BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF INTELLIGENCE AND SECURITY STUDIES

IMPACT OF MONEY LAUNDERING IN FINANCIAL INSTITUTION: CASE STUDY OF HARARE CBD BANKS.

BY

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(B192078)

A DISSERTATON SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FO THE BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCIAL INTELLIGENCE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION.

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DEDICATION FORM

MOM AND SISTER

I dedicate this dissertation to my mother (Sibongile) and sister (Lutrish), the two most important women in my life, who have been my guiding lights, my confidantes, my source of inspiration and pillars of strength throughout my academic journey. Their unwavering support, encouragement, and love have been my constant source of inspiration and motivation. Their sacrifices and unwavering faith in me have made this achievement possible. Thank you for always being there for me, for believing in me, and for instilling in me the values of hard work, perseverance, and determination. This dissertation is a testament to your love and support. Above all I offer my humble thanks to God, whose grace and guidance have been my constant companions throughout this journey. Without His blessings, this achievement would not have been possible (Proverbs 3:5-6).

ABSTRACT

Over the past few years, Zimbabwe's banking sector has been fragile, experiencing several bank failures that resulted in the loss of billions of dollars through money laundering. A significant portion of money laundering cases (over 70%) are only detected after they have already been completed. This study aimed to document the nature and impacts of money laundering in the financial institution and the effectiveness of the anti money laundering measures, with a specific focus on the financial institutions in Harare CBD. The study had four objectives: to document the nature of money laundering in the financial sector, to determine the causes of money laundering in the financial sector, to identify the negative impacts of money laundering on the financial sector, and to understand the challenges of combating money laundering. The researcher utilized a descriptive case study research design on a sample size of 40 participants, using questionnaires and interviews as the primary data collection instruments. The study's respondents were chosen using judgemental and random sampling procedures. The Statistical Package for Social Sciences (SPSS) version 20 and Microsoft Excel 2013 was used to analyze the data. , with the results presented using tables, bar graphs, and pie charts. The study found that weak regulatory frameworks and corruption were the primary causes of money laundering in the financial institution. The most significant negative impact of money laundering on institutions is that it damages their reputation and results in operational risks. Lack of resources was identified as the primary challenge in combating money laundering, and the measures in place to combat money laundering were deemed inadequate. The researcher recommended implementing artificial intelligence and machine learning,utilizing blockchain technology, and providing technical assistance and guidance where necessary to combat money laundering effectively.

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To the Chidhobha family, who provided me with a home during my studies, and to my Grandmother, uncle Stephen, late uncle Nqobile my cousins Jewel and Rutendo I am deeply indebted and grateful for your support.

God bless you all!!!

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CHAPTER I

INTRODUCTION

1.0 Introduction

The chapter provides an overview of the study and includes the background of the research, a statement of the problem, the research objectives, research questions, assumptions, significance of the study, limitations, and delimitation. The chapter concludes with definitions of relevant terms and a summary of the key points covered.

1.1 Background

Money laundering methods have developed over time, with the oldest being centered on paper and physical cash (Naylor, 2016), however the development of contemporary technology has resulted in or a completely new variety of advanced methods which include black market currency exchange (UNODC, 2018). As the effects of the pandemic opportunistic affected businesses and individuals globally, opportunistic criminals took advantage of the situation to benefit themselves. With the emergence of more payment channels, such as buy now pay later schemes and an increase in online payments, money laundering has gained ground within the financial system (Jones, 2021).

The phrase "money laundering" comes from the Italian mafia's control of Laundromats in the United States throughout the 1920s and 1930s. Because organized criminals made so much money through extortion, prostitution, gambling, and bootlegging, they needed to demonstrate a legal source of funds (Steel, 2006). Therefore, in an attempt to legalize the profits gained from their criminal activities, the gang decided to purchase legitimate businesses, allowing them to launder the illegal proceeds by mixing them with the profits of the lawful businesses they acquired. (FATF, 2013). (Raweh et al., 2018) suggest that the financial sector serves as the primary means for converting illegitimate funds into legitimate ones. As banks, financial institutions, and the entire financial system rely heavily on customer trust, any reduction in customer confidence can negatively impact the stability of the banking sector, as noted by (Ofenda et al., 2020). The primary objective of money laundering is to conceal the source of illegally obtained profits and ensure that criminals can benefit from their gains by preserving or investing them in legal channels, as outlined by the United Nations Office on Drugs and Crime (UNODC, 2020). (Mekpor et al., 2018) emphasize that money laundering can potentially destabilize financial systems and institutions.

In 2020 United Nations estimated that every year the world domestic product (GDP) 2-5% amounted between 1,5 trillion from $600 billion US dollar currency is laundered around the world (UN, 2020). Hence in global context, money laundering has emerged as a danger to international capital flows and exchange rates (Schroeder, 2001). Money laundering is unquestionably a worldwide phenomenon and its impacts and effects reflects on all the facets of the worldwide society. Iran and Dem are considered to be countries which are more vulnerable to money laundering, since they are not members of any anti-money laundering (AML) organization (Gallagher, 2021). Effects of money laundering in Russia, has cause a number of banks to declined approximately from 923 in 2013 to 469 in 2019 (Shaffer and Cassella, 2020). The European Money Mule Action (EMMA) identified 8 755 money mules from mid-September to the end of November 2022, alongside 222 money mules recruiters and 2 469 individuals were arrested worldwide (EUROPOL, 2022). According to a report by the European Banking Authority, Danske Bank's Estonian branch was responsible for laundering billions of euros between 2007 and 2015. However, the bank's management failed to take adequate action to prevent or detect the money laundering activities. Denmark's largest bank, Danske Bank was discovered to have assisted in the laundering of billions of euros via its Estonian office. The inability of the bank to prevent money laundering resulted in a controversy, that resulted in the resignation of its CEO and a number of other top executives (Jolly, D, 2019). The scandal came to light in 2017, when a whistleblower alerted authorities to suspicious transactions at the bank. The Estonian Financial Supervisory Authority (EFSA) then launched an investigation, which found that the bank had facilitated the laundering of around €200 billion. The scandal resulted in fines and legal action against the bank.

Fines of $10.4 billion were levied against global banks for money laundering violations, Zimbabwe together with Botswana, Ghana and Mauritius has been categorized under high risked African nations in the European Union that pose substantial hazards to the global financial system (Antwi et al., 2022). Around mid-2020, allegations were made that Ecocash, a mobile money platform in Zimbabwe owned and operated by Econet Wireless, had established a fraudulent platform that converted mobile money into cash to facilitate the illegal purchase of foreign currency on the black market, with the intention of taking the money out of Zimbabwe. This action was said to have destabilized and distorted the foreign currency market, according to (Nyahasha, 2020).

1.2 Statement problem

In Zimbabwe 70% of identified laundering cases are uncovered after they have already been completed (Munyaradzi, 2017). The banking sector in Zimbabwe has been unstable in recent years, marked by numerous bank failures, cash shortages, and abrupt policy announcements. (Karombo, 2022). The majority of Zimbabwe's banks have been fined for involvement in activities that ran contrary (Makamure, 2020). It has been reported to have lost billions of dollars through tax evaders and money laundering as the country works on further improve its money laundering risk assessment (Local News, 2019).

In 2013, Interfin Bank was placed under curatorship by the Reserve Bank of Zimbabwe (RBZ) after it was found to have engaged in fraudulent activities, including money laundering, in 2017, CBZ Bank was fined by the RBZ for breaching anti-money laundering regulations. The bank was found to have failed to comply with Know Your Customer (KYC) requirements and to have allowed suspicious transactions to take place (New Zimbabwe, 2017). In 2018, ZB Bank was fined by the RBZ for infringing anti-money laundering statute. The bank was found to have failed to comply with KYC requirements and to have allowed suspicious transactions to take place. In 2020, Ecobank Zimbabwe was fined by the RBZ for violating anti-money laundering regulations. The bank failed to comply with KYC requirements and to have allowed suspicious transactions to take place (New Zimbabwe, 2020).

These banks have also been accused by the Zimbabwe Anti-Corruption Commission for enabling money laundering for corrupt individuals' ill-gotten wealth (Mutongwiza, 2021). This is because the Zimbabwean financial crisis highlighted flaws in the regulatory and supervisory systems

(Mlambo, 2016). Within these financial institutions, there is a link between money laundering and fraudulent activities carried out by employees. These crisis then erode trust, in domestic financial institutions by local residents, as well as trust in international investors and financial institutions. This can ultimately have a negative impact on economic growth. (Jadavji, 2011). Matanda Moyo determined in 2021 that there is a gap in the implementation of anti-money laundering regulations, which makes it easier for corrupt individuals and banks to conspire. The gap is caused by both the general low implementation of anti-money laundering legislation and the manner in which banks conduct due diligence (Mutongwiza 2021). The increase in cases of money laundering and inadequate anti money laundering measures piqued the researcher's curiosity on this criminal phenomena, these cases has the potential to seriously endanger Zimbabwe's financial sector.

1.3 Objectives

1. To determine what causes money laundering to occur in financial sector.
2. To determine the negative impacts of money laundering on the financial sector.
3. To understand the challenges of money laundering.
4. To determine effectiveness of anti money laundering regulations and recommend on advanced measures to deal with money laundering in financial sector.

1.4 Research Questions

1. What causes money laundering to occur in financial sector?
2. To what extend is money laundering negatively impacting the financial sector?
3. What are the challenges of combat money laundering?
4. How effective are anti money laundering regulations implied in the organization?

1.5 Assumptions

- Anti money laundering measures are inadequate.

- Respondents to questionnaires would be willing to participate and would give honest answers.

1.6 Limitations

The study had several limitations, including a small sample size. Additionally, since respondents completed the questionnaires individually, the control of external variables was not entirely effective. Moreover, the study was limited to the analysis of money laundering operations, which is a broad and contentious topic. Concerns about confidentiality and the employees unwillingness to divulge sensitive information, by giving them a letter from the university, I was able to reassure them that it was for academic purpose only and that I would keep their information confidential. The researcher time and resources were dependent upon a single university student who is not employed however I was able to obtain the majority of the information from journals.

1.7 Delimitation

The study focused on banks in Harare CBD, this was for easy access of the information required to undertake the study. The work centred on the impacts of money laundering on financial sector and how to weaken the risk correlated to it . The study was only confined to the period August 2021 to March 2022. In addition, both local and international sources that have anything to do with money laundering and anti money laundering were consulted

1.8 Significance of the study

To financial institution(s)

The paper makes tactical suggestions on how financial firms should set up their internal control procedures. Overall, the study's findings and lessons learned helped the review arrive at conclusions that the financial institutions may use to lessen the impact of overlapping and covert money laundering operations. In the long term, the study's findings will help the participants in the banking sector create effective anti-money laundering methods.

To the researcher

The study is crucial to the researcher's efforts to evaluate the applicability of college-level theory and make connections between theory and implementation. The research will enable the author to better understand how money laundering affects financial institutions. Moreover, conducting research is something that every student is required to do in order to graduate from university. .

To the university

Research gives value to the institution. The research filled a vacuum created by earlier researchers by adding to the body of fact particularly in the subject of criminology. Once the project has been submitted in the library, the research will build the research based materials in the same or linked topic and provide direction to future scholars.

