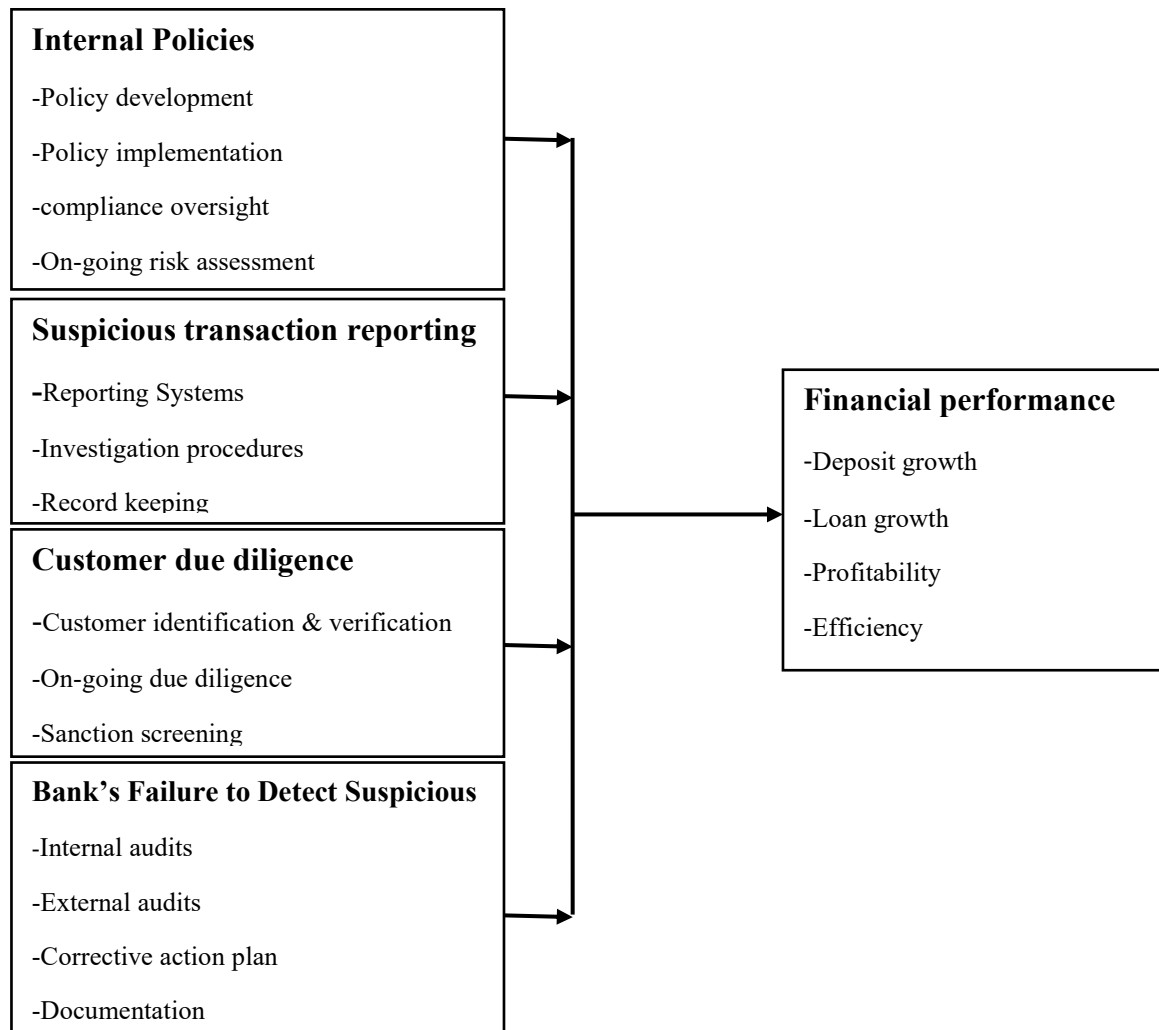
Source: Mohamed Abdullahi Mohamud (2017)

These findings are consistent with Fama’s (1981) seminal work, which demonstrated a negative correlation between inflation and anticipated stock market activity. The results underscore the importance of strengthening AML frameworks, managing recurrent costs effectively, and ensuring macroeconomic stability to improve the financial performance of commercial banks.

The third Abraham Telar Nicknora (2024) research examined AML compliance and the financial performance of selected commercial banks in South Sudan. The independent variable was AML compliance, measured by internal procedures, suspicious transaction reports, customer due diligence, and compliance audits. Strong internal rules underpin good AML measures are anticipated to boost financial performance, according to the report. Figure 2.3 displays Abraham Telar Nicknora (2024)'s conceptual model.

**Figure (2.3) Conceptual Framework of Abraham Telar Nicknora**

Anti-Money Laundering Compliance and Financial Performance of Selected South Sudanese Commercial Banks.



Source: Abraham Telar Nicknora (2024)

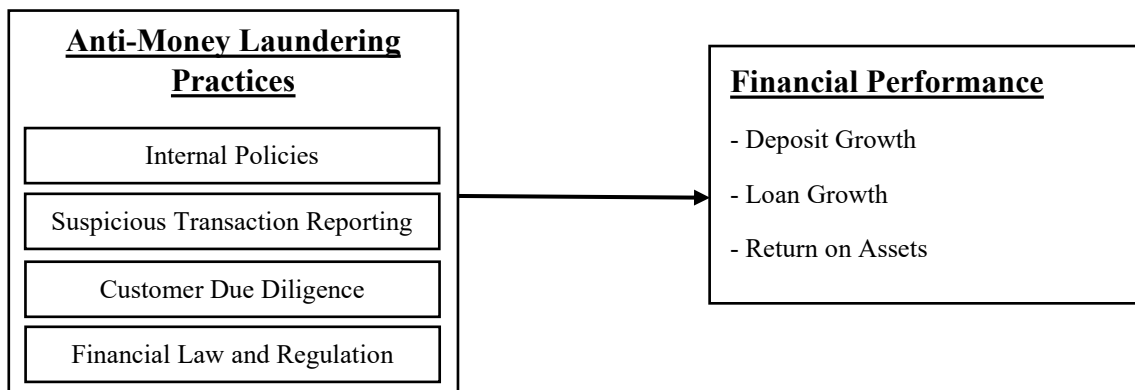
The findings demonstrated that all four components of AML compliance had a statistically significant influence on financial performance. Internal policies showed a positive relationship with financial outcomes, confirming their role in establishing strong compliance structures. Suspicious transaction reporting was also strongly associated with improved financial performance, reflecting the value of effective monitoring in reducing risks. Customer due diligence contributed significantly by fostering confidence and stability in banking operations. Compliance audits were found to be the most influential factor, underscoring their importance in ensuring regulatory alignment and continuous improvement in AML systems.

## 2.6 Conceptual Framework of the Study

This section presents the study's conceptual framework based on three previous research. It integrates critical variables including anti-money laundering policies and financial performance to explore how they affect organizational outcomes, particularly AML system practices. Figure (2.4) shows the framework.

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

Anti-Money Laundering Practices and Financial Performance of A Bank.



Source: Own compilation (2025)

The conceptual framework of this study is developed to highlight the relationship between anti-money laundering (AML) practices and financial performance in the banking sector. In the first part, AML practices and their dimensions, internal policies, suspicious transaction reporting, customer due diligence, and financial law and regulation are identified as the independent variables. These elements represent the key mechanisms through which banks strengthen compliance, reduce exposure to financial crime, and promote organizational transparency and accountability. Internal policies provide structured guidelines for employees to follow, while suspicious transaction reporting ensures that unusual financial activities are detected and investigated promptly. Customer due diligence serves as an important tool for verifying client information, assessing risks, and maintaining the integrity of banking operations. At the same time, strict adherence to financial laws and regulations reinforces institutional credibility and safeguards of A bank against regulatory penalties.

In contrast, financial performance is treated as the dependent variable, with its dimensions represented by deposit growth, loan growth, and return on assets. Deposit growth reflects customer confidence and the ability of the bank to attract and retain funds.

Loan growth indicates the institution's role in supporting economic activity and expanding financial intermediation. Return on assets, meanwhile, measures the efficiency with which resources are utilized to generate profit. Together, these indicators provide a comprehensive assessment of A bank's overall financial health and sustainability.

By linking AML practices to financial performance, this framework demonstrates that compliance is not only a legal necessity but also a strategic factor contributing to long-term competitiveness. Effective implementation of AML measures enhances trust among stakeholders, improves operational resilience, and strengthens the institution's reputation in the financial industry. Ultimately, this conceptualization positions AML practices as vital drivers of organizational success and sustainable financial outcomes of A Bank.

## **2.7 Working Definition**

A working definition is a provisional and context-specific explanation of a concept used in a research study or professional setting. It helps clarify how a term or variable will be understood and applied within the scope of the study. Working definitions are particularly useful when dealing with abstract or multifaceted concepts, as they provide operational clarity and ensure consistency in interpretation and measurement (Given, L. M, 2008).

In the context of Anti-Money Laundering (AML) practices of A bank, the following variables are defined to reflect their functional roles in compliance and risk mitigation.

### **2.7.1 Internal Policies**

Internal policies refer to the formalized rules, procedures, and guidelines established by financial institutions to govern their operations, manage risks, and ensure compliance with relevant laws and regulations (Basel Committee on Banking Supervision, 2019). These policies provide a structured framework for decision-making, operational consistency, and accountability across all levels of the organization. They encompass areas such as customer due diligence (CDD), transaction monitoring, reporting of suspicious activities, and internal audit processes, which collectively aim to maintain institutional integrity and operational efficiency. In the context of A Bank, internal policies serve as the foundation for daily operations and are critical in aligning staff behavior with organizational objectives and regulatory expectations.