1.9 Summary

In summary, the first chapter of the dissertation it provided an essential overview of the investigation's reasoning and scope. The research's history, issue statement, and, most crucially, study objectives have all been covered in this chapter. The chapter also defined key words that were utilized in the study and went over the study's assumptions, importance, and delimitation. The next chapter discusses a literature review and empirical.

1.9.1 Organization of the study.

Chapter I of the study provided a fundamental introduction to the entire research project, which was conducted to assess the effects of money laundering on financial institutions located in Harare's central business district. It encompassed the research's context, the problem being investigated, the research goals, the research inquiries, any limitations and boundaries, and a brief summary.

Chapter II of the research presented an analysis of existing literature on money laundering in financial institutions, which encompassed its underlying concepts, theoretical foundations, and empirical findings. This chapter effectively explored the dangers, origins, obstacles, and consequences associated with money laundering.

Chapter III of the research focused on the research strategy and methodology employed to carry out the study. In **Chapter IV,** the research findings were presented, analyzed, and discussed, including the interpretation of the collected information on money laundering in the financial sector.

The **Fifth Chapter** offered a brief summary of the complete research. The results, thoughts, and suggestions in this chapter were developed to promote future research.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The relevant literature from other money laundering scholars was examined in this chapter. A literature review can provide a thorough knowledge of the researcher's aims by analyzing data about money laundering from numerous sources including journals, articles newspapers and books. As a result this chapter focused on the conceptual framework, theoretical literature and empirical data related to money laundering in financial sector.

2.2.0 Conceptual framework

2.2.1 Concept of money laundering

According to (Smith, 2018), money laundering is a form of financial abuse and financial crime. (Jones, 2016) describes financial abuse as a system that, due to poor regulation, enables criminal activity and leads to the exploitation of national and international economic systems. Financial crime encompasses any type of illegal activity that results in a financial loss. The Financial Action Task Force (FATF) defines money laundering as the movement of funds derived from criminal activity to conceal their true source, ownership, or purpose. Extortion, prostitution, gambling, and bootlegging are some examples of criminal activities that generate substantial profits, leading organized criminals to seek ways to legitimize their earnings (Steel, 2006). One common method is to purchase seemingly legitimate businesses and mix their illicit earnings with lawful income.

The (FIA, 2012) and (FATF, 2012) state that money laundering involves converting criminal proceeds into assets that appear to have a legitimate or legal origin. This process generally involves changing or disguising the nature or location of the proceeds of crime. However, Zimbabwean legislation has expanded the definition of money laundering to virtually mean any transaction involving the proceeds of a crime. (Chikomba, 2017) notes that a money laundering offense occurs when a person who commits an act or enters into a transaction involving relevant property knows or should have known that it is the product of a crime.

2.2.2 Elements of money laundering

These are characteristics of money laundering that are taken into consideration before declaring a crime to be money laundering.

2.2.2.1 Act

The defendant must have carried out a financial activity meaning to say that a crime is considered to have a laundering effect if there was a form of an act performed by a criminal or a third party and it has an effect of moving , changing, disguising, hiding, reducing or spending the proceeds of a crime. These kinds of act includes any usual business transaction as well as banking services such as an investments or financial management services (De Koker, 2002). Examples of an act includes making and accepting of a deposit, any other way by means of any other type of bank transaction as involves the proceeds of crime.

2.2.2.2 Proceeds of crime

This can be cash or kind of stolen physical owner's property. Criminals often launder their illegal money through financial institutions to make it look like they earned it legally. This is done to avoid suspicion and to prevent questions about their unexplained wealth. The process of laundering money helps to "clean" the money, making it difficult to trace back to the crime. The ownership of an item and its succeeding sale can also be used to explain the source of the "clean" money. There should be an intend to conceal proceeds of an unlawful activity for it to be a laundering.

2.2.2.3 Knowledge

For an action to be considered money laundering, it is necessary for the person involved to be aware that the money being laundered was obtained through criminal activity. If they laundered money without suspecting its criminal origins, it would not be considered money laundering.

2.2.3 Stages of money laundering

According to (Schott, 2006), various criminal activities, such as political corruption, fraud, and tax evasion, lead to the acquisition of illegitimate benefits. To legitimize these ill-gotten gains, money launderers employ techniques such as placement, layering, and integration. The process of money laundering consists of three stages placement, layering, and integration (Everest Bank Ltd, 2020) .

2.2.3.1 Placement

This is normally the initial stage where the illicit proceeds are introduced into the legal financial system such as the financial institutions, to help conceal its origins. The process can be tedious if the money is in bulk therefore smurfing is introduced, this is a process whereby large amounts are broken into various small amounts, below threshold and deposited at different occasions over time. Once the funds has passed this stage it becomes difficult to detect and prevent. Placement involves moving illegal proceeds from their original source into different forms that can be further concealed. One common way of placement is by depositing the illegal funds into a financial institution. However, due to organizational deficiencies in some banks, they have allowed money laundering to occur on a large scale. The secretive nature of the banking system also enables financial intermediaries to accept questionable funds. As noted by (Schott, 2006), the Bank of England was shut down by international regulators in 1991 after evidence of massive fraud and inadequate anti-money laundering controls were revealed. Placement, therefore, goes beyond merely transferring illegal proceeds into bank accounts. The primary objective is to move the funds into other forms that can be more easily layered and concealed.

2.2.3.2 Layering

Layering is the process of moving illegally obtained money through multiple accounts, investments, and transactions in order to make it difficult to trace back to its source. This is the most complex stage of money laundering, as it requires criminals to be very careful not to leave any evidence of their activities. According to (Cox, 2014), in a more sophisticated scheme, money launderers move funds between various accounts and institutions located in different jurisdictions and through a series of companies. This process could involve up to ten different transactions before the funds are integrated into the banking system. The objective of layering is to further distance the funds from their criminal source by converting or transferring them to other institutions. This makes it difficult to trace the funds back to their original source. As previously stated, when the money have been piled, they can be utilized to acquire assets or readily transferable investment instruments (Schott, 2006).

2.2.3.3 Integration

This is the final stage where illegal proceeds return to the economy appearing as legitimate proceeds. It is the merging and or fusion of layered funds introduced into the banking payment system by the launderer so that they appear to be normal business funds or can be the movement of proceeds of crime by a money launderer as a means to integrate and control ill gotten funds hidden in various location. Integration create illusion of a legitimate source for funds obtained through criminal activities. To achieve this, money launderers use techniques that are as countless and innovative as those employed by legit businesses to boost profits and reduce tax accountability. Some common strategy used during integration involve producing deceitful invoices for goods that a company in one country supposedly sold to a firm in another country, using foreign bank funds as collateral for domestic loans, commingling money in the bank accounts of companies earning legal income, and buying property to give the impression of lawful proceeds when it is sold.

2.2.4 Causes of money laundering in financial sector.

2.2.4.1 Corruption

It involves the misuse of entrusted power for personal gain and is a pervasive problem in many countries around the world. (Rose-Ackerman, 1999) identifies several factors that contribute to the prevalence of corruption, including weak rule of law, lack of transparency and accountability, low salaries for public officials, and a culture of impunity. These factors can create an environment where corrupt activities are more likely to occur and go undetected. Similarly, (Johnston, 2005) argues that corruption is a systemic problem that is linked to a range of other issues, including poverty, inequality, and political instability. He suggests that corruption is often fueled by a lack of democratic accountability and a failure to address the root causes of social and economic inequality. In terms of its link to money laundering, (Williams, 2007) notes that corruption can provide a significant source of illicit funds that can be laundered through a variety of methods, such as shell companies, offshore accounts, and real estate investments. Corrupt officials may also use their positions to facilitate the laundering of funds by providing insider information or protection to money launderers.

2.2.4.2 High levels of turnover

(Allen et al, 2010) surveyed the association between turnover and organizational performance, finding that high levels of turnover can negatively impact organizational performance in several ways. High levels of turnover themselves are not a direct cause of money laundering. However, turnover can create vulnerabilities in an organization that may make it more susceptible to money laundering and other forms of financial crime. It create opportunities for bad actors to exploit gaps in the organization's processes and procedures for personal gain. High turnover can contribute to a culture of instability and uncertainty, which may create an environment that is more conducive to financial crime. Employees who feel disengaged or undervalued may be more likely to engage in unethical or illegal behavior, including money laundering.

2.2.4.3 Weak regulatory framework

Weak regulatory frameworks can create significant vulnerabilities in the financial system and make it easier for criminals to launder money. (Levi and Reuter, 2006) argues that weak regulatory frameworks can create opportunities for money laundering, particularly in jurisdictions with low levels of transparency and accountability. The authors suggest that effective regulation and oversight are critical to detecting and preventing money laundering activities. Similarly, (Sherman, 2011) argues that weak regulatory frameworks can create a culture of impunity, in which financial institutions and other actors are less likely to be held accountable for their role in facilitating money laundering. This can lead to a lack of deterrence, making it easier for criminals to exploit the financial system for their own gain.

2.2.4.4 Limited resource

Limited resources can refer to a situation where an organization or entity has limited financial, human, or technological resources to allocate towards achieving its goals. Limited resources can create vulnerabilities in the anti-money laundering (AML) system and make it more difficult for law enforcement and financial intelligence units to expose and avert money laundering. Limited resources can make it difficult for law enforcement and financial intelligence units to provide adequate training and capacity building for their staff. This can create gaps in knowledge and skills, making it more difficult to disclose and investigate money laundering activities. It also make it difficult to invest in new technologies and data resources that are necessary for effective AML efforts. This can include data analytics tools, information sharing platforms, and other technologies that are critical for detecting and preventing financial crime.

2.2.5 Negative impacts of money laundering in financial sector

(Ofoeda et al., 2020) explain that the banking sector and financial institutions rely on their clients' confidence. A severe drop in client trust in the financial system might have a detrimental impact on the overall reliability of the banking industry.

2.2.5.1 Impairs the sustainability and development of financial institutions

Money laundering directly undermines financial institutions since there appears to be a connection between it and illegal activities done by institution employees. Similar to this, important components of financial institutions of a state are more unsafe to illicit activity by criminal groups. As a result, the criminal and other parallel systems of money laundering routes are strengthened. This could force out competitors that are less prepared, creating a monopoly. Financial organizations run the risk of facing enforcement action by the competent authority if it is determined that they have not taken reasonable measures to establish and maintain effective systems and controls to mitigate the risk of being used for money laundering by criminals. This includes failing to ensure that employees understand the anti-money laundering training they receive, and failing to ensure that staff understand their AML responsibilities for identifying and reporting suspicious transactions and activities.

2.2.5.2 Reputational risk

According to the Basel Committee on Banking Supervision (2009, 19), reputational risk refers to the risk that arises from a negative perception held by customers, counter parties, shareholders, investors, or regulators that could have an adverse effect on a bank's ability to maintain existing business relationships, establish new ones, and access sources of funding. Banks that fail to establish suitable legal compliance and risk management measures, leading to money laundering violations, incur significant reputational damage. When banks are linked to such actions, their standing in the marketplace is damaged, and they run the danger of losing clients and investors' confidence, which lowers the value of their stock for publicly traded financial services companies. Due to the loss of confidence from clients and business partners that provide funding, it is difficult to remain competitive. Corporate reputation has been proven to be difficult to recover and to take some time (Abratt and Kleyn, 2012).

2.2.5.3 Operational risk

The Basel Committee on Banking Supervision defines operational risk as any either direct or indirect loss caused by insufficient or failing internal systems, procedures, or individuals (New Basel Capital Agreement, 2013).

"Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk"

Policies and processes for knowing your customers (KYC) and customer due diligence (CDD) are examined in the context of money laundering. Banks with insufficient KYC risk management programs might be at serious danger. Good KYC standards and processes decrease the possibility that banks would be used for money laundering and terrorist funding, preserving the integrity of the financial system (BCBS, 2004). The primary cause of bank failures and the global financial crisis continues to be inadequate KYC monitoring mechanisms (Tetteh, 2012). The Enron crisis, which cost Arthur Anderson his reputation, Baring Bank's demise due to dishonest trading practices, and UBS's loss of US$100 million due to a trade blunder are examples of the repercussions of operational risk occurrence (Muermann & Oktem, 2016).

2.2.5.4 Increased cost

Increased cost in money laundering refers to the additional expenses that money laundering imposes on the financial sector and the society. The cost include fines and penalties for violating anti-money laundering (AML) and combating the financing of terrorism (CFT) regulations. These fines can be very large and affect the profitability and reputation of financial institutions.

Money laundering can also distort the allocation of resources and the pricing of assets, create artificial demand for cash, increase interest rates, and reduce tax revenues, also discourage foreign investment and trade, and affect the exchange rate and inflation. This can reduce the efficiency and stability of the financial sector and the real economy.

2.2.5.5 International consequences and foreign investment

Any developing country with a track record of aiding terrorism or money laundering risked suffering a serious setback in terms of overall growth. Foreign financial institutions have the authority to limit all of their transactions with businesses that participate in money laundering, raise the cost of those transactions, increase the level of scrutiny applied to those transactions, and ultimately suspend all investment activity. The increased scrutiny of ownership, control structures, and organizational structures may result in a legitimate company's access to international markets being restricted or its expenses rising**.**

2.2.5.6 Changes in the demand for money, exchange rates and interest rates

The need for money is also impacted by money laundering. The IMF discovered from (Quirk ,1997) that a 10% increase in crime causes a 6% decrease in overall money demand. Moreover, a 10% rise in crime will reduce demand for this nation's currency by 10%. Hence, money laundering may negatively affect interest rates, the currency rate, and the demand for money. Money laundering used to enhance the demand for money, but recently this tendency has reversed due to shifts in money laundering techniques from cash and the banking system to non-monetary instruments and barter. To the degree that they are unexpected and unrelated to economic considerations, these changes in money demand and capital flows from one nation to another cause volatility in the global economy. In other words, (Tanzi, 1996) claims that because of how linked the world's financial markets are, they "may have potentially disruptive implications. These capital transfers could not be perceived as reflecting regional variations in economic fundamentals, which might have destabilizing repercussions. As a result, they transmit conflicting messages to the global community.

2.2.6 Challenges of combating money laundering

2.2.6.1 Sophisticated tactics

Sophisticated tactics are advanced and intricate strategies used to conceal the proceeds of their unlawful activity. Sophisticated tactics can present significant challenges in combating money laundering, because they may make it more difficult for authorities and banking institutions to identify and avert illegal financial transactions. Criminals may use a range of sophisticated tactics in laundering of funds, including smurfing which involves breaking up large transactions into smaller ones, which can make it more difficult for financial institutions and law enforcement to detect suspicious activity, Digital currencies: Criminals may use digital currencies, such as Bitcoin, to launder money, as these currencies can be difficult to trace and regulate.

2.2.6.2 Legal barriers

Legal barriers are obstacles or challenges that arise from legal frameworks and regulations, which can hinder efforts to combat money laundering. These barriers can take various forms, such as weak or ineffective anti-money laundering laws, limited access to financial information, challenges in prosecuting money laundering, and lack of international cooperation. Legal barriers can present significant challenges to combating money laundering, as they can limit the capacity of authorities and financial organizations to detect, investigate, and prosecute money laundering. This can make detecting and preventing illegal financial activity more challenging for law enforcement and banking institutions. Prosecution require significant resources and expertise, which may not be available in all jurisdictions.

2.2.6.3 Complexity of financial institution.

The complexity of the financial system refers to the intricate and interconnected nature of financial markets and institutions. It can pose significant challenges in combatting money laundering, as it can create opportunities for criminals to exploit gaps in the anti-money laundering (AML) system. Financial institutions often engage in cross-border transactions, which can involve multiple jurisdictions and currencies. This can make it more difficult to identify and track the movement of funds, and can create opportunities for money laundering. The complexity of financial institutions can present significant challenges to combatting money laundering, as it can make it more difficult to identify and prevent illicit financial activity. Financial institutions, such as banks and other financial service providers, often have complex structures, products, and services that can be exploited by criminals to launder money.

2.2.6.4 Political and economical consideration

Political and economic considerations refer to factors that are related to the political and economic context in which money laundering occurs. These factors can include a wide range of issues, such as corruption, economic instability, and political instability. Economic instability can create opportunities for money laundering, as criminals may seek to exploit fluctuations in currency values or invest in assets that are likely to appreciate in value. Additionally, economic instability can create a climate of uncertainty and instability, making it more difficult for law enforcement and financial institutions to identify and prevent money laundering. Political instability can also create challenges in combating money laundering, as it can create a climate of uncertainty and instability that can make it more difficult to identify and prevent illicit financial activity.

2.2.6.5 Operational challenges

Operational challenges refer to obstacles or difficulties that arise in the day-to-day operations of institutions or organizations. In the context of anti-money laundering efforts, operational challenges can refer to issues that make it more difficult to identify and prevent illicit financial activity. Operational challenges can present significant obstacles to combatting money laundering, as they can make it more difficult to identify and prevent illicit financial activity. Some specific operational challenges related to money laundering include lack of resources were law enforcement agencies and financial institutions may lack the resources needed to effectively identify and investigate money laundering activities. This can include a lack of personnel, technology, and training, which can limit the ability to detect and prevent illicit financial activity. Rapidly evolving techniques money laundering techniques are constantly evolving, which can make it difficult for law enforcement and financial institutions to keep up with the latest methods and technologies used by criminals.

2.2.7 Anti money laundering measures to fight against money laundering

The international community has acknowledged the detrimental impact of money laundering and has devised tools to counteract it, including suggestions to financial and business professionals, as well as other reporting parties. According to (Go and Benarkah, 2019), the major goal is to maintain the integrity and stability of the global financial system while making it more difficult for criminals to profit from their unlawful operations. Anti-money laundering (AML) measures not only improve financial firms' reputations, but also increase client trust in the financial system and its operations. However, some African countries, including Zimbabwe, have been identified as posing significant threats to the global financial system due to tactical inefficiencies in their AML regulations, particularly in the banking sector, as reported by the European Union.

AML rules, particularly those pertaining to customer documentation, education for staff members, and the detection of suspicious transactions, are the most effective means of combating money laundering and related deceit, based on (Mugarura, 2011). However, existing guidelines may not be enough to adequately control the problem, as noted by (Al-Suwaidi and Nobanee, 2020). There is a need to update rules and regulations frequently to keep pace with evolving criminal tactics. National and global cooperation, including mutual legal assistance among nations, can help to combat the offense, as well as the involvement of non-profit organizations, financial institutions, and banks. Sharing knowledge and ideas through national and international conferences can also assist in controlling money laundering.

However, electronic money laundering has added a new level of complexity to the issue, making it necessary to use modern and secure transaction techniques to control it. One drawback of AML regulations is that they are not legally binding, and their impact may be unstable until they are integrated into national laws. As a result, countries all over the world have poor compliance. To guarantee successful compliance, FATF standards must be implemented by customizing amendments in the country's law and aggressively enforcing them.

2.3 Theoretical framework

Research use theoretical framework to explain alternative action plans or to suggest a preferable method of approaching a topic or notion. Among the hypotheses to be investigated are the Rational Choice Theory (Cornish and Clarke, Routine Activities Theory (Cohen & Felson, 1979),1986), and the Theory of Technology-Enabled Crime.

2.3.1 Rational Choice Theory

When the benefits outweigh the disadvantages, individuals will commit crimes, according to the rational choice theory (Smith, 1776). Behavioral approaches to studying financial crimes from a psychological perspective suggest that criminal behavior is shaped by the interplay between two opposing forces, the potential financial gain that could be obtained from committing the crime, and the risk of punishment that the offender would face if apprehended by authorities (Gottschalk, 2010). Target accessibility and availability play a role in crime rates. Hence, it is believed that by increasing the number of security guards, limiting the number of targets, and decreasing the population of criminals, the crime rate may be significantly decreased. The rational choice model of corporate crime (Paternoster and Simpson, 2004) states that corporate offenders are influenced by the risks and benefits they believe will benefit their firm or company, as well as the existence or absence of violating inducements or constraints in the given environment. By investigating the rational judgments taken by money laundering criminals, the rational choice theory demonstrates the relationship between everyday circumstances and explicitly motivated behaviors. Research that examine the rational choice theory as an explanation for corporate crime have produced contradictory results (Paternoster and Simpson, 1996). So, if the government does not impose particular punishments to protect banks from the effects of money laundering, it is feasible that criminals may use the financial institution since the benefits outweigh the costs or fines they are likely to receive. In light of this, scholars have examined the contribution of governance factors including sanctions, rules, and laws to the fight against money laundering (Apel, 2013).

The theory's flaw is that it ignores the generic aspects of crime and instead only considers the beliefs, choices, and moral obligations of specific individuals. The theory's proximal causation, however, lacks a convincing etiological foundation (Alalehto, 2015). The emotional motivations that can lead some persons to choose to launder money are disregarded by the rational choice hypothesis. The rational choice theory completely disregards logic when it comes to attempting to explain why people decide to commit crimes. Yet, the hypothesis is unable to adequately explain how people's personalities change over time and how this affects their propensity for criminal behavior. The idea also disregards a person's past experiences and motivations, which may have been the main factors in influencing their decision to commit a crime (Sato, 2013). Because of this, the theory cannot explain why a person chooses to commit a particular crime or how the community could encourage criminal behavior by not supporting the status quo or by excluding people (Mooney et al., 2004). The theory largely disregards the influence of culture and the economy on crime and its victims.

2.3.2 The Structural theory

Structural theory is a criminological theory that suggests that the root causes of crime and other forms of deviance lie in the social and economic structures of society. According to this theory, crime and deviance are not solely the result of individual behavior or moral failings, but are also shaped by social and economic factors such as poverty, inequality, and inadequate social institutions. The authorship of structural theory is difficult to attribute to a single individual, as it has been developed and refined by a number of criminologists and sociologists over time. Some of the key figures associated with structural theory include Emile Durkheim (1895), Karl Marx (1848), Michel Foucault (1966), and Pierre Bourdieu (1977), among others. Each of these scholars has contributed to the development of structural theory through their work on the social and economic structures of society and their impact on patterns of criminal and deviant behavior.

In the context of money laundering, structural theory suggests that the root causes of this illicit activity lie in the structural factors within the financial system, such as inadequate regulations or loopholes that allow for the movement of illicit funds. This theory suggests that money laundering is not simply a result of individual criminal behavior but is also a product of the broader economic and social structures within which financial transactions take place. Structural theory highlights the importance of addressing these structural factors in order to effectively combat money laundering. Structural factors that facilitate money laundering may include weak regulations, lack of transparency in financial transactions, and the existence of offshore financial centers that offer secrecy and anonymity to those seeking to launder their funds. For example, offshore banks or shell companies can be used to obscure the true ownership of assets and prevent the tracing of funds back to their illegal origins. Structural theory also suggests that money laundering may be facilitated by the global financial system, which is characterized by large international flows of capital and weak regulation of cross-border transactions. This can make it easier for criminals to move money across borders and evade detection by law enforcement authorities.