Moreover, internal policies play a vital role in risk management by setting standards for identifying, assessing, and mitigating potential threats to the organization, including financial, operational, and reputational risks (COSO, 2017). Compliance with these policies ensures that employees follow consistent procedures when dealing with clients, handling transactions, and reporting irregular activities. Regular updates to internal policies, based on changes in regulatory requirements and emerging risks, are essential to maintain their relevance and effectiveness. By adhering to robust internal policies, A Bank can enhance operational resilience, reduce the likelihood of financial misconduct, and foster stakeholder trust, thereby supporting both regulatory compliance and organizational performance.

### **2.7.2 Suspicious Transaction Reporting**

Financial institutions' AML and CFT procedures depend on suspicious transaction reporting (STR). STR refers to the process of identifying, documenting, and reporting financial activities that deviate from a customer's normal transaction patterns and may indicate potential involvement in money laundering, fraud, or terrorist financing (World Bank, 2021). Transactions are considered suspicious when they are unusually frequent, involve large sums inconsistent with the customer's profile, or lack an apparent legitimate purpose. Such anomalies may signal attempts to conceal illicit funds or engage in unlawful financial activities.

In practice, financial institutions, including A Bank, are required to monitor customer transactions, assess the level of risk associated with each activity, and submit STRs to the national regulatory authority, in Myanmar's case, the Myanmar Financial Intelligence Unit (MFIU) (Central Bank of Myanmar, 2020). STRs enable authorities to investigate potential financial crimes, safeguard the integrity of the financial system, and ensure compliance with international standards, such as those set by the Financial Action Task Force (FATF). Moreover, effective STR systems depend on robust internal policies, employee training, and technological tools to detect unusual patterns, thereby allowing timely intervention and reducing the risk of regulatory penalties (World Bank, 2021).

By integrating STR mechanisms into daily operations, banks not only comply with regulatory requirements but also contribute to broader financial transparency, protect against reputational damage, and support national and global efforts to prevent financial crime.

### **2.7.3 Customer Due Diligence**

Customer Due Diligence (CDD) is essential to financial institution AML and CFT regimes. CDD is the systematic process of detecting, validating, and assessing a customer's risk profile before and during a business engagement (World Bank, 2021). The main goal of CDD is to ensure that the institution knows the customer's identity, financial activities, and potential exposure to illegal activities. This process involves obtaining formal identification documents, validating their legitimacy, and assessing the customer's transactions.

Based on geographic location, kind of business, transaction patterns, and exposure to politically exposed persons (PEPs), CDD categorizes consumers as low, medium, or high risk (FATF, 2019). Enhanced Due Diligence (EDD) methods for high-risk customers include closer transaction monitoring, more regular customer information updates, and more supporting documents. To avoid money laundering, fraud, and terrorism, financial organizations like A Bank adopt CDD methods. According to national AML legislation, institutions must block payments or report transactions to the Myanmar Financial Intelligence Unit (MFIU) if suspicious activity is identified (Central Bank of Myanmar, 2020).

Banks may better identify and reduce risks, comply with regulations, and protect the financial system by integrating CDD into daily operations. Effective CDD practices safeguard the institution from financial and reputational concerns and help combat money laundering and terrorism worldwide.

### **2.7.4 Financial Law and Regulation**

Financial law and regulation encompass the legal frameworks, rules, and supervisory mechanisms established by governments and regulatory bodies to oversee the operations of financial institutions, financial markets, and financial transactions (Lastra, 2015). These laws serve multiple objectives, including ensuring market transparency, safeguarding the interests of investors and depositors, maintaining financial stability, and preventing financial crimes such as fraud, money laundering, and terrorist financing. Regulatory frameworks define the permissible activities of banks, insurance companies, investment firms, and other financial institutions, while providing guidelines for corporate governance, risk management, and reporting obligations.

Central banks, securities commissioners, and financial intelligence units enforce financial regulations through statutes, directives, circulars, and supervisory guidelines. Financial institutions in Myanmar are regulated by the Central Bank of Myanmar, which enforces the Anti-Money Laundering Law (2014, amended in 2015 and 2020) and provides guidance to comply with FATF standards. These regulations require banks to create internal policies, conduct customer due diligence, monitor transactions, and report questionable activity. Institutions reduce legal and operational risks, boost stakeholder confidence, and strengthen the financial system by following financial law and regulations.

Overall, compliance with financial law and regulation is essential not only to avoid penalties but also to foster a trustworthy, transparent, and efficient financial environment. Institutions that effectively integrate regulatory requirements into their operations strengthen their resilience against financial misconduct, improve investor confidence, and align their practices with both domestic and international standards.

### **2.7.5 Financial performance**

Financial performance is a bank's financial health and operational efficiency. It assesses an organization's financial success by efficiently managing resources, earning revenues, and providing stakeholder value (Brigham & Ehrhardt, 2022). Financial performance analysis helps banks discover strengths and weaknesses, improve, and make strategic decisions that boost sustainability and competitiveness.

Key indicators of financial performance typically include deposit growth, loan growth, return on assets (ROA), and return on equity (ROE). Deposit growth reflects the institution's ability to attract and retain customer funds, while loan growth indicates the bank's capacity to deploy capital profitably. ROA measures how efficiently the bank utilizes its assets to generate profits, and ROE assesses the return on shareholders' investments, providing insights into overall financial viability and value creation (World Bank, 2021). By monitoring these metrics regularly, banks can ensure operational efficiency, maintain liquidity, and comply with regulatory requirements, thereby strengthening stakeholder confidence and supporting long-term financial stability.

Furthermore, financial performance is influenced by both internal and external factors, including effective risk management, adherence to regulatory frameworks, implementation of AML/CFT measures, and prevailing economic conditions. For

instance, the costs of compliance with anti-money laundering regulations may temporarily reduce profitability, but they contribute to sustainable performance by mitigating financial and reputational risks (Chaabo, 2021; Mohamud, 2017). Thus, comprehensive evaluation of financial performance enables banks to balance short-term operational costs with long-term strategic objectives, ensuring resilience in a dynamic financial environment.

### **2.7.6 Deposit growth**

Deposit growth refers to the increase in total customer deposits held by a bank over a specific period and serves as a key indicator of a bank's financial stability and market confidence (Brigham & Ehrhardt, 2022). A growing deposit base provides the bank with a stable source of funding, which can be utilized to support lending activities, investments, and operational requirements. It reflects the trust and confidence customers place in the institution, as higher deposit levels indicate that clients perceive the bank as safe, reliable, and capable of safeguarding their funds.

In addition to increasing capital, deposit growth enhances liquidity, enabling the bank to meet withdrawal demands, comply with regulatory liquidity requirements, and maintain operational flexibility (World Bank, 2021). Strategically, banks often stimulate deposit growth through competitive interest rates, attractive savings products, improved customer service, and technological innovations such as mobile and internet banking. Beyond liquidity and funding, consistent deposit growth also contributes to financial resilience, allowing the bank to absorb shocks, expand operations sustainably, and support economic development by providing funds for credit and investment activities. Consequently, monitoring and managing deposit growth is essential for maintaining long-term financial performance, mitigating liquidity risks, and reinforcing stakeholder confidence in the bank's stability and operational efficiency (Chaabo, 2021).

### **2.7.7 Loan Growth**

According to Brigham and Ehrhardt (2022), loan growth is defined as the rise in the total amount of lending that a bank extends to individuals, businesses, and other entities from a particular time period to a given time period. The operational performance of a bank and its capacity to earn revenue through interest income are both evaluated using this metric, which serves as an important measurement. When the bank increases the amount of loans it offers, it not only creates potential for the bank to grow its

profitability, but it also demonstrates the bank's ability to evaluate, manage, and make rational decisions regarding credit risks. The success of the bank's credit management policies and the strategic positioning of the bank in the financial market can be inferred from the volume and quality of loans that are provided by the particular financial institution.

In addition to generating income, the increase of loans helps to strengthen customer connections by giving customers financial support to meet their personal, business, or investment needs. This, in turn, fosters loyalty and long-term involvement (World Bank, 2021). In addition, the expansion of loans makes a contribution to economic development by aiding in the availability of credit, fostering the growth of businesses, encouraging entrepreneurial endeavors, and boosting consumer spending, all of which lead to an increase in economic activity. However, despite the fact that loan growth is necessary for the development of revenue, it must be carefully managed with risk management techniques in order to avoid defaults, preserve asset quality, and comply with regulatory standards (Chaabo, 2021). In order to guarantee that the increase of loans is sustainable and does not jeopardize the stability of the financial system, financial institutions make use of processes such as credit risk assessment, evaluation of collateral, and regular monitoring of the borrowers' financial health.

When evaluating the operational efficiency, profitability, and contribution to economic development of a bank, one of the most important factors to consider is the bank's capacity to maintain and effectively manage the growth of its loan portfolio. By doing so, it offers insights on the market presence of the bank, its appetite for risk, and its capacity to utilize financial resources in an effective manner while simultaneously supporting the international financial system.

### **2.7.8 Return on assets (ROA)**

According to Brigham and Ehrhardt (2022), the Return on Assets (ROA) ratio is an essential financial metric that evaluates a bank's capacity to generate profits from its total assets. This ratio is a reflection of the effectiveness with which the bank makes use of its available resources in order to generate revenues. The return on assets (ROA) is a metric that is extensively utilized for the purpose of evaluating the managerial performance, operational effectiveness, and overall profitability of a financial institution. It is computed by dividing the net income of a bank by its total assets. A higher return on

assets (ROA) shows that a bank is effectively utilizing its assets to create revenue, whereas a lower ROA may suggest that resources are being underutilized, that operational inefficiencies are occurring, or that asset management is not being done effectively.