Critics of structural theories of money laundering argue that they oversimplify the complex and dynamic nature of money laundering activities. Structural theories, which focus on the formal and informal institutions and systems that facilitate money laundering, may fail to account for the individual actors and their motivations and strategies. While structural theories can provide useful insights into the systems and institutions that facilitate money laundering, they should be complemented by more nuanced analyses of individual actors and their motivations and strategies, as well as consideration of the broader social and political contexts in which money laundering occurs.

2.3.3 Differential Association Reinforcement Theory

This differential association reinforcement theory was developed in 1966 by Burgess and Akers. Sutherland's (Green, 2005) earlier thesis, which contends that people pick up ideals, methods, and motivations for criminal conduct through their relationships with others. Opportunistic training and other non-social factors were crucial in fostering criminal conduct (Green, 2005). According to Akers, a person's differential affiliation with deviant peers greatly contributed to the development of deviant conduct in that person. This is the method through which novice criminals discover how to profit from their actions while avoiding getting detected (See, 2004). According to the theory, interacting with criminals can psychologically influence a person to commit crime. This would provide an explanation for why those responsible for money laundering would conduct such crimes. They become money mules after learning how to break the law and commit their crimes covertly. As (Strader, 2002) explains, the ability of the perpetrator to effectively hide their tracks is essential to a successful money laundering operation. The theory proposes lack of respect for the law is one of the factor that contribute to criminal behaviors. Corruption is typically a precursor to money laundering. (Strader, 2005) believes that individuals from lower socio-economic classes do not often engage in these types of crimes because they lack the power and opportunities to commit them. However, (Green, 2005) argues that money laundering is difficult to track or detect due to the complex nature of corporate proceedings. Croall (2001) suggests that inadequate anti-money laundering measures and supervision could contribute to individuals engaging in money laundering.

Differential Association Reinforcement Theory can be applied to money laundering as a form of criminal behavior that involves concealing the origin, ownership, or destination of illegally obtained money. Money launderers may learn this behavior by associating with others who are involved in money laundering or other financial crimes, such as drug trafficking, tax evasion, corruption, or terrorism financing. They may also adopt definitions that justify or rationalize their actions, such as minimizing the harm they cause, blaming the system or society for their situation, or claiming that everyone does it. They may also receive differential reinforcement for their behavior, such as status, power, wealth, or avoidance of legal sanctions. They may also imitate the techniques and methods used by other money launderers or role models they observe in their social groups or in the media1

The differential association theory is often criticized for the claim that criminal behavior can only be learned through associations with other criminals. This critique overlooks situations in which individuals may act on their own goals and individualism and still engage in criminal behavior. Additionally, it fails to consider cases where a psychiatric or biological motivation, such as kleptomania or crimes of passion, may be involved, as noted by (Cressey, 1952). They felt that the acquisition of criminal conduct happened in small and intimate groups, and hence, less through mass media. Close connection may not necessarily be a requirement. This may have altered, though, given the social media era in which we now live. They also thinks that those who lack agency can be exposed to harmful influences while maintaining the moral and intellectual capacity to reject them.

2.4 Empirical review

Fiifi (2012) wrote an article on **The nature of money laundering; money laundering as an emerging security threat and how money laundering affects national economies.** One of the most significant findings in this article is that money laundering, regardless of the size or the form it takes, cannot be justified in any manner and has the potential to stifle economic development in a number of different countries. It also advocated for the establishment of laws and policies that will lessen or completely eradicate the lash of money laundering and other financial fraud, whose existence not only harms a country's reputation but also stalls its development.

Gidadhubli and Kumar (1999) on the study of **Causes and Consequences of Money Laundering in Russia**. It was an entirely desk-based research project that mostly referred to primary and secondary sources of data. The author noticed that the connection between political and corporate interests is one of the main factors contributing to money laundering from Russia. Political figures in high positions in the state apparatus frequently offer to maintain monopolies for commercial organizations and even conduct economic espionage on their behalf in exchange for hefty bribes. Another significant factor contributing to money laundering is the adoption of unfair trade practices.

Shaffer and Cassella (2020) article on the **The Causes, Effects, and Manifestations of the Money Laundering Problem in the Former Soviet Union**, Based on the survey one of the deficiencies that causes money laundering is when some nations don't fully cooperate when other nations ask for mutual legal assistance from them. This is because effective money laundering enforcement requires evidence of the money's illegal source. The study also found that corruption and weak bank regulation in underdeveloped nations allow foreign players to utilize local financial institutions to launder the proceeds of international crime. More specifically, the study found that governments' failure to look into and punish money launderers, as well as to recover criminal proceeds using currently available techniques that need strict traceability of assets to criminal conduct, even when funds travel via jurisdictions and are engaged in a series of complicated assets.

Kubikwa (2020) conducted a same study on **The impact of money laundering on financial institutions. a case of Kenneth Consultants International (KCI management) microfinance, in Harare**. To establish a solid analysis foundation, experimenter gathered empirical and theoretical material from the internet and literature. Facts were gathered from the area utilizing interviews and the researcher's descriptive study design. The aim was to identify the causes of money laundering, to identify its effects on financial institutions. It was determined that crimes such as tax evasion, corruption, fraud, bribery and embezzlement are the main causes of money laundering in financial institutions. Corruption is the primary predicate offense of money laundering, according to the study. The survey also discovered that poor corporate governance, inadequate monitoring mechanisms, and a lack of transparency are the main contributors to money laundering at financial institutions. According to the study, a lack of transparency is a major contributor to money laundering. The study also showed that reputation risk, strategic risk, compliance risk, and liquidity risk are the main effects of money laundering. The findings also revealed how to stop money laundering against financial institutions. Effective corporate governance, efficient monitoring mechanisms, and due diligence are a few of them.

Aluko 2012 studied a research on, **The Impact of Money Laundering on Economic and Financial Stability and on Political Development in Developing Countries**, The motive of the analysis was to critically examine the extensive and significant effects and consequences of money laundering practices on the economic and political expansion of developing countries, as opposed to advanced countries, based on firsthand sources of data and relevant secondary sources. Even though money laundering is a worldwide experience it has become evident that developing countries are more susceptible to its negative impact. Evidence suggests that money launderers, together with other economic and financial criminals, have chosen developing countries as safe havens for their illicit venture due to the less-stringent rules and means for enforcing them in place.

In addition Oluwadayisi (2016) researched on the **Effects of Money Laundering on the Economy of Nigeria.** The primary objective of the study was to examine the comprehensive impact of money laundering on the Nigerian economy. The research methodology adopted a doctrinal approach, relying mainly on secondary sources of data. The study revealed that money laundering has had significant adverse effects on the Nigerian economy. At the international level, money laundering has damaged the country's reputation, imposed constraints on Nigeria's international economic relations, and threatened the economy's growth, hindering governance and economic development. Despite the implementation of laws and policies to combat money laundering and other financial crimes, corrupt practices of government officials have enabled these crimes to continue to flourish in the country, undermining the government's ability to protect the common people's interests.

Amali (2016) conducted a study titled **Curbing money laundering; Global Reception and implementation of international anti money laundering standards.** The study focused on the Nigerian state as a case study and aimed to determine the economic impact of money laundering on worldwide development, particularly on underdeveloped countries. The main objective was to analyze the effectiveness of international standards in curbing money laundering, assess the adequacy of global anti-money laundering initiatives, and examine the challenges related with harmonizing anti-money laundering regulations. An interdisciplinary approach was used, and both primary and secondary data were collected. Primary sources included treaties, textbooks, and journals since money laundering is not law inclined. The study found that anti-money laundering laws and the existence of such regimes indicates a lack of success in implementing anti-corruption laws or combating other criminal activities that lead to money laundering. The adoption, implementation, and the efficacy and success of anti-money laundering programs are unaffected by the implementation of anti-money laundering regulations. Compliance with international anti-money laundering standards, particularly in developing countries, is often only done for the sake of compliance and is largely an academic exercise. The survey also questioned the sincerity of efforts by countries in the forefront of the battle against money laundering.

Toroitich (2010) explored a case study on **Challenges faced by Central Bank of Kenya in combating money laundering.** The study was based on primary data, the research design was descriptive, the data from interviews was analyzed using qualitative analysis. The main aim of the study was to establish the challenges faced by CBK in combating money laundering in the country. His findings were that the main challenges of combating money laundering were lack of adequate laws to deal with money laundering , the study found that the main challenge was the issues of corruption. The research findings suggest that money laundering poses a risk to the credibility and stability of both the banking sector and the forex bureau.

Magessa (2013) conducted a study on **Challenges facing commercial banks in combating money laundering in Tanzania: a case of National Bank of Commerce (NBC).** Data comprehend both secondary and primary sources. The researcher discovered that there are numerous and significant obstacles to effectively combating money laundering in banks. However, it is believed that the most pressing challenges are the dearth of people who are knowledgeable with money laundering and the related issues, such as proliferation ICT improvement, and economic deregulation. As a result of the fact that money laundering is a worldwide problem, it has also been discovered that banks offer anti-money laundering recommendations as well as various alerts for preventing money laundering practices.

Bhatana (2022) hold a study on the **Challenges of Anti Money Laundering Policies Implementation on Banking and financial services sector in Nepal** with an objective to carry out the AML policy regulations in banking financial institution and fraud detection technology and to find out the challenges of application of AML policy in banking and financial sector in Nepal. Primary and secondary sources were used in methodology and the scope of hypothesis was in context to find out on challenges of implementation of anti money laundering approach in banking and financial sector in Nepal. Bhatana (2022) found that banking financial institution are more vulnerable to money laundering risk and had a major role to play the control and monitoring the AML. Without the support and coordination of the banks and its employees, it will be difficult for Nepal Rastra Bank to control policy and regulations. Nepalese banking financial institution are doing well in terms of following guidelines and putting effort on controlling money laundering activities.

Mulenda and Miraji (2012) conducted a research on **Examining the effectiveness of the framework for combating money laundering and international financial crime in Tanzania's banking sector: a case of dar es salaam selected commercial banks.** This study relied solely on desk research, drawing mainly from primary and secondary sources of information. Its primary aims were to assess the success of anti-money laundering regulations in Tanzania and to recognize the difficulties that banks and financial organizations confront in combating money laundering. To collect data, the researcher employed interviews, questionnaires, and documentation. The data was analyzed using Descriptive Statistical Analysis techniques and Linear Regression Analysis. The findings are that the majority of bank officials have less experience in matters relating to money laundering and other international financial crimes, according to data. This discrepancy can be attributed, among other things, to banks' lack of commitment, inadequate AML training, and insufficient AML laws and regulations' implementation mechanisms. However, data also showed that the challenges faced by commercial banks in ensuring that AML and financial institutions are adhered to in Tanzania include staff members' limited knowledge of money launderin, weak law enforcement, a high level of staff dishonesty, and consistently inadequate financial regulatory instruments.

(Koutsianas and Tsakalaki, 2017) explore the susceptibility of banks to money laundering and terrorist financing risks in their research paper **Money Laundering and Terrorism Financing Risks in the Banking Sector,** as well as the effectiveness of regulatory measures in mitigating such risks. The researchers examine the prevalence of money laundering concerns and the actions taken by banks to mitigate them using a sample of Greek banks. According to the survey, Greek banks are undoubtedly vulnerable to money laundering threats, which are on the rise. While banks have implemented know-your-customer (KYC) and anti-money laundering (AML) rules to address these issues, these regulations are not always effective in minimizing the dangers. The report emphasizes the need of banks developing more effective risk management frameworks to combat money laundering and terrorism financing concerns, as well as the need for regulators to strengthen their supervision of banks to ensure that these risks are successfully managed.

Nyarugwe (2018) conducted **An analysis of the Zimbabwean money laundering and proceeds of crime amendment act of 2018.** The research paper was conducted solely using desktop resources and mainly relied on primary and secondary sources of information. The paper discovered that Zimbabwe had lost millions of Zimbabwean dollars due to inadequate regulation of the financial sector. The issue has been exacerbated by a lack of political commitment to tackle money laundering effectively. Despite ratifying international money laundering treaties and is a member of the FATF regional body, ESSAAMLG, these efforts are meaningless if the provisions of the treaties are only partially implemented and there is little willingness to enforce even the weak laws on the books. In comparison to South Africa and Namibia, Zimbabwe's anti-money laundering legal framework falls far short of expectations.

In the research titled **An assessment of the effects of Anti Money Laundering** which was carried out in Namibia by Erastus in (2020**).** The aim of the research was to evaluate the effectiveness of Namibia's AML legislation and regulation. The study contributed to the theoretical understanding of how AML impacts the global economy and financial system. A mixed research method, comprising both qualitative and quantitative methods, was used to achieve the research objective. Secondary information was collected and analyzed. The study found that Namibia has made significant progress in combating money laundering since the last FATF/ESAAMLG mutual evaluation in 2005. However, the country still needs to improve its implementation of FATF recommendations to mitigate money laundering risks, including preparation for the upcoming mutual evaluation.

2.5 Summary of previous studies and justification for present study

According to John McDowell's report from 2001, money laundering has adverse effects. on the integrity of financial markets, the legal private sector, increases the risk associated with privatization initiatives, and has large societal consequences. According to (Gjoni's 2015) study, money laundering has a negative impact on the stability of political institutions and the rate of economic growth. According to research by (Kumar 2012), the financial sector, as well as the official agents like the government, financial institutions, and the banking industry, may suffer as a result of money laundering operations. Yet, compliance risk, reputation risk, direct losses to the victim, well as increased terrorism are other outcomes, impacts, or consequences of money

Other assessments, including the OECD study (2014), have also found that many nations have shady AML systems and that data like customer specifics and beneficial ownership is frequently absent. This has also been brought to light on a number of times recently through leaked papers and investigative journalism reports showing that many bigger multinational banks still lack a full knowledge of AML processes. Every one of these elements will unavoidably have a negative effect on banks that attempt to conduct their own risk assessment procedures.

The bulk of research, with the exception of those by (Kubikwa 2020), were centered on circumstances that were unique from the context of the current study. For instance, (Oluwadayisi 2016) concentrated on the effects of money laundering on the Nigerian economy, and (Bhatana 2022) investigated the difficulties in implementing anti-money laundering regulations in the banking and financial services sectors and Toroitich (2010) specifically explored the difficulties faced by banks in combating money laundering. However, there was little to no research on the impacts of money laundering in the financial sector.

Despite the groundwork laid by the empirical studies mentioned above, there is still a significant study deficit in money laundering. Many studies on money laundering have concentrated on concerns about state security, notably in the United States, Asia, Europe, and West Africa. They focused more on whether the anti money laundering measures to be specific, know your customer (KYC) are being followed by the institution but a few had considered the adequate and effectiveness of measures to combat money laundering through anti-money laundering efforts though Nyarugwe 2018 analyzed the Zimbabwean money laundering act and found out that Zimbabwe is losing its funds due to poor regulations in financial sector he did not consider whether the measures are adequate. No research was done in Zimbabwe to analyze whether the measures taken are up to date, adequate and whether the country has enough capacity to sustain its banking institution against money laundering. Furthermore, few of the studies on money laundering published in the past focused on the impacts of money laundering in financial sectors especially the western region of Africa. Money laundering can take several forms in different countries and settings therefore what might be concluded as useful anti money laundering measures in the Western region might have a different scenario in Zimbabwe. The researcher realized that the subject of money laundering is still a topic of uncertainty for research, especially in the financial sector were forms of exchange is constantly shifting. As an outcome, the present research intended to add to the past researches by introducing innovative research questions and data, about the impact of money laundering as well as realistic options that could be applied to curb money laundering in Zimbabwe's financial sector.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

A research methodology necessitate particular procedures used to collect, synthesize, and analyze data during the research process. It outlines the instruments that are utilized to collect relevant data for a specific research endeavor. A certain theory and its application are examined using a particular set of academic criteria by using a research methodology (Sreevidya and Sunitha, 2011). Methodology is a set of clear principles and methods on which research is based and against which knowledge claims are assessed, according to (Saunders et al 1997). This section summarizes the research technique and details how the study was carried out.

3.1 Research Design

Research design is a plan to respond a set of queries (McCombes, 2019). According to (Zikmund, 2003), It is an overall strategy that specifies the strategies and procedures for gathering and analyzing the necessary data. and interpret data. (Saunders et al, 1997) defines research design as "a structure or plan for a study that directs the collection and analysis of data." It serves as a systematic strategy, blueprint, or set of instructions for conducting research. The research design employed in this study was descriptive, which aims to provide an accurate and systematic description of a situation or phenomenon, as noted by (McCombes, 2019). (Cooper and Schindler, 2004) further support this notion, stating that descriptive studies are more structured and formalized, often with clearly stated hypotheses or research questions. Additionally, according to (Dudovskiy, 2018), the advantages of descriptive research include the ability to integrate qualitative and quantitative data collection methods. The method of descriptive research was acceptable for this study since it allowed the researcher to survey participants and gather inquiries of different types. Descriptive research designs are useful when little is known about the topic or problem, as noted by (McCombes, 2019). Moreover, the use of descriptive research allowed the researcher to deduce the findings to a larger population with a high degree of accuracy.

3.2 Research subjects

These are living individuals about whom data is obtained through intervention or interaction with the individuals. Therefore, the following section outlines the target population and sample utilized in the study, along with the sampling methods utilized.

3.3 Research population

The study was conducted using the financial institution in Harare CBD in concern to determine the negative impacts of money laundering to their performance and chances of surviving in the industry. The researcher carried out the study in Harare Province since that is where most of the largest financial institution are situated and they contribute largely to the 6.78 out of 10 money laundering risk possessed in Zimbabwe (NewZWire, 2021). The entire study’s sample was drawn from Zimbabwe’s financial sector. This included, respectively, the industry regulators and the outside specialties. As a result a sample base was created with deliberate intent of making sure that the respondents utilized both met the criteria for study inclusion and were fully representative of the population base as a whole. Due to time constraints, the study chose to conduct eleven in-depth interviews with specialists

3.3.1 Research sample

Is the technique of identifying a selection of participants to represent the overall population. Sampling was defined by (Zikmund, 2003) as the method used to choose population components from which the sample is drawn are inferred. The choice of Harare Town Centre as the case study for analyzing the research topic was the researcher’s initial sampling strategy.Due to an absence of resources and time this study only included few of the financial institution found in Harare. The researcher gained a improved understanding of the nature of money laundering at financial institutions as a result of the study's results, which were then expanded to other institutions in other Provinces

3.3.2 Sample size

Table 3.1: sample consistency

	Steward bank	Banc abc	cbz	nmb	total
Banking compliance	**3**	**3**	**2**	**2**	**10**
Frontline bankers	**4**	**4**	**3**	**2**	**13**
Investments bankers	**4**	**3**	**2**	**2**	**11**
Risk advisory	**2**	**2**	**1**	**1**	**6**
Total	**13**	**12**	**8**	**7**	**40**

(SOURCE : PRIMARY DATA 2023)

3.3.2.1 Judgement sampling

The selection of participants was done through non-probability sampling methods as not all population members had an equal opportunity of participating in the study only those with the acquired knowledge had a chance. Judgmental sampling refers to the method where the researcher uses their own discretion to select participants from the population of interest. The primary objective of this approach was to strike a balance between selecting individuals who are readily available and obtaining a sample that accurately represents the group of interest. First, all respondents had to have experience and have worked actively on combating money laundering in banking institutions in order to be eligible for inclusion. In this instance the respondent were chosen based on their at least five years of financial industry expertise in Zimbabwe, together with a minimum of two years of direct management of anti money laundering system. Second, the stakeholders representation formed the basis of the study sample. In this case thirteen were the frontline officers, ten were from banking compliance, from investment banking and risk advisory each constituted eleven and six respectively representatives.

3.3.2.2 Random sampling

In selection of the frontline officers the researcher used random picking in each bank, since they were many, I had to randomly pick the few. (McCombes, 2019) explains that random sampling is a technique used to select participants from a population of interest in a completely random way, where every member of the community had an equal chances of being chosen. This method helps to reduce bias and enhance the probability of obtaining a representative sample of the population. Random sampling is frequently employed in research studies to ensure that the results can be applied to the broader population.

3.4 Research Instruments

Research instruments these are the facts finding strategies. They serve as the data collecting tools. (Takona, 2002) defined research instruments as necessary tools for measuring variables such as viewpoints, mindsets, and conceptions. The research instruments used in this study included questionnaires and interviews, as chosen by the researcher.

3.4.1 Interviews

According to (Creswell, 2012), A qualitative interview entails a researcher asking open-ended queries to one or more participants and documenting their replies. Interviews often generate significant commentary and discussion. The interview enabled the researcher to learn more about the participant in a deeper level. Additionally there was room for unrestricted conversation between the interviewer and the subject. Since the interviewer was permitted to alter the wording of the question and add new ones, the inquires were open ended. We maintained the confidentiality of all interview records. The main benefit of conducting interviews throughout the study was that it permitted the scholar to obtain specific data and clarifications that the questionnaire could not supply. Conducting interviews required extensive time consuming transcription because they were authentically recorded. However, because the researcher had previously worked for a bank in compliant department, the responded eventually consented to the meetings and set aside some time for them, therefore the interview was curtailed in order to secure those appointments.

3.4.2 Questionnaires

A questionnaire, according to (Haralambos and Holborn, 2000), is a document with predetermined inquiries that is distributed to respondents in order to elicit proper replies concerning a specific occurrence. To gain more of the information the researcher made use of the questionnaires as it was fast, efficient and inexpensive. The researcher was able to reach a high level of audience through sending a set of questions via a mobile and few cost were inquired and since they are highly scalable , it enabled the researcher to distribute them across the globe. As through an interview we were not able to reach many participants. We tried to be as clear as possible using jargon that could be easily understood

The interviewee felt comfortable in answering the questionnaire as we assured them that we maintained confidentiality and their responses were completely anonymous. Hence it gave a quicker response as they express their opinion openly without the fear of being judged. However even though the questions were clear a few had difficulties in interpreting them accurately, and even though the assurance of confidentiality were given to them some felt that by providing us with answers they are somehow being unethical.