A bank's return on assets (ROA) is of utmost significance when evaluating the efficiency of its decisions regarding lending and investment activity. It is possible for banks to maximize profits while maintaining adequate liquidity and capital adequacy ratios, which are crucial for achieving regulatory requirements and protecting financial stability (World Bank, 2021). This is made possible by efficient asset utilization which enables banks to maximize returns. Return on assets (ROA) also offers insights into the influence that operational and regulatory expenditures have on overall profitability (Chaabo, 2021). These costs include charges linked with compliance with anti-money laundering (AML) and counter-financing of terrorism (CFT) efforts. Monitoring return on assets (ROA) in conjunction with other performance measures, such as the growth of deposits and loans, enables financial institutions to make well-informed strategic decisions about the allocation of resources, the management of risks, and the investment of capital.

In addition, return on assets (ROA) is used as a standard for evaluating the performance of various banks within the sector. This provides stakeholders, such as investors, regulators, and management, with the capacity to evaluate relative efficiency and profitability. The bank's ability to optimize operations, effectively manage assets, and create value for shareholders while maintaining financial sustainability in a banking environment that is both competitive and regulated is demonstrated by the consistent improvement in ROA.

## **CHAPTER 3**

### **PROFILE AND ANTI-MONEY LAUNDERING PRACTICES OF A BANK**

This chapter describes A Bank's profile and structure, focusing on its anti-money laundering policies. It also evaluates AML laws, regulations, and international standards and describes A Bank's AML policies to ensure compliance and financial performance.

#### **3.1 Profile of A Bank**

Ayeyarwaddy Farmers Development Bank (A bank) was founded on December 3, 2014, by the Central Bank of Myanmar under Notification No. 3, 2014, and registered on December 22, 2014, under the Myanmar Companies Law. First Patheingyi branch opened on November 17, 2015, after a bank received Commercial Banking License No. MAB/P-34/(11) 2015. Since its founding, A Bank has grown to offer deposits, loans, remittances, and digital banking solutions.

The headquarters of A Bank is No. (108), Corner of Kabaraye pagoda Rd & NatMauk Rd, BoCho (1) Quarter, Bahan Township, Yangon, Myanmar. From its head office, the bank manages strategic planning, product development, and compliance with financial regulations, while also facilitating innovation in customer services. Over the years, A Bank has broadened its presence through the establishment of multiple branches across the country. As of 2023, the bank operates more than 50 branches nationwide, serving customers in both urban and regional areas (Central Bank of Myanmar, 2023). This growing branch network reflects the institution's commitment to financial inclusion and accessibility.

With its founding year, head office location, and an expanding branch network, A Bank continues to position itself as a key player in Myanmar's evolving banking industry. Its contributions to the financial system are further reinforced by its adoption of modern banking practices and customer-focused strategies that enhance convenience, trust, and efficiency.

The vision of A Bank is to become an innovative and dynamic financial institution committed to creating sustainable outcomes for all stakeholders. This vision highlights

the bank's focus on long-term stability, growth, and innovation in Myanmar's financial sector.

Its mission emphasizes the delivery of authentic, accessible, and advanced financial products, the adoption of cost-efficient and digital-driven strategies, and the promotion of financial inclusion to extend services to underserved populations. By adhering to these guiding principles, A Bank positions itself as a modern and inclusive financial institution (A Bank, 2020).

The key objectives and goals of the bank revolve around service excellence, digital transformation, and customer responsiveness. The institution prioritizes developing innovative financial solutions, reducing operational costs through asset-light strategies, and partnering with both domestic and international organizations. Furthermore, A Bank places financial inclusion at the center of its operations, ensuring that financial services are accessible to diverse segments of society. This strategic focus strengthens the bank's role as a trusted and competitive player in Myanmar's banking industry (A Bank, 2020).

A Bank provides a broad spectrum of services, including personal and business banking, SME loans, fixed deposits, remittance services, and international transactions. Additionally, the bank offers digital services such as mobile banking and internet banking, designed to increase convenience and accessibility. To ensure high-quality customer service, A Bank has established hotlines, online platforms, and customer support centers to handle queries efficiently and enhance client satisfaction. These efforts underscore the bank's commitment to building long-lasting customer relationships (A Bank, 2020).

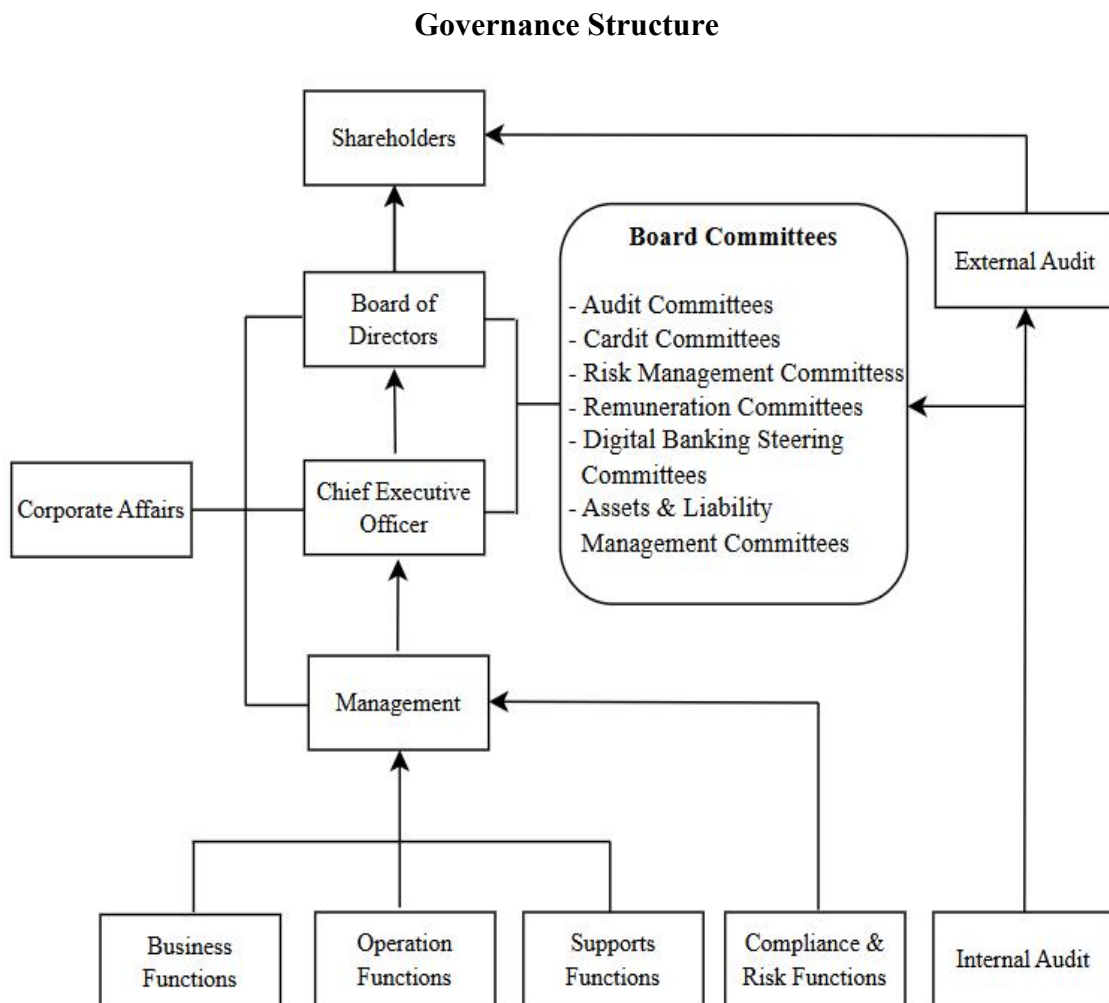
Customer trust remains central to A Bank's operations, as the institution regards it as a fundamental value. By ensuring transparent governance, reliable service delivery, and effective risk management, the bank continues to strengthen confidence among its clients. Accountability and integrity are consistently reinforced, while responsiveness to customer needs further contributes to loyalty and trust. Through these practices, A Bank has successfully established itself as a reputable and customer-oriented institution within Myanmar's financial sector (A Bank, 2020).

### **3.2 Organizational Structure of A Bank**

The organizational structure of A Bank reflects a governance model designed to ensure accountability, transparency, and effective management across all levels of

operation. At the top of the structure, the shareholders represent the ultimate owners of the institution and hold the authority to make decisions regarding its strategic direction. Oversight is provided by the Board of Directors, which is responsible for shaping policy, approving strategic plans, and ensuring that management aligns with the interests of shareholders and stakeholders (A Bank, 2020). The organizational chart is mentioned in Figure (3.1).

**Figure (3.1) Organizational Chart of A Bank**



Source: A Bank (2025)

Supporting the Board are several Board Committees, each tasked with specialized responsibilities. These include the Audit Committee, Credit Committee, Risk Management Committee, Remuneration Committee, Digital Banking Steering Committee, and the Assets & Liability Management Committee. Collectively, these committees strengthen decision-making by focusing on risk oversight, credit approval, remuneration policies, and the development of digital banking initiatives. Such specialization ensures

that governance practices are both effective and adaptive to modern financial challenges (A Bank, 2020).

The bank accountability mechanisms also extend to the External Audit and Internal Audit functions. External Audit ensures independent verification of financial statements, while Internal Audit monitors internal processes for compliance and operational effectiveness. Alongside these, the Compliance and Risk Function ensures that the bank adheres to regulatory requirements and maintains a robust risk management framework.

Operational execution is directed by the Chief Executive Officer (CEO) and the Management Team, who translate strategic decisions into day-to-day operations. Supporting them are the Corporate Affairs division and a range of Support, Business, and Operation Functions, which work together to deliver banking services, maintain regulatory compliance, and provide customer-focused solutions. This tiered structure allows the bank to integrate oversight with execution, ensuring that governance and operations remain aligned.

Overall, A Bank organizational chart highlights a well-defined governance framework where oversight, accountability, and risk management are embedded at every level. This approach enhances organizational efficiency, builds trust among stakeholders, and reinforces the bank's long-term sustainability within Myanmar's competitive financial sector.