3.5 Data collection procedures.

Questionnaires were sent via an email as it was a quicker way of reaching the targeted participants, and follow ups were made to ensure and verify that the intended participants had received them and do not forget to answer the questionnaires. Data was collected in Harare using members in compliant department in a financial institution and those that had knowledge on the impacts of money laundering in financial institution. A total number of 30 questionnaires were distributed to the bankers, compliant manager with the response rate of 83.3%. the respondent were given a total of seven working days to complete the questionnaire after which the researcher had to make follow ups. On interview the researcher had been given time limited on which I was allowed to interview them and only a maximum of 6 respondents were interviewed

3.6 Data presentation, analysis and interpretation of data

The section on data analysis examines the general process that was used followed to compile, describe, and examine the data that was gathered. The acquired survey data was subjected to both quantitative and qualitative analysis. To ascertain how the gathered data addressed the stated research goals, it was examined. The data collected through questionnaires was examined using SPSS. The data was then displayed using the Microsoft Excel program in tables, charts and graphs for simple comprehension and analysis. In order to analyze the information and reach conclusion and insights, graphic representations help depict enormous amounts of data in an intelligible and coherent manner. Thematic analysis was employed by the researcher in her quest to find themes patterns in the interview data

3.7 Validity and Reliability of instruments.

Hair et al. (2006) define reliability as the degree to which a factor is consistent in what it is designed to assess. According to Pallant (2005), validity is concerned with whether the study actually evaluates what is claimed to be measured. The researcher closely coordinated with the supervisor to make sure that the literature gathered was pertinent in order to confirm the validity of instruments. Additionally as the wording of the questionnaires is what determine if an instrument is valid, the questionnaires were pretested during a pilot study to discover any ambiguities that needed to be clarified and changes were made to them before the actual trial. The use of questionnaires in a pilot research is described as a trial. A pilot study was conducted to evaluate the utility of questionnaires in determining their capacity to produce trustworthy and interpretable data. Respondents were thus asked to complete questionnaires after being exposed to them

3.8 Ethical consideration

These are the concepts that will guide your research designs and procedures. The principles include voluntary involvement, informed consent, anonymity, and confidentiality. As per (Saunders et al, 2016), ethics refers to the suitability of the researcher's conduct concerning the rights of individuals who participate in the survey. The researcher specifically indicated that participation in the exercise was voluntary and that individuals might opt out at any point without facing severe consequences. More importantly, all study volunteers received respectful, equitable, and dignified treatment. Ethical concerns were taken into account during the entire research process. To ensure confidence and trustworthiness, the data collecting procedure is carried out professionally.

3.9 Summary

This chapter provided an overview of the study approach used and the research tools used. Discussions were had about both the benefits and drawbacks of employing the research tools. The following chapter will finish off the analysis, presentation, and interpretation of the data. The project entire conclusion will be shaped by the approach, which serves as a road map. As a result, it is crucial to make sure the appropriate instruments are employed in order to produce accurate results that are pertinent to the information the researcher was trying to find.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

The dissertation's fourth chapter provides a summarization and comprehensive analysis of the research findings. As detailed in the third section of the dissertation, the reviewer gathered the necessary analyzed data by way of in-depth interviews. This section provides an evaluation of the collected study findings and interprets them through a review of previously addressed literature in the study findings.

4.1 Questionnaires response rate

Table 4.0: Questionnaires response table

Institutions	***Questionnaires issued***	***Questionnaires returned***	***Rate of response***
Steward Bank	*9*	*9*	*100%*
BancABC	11	10	91%
CBZ	6	5	83%
NMB	5	5	100%
Total	31	29	94%

Source: Primary data 2023

According to (Creswell, 2014), for the researcher to obtain unbiased data, a response rate of at least 50% is required; however, the rate at which respondents responded for this study was much more than 50%, completely confirming the research goals. The response rate signified a total of 94%. Thirty one questionnaires samples were distributed between the institution and twenty nine of the questionnaires were successfully returned and the researcher was able to make use of those questionnaires.

4.1.1 Interview response rate

Table 4.1 Interview response rate

Institutions	**Interview expected**	**Actual Interview held**	**Rate of response**
Steward Bank	4	4	100%
BancABC	1	1	100%

CBZ	2	2	100%
NMB	1	0	0
Total	8	7	88%

Source: Primary data 2023

The researcher managed to conduct seven interviews from different institution four respondents ere chosen from Steward bank, one from BancABC and two from CBZ , she hald scheduled to meet another respondent from NMB but the meeting was not successful. The rate of response gave a total of 88% acceptable figures of response rate varies from 45%.

4.2: Demographic characteristics of respondents.

Table 4.2: Demographic characteristics of respondent

Factor	**variable**	**frequency**	**percentage**
Gender	Female Male	21 15	58% 42%
Age	Between (24-29) years (30-35) years Over (35 years)	11 15 10	30% 42% 28%
Level of education	Degree Masters PHD	20 12 4	56% 33% 11%
Working experience	Between (5-10) years Over (10years	20 16	56% 44%

Stakeholder category	Frontline officers	12	33%
	Banking compliance	9	25%
	Investment officers	10	28%
	Risk advisory	5	14%

Source: Primary data

Table 4.2 portray that female respondents over topped the surveys as they added up to 58% with respect to gender whilst male respondents constituted only 42%. The surveys were distributed based on awareness of gender and there was no evidence of bias of any kind. All of the respondents who took part in the research study are listed in the table along with their ages. The age range from 24 to 30 years was represented by 30% of the respondents, while the age group from 30 to 35 years had the highest frequency (42%). Only 28% of respondents were over the age of 35. The poll was primarily participated by individual who had a risk of being involved in money laundering activities and those who has a chance of detecting activities of money laundering in the institution.

The survey was not to be done by any individual but those with specific qualification had a chance to partake in the survey hence educational qualification played a vital role. The respondents range from undergraduate level to masters levels to PHD holders. Of all the 36 respondents that took part in the research 56% were undergraduates, those who were on masters level had a percentage of 33% and 11% of the respondent hold a PHD. These individuals were chosen because I believed that they all had the necessary knowledge required to answer the survey and and they were mature enough to understand issue issues connected to money laundering in the financial institution.

The survey basically focused on individuals who had been employed for five to more years, hence I had to divide the individuals into categories, those with experience from 5-10 years and those with over 10 years experience. 56% of individual had less than 10 years and 44% were those with over 10 years experience.

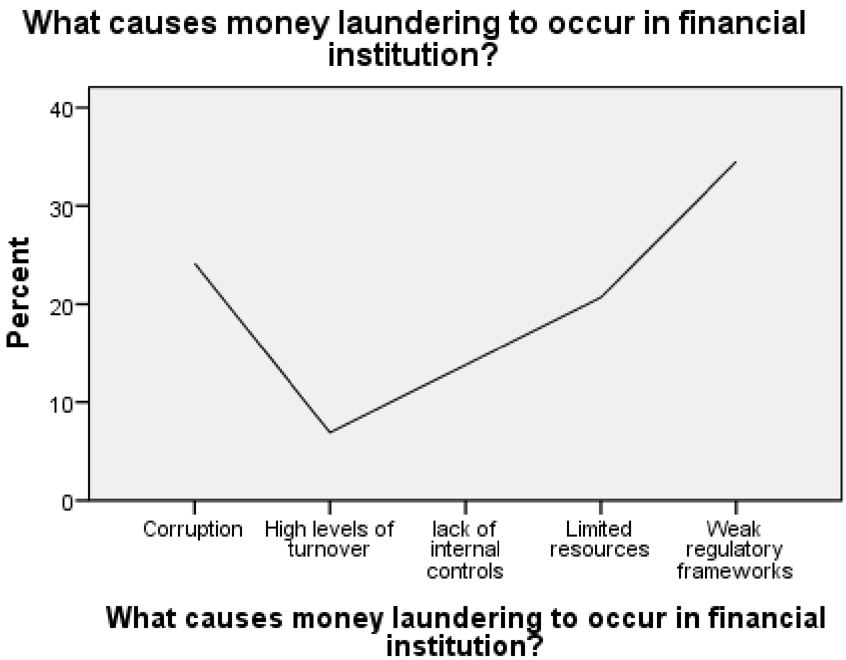
The survey was mainly for individual in financial institution. The data was collected from frontline officers, banking compliance, investment officers and risk advisory. I had a high response rate from frontline officers which constituted 33% and few response was obtained from the risk advisory department with a rate of 14%.

4.3 Research Findings

4.3.1: Causes of money laundering in financial institution

N= 29

Figure 4.0: causes of money laundering



Source: Primary data

4.3.1 causes of money laundering to occur in financial institution.

4.3.1.1 Weak regulatory framework

Table 4,3 indicates that weak regulatory frameworks are the major cause of money laundering in Harare financial institution. A total of 34,5% of respondent suggested that the major causes of laundering activities is lack of oversight, were the system may not have sufficient sight over financial institutions, which can make it easier for money launderers to operate undetected. Inadequate enforcement, were they may not have sufficient resources or the will to enforce anti-money laundering regulations, which can create opportunities for money laundering to occur. These results were grouped under weak regulatory framework. These findings support the findings of (Shaffer and Cassella, 2020) who found that in developing countries the major cause of money laundering is weak regulations which then allows launders to utilize in financial institution especially in developing countries.

Table 4.0: causes of money laundering interview responses

N=7

What causes money laundering to occur in financial institution?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Corruption	4	57.1	57.1	57.1
	lack of internal controls	1	14.3	14.3	71.4
	Weak regulatory frameworks	2	28.6	28.6	100.0
	Total	7		100.0	

Source: Primary data

4.3.1.2 Corruption

Of the total individuals that answered the questionnaire 24,1% of ticked corruption as their main cause of money laundering. In interview questions the majority of individuals replied that corruption is the main cause especially in Africa. One of the respondent said that corruption is a predicate offence, without it there is no money laundering and gave an example of the The Panama Papers, which allowed money to be laundered through offshore financial institutions, offered the chance for wrongdoing and allowed it to go undetected for years. These findings were similar with the findings of research by Kubikwa (2020), Toroitich (2010) where they both found that corruption is the main challenge of combating money laundering. Even though due to time gap of the research conducted, corruption still is one of the great cause of money laundering. (Shaffer and Casella, 2020) clearly stated that corruption and weak bank regulations in developing countries are the main cause of money laundering.