### **3.2.1 Corporate Social Responsibility (CSR)**

A Bank implements a structured Corporate Social Responsibility (CSR) program as part of its broader sustainability strategy, guided by the Global Reporting Initiative (GRI) standards. According to the 2020 Sustainability Report, A Bank has committed to issuing annual sustainability reports that cover social, environmental, and governance (ESG) achievements in operations across Myanmar, the report of Financial Year (FY 2019 - 2020).

In terms of community engagement, the bank actively involves its staff in volunteering and donation activities. For example, on July 11, 2019, A Bank employee and their families made a nutritional lunch donation to the Neurology & Nerve Surgery Department of Yangon General Hospital (300 people served) as part of its CSR activities.

Environmentally, A Bank has introduced several internal policies aimed at reducing resource use and carbon emissions. These include measures like going paperless via digitized processes, promoting double-sided usage of paper, enforcing a “Clean Desk Policy”, implementing guidelines for proper power usage, and promoting carpooling among staff.

In addition, A Bank’s CSR activities extend to support for education and social welfare. The bank offers increased interest rates for deposits earmarked for children’s education funds and other humanitarian funds. It also provides loans or financial assistance for projects in agriculture, animal husbandry, and infrastructure, such as electricity and deep-water port projects.

Through these CSR efforts, community service, environmental responsibility, social welfare, and education support, A Bank seeks to enhance its positive social impact, build stakeholder trust, and contribute to sustainable development in Myanmar.

### **3.3 Anti-Money Laundering Practices of A Bank**

A Bank implements AML/CFT practices through its Code of Conduct, which mandates compliance with relevant AML laws, internal procedures for Know Your Customer (KYC), record keeping, suspicious transaction reporting, and employee awareness. The bank’s senior management and Board of Directors oversee these practices via committees responsible for policy approval and risk oversight. Regular training is provided to staff to ensure that operational staff can identify unusual transactions and fulfill reporting obligations.

#### **3.3.1 Internal Policies**

A Bank maintains a comprehensive set of internal policies designed to promote ethical behavior, transparency, and regulatory compliance across its operations. One core document is the Code of Conduct, which applies to all employees and board members and establishes standards such as honesty, integrity, conflict of interest avoidance, confidentiality, and compliance with AML/CFT obligations, including Customer Due Diligence (CDD), record-keeping, suspicious transaction reporting (STR), and sanction list checks. Employees are required to act in alignment with these standards to protect the bank from reputational and operational risk. (A Bank, 2023)

In addition, the bank’s governance policy outlines the internal corporate governance structure, clarifying the responsibilities of the Board of Directors, senior

management, and committees in terms of oversight, compliance, and risk control. Risk management policies are also set in place in accordance with the Central Bank of Myanmar guidelines. These policies define mechanisms for identifying, assessing, monitoring, and mitigating various types of risk, including financial, operational, liquidity, and compliance risks. The policies further specify a risk governance framework with multiple lines of defense to ensure adherence to legal and regulatory requirements. (A Bank, 2023)

### **3.3.2 Suspicious Transaction Reporting**

As part of its AML/CFT framework, a bank's internal Code of Conduct requires all employees and board members to participate in Suspicious Transaction Reporting (STR). Any unexpected or high-risk transactions must be reported to the bank's Legal and Compliance Department, per policy. These reports are made when there are reasonable grounds for suspicion that a transaction could involve illicit activity, laundering of illegally obtained funds, or financing of terrorism. The employees are bound by internal guidelines for Know Your Customer (KYC) and Customer Due Diligence (CDD) that support the detection of suspicious behavior. Confidential information and customer identification documents are used in verifying the legitimacy of transactions, and employees must adhere to these procedures and cooperate fully with internal controls (A Bank, 2023).

The STR process in A Bank also involves specifying that all employees must follow the internal reporting channels, from the branch/unit level up through superiors or direct compliance officers, culminating in oversight by Legal and Compliance leadership. A bank's policy prohibits tipping off customers; that is, employees must not inform customers when a suspicious transaction is the subject of a report or investigation. This ensures the integrity of the investigation and reduces the risk of evidence tampering or interference. Through these mechanisms, A Bank aims to mitigate reputational and operational risks, comply with regulatory requirements from the Central Bank of Myanmar, and maintain trust among stakeholders (A Bank, 2023).

### **3.3.3 Customer Due Diligence**

A Bank adopts Customer Due Diligence (CDD) measures as a central component of its Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) compliance framework. CDD requires the bank to identify and verify the identity of

customers before establishing any business relationship or providing financial services. To verify customer identity and prevent fraud, this method collects correct and full information including identification documents, residential addresses, and financial profiles. The bank's Code of Conduct requires personnel to follow Know Your Customer (KYC) processes and keep customer records in accordance with national and international standards (A Bank, 2023).

A Bank performs continuing due diligence on customers after initial verification. Transactions are monitored to verify they match the customer's profile, source of funds, and company operations. Politically exposed persons (PEPs) and clients from jurisdictions with weak regulatory frameworks require Enhanced Due Diligence (EDD) and senior management clearance. These procedures help the bank to detect unusual activities, prevent money laundering, and mitigate reputational and operational risks. By embedding CDD into its governance structure, A Bank promotes transparency, protects the financial system, and builds long-term trust with stakeholders (A Bank, 2023).

### **3.3.4 Financial Law and Regulation**

A Bank operates under the comprehensive financial legal framework of Myanmar, which is primarily supervised by the Central Bank of Myanmar (CBM). The Financial Institutions Law (2016) provides the foundation for the bank's operations, covering licensing, supervision, corporate governance, and prudential requirements such as capital adequacy and liquidity. These regulations are designed to ensure that financial institutions maintain stability, protect depositors, and operate in a transparent manner (Central Bank of Myanmar, 2016).

In addition, A Bank complies with the Anti-Money Laundering Law (2014) and related rules, which mandate the implementation of effective compliance systems against illicit financial activities. As part of this, the bank enforces internal mechanisms such as Know Your Customer (KYC), Customer Due Diligence (CDD), and Suspicious Transaction Reporting (STR). These processes are intended to prevent money laundering, terrorist financing, and other financial crimes while maintaining the integrity of the banking system (Central Bank of Myanmar, 2014).

Beyond domestic requirements, A Bank also aligns its practices with international standards such as the Financial Action Task Force (FATF) recommendations, which promote transparency, accountability, and global consistency in financial operations. The

bank's governance and compliance frameworks are structured to integrate these standards, ensuring that internal policies are both legally compliant and globally relevant. By observing these financial laws and regulations, A Bank builds stakeholder confidence, strengthens institutional credibility, and contributes to the sustainable development of Myanmar's financial sector.

## CHAPTER 4

### ANALYSIS OF ANTI-MONEY LAUNDERING PRACTICES AND FINANCIAL PERFORMANCE OF A BANK

This chapter presents survey data analysis findings in four sections. First, research strategy for this study is discussed, and then demographics of bank personnel are presented. The third is an overview analysis of A Bank's anti-money laundering and financial performance. The reliability, relationship, and regression analyses of A Bank's anti-money laundering practices and financial performance were provided in the last section.

#### 4.1 Research Design

This study seeks to evaluate A Bank's Anti-Money Laundering (AML) practices and assess their impact on its financial performance. The study focuses on employees at A Bank's head office, including those in the Legal and Compliance Department, Risk Management Department, and Finance Department, as well as branch managers and branch operations staff. As of October 2025, A Bank employs 158 individuals in these departments, who constitute the population for this study.

This research utilizes both primary and secondary data. The sample size is determined using Taro Yamane's formula ( $n = \frac{N}{1+(e)^2}$ ), resulting in 113 employees selected through simple random sampling method. Quantitative research is suitable for methodically defining AML methods and assessing their financial success.

An online survey employing a structured questionnaire collects primary data, while textbooks, academic articles, journals, official websites, and other relevant publications provide secondary data to support and contextualize the study objectives. Data analysis employs quantitative techniques. Descriptive statistics are used to summarize the demographic and survey data, and linear regression analysis is conducted to examine the relationship between AML practices and financial performance.

The survey employs a 5-point Likert scale to measure respondents' perceptions of AML practices and their effects on financial performance. The scale is scored as follows: 'Strongly Agree' = 5, 'Agree' = 4, 'Neutral' = 3, 'Disagree' = 2, and 'Strongly Disagree'

= 1. The questionnaire comprises three sections with a total of 37 questions. Section 1 gathers demographic information through seven questions. Section 2 evaluates AML practices with 20 questions, and Section 3 assesses financial performance with 10 questions.

This methodological approach ensures that data collection is systematic and comprehensive, allowing for accurate analysis of the relationship between AML practices and financial performance at A Bank. By combining structured survey data with secondary sources, the study provides both empirical insights and theoretical grounding, enhancing the reliability and validity of the research findings.

## **4.2 Profiles of Respondents**

Table 4.1 shows the demographics of the 113 respondents. Gender distribution was 64.6% female, 35.4% male. Marital status was 54.0% married and 46.0% unmarried.

33.6% had a master's degree, 25.7% a postgraduate diploma, 23% a bachelor's degree, and 20.4% were university students. The largest age group was 26–35 (31.9%), followed by 36–45 (28.3%), 18-25 (16.8%), 46–55 (16.8%), and 56+ (6.2%).

Regarding position, 25.7% were managers and senior managers respectively, 16.8% were general managers or operational employees, and 15.0% were supervisors. In terms of department, most respondents worked in branch operations (33.6%), followed by the legal and compliance department (22.1%), finance department (17.7%), risk management (15.0%), and branch managers (11.5%).

Finally, with respect to working experience, 35.4% had more than 9 years of experience, 31.9% had 6-8 years, 20.4% had 3-5 years, and 12.4% had less than 2 years. Overall, the sample represents a diverse mix of employees in terms of gender, age, education, position, department, and experience, which provides a comprehensive perspective for the study.

The demographic profiles of the 113 respondents are presented in the following table (4.1).

**Table (4.1) Profiles of Respondents**

| No | Demographic Characteristics |                       | No. of Respondents | Percent    |
|----|-----------------------------|-----------------------|--------------------|------------|
| 1. | Gender                      | Female                | 73                 | 64.6       |
|    |                             | Male                  | 40                 | 35.4       |
| 2. | Marital Status              | Married               | 61                 | 54.0       |
|    |                             | Single                | 52                 | 46.0       |
| 3. | Education                   | University Student    | 23                 | 20.4       |
|    |                             | Bachelor Degree       | 23                 | 20.4       |
|    |                             | Post Graduate Diploma | 29                 | 25.7       |
|    |                             | Master Degree         | 38                 | 33.6       |
| 4. | Age                         | 18 - 25               | 19                 | 16.8       |
|    |                             | 26 - 35               | 36                 | 31.9       |
|    |                             | 36 - 45               | 32                 | 28.3       |
|    |                             | 46 - 55               | 19                 | 16.8       |
|    |                             | Above 56              | 7                  | 6.2        |
| 5. | Position                    | General Manager       | 19                 | 16.8       |
|    |                             | Senior Manager        | 29                 | 25.7       |
|    |                             | Manager               | 29                 | 25.7       |
|    |                             | Supervisor            | 17                 | 15.0       |
|    |                             | Operational Employee  | 19                 | 16.8       |
| 6. | Department                  | Legal and Compliance  | 25                 | 22.1       |
|    |                             | Risk Management       | 17                 | 15.0       |
|    |                             | Finance Department    | 20                 | 17.7       |
|    |                             | Branch Manager        | 13                 | 11.5       |
|    |                             | Branch Operations     | 38                 | 33.6       |
| 7. | Working Experience          | Less than 2 years     | 14                 | 12.4       |
|    |                             | 3 - 5 years           | 23                 | 20.4       |
|    |                             | 6 - 8 years           | 36                 | 31.9       |
|    |                             | More than 9 years     | 40                 | 35.4       |
|    | <b>Total</b>                |                       | <b>113</b>         | <b>100</b> |

Source: Survey Data (2025)

### 4.3 Reliability Test

The reliability coefficient Cronbach's Alpha shows how well elements in a set are positively associated (Sekaran and Bougie, 2010). Table shows acceptable reliability test ranges.

**Table (4.2) Reliability Assessment Range**

| <b>Cronbach's coefficient alpha</b> | <b>Level of Reliability</b> |
|-------------------------------------|-----------------------------|
| 0.80 to 0.95                        | Excellent Reliability       |
| 0.70 to 0.80                        | Good Reliability            |
| 0.60 to 0.70                        | Fair Reliability            |
| Less than 0.60                      | Poor Reliability            |

Source: Sekaran and Bougie (2010)

The Cronbach's alpha value of each factor is shown in Table 4.3.

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

| <b>Factors</b>                         | <b>Number of Items</b> | <b>Cronbach's Alpha</b> |
|--|------------------------|-------------------------|
| Internal Policy                        | 5                      | .881                    |
| Suspicious Transaction Reporting (STR) | 5                      | .794                    |
| Customer Due Diligence (CDD)           | 5                      | .873                    |
| Financial Laws and Regulations         | 5                      | .765                    |
| Financial Performance                  | 10                     | .912                    |

Source: SPSS Outputs

According to the reliability results, Internal Policy (.881), Customer Due Diligence (CDD) (.873), and Financial Performance (.912) fall within the 0.80 to 0.95 range, indicating excellent reliability. Suspicious Transaction Reporting (STR) (.794) and Financial Laws and Regulations (.765) fall within the 0.70 to 0.80 range, demonstrating good reliability. Since all Cronbach's Alpha values exceed the minimum acceptable level of 0.60, all constructs show acceptable to excellent internal consistency.

#### 4.4 Respondents Perception of AML Practices and Financial Performance of A Bank

This section evaluates four key Anti-Money Laundering (AML) practices Internal Policy, Suspicious Transaction Reporting (STR), Customer Due Diligence (CDD), and Financial Laws and Regulations together with Financial Performance. All constructs were measured using a five-point Likert scale, and mean score analysis was employed to identify the most appropriate measurement indicators.

**Table (4.4) Mean Score Interpretation Range**

| Mean Score  | Interpretation |
|-------------|----------------|
| 1.00 – 1.80 | Very Low       |
| 1.81 – 2.60 | Low            |
| 2.61 – 3.20 | Medium         |
| 3.21 – 4.20 | High           |
| 4.21 – 5.00 | Very High      |

Source: Moidunny (2009)

##### 4.4.1 Internal Policy

This section presents the perceptions of 113 respondents regarding internal policy and its influence on employee performance at A Bank.

Based on the table, respondents' perceptions of internal policy at A Bank are positive, with a mean score above 3.80. Strengthening internal policies to support financial stability and profitability received the highest mean score of 3.94, indicating strong agreement among respondents regarding the bank's efforts to ensure sound financial practices. Providing clear and comprehensive internal policy guidelines for AML compliance follows closely with a mean score of 3.87, reflecting a high level of clarity in policy communication. Adhering to internal policies and procedures in accordance with MFIU requirements scored 3.86, while ensuring strong senior management support and commitment to AML practices received a mean score of 3.84. Reviewing and updating internal policies and procedures regularly to maintain effectiveness scored the lowest at 3.81, yet still indicates a positive relationship. The level

indicate that A Bank implements comprehensive internal policies that reinforce compliance, operational stability, and workforce efficiency.

**Table (4.5) Mean Score of Internal Policy**

| <b>No.</b>          | <b>Particular</b>   | <b>Mean</b> | <b>Standard Deviation</b> |
|---------------------|---|-------------|---------------------------|
| 1.                  | Strengthening internal policies to support financial stability and profitability.               | 3.94        | .648                      |
| 2.                  | Ensuring strong senior management support and commitment to AML practices.                      | 3.84        | .654                      |
| 3.                  | Adhering consistently to internal policies and procedures in accordance with MFIU requirements. | 3.86        | .693                      |
| 4.                  | Providing clear and comprehensive internal policy guidelines for AML compliance.                | 3.87        | .605                      |
| 5.                  | Reviewing and updating internal policies and procedures regularly to maintain effectiveness.    | 3.81        | .666                      |
| <b>Overall Mean</b> |   | <b>3.98</b> |                           |

Source: Survey Data (2025)

#### **4.4.2 Suspicious Transaction Reporting (STR)**

Suspicious Transaction Reporting (STR) helps financial institutions discover, disclose, and handle suspicious transactions for AML compliance. At A Bank, STR practices are essential for ensuring operational integrity, regulatory compliance, and the safeguarding of financial assets. The following section presents respondents' perceptions of STR practices at A Bank, highlighting the effectiveness of the bank in identifying suspicious transactions, training employees, managing reporting procedures, and submitting reports to the Myanmar Financial Intelligence Unit (MFIU). The research uses staff survey data to assess the organization's STR mechanisms' efficiency and dependability.

Table 4.6 illustrates respondents' perceptions on Suspicious Transaction Reporting (STR) and its influence on financial performance at A Bank.

**Table (4.6) Mean Score of Suspicious Transaction Reporting (STR)**

| No.                 | Particular   | Mean        | Standard Deviation |
|---------------------|--|-------------|--------------------|
| 1.                  | Effectively identifying suspicious transactions within the bank.                   | 4.00        | .598               |
| 2.                  | Ensuring employees are well-trained to recognize and report suspicious activities. | 3.89        | .608               |
| 3.                  | Promptly submitting suspicious transaction reports to the MFIU.                    | 3.79        | .749               |
| 4.                  | Efficiently managing large volumes of suspicious transaction reports.              | 3.89        | .618               |
| 5.                  | Maintaining a clear and streamlined reporting process for suspicious transactions. | 3.90        | .668               |
| <b>Overall Mean</b> |  | <b>3.86</b> |                    |

Source: Survey Data (2025)

Based on the table, respondents' perceptions of Suspicious Transaction Reporting (STR) practices at A Bank are generally positive, with an overall mean score above 3.85. Effectively identifying suspicious transactions received the highest mean score of 4.00, indicating strong agreement among respondents regarding the bank's ability to detect potentially illicit activities. Maintaining a clear and streamlined reporting process for suspicious transactions follows closely with a mean score of 3.90, reflecting a high level of efficiency in reporting procedures. Ensuring employees are well-trained to recognize and report suspicious activities and efficiently managing large volumes of suspicious transaction reports both scored 3.89, demonstrating consistent competence in STR practices. Promptly submitting suspicious transaction reports to the MFIU received the lowest mean score of 3.79, yet still reflects a positive relationship. These level indicate that A Bank implements effective STR practices, particularly in detecting suspicious activities and maintaining clear reporting procedures.

#### **4.4.3 Customer Due Diligence (CDD)**

Customer Due Diligence (CDD) is a fundamental component of Anti-Money Laundering (AML) compliance, ensuring that financial institutions accurately identify, verify, and monitor their clients to mitigate risks associated with money laundering and terrorist financing. At A Bank, CDD practices are critical for maintaining regulatory

compliance, safeguarding financial integrity, and promoting trust with customers. The following section presents respondents' perceptions of CDD practices at A Bank, highlighting the effectiveness of Know Your Customer (KYC) procedures, identity verification processes, enhanced due diligence for high-risk clients, and the monitoring of customer information. Survey data is used to assess the organization's CDD measures' efficiency and dependability.

The table below reflects respondents' views on Customer Due Diligence and bank financial performance.