4.3.1.3 Lack of internal controls

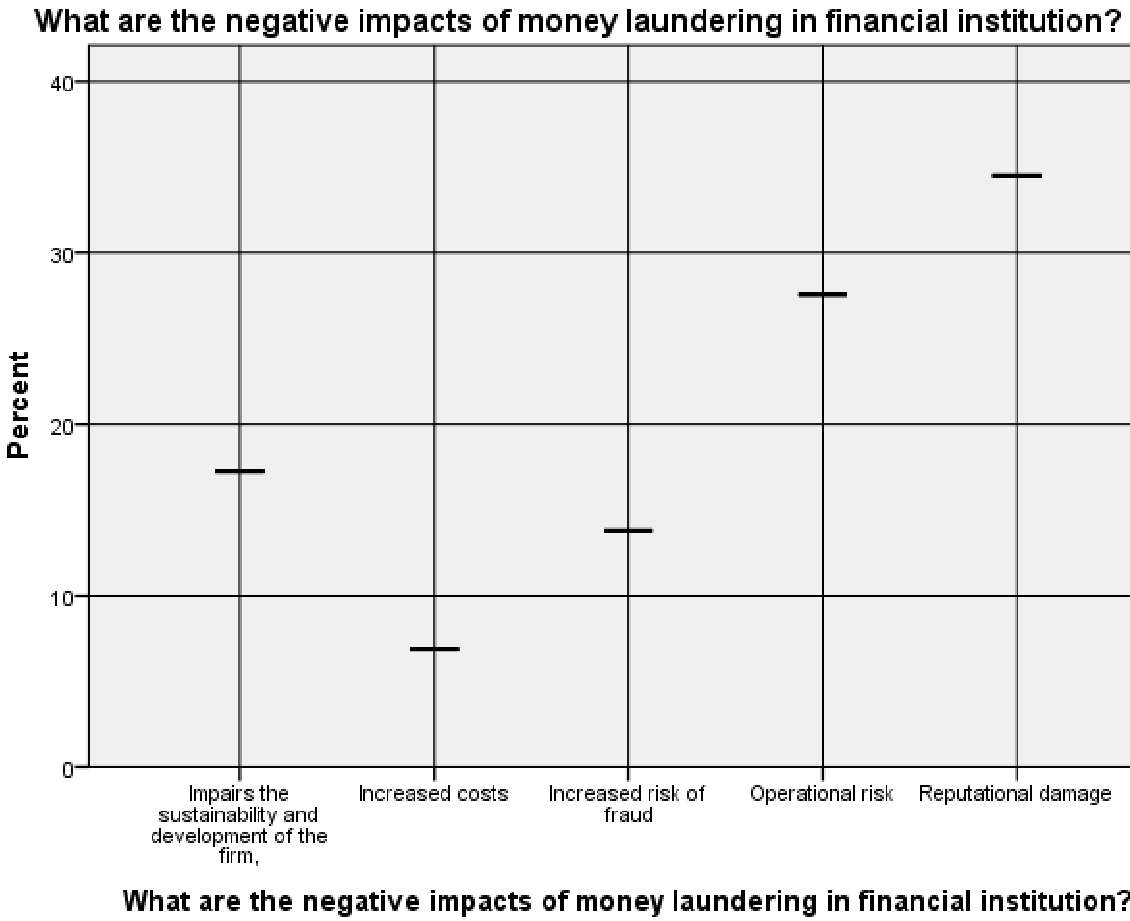
As shown on the table 4:3, 15% of individuals suggested that lack of internal control can cause money laundering in financial institution. According to (Saperstein et al., 2015), insufficient internal controls in financial institutions expose institutions to the danger of money laundering. Many banks have sustained losses as a result of internal control failures, notably those related to money laundering. Internal controls on my current findings where considered to have a lesser cause in the institutions, the institution are keeping up with their internal control staff.

4.3.1.4 Limited resources

20% of respondent suggested that limited resources are the main cause of money laundering and 50% of the interviewed agreed that limited resources does cause money laundering. This is supported by the structural theory that suggest that the root causes of this illicit activity lie in the structural factors within the financial system, such as limited resources or loopholes that allow for the movement of illicit funds. Due to competing demands for resources, such as investing in new products or services or meeting regulatory requirements, financial institutions can struggle to devote enough resources to anti money laundering compliance.

4.3.2. the negative impact of money laundering

Figure 4.1: the negative impacts of money laundering in financial institution N=29



Source: Primary data

4.3.2.1 Reputation damage

From the respondents, 34.5% suggested that the institution suffers from reputation damage. Corporate reputation has been proven to be difficult to recover and to take some time (Abratt and

Kleyn, 2012). When banks are implicated in such activities, their reputation in the market suffers, and they run the risk of losing clients and investors' confidence, which devalues their stock for publicly traded financial services businesses. These findings were similar to Oluwadayisi (2016) the only difference was that his major focused was on economic perspective, this shows that money laundering does not only damage the reputation of the financial sector but also results in damaging the economy of the nation

4.3.2.2 Operational risk

According to the respondents, 25% of the biggest repercussions of money laundering on financial institutions are operational risks. Money laundering that goes unchecked alters the demand for money, has a negative effect on legitimate financial activities and enhances the volatility of international capital flows and currency rates. On this subject, one responder suggested that money laundering could undermine a country's integrity.

4.3.2.3 Increased cost

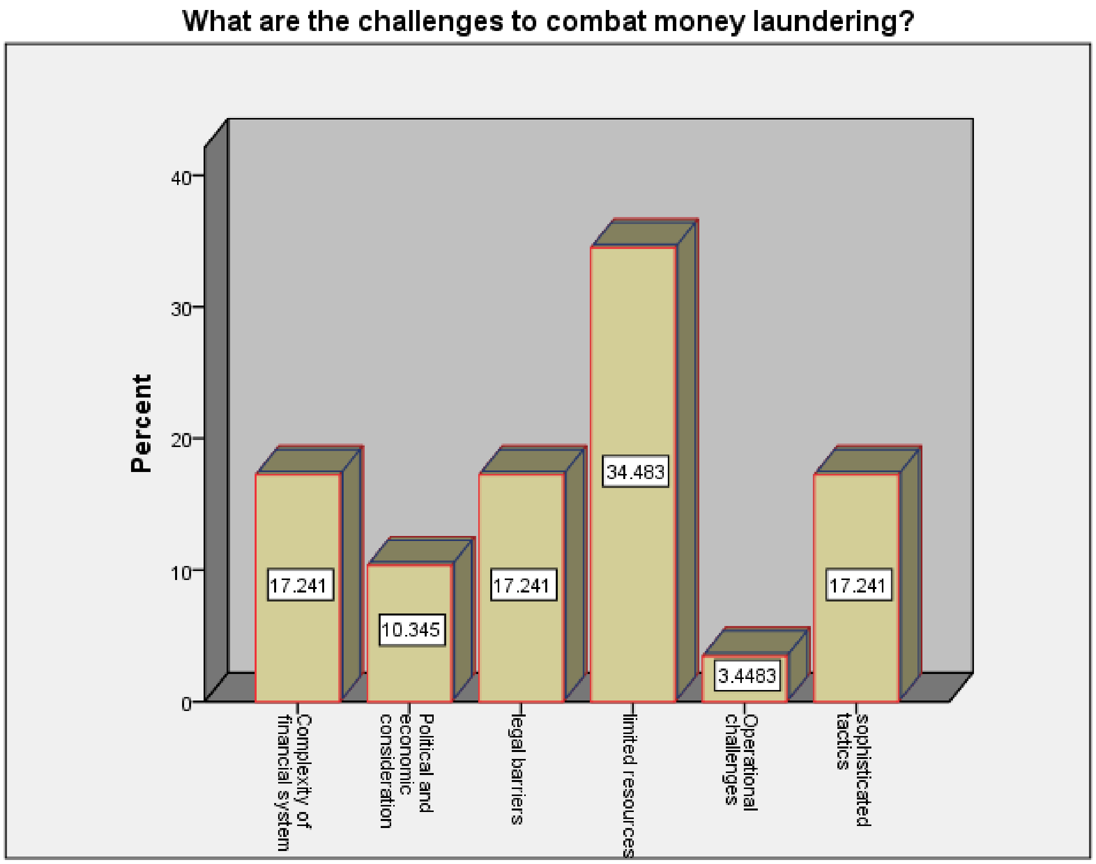
Cost had a minor impact in the financial sector with a percentage of less than 10%. and the risk of crime occurring had a percentage of 14%. this is justified by the rational choice theory, were criminals weighs the benefits of laundering once they get the opportunity and the punishment is not harsh. There is also an effect of impairing the sustainability and the development of a firm with a total of 17% respondents agreeing to it.

4.4 Interviewed respondents

One of the respondent clearly pointed that money laundering affects the reputation of the company resulting in a decrease in a number of client using the institution, and also leads to sanctions imposed by the FATF once they have been blacklisted. They also noted that once the institution has. The majority of respondent agreed to that, the impact of money laundering increase of crime, as they noted that these crimes can be from employees, in every opportunity they get, the majority commit a crime. This goes well with the triangle theory by Cohen and Felson (1979).

4.5: the challenges of combating money laundering in financial sector

Figure. 4.2: the challenges faced in combating money laundering



Source: Primary data

4.5.1 Limited resource

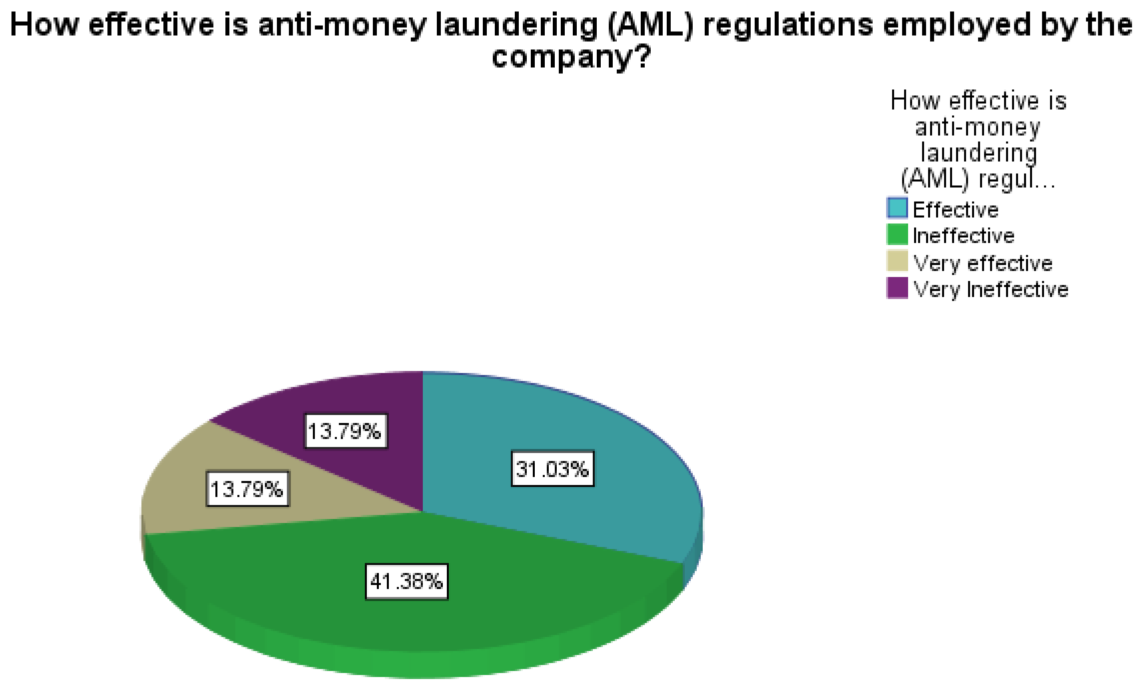
The main challenge to combat money laundering is the unavailability of resource, as to what the majority of individuals selected, this is shown by the table above. 34.5% of individuals selected that their institution is facing challenges in that the resources available is either limited or outdated as this results in either detecting money laundering activity after they have already occurred sometimes not even able to detect the activities. These findings were different to those of Magessa (2013) were he found the challenges were, the lack of skilled professionals in terms of money laundering expertise and awareness of money laundering-related concerns. These difference may be due to methodological approaches, population characteristics or time lag. Although it is unclear how serious the problem of money laundering is and how many challenges have been filed, it is apparent that these actions endanger financial operations.

Complexity of financial system, legal barriers and sophisticated tactics all had a percentage of 17.4. Sophisticated tactics are used to make it more difficult for law enforcement agencies to trace and seize these funds. Criminals use complex financial transactions such as wire transfers, international money transfers, and structured finance to launder money. Operational was the least challenge that people faced.