**Table (4.7) Mean Score of Customer Due Diligence (CDD)**

| No.                 | Particular   | Mean        | Standard Deviation |
|---------------------|--|-------------|--------------------|
| 1.                  | Strictly following Know Your Customer (KYC) procedures.                      | 3.94        | .648               |
| 2.                  | Thoroughly verifying customers' identities before account opening.           | 3.84        | .654               |
| 3.                  | Conducting enhanced due diligence for high-risk clients.                     | 3.86        | .693               |
| 4.                  | Regularly updating and monitoring customer information to ensure compliance. | 3.87        | .605               |
| 5.                  | Easily verifying remote and non-face-to-face document transactions.          | 3.83        | .653               |
| <b>Overall Mean</b> |  | <b>3.90</b> |                    |

Source: Survey Data (2025)

The chart shows that respondents like A Bank's Customer Due Diligence (CDD) processes, with a mean score over 3.85. Following Know Your Customer (KYC) procedures obtained the highest mean score of 3.94, indicating great agreement among respondents about the bank's regulatory compliance. Regularly updating and monitoring customer information to ensure compliance follows closely with a mean score of 3.87, reflecting a high level of diligence in maintaining accurate customer records. Conducting enhanced due diligence for high-risk clients scored 3.86, while thoroughly verifying customers' identities before account opening received a mean score of 3.84. Easily verifying remote and non-face-to-face document transactions scored the lowest at 3.83, yet still indicates a positive relationship. These level indicate that A Bank maintains

effective CDD practices, particularly in regulatory compliance and accurate customer verification.

#### 4.4.4 Financial Laws and Regulations

Financial laws and regulations establish the legal framework that promotes transparency, integrity, and accountability in banking operations. Compliance with these standards is essential for reducing risks related to money laundering, fraud, and other financial crimes, while also protecting institutional reputation and performance. At A Bank, regulatory adherence forms a core component of governance and risk management. This section examines respondents' perceptions of the bank's compliance with financial laws and regulations, including alignment with national requirements, policy updates, employee training, and the impact of regulatory compliance on overall performance. The analysis utilizes survey data to assess the effectiveness of FLR practices within the organization.

The following table presents respondents' agreement on Financial Laws and Regulations and their perceived impact on financial performance at A Bank.

**Table (4.8) Mean Score of Financial Laws and Regulations**

| No.                 | Particular  | Mean        | Standard Deviation |
|---------------------|---|-------------|--------------------|
| 1.                  | Recognizing that weaknesses in financial laws and regulations can contribute to money laundering practices in A Bank. | 3.91        | .620               |
| 2.                  | Strictly complying with national financial laws and regulations.  | 4.00        | .612               |
| 3.                  | Regularly updating policies to align with changes in financial regulations.   | 3.95        | .692               |
| 4.                  | Providing employees with sufficient training on compliance with financial laws.                                       | 4.04        | .680               |
| 5.                  | Ensuring compliance with financial regulations positively influences A Bank's performance and reputation.             | 4.00        | .551               |
| <b>Overall Mean</b> |   | <b>3.87</b> |                    |

Source: Survey Data (2025)

Based on the table, respondents' perceptions of Financial Laws and Regulations at A Bank are highly positive, with a mean score above 3.95. Providing employees with

sufficient training on compliance with financial laws received the highest mean score of 4.04, indicating strong agreement among respondents regarding the bank’s commitment to employee preparedness and regulatory compliance. Complying with national financial laws and regulations and ensuring compliance positive relationship influences the bank’s performance and reputation scored 4.00, reflecting a high level of adherence to regulatory standards. Regularly updating policies to align with changes in financial regulations scored 3.95, while recognizing that weaknesses in financial laws and regulations can contribute to money laundering practices received a mean score of 3.91. These level indicate that A Bank maintains effective practices in financial law compliance, employee training, and policy updates, which support its performance and reputation.

**Table (4.9) Overall Mean Scores for All Factors**

| <b>Factor</b>                          | <b>Overall Mean Score</b> | <b>Standard Deviation</b> |
|--|---------------------------|---------------------------|
| Internal Policy                        | 3.98                      | .4546                     |
| Suspicious Transaction Reporting (STR) | 3.86                      | .5393                     |
| Customer Due Diligence (CDD)           | 3.90                      | .4840                     |
| Financial Laws and Regulations         | 3.87                      | .5316                     |

Source: Survey Data (2025)

The total mean ratings represent respondents' views on A Bank's AML practices. Participants' Likert scale replies expressed their agreement with key aspects of the bank's AML practices and their impact on financial performance.

#### **4.4.5 Financial Performance**

Based on the table, respondents’ perceptions of the financial performance of A Bank are generally positive, with most items receiving mean scores above 3.85. Maintaining improved deposit growth after adopting AML practices and growing A Bank’s loan portfolio steadily over the past three years both received the highest mean score of 4.11, indicating strong agreement among respondents regarding the positive impact of AML practices on deposit and loan growth. Increasing A Bank’s deposit base significantly in recent years scored 4.05, while expanding loan services as a result of AML practices scored 4.03, reflecting high confidence in the bank’s operational performance. Enhancing customer trust and deposit growth through AML compliance received a mean score of 4.00, and increasing confidence in credit decisions through

AML compliance scored 3.96. Effectively utilizing assets to generate higher returns scored 3.92, and improving ROA by reducing regulatory fines through AML compliance scored 3.88. Enhancing ROA by improving AML-related internal policies and increasing efficiency in managing financial resources through the implementation of AML systems received the lowest scores of 3.69 and 3.66, respectively, yet still indicate a positive relationship overall. These level indicate that AML practices at A Bank contribute positively to deposit growth, loan portfolio expansion, and overall financial performance. Table 4.10 presents respondents’ perceptions of the financial performance of A Bank.

**Table (4.10) Mean Score of Financial Performance**

| <b>No.</b>          | <b>Particular</b>   | <b>Mean</b> | <b>Standard Deviation</b> |
|---------------------|---|-------------|---------------------------|
| 1.                  | Increasing A Bank’s deposit base significantly in recent years.   | 4.05        | .610                      |
| 2.                  | Maintaining improved deposit growth after adopting AML practices.   | 4.11        | .573                      |
| 3.                  | Enhancing customer trust and deposit growth through AML compliance.   | 4.00        | .612                      |
| 4.                  | Growing A Bank’s loan portfolio steadily over the past three years.   | 4.11        | .573                      |
| 5.                  | Expanding loan services as a result of AML practices.   | 4.03        | .558                      |
| 6.                  | Increasing confidence in credit decisions through AML compliance, positively influencing loan growth.       | 3.96        | .611                      |
| 7.                  | Effectively utilizing assets to generate higher returns.  | 3.92        | .657                      |
| 8.                  | Improving Return on Assets (ROA) by reducing regulatory fines through AML compliance.                       | 3.88        | .629                      |
| 9.                  | Enhancing ROA by improving AML-related internal policies.   | 3.69        | .642                      |
| 10.                 | Increasing efficiency in managing financial resources and ROA growth through implementation of AML systems. | 3.66        | .676                      |
| <b>Overall Mean</b> |   | <b>3.94</b> |                           |

Source: Survey Data (2025)

#### 4.5 Analysis of Anti-Money Laundering Practices and Financial Performance

This study examines how internal policy, suspicious transaction reporting (STR), customer due diligence (CDD), and financial rules and regulations affect a bank's financial performance. Correlation analysis determines the direction and intensity of variable correlations, whereas multiple regression analysis evaluates AML practices financial impact. A linear link between variables is indicated by the Pearson correlation coefficient (r), which runs from -1.0 to +1.0. +1.0 denotes a perfect positive relationship, -1.0 a perfect negative relationship, and 0 no linear relationship.

**Table (4.11) Correlation Coefficient Strength and Interpretation**

| Correlation Coefficient | Interpretation           |
|-------------------------|--------------------------|
| ±0.8 to ±1.0            | Very Strong Relationship |
| ±0.6 to ±0.8            | Strong Relationship      |
| ±0.4 to ±0.6            | Moderate Relationship    |
| ±0.2 to ±0.4            | Weak Relationship        |
| ±0.0 to ±0.2            | Weak or No Relationship  |

Source: Mukaka (2012)

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

| Factors                                | Correlation Coefficient | Sig  |
|--|-------------------------|------|
| Internal Policy                        | .581***                 | 0.01 |
| Suspicious Transaction Reporting (STR) | .485***                 | 0.01 |
| Customer Due Diligence (CDD)           | .696***                 | 0.01 |
| Financial Laws and Regulations         | .779***                 | 0.01 |

Source: SPSS Outputs

\*\*\* = Significant at 1% level, \*\* = Significant at 5% level, \* = Significant at 10% level

The correlation coefficient between AML practices and bank financial performance is shown below. Internal Policy, STR, CDD, and Financial Laws and Regulations have correlation values of 0.581, 0.485, 0.696, and 0.779. These AML

characteristics show moderate to high and substantial positive associations with A Bank's financial performance at the 0.01 level since their coefficients vary from 0.4 to 0.8.

#### 4.6 Regression Analysis on the Effect of AML Practices and Financial Performance of A Bank

Multiple linear regression analysis was used to analyze how Internal Policy, Suspicious Transaction Reporting (STR), Customer Due Diligence (CDD), and Financial Laws and Regulations affect bank financial performance. The analysis shows how each independent variable affects financial success. The table shows unstandardized and standardized coefficients, t-values, p-values, VIF, R Square, Adjusted R Square, F-value, and Durbin-Watson statistics. These findings measure multicollinearity, model fit, and the intensity, direction, and statistical significance of AML practices and financial performance.

**Table (4.13) Regression Analysis of Anti-Money Laundering (AML) Practices and Financial Performance of A Bank**

| Factors                                | Unstandardized Coefficients |           | Standardized Coefficients | t         | Sig  | VIF   |
|--|-----------------------------|-----------|---------------------------|-----------|------|-------|
|  | B                           | Std Error | $\beta$                   |           |      |       |
| Constant                               | .418                        | .307      |                           | 1.364     | .175 |       |
| Internal Policy                        | -.888*                      | .496      | -1.041                    | -1.789    | .076 | 2.122 |
| Suspicious Transaction Reporting (STR) | .136**                      | .061      | .143                      | 2.252     | .026 | 1.153 |
| Customer Due Diligence (CDD)           | 1.368***                    | .503      | 1.582                     | 2.722     | .008 | 2.818 |
| Financial Laws and Regulations         | .283***                     | .069      | .280                      | 4.096     | .000 | 1.327 |
| R Square                               |                             |           |                           | .620      |      |       |
| Adj R Square                           |                             |           |                           | .606      |      |       |
| F Value                                |                             |           |                           | 44.001*** |      |       |
| Durbin-Watson                          |                             |           |                           | 2.169     |      |       |

Source: SPSS Outputs

Dependent variable: Financial Performance

\*\*\* = Significant at 1% level, \*\* = Significant at 5% level, \* = Significant at 10% level

The regression analysis shows how AML practices affect a bank's financial performance. Except for internal policy, all factors, namely Suspicious Transaction Reporting (STR), Customer Due Diligence (CDD), and Financial Laws and Regulations exert a positive and significant influence on the bank's financial performance.

Internal policy has a negative and statistically insignificant effect on financial performance ( $B = -0.888$ ,  $p = 0.076$ ). Although A Bank maintains and enforces comprehensive internal policies to guide employees in AML compliance, these policies primarily strengthen regulatory adherence, operational consistency, and risk management frameworks. This indicates that, while well-structured internal policies may not directly drive short-term profitability, they play a crucial role in sustaining long-term financial stability and supporting overall performance.

Suspicious transaction reporting (STR) positively impacts financial performance, with a significant effect at 5% level ( $B = 0.136$ ,  $p = 0.026$ ). Efficient reporting of suspicious transactions helps A Bank detect and prevent potentially fraudulent activities, which in turn safeguards assets and supports financial stability. The standardized coefficient ( $\beta = 0.143$ ) indicates that STR plays a moderate role in strengthening the bank's financial performance through risk control measures.

Customer due diligence (CDD) strongly influences financial performance, with a significant effect at 1% level ( $B = 1.368$ ,  $p = 0.008$ ). Practices such as verifying customer identities, assessing risk profiles, and maintaining high standards of KYC procedures reduce operational and reputational risks. The standardized coefficient ( $\beta = 1.582$ ) confirms that CDD is a dominant AML practice contributing to enhanced financial outcomes by preventing fraud and ensuring safe banking operations.

Financial laws and regulations positively affect financial performance, with a significant effect at 1% level ( $B = 0.283$ ,  $p = 0.000$ ). Strict compliance with national and international financial regulations ensures A Bank operates within legal frameworks, avoids penalties, and strengthens customer trust. The standardized coefficient ( $\beta = 0.280$ ) highlights that adherence to financial laws and regulations is a critical factor in supporting sustainable financial performance.

Overall, the model explains 62.0% of the variation in financial performance ( $R^2 = 0.620$ , adjusted  $R^2 = 0.606$ ), demonstrating its predictive strength. The variance inflation factor (VIF) values, all below 3, indicate that multicollinearity among the AML practice variables is not a concern, ensuring the reliability of the regression estimates. These findings suggest that A Bank's AML practices, particularly CDD and adherence to financial laws, play a critical role in improving financial performance, while internal policy requires further strengthening to enhance its impact.

## **CHAPTER 5**

### **CONCLUSION**

This chapter concludes with Ayeyarwaddy Farmers Development Bank's AML and financial performance. Three main areas are results and debates, recommendations, and future research.

#### **5.1 Finding and Discussions**

The findings reveal that A Bank has developed a strong foundation of Anti-Money Laundering (AML) practices across the four components of its conceptual framework internal policies, suspicious transaction reporting, customer due diligence, and financial laws and regulations. Respondents expressed consistently high levels of agreement that these AML mechanisms are implemented effectively throughout the institution. Internal policies were rated at a “High” level, indicating that employees perceive the bank as maintaining clear procedural guidelines, demonstrating committed leadership, and ensuring periodic updates to strengthen compliance. However, regression results show that internal policy on its own does not significantly elevate financial performance, suggesting that policy structures should be more strategically integrated into daily operations and financial decision-making processes to create tangible performance gains.

Suspicious transaction reporting (STR) similarly received a “High” interpretation, with employees agreeing that they possess the capability to detect, document, and report unusual behaviors efficiently. The regression analysis indicates that STR contributes positively to financial performance, though its effect is more moderate relative to customer due diligence. This pattern emphasizes the role of timely and accurate reporting systems in safeguarding the institution from losses, regulatory sanctions, and reputational damage through early detection of suspicious activities.

Customer due diligence (CDD) emerged as the strongest AML factor influencing financial performance. Respondents rated CDD practices as “High,” reflecting consistent application of Know Your Customer procedures, identity verification, and enhanced due diligence for high-risk clients. Regression results further confirm that CDD has a substantial and statistically significant impact on financial outcomes. These findings support the idea that effective customer screening, risk profiling, and continuous

monitoring reduce fraud exposure, improve decision-making, and ultimately reinforce financial stability.

Financial laws and regulations received one of the highest levels of agreement, also interpreted as “High,” highlighting a strong compliance culture within A Bank. Respondents emphasized that regulatory training, alignment with national financial requirements, and consistent observance of statutory rules positively influence the bank’s performance and reputation. The regression findings validate this perception, showing that adherence to financial regulations significantly enhances financial results by reducing legal penalties, strengthening stakeholder trust, and contributing to long-term institutional resilience.

Overall, the regression analysis demonstrates that the four AML components in the conceptual framework collectively exert a significant and positive influence on the financial performance of A Bank. A substantial proportion of the variation in financial indicators deposit growth, loan growth, and return on assets, is explained by the combined strength of these AML practices. Strengthening these components not only mitigates exposure to financial crime but also promotes sustainable growth, supports a more robust loan portfolio, and contributes to improved asset performance.

The findings of this study indicate that key Anti-Money Laundering (AML) practices internal policies, suspicious transaction reporting (STR), customer due diligence (CDD), and compliance with financial laws and regulations play a significant role in shaping the financial performance of A Bank. Financial performance, assessed through deposit expansion, loan portfolio growth, and return on assets, is most strongly influenced by adherence to financial laws and regulatory standards. This result highlights the bank’s commitment to regulatory compliance and its effectiveness in reducing potential compliance risks. The study also reveals that customer due diligence exerts a substantial positive effect on financial performance, emphasizing the importance of accurate customer identification and continuous risk monitoring in maintaining institutional stability. Internal policies further reinforce these outcomes by providing structured operational guidelines that support consistent implementation of AML procedures across the organization. In addition, suspicious transaction reporting contributes to stronger financial performance by facilitating the early identification and mitigation of potentially illicit activities. Overall, the results confirm that the four AML components outlined in the conceptual framework collectively enhance A Bank’s financial outcomes and

underscore the need for comprehensive AML systems to promote deposit growth, improve loan quality, and strengthen returns on assets.

## **5.2 Suggestions and Recommendations**

This report suggests various ways to improve a bank's AML practices and financial performance. First, adherence to financial laws and regulations shows a meaningful positive impact on financial performance, continued investment in strengthening regulatory compliance is recommended. Ensuring that internal policies and procedures remain fully aligned with updated legal requirements will enhance the bank's ability to prevent regulatory violations and respond effectively to emerging compliance challenges. Integrating regulatory frameworks with other AML components can also support consistent decision-making and improve the bank's capacity to identify and address compliance risks in a timely manner. Strengthening coordination between the compliance unit and other operational departments will further promote a unified and effective approach to managing financial crime risks.

Second, Customer Due Diligence (CDD) significantly impacts financial outcomes, emphasizing the need for comprehensive risk assessment. Advanced risk analytics and continuous monitoring should be added to the bank's CDD operations, especially for high-risk customers. Strengthening these components will enable earlier detection of potential threats and more effective management of suspicious activities, thereby safeguarding the bank's assets and reputation.

Third, the essential role of Suspicious Transaction Reporting (STR) highlights the need for continuous improvements in A bank's monitoring and reporting procedures. To enhance accuracy and efficiency, A Bank should consider adopting advanced technologies such as artificial intelligence, machine learning, and automated detection systems. These tools can strengthen the identification of unusual patterns, reduce manual reporting errors, and speed up the review of high-risk transactions. Improved STR processes will reinforce the bank's fraud prevention efforts, support effective risk management, and ensure stronger compliance with regulatory requirements.

Fourth, the bank should continue reinforcing its internal policy framework, as strong internal policies are essential for effective AML implementation. This includes updating AML policies to match current national and international requirements, clarifying procedures, and enhancing internal controls related to employee responsibilities

and reporting duties. The bank should also maintain a solid compliance system by conducting regular internal audits, revising procedures when regulations change, and providing ongoing staff training to ensure employees understand updated compliance standards. Strengthening internal policies and compliance measures will help create a consistent culture of accountability and reduce the risk of regulatory penalties and reputational damage.

Finally, A Bank should prioritize strengthening its core Anti-Money Laundering (AML) practices, particularly its financial laws and regulations, Customer Due Diligence (CDD), Suspicious Transaction Reporting (STR) and compliance with the internal policy framework. Enhancing these components in a coordinated and systematic manner will support more accurate detection of suspicious activities, reinforce regulatory compliance, and promote stronger operational integrity across the institution. Effective STR processes, in particular, play a critical role in identifying high-risk transactions and preventing financial crime. Improving these key AML elements collectively will contribute to better financial performance and long-term institutional stability.

### **5.3 Needs for Further Studies**

This study examined how anti-money laundering (AML) practices affect A bank's financial performance, but numerous areas need further study. Future research should examine the long-term effects of AML processes on financial performance to evaluate if the findings can be applied to more financial organizations. Qualitative investigations, including in-depth interviews with bank management and frontline personnel may reveal AML policy implementation issues and best practices. Examining how upcoming technologies like AI and machine learning improve AML efficacy could make additional contributions. Finally, to better contextualize how AML procedures influence financial outcomes in dynamic environments, future research may benefit from analyzing external factors such as regulatory changes, economic conditions, and international cooperation in AML efforts.