On interviews these were some of the responses were that, to remain ahead of these issues, law enforcement agencies, financial institutions, and other stakeholders must collaborate in the ongoing effort to prevent money laundering. In the future, new methods and technology like blockchain and artificial intelligence may help to increase the efficiency of anti-money laundering initiatives. The financial sector is often understaffed and underfunded, which can make it difficult to effectively combat money laundering. One of the respondent said financial institution lack transparency. As they operates on a high level of opacity, which can make it difficult to detect and prevent money laundering activities.

4.6: The effectiveness of money laundering

Figure. 4.3: how effective are anti money laundering regulations employed in the institution



Source: Primary data

Of all the respondents on table 4.6, 41.38% stated that the present anti-crime measures against money laundering were ineffective and 13.79% showed that the measures were unsuccessful. Only 31.03 indicated that the measures employed by the company are effective and a total of 13.79% affirmed that the regulations are very effective. These results were different from that of Erastus in (2020) were he found the measures to be effective though the country still required some improvement. Difference in the findings may be due to the researcher bias or the differences in research methodology that was used, and also differences in geographical location as this study was concluded in Zimbabwe.

Among the seven participants who participated in the interviews, Only one person said the strategies were successful, while the vast majority said they were ineffective. When asked specifically about the efficiency of anti-money laundering measures, one compliance officer expressed that "The current measures to combat money laundering in Zimbabwe are insufficient. The country has a significant amount of work to do in order to fully safeguard its financial sector from money laundering activities." The findings were the same as those from Koutsianas and Tsalalaka (2017) who expressed that the regulations are not always effective to mitigate the risks, this calls for an improvement in the regulations that are employed

4.8 Summary.

This chapter discussed the investigation's results. Interviews and questionnaires were utilized to collect data, which was then presented using bar graphs and tables. The preceding chapter provided conclusions, suggestions, and a summary.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The section will conclude the study by giving a summary of the research and findings from the rest of the study. One of the objectives of the study was to recommend advanced measures to deal with money laundering in the financial sector, which was included under recommendations.

5.1 Summary of the study

The study focused on the impacts of money laundering in Zimbabwe's financial system, with a specific emphasis on Harare CBD. The researcher highlighted in the first chapter that the the Zimbabwean financial institution has been fragile over the past few years and unsolved laundering activities are only found after they have already been done and it brought about surges in fraudulent activities. The context of the study, statement of the problem, research aims, research questions, and significance of the study were all highlighted in chapter one. In addition, in chapter one, the assumptions, delimitation, constraints, and organization of the study were explained. The research project was guided by the following goals achieve this goal

1.To determine what causes money laundering to occur in financial sector.

2.To determine the negative impacts of money laundering on the financial sector.

3.To understand the challenges of combating money laundering.

4.To recommend on advanced measures to deal with money laundering in financial sector.

On chapter two, the researcher conducted a detailed examination and evaluation of the relevant literature on money laundering. Various sources of information about money laundering were used, including journals, papers, books, and other publications. The conceptual framework, theoretical literature, and empirical evidence were also established and critically examined in this chapter, as was the research gap.

The third chapter concentrated on research technique that supported the investigation, using interviews and questionnaires intended to collect pertinent knowledge for the research investigation. A sample size of 40 respondents was employed, and questionnaires of that size were distributed, yielding a response rate of 94% and an interview rate of 88%. The researcher used a descriptive research design and used judgmental sampling and random sampling techniques, as well as Microsoft Excel software and SPSS version 20 to analyze the acquired data. In Chapter IV, the data collected through questionnaires and interviews was analyzed, discussed, and presented.

5.2 Summary of the research findings

According to the researcher's findings on causes of money laundering in financial institution in Harare CBD, the institutions lacks strong regulatory framework that works against money laundering and to protect the institution. There is a lax in its framework. The second major cause of money laundering is corruption which is committed by employees of the institution of process transactions with a full due diligence. Lack of internal control is other cause of money laundering as many institution retrench employees as to cut cost this results in low skilled labor. The minor cause of money laundering in financial institution is high levels of turnover.

Money laundering has a negative effect on economy, socio-political sector and on financial sector it impairs the reputation of the institution and this lead to a loss of customers, loss of business opportunities, and damage to the organization's brand. Operational risk is other negative impact, the danger of financial loss as a consequence of inadequate or failing internal procedures, structures, and individuals, or outside factors, creates a threat to the financial system's overall stability. Impairing sustainability and development of a firm can have a significant negative impact on its long-term success. There is a high risk of fraud increasing once criminals successful complete their crime without being detected.

The third objective was to look at the challenges of combating money laundering in financial institution. Though there is innovation of technologies, the institutions faces challenges in combating money laundering due to the limited resources. Law enforcement agencies often have limited resources to devote to money laundering investigations, making it difficult to identify and investigate cases, particularly when they involve complex or large-scale schemes. Other challenges includes sophisticated tactics, complexity of financial system and operational challenges.

The effectiveness of anti-money laundering (AML) regulations in Zimbabwe depends on a a number of variables, including the strength of the regulations themselves, the resources available to enforce them, and the level of cooperation between law enforcement agencies and other stakeholders. There are still challenges to effective implementation of AML regulations in Zimbabwe. One major challenge is the limited resources available to enforce the regulations, particularly given the vast number of financial transactions that take place in the country. Reports on corruption and lack of cooperation between law enforcement agencies and other stakeholders, undermine the effectiveness of AML efforts

5.3 Conclusion of the study.

Due to the current nature in Zimbabwe of using the United State dollar which is widely accepted and regarded, it has become easy for money launderers to move large amounts of illicit funds through the financial system. Money laundering is caused by corruption, many individuals are corrupt once they get the opportunity hence it might be difficult to fully curb criminals, thereby corruption is considered a predicate offense to money laundering but the main cause of money laundering in Zimbabwe financial sector is the regulatory system which is very weak making it easier for criminal to launder. The researcher discovered that the framework that has been put in place to curb money laundering requires advanced technology and Zimbabwe lacks resources to implement those regulations so as to fully function. The money laundering activities damages the reputation of the institution, resulting in losing customers and possible investors. The challenges of combating money laundering includes sophisticated tactics and also legal barriers.

5.4 Recommendations

Although Zimbabwe has responded to the threat of money laundering by legal measures at the national level, money launderers and other criminals have taken advantage of the porous regulatory environment and susceptible financial infrastructure so there is a need to take some prescriptive measures against money laundering. The researcher gave the following recommendations to reduce money laundering in the banking industry.

5.4.1 Implementing artificial intelligence and machine learning

It could be used to scrutinize extensive amounts of financial data and detect patterns that may indicate money laundering. These technologies could be used to automate many aspects of the anti-money laundering process, freeing up resources for more complex investigations.

5.4.2 Using blockchain technology

Blockchain technology might be used to produce a tamper-proof and visible record of financial dealings, making it tougher for money launderers to disguise their activities. Blockchain technology might potentially be used to develop smart contracts that run automatically when specific criteria are satisfied, eliminating the need for middlemen and enhancing the efficiency of financial transactions.

5.4.3 Providing technical assistance and guidance where needed

FATF can help Zimbabwe by continuing to monitor its progress in addressing the strategic deficiencies in its AML/CFT.

5.4.4 Enhancing customer due diligence

Financial institutions could enhance their customer due diligence processes to identify and prevent money laundering. This may involve using data analytics and other technologies to analyze customer behavior and identify patterns that may indicate money laundering.

5.4.5 Improving information sharing

Financial institutions could improve their information sharing practices to better detect and prevent money laundering. This may involve sharing data with other financial institutions, law enforcement agencies, and other relevant stakeholders.

5.4.6 Addressing corruption

This may involve measures such as strengthening anti-corruption laws and enforcement, improving transparency and accountability in government, and promoting ethical behavior in the private sector.

5.5 Recommendations for further study.

Detection of money laundering using innovative technologies, real estate and trade-based money laundering. This area focuses on developing and applying methods and tools to identify and prevent money laundering activities in different domains and scenarios.

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APPENDICES

APPENDIX 1: RESEARCH ASSISTANCE LETTER

Bindura University of Science Education
P. Bag 1020
Bindura
Zimbabwe

To whom it may concern.

RE: REQUEST FOR RESEARCH ASSISTANCE.

My name is Sasha Takudzwa Chieza, an undergraduate student at the Bindura University of Science Education, studying for a Bachelor of Commerce (Honours) Degree in Financial Intelligence. As a requirement of my studies, I'm carrying out a research "THE IMPACTS OF MONEY LAUNDERING IN FINANCIAL INSTITUTION. A CASE STUDY OF HARARE CBD BANKS."

I would be much thankful if you could participate in this process by sharing your experiences pertaining to money laundering. May you kindly assist me by completing the attached questionnaire.

Your participation in this study is voluntary and should you, at any moment decide to withdraw your participation, you are free to do so without any prejudice. You are also advised that no financial or any other benefit will accrue to you for your participation the study.

I provide assurance that the data gathered will be only used for the purpose of this research and will be treated with utmost confidentiality.

Yours Faithfully
Sasha T Chieza

APPENDIX 2: QUESTIONNAIRE

SECTION : A

Gender	Female	[ ]	**Age**	(24-29) years	[ ]
	Male	[ ]		(30-35) years	[ ]
			Over	(35 years)	[ ]

Level of education	Degree	[ ]
	Masters	[ ]
	PHD	[ ]

Working experience	Between (5-10) years	[ ]
	Over (10years	[ ]

Stakeholder category	Frontline officers	[ ]
	Banking compliance	[ ]
	Investment officers	[ ]
	Risk advisory	[ ]

SECTION : B

1. What do you understand by the term money laundering?.

….……………………………………………………………………………………………
…………………………………………………………………………………………………
………………………………………………

Tick on the most applicable

2. What are the causes of money laundering?

{ } Weak regulatory framework

{ } Corruption

{ } Lack of internal controls

{ } Limited resources

{ } High levels of turnover

- Besides the above causes, *if any other* cause f money laundering

,……………………………………………………………………………………………………
……………………………………………………………..

3. What are the negative impact of money laundering in financial sector?

{ } Operational risk

{ } Increased cost

{ } Reputation damage

{ } Increase risk of fraud

{ } Impairs the sustainability and development of the firm

Other Impact
……………………………………………………………………………………………………
……………………………………………………………..

4. What are the challenges to combat money laundering?

{ } Operational challenge

{ } Legal barriers

{ } Complexity of financial system

{ } Political and economical consideration

{ } Sophisticated challenges

{ } Limited resources

Other challenges
……
………
……………………………………

5. How effective are anti money laundering regulations implied in the organization?

{ } Very effective

{ } Very ineffective

{ } Effective

{ } ineffective

Give a justification for the option chosen.

……………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………..

APPENDIX 3: INTERVIEW GUIDE

Interview questions.

1. What is your understanding of money laundering and how it might be relevant to our bank's operations?
2. What are the negative impacts of money laundering?
3. What internal controls and compliance measures do you think are necessary to prevent money laundering within a bank institution?
4. How do you stay current with changes in anti-money laundering regulations and best practices and how effective are the anti money laundering measures?
5. What are the challenges of combating money laundering in your institution?
6. What actions would you take if you suspected that a colleague was involved in money laundering activities?