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**APPENDIX - I**  
**QUESTIONNAIRES**  
**ANTI-MONEY LAUNDERING PRACTICES**  
**AND FINANCIAL PERFORMANCE OF**  
**A BANK**

Dear Respondents,

My name is Thida Linn, and I am a Master of Banking and Finance Program (MBF) student specializing in Executive Management (EMBF) at the Department of Commerce Studies, Yangon University of Economics. As part of my thesis research, I am conducting a study to investigate the anti-money laundering practices and financial performance of A bank.

Your participation in this survey is essential for understanding these dynamics and will significantly contribute to the success of my research. The survey is designed to gather your valuable insights and experiences regarding A bank's anti-money laundering practices and financial performance. Please be assured that all your responses will be kept confidential and used solely for academic purposes. You have the right to withdraw at any time. The survey should take approximately 10 minutes to complete.

I sincerely appreciate your valuable time and support. If you have any questions regarding this survey or the research, please do not hesitate to contact me.

Email: [thida.linn@gmail.com](mailto:thida.linn@gmail.com), Phone: +95 9450045414.

Sincerely,

Thida Linn

EMBF-II-34

EMBF 11<sup>th</sup> Batch (2024-2026)

Yangon University of Economics

## Structured Questionnaire

### **Section A : Demographic Information**

The information provided will be used only for this study. Please read carefully and answer by ticking or filling in the blanks. All responses will be kept confidential. Kindly indicate your answers with a tick (✓).

#### **(1) Gender**

- Male
- Female

#### **(2) Marital Status**

- Single
- Married

#### **(3) Education**

- University Student
- Bachelor Degree
- Post Graduate Diploma
- Master Degree

#### **(4) Age**

- 18 - 25
- 26 - 35
- 36 - 45
- 46 - 55
- Above 56

#### **(5) Position**

- General Manager
- Senior Manager
- Manger
- Supervisor
- Operational Employee

#### **(6) Department**

- Legal and Compliance
- Risk Management
- Finance Department
- Branch Manager
- Branch Operations

#### **(7) Working Experience**

- Less than 2 Years
- 3 - 5 Years
- 6 - 8 Years
- More than 9 years

**Section B - Anti-Money Laundering Practices**

Please select the appropriate box to indicate the extent to which you “Agree” to “Disagree” with each statement. The item scales are five-point Likert type scales with “1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree”.

Please indicate the extent to which you disagree or agree with the following statements:

| Sr No.    | Statement  | Scale |   |   |   |   |
|-----------|--|-------|---|---|---|---|
|           |  | 1     | 2 | 3 | 4 | 5 |
| <b>1.</b> | <b>internal policy</b>   |       |   |   |   |   |
| (a)       | A Bank has strong internal policies to ensure financial stability and profitability. |       |   |   |   |   |
| (b)       | A Bank has effective senior management support and commitment.                       |       |   |   |   |   |
| (c)       | A Bank consistently adhere to internal policies and procedures as per MFIU.          |       |   |   |   |   |
| (d)       | Internal policies provide clear guidelines for AML compliance.                       |       |   |   |   |   |
| (e)       | A Bank regularly reviews and updates internal policies and procedures.               |       |   |   |   |   |

Please indicate the extent to which you disagree or agree with the following statements:

| Sr No.    | Statement  | Scale |   |   |   |   |
|-----------|--|-------|---|---|---|---|
|           |  | 1     | 2 | 3 | 4 | 5 |
| <b>2.</b> | <b>suspicious transaction reporting (STR)</b>                                    |       |   |   |   |   |
| (a)       | A Bank has an effective system for identifying suspicious transactions.          |       |   |   |   |   |
| (b)       | A Bank employees are well-trained to recognize and report suspicious activities. |       |   |   |   |   |
| (c)       | A Bank promptly submits suspicious transaction reports to the MFIU.              |       |   |   |   |   |
| (d)       | A Bank easily manage large volumes of suspicious transaction reports.            |       |   |   |   |   |
| (e)       | Bank reporting process for suspicious transactions is clear and efficient.       |       |   |   |   |   |

Please indicate the extent to which you disagree or agree with the following statements:

| Sr No.    | Statement  | Scale |   |   |   |   |
|-----------|--|-------|---|---|---|---|
|           |  | 1     | 2 | 3 | 4 | 5 |
| <b>3.</b> | <b>customer due diligence (CDD)</b>  |       |   |   |   |   |
| (a)       | A Bank strictly follows Know Your Customer (KYC) procedures.                         |       |   |   |   |   |
| (b)       | Customers' identities are thoroughly verified before account opening.                |       |   |   |   |   |
| (c)       | Enhanced due diligence is conducted for high-risk clients.                           |       |   |   |   |   |
| (d)       | Customer information is regularly updated and monitored as necessary for compliance. |       |   |   |   |   |
| (e)       | A bank easily verify remote and non-face-to-face document transactions.              |       |   |   |   |   |

Please indicate the extent to which you disagree or agree with the following statements:

| Sr No.    | Statement  | Scale |   |   |   |   |
|-----------|--|-------|---|---|---|---|
|           |  | 1     | 2 | 3 | 4 | 5 |
| <b>4.</b> | <b>Financial Laws and Regulations</b>  |       |   |   |   |   |
| (a)       | Weaknesses in financial laws and regulations can contribute to money laundering practices in A Bank. |       |   |   |   |   |
| (b)       | A Bank strictly complies with the national financial laws and regulations.                           |       |   |   |   |   |
| (c)       | A Bank regularly updates its policies to align with changes in financial regulations.                |       |   |   |   |   |
| (d)       | Employees receive sufficient training on compliance with financial laws.                             |       |   |   |   |   |
| (e)       | Compliance with financial regulations positively influences A Bank's performance and reputation.     |       |   |   |   |   |

### **Section C - Financial Performance**

Please select the appropriate box to indicate the extent to which you “Agree” to “Disagree” with each statement. The item scales are five-point Likert type scales with “1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree”.

Please indicate the extent to which you disagree or agree with the following statements:

| <b>Sr No.</b> | <b>Statement</b>   | <b>Scale</b> |   |   |   |   |
|---------------|--|--------------|---|---|---|---|
|               |  | 1            | 2 | 3 | 4 | 5 |
| <b>2.</b>     | <b>Financial Performance</b>   |              |   |   |   |   |
| (a)           | A Bank deposit base has increased significantly in recent years.   |              |   |   |   |   |
| (b)           | The bank deposit growth remained improved after adopting AML practices.  |              |   |   |   |   |
| (c)           | AML compliance has helped the bank gain customer trust and improve deposit growth.   |              |   |   |   |   |
| (d)           | A Bank’s loan portfolio has grown steadily over the past three years.  |              |   |   |   |   |
| (e)           | AML practices have contributed to A Bank’s ability to expand loan services.  |              |   |   |   |   |
| (f)           | Compliance with AML has increased confidence in our credit decisions, positively influencing loan growth.                    |              |   |   |   |   |
| (g)           | A Bank effectively utilizes its assets to generate higher returns.   |              |   |   |   |   |
| (h)           | AML compliance improves A Bank’s Return on Assets by reducing regulatory fines.  |              |   |   |   |   |
| (i)           | Improving AML related internal policies has enhanced A Bank’s ROA.   |              |   |   |   |   |
| (j)           | The implementation of AML systems has improved the bank’s efficiency in managing financial resources, leading to ROA growth. |              |   |   |   |   |

**Thank you for your very kind cooperation, help and precious time.**

## APPENDIX - II

### SPSS Outputs

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

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | Change Statistics |     |     | Sig. F Change | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|-----------------|-------------------|-----|-----|---------------|---------------|
|       |                   |          |                   |                            |                 | F Change          | df1 | df2 |               |               |
| 1     | .787 <sup>a</sup> | .620     | .606              | .28883                     | .620            | 44.001            | 4   | 108 | .000          | 2.169         |

a. Predictors: (Constant), MeanCDD, MeanSTR1, MeanRulesandRegulations, MeanInternalPolicy11

b. Dependent Variable: MeanFinancialPerformance

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

| Model |            | Sum of Squares | df  | Mean Square | F      | Sig.              |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1     | Regression | 14.683         | 4   | 3.671       | 44.001 | .000 <sup>b</sup> |
|       | Residual   | 9.010          | 108 | .083        |        |                   |
|       | Total      | 23.693         | 112 |             |        |                   |

a. Dependent Variable: MeanFinancialPerformance

b. Predictors: (Constant), MeanCDD, MeanSTR1, MeanRulesandRegulations, MeanInternalPolicy11

#### Coefficients<sup>a</sup>

| Model |                         | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | Correlations |            |         | Collinearity Statistics |           |
|-------|-------------------------|-----------------------------|------------|---------------------------|--------|------|--------------|------------|---------|-------------------------|-----------|
|       |                         | B                           | Std. Error |                           |        |      | Beta         | Zero-order | Partial | Part                    | Tolerance |
| 1     | (Constant)              | .418                        | .307       |                           | 1.364  | .175 |              |            |         |                         |           |
|       | MeanRulesandRegulations | .283                        | .069       | .280                      | 4.096  | .000 | .581         | .367       | .243    | .753                    | 1.327     |
|       | MeanInternalPolicy11    | -.888                       | .496       | -1.041                    | -1.789 | .076 | .714         | -.170      | -.106   | .178                    | 2.122     |
|       | MeanSTR1                | .136                        | .061       | .143                      | 2.252  | .026 | .342         | .212       | .134    | .867                    | 1.153     |
|       | MeanCDD                 | 1.368                       | .503       | 1.582                     | 2.722  | .008 | .728         | .253       | .162    | .010                    | 2.818     |

a. Dependent Variable: MeanFinancialPerformance