BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF INTELLIGENCE AND SECURITY STUDIES

ANALYSING THE EFFECTS OF MONEY LAUNDERING IN ZIMBABWE'S BUSINESS ENVIRONMENT. A CASE STUDY OF COMMERCIAL BANK OF ZIMBABWE (CBZ) BANK IN HARARE CENTRAL BUSINESS DISTRICT (CBD)

BY

PATRICK RAJABHU

(B191138B)

DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCIAL INTELLIGENCE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION

JUNE 2023

RELEASE FORM

Name of author: PATRICK RAJABHU

Dissertation title: Analysing the effects of money laundering in Zimbabwe's business environment. A Case Study of Commercial Bank of Zimbabwe (CBZ) Bank in Harare Central Business District (CBD)

Degree Program: Bachelor of Commerce Honours Degree in Financial Intelligence.

Year granted: 2023

Bindura University is thereby granted permission to produce single copies of this dissertation and to lend or sell such copies for private, scholarly or scientific purposes only.

The author does not reserve other publication rights and the dissertation nor may extensive extracts from it to be printed or otherwise reproduced without the author's permission.

Signed……………………… ……………………………………

Permanent address: 1527 Amsterdam Park, Waterfalls, Harare

APPROVAL FORM

Title of Dissertation: Analysing the effects of money laundering in Zimbabwe's business environment. A Case Study of Commercial Bank of Zimbabwe (CBZ) Bank in Harare Central Business District (CBD)

To be completed by the student.

I certify that this dissertation meets the preparation guidelines as presented in the faculty guide and instructions for typing dissertations.

Signature of student…..………………………. Date………………………

To be completed by the supervisor.

This dissertation is suitable for submission to the faculty.

Signature of supervisor……………………….. Date……………………….

To be completed by the chair of the department.

I certify, to the best of my knowledge, that the required procedures have been followed and the preparation criteria have been met for this submission.

Signature of chairperson………………………. Date……………………….

DEDICATIONS

I'm dedicating this research to my family. I give special thanks to my pillars Mr and Mrs

Rajabhu, my young brother (Tapiwa), and my sister. Thank you for your unwavering support throughout my academic journey and for believing in me during my time at Bindura University. This is for you.

ABSTRACT

This research sought to analyse the effects of money laundering on the business environment in Zimbabwe's financial institutions, using Commercial Bank of Zimbabwe (CBZ) as a case study. Money laundering poses significant effects to banks such as increased financial crime, high compliance costs, and threats to financial system integrity. Despite anti-money laundering regulations, it remains an ongoing challenge for banks globally. The research objectives were to determine the sources money laundering, identify the root causes of money laundering and its prevalence, and establish how to prevents money laundering and how money laundering affects CBZ and other financial institutions in business environment. The researcher used a descriptive case study design, with data collected from CBZ's Finance or Accounting, security, Auditing, Security, Human Resources department, Housing departments. A sample of 15 participants was selected through non-probability purposive sampling. Data were collected through questionnaires and interviews. The findings show money laundering at CBZ is driven by insider trading, bank secrecy, smuggling, tax evasion and some criminal activities were the most common causes of money laundering. CBZ has encountered some money laundering, showing the limits of their anti-money laundering measures. Compliance officers and regulators plays a key role in detecting, preventing, and investigating money laundering. The effects includes destabilisation of the financial systems economic harm and political corruption. To mitigate these effects, CBZ and other institutions must strengthen compliance regimes, improve suspicious transaction monitoring, and share information with law enforcement. Policymakers should enact stricter anti-money laundering laws and enforce border security to reduce criminal abuse of the financial system. Tackling money laundering is crucial to achieving a transparent, ethical, and sustainable financial system in Zimbabwe. Overall, this abstract provides a concise summary of the study, effectively conveying its essential details and implications.

ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to all those who have contributed to the successful completion of this research study.

First and foremost, I would like to thank our supervisor Mrs Gwanzura for her invaluable guidance, support, and encouragement throughout the research process. I am deeply indebted to her for her patience, expertise, and unwavering commitment to my academic growth and development. I would also like to extend my sincere thanks to my research participants, whose openness, honesty, and willingness to share their experiences have enriched my research findings and made this study possible. I am grateful to the staff of CBZ Bank, who have provided me with access to their resources, services and have made my research journey smooth and effortless.

I would like to acknowledge the support and encouragement from my mother Mrs Rajabhu, my father, brother and the whole family and friends particularly Real PD, Tadiwa, Milton, Enoes & Tashie who have stood by me through thick and thin, and have provided me with the motivation and inspiration to persevere. I would also like to thank Mr and Mrs Mazongonda for giving me life support.

Finally, I would like to express my deepest appreciation to the Almighty God, who has granted me the wisdom, strength, and grace to complete this research study.

Thank you all for your support, encouragement, and contribution to my research journey.

Table of contents

Contents

List of tables

List of figures

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Agarwal and Agarwal (2004) highlighted the issue of money laundering as a significant problem globally and affects many countries, including United States of America (USA), United Kingdom (UK), however the list is endless. In Zimbabwe, money laundering is particularly prevalent in the business environment, notably the banking sector, posing a risk to the financial system's integrity and having negative effects in business environment and the economy.

The problem and its context were the primary topics of this chapter. The background to the study, the problem statement, the purpose of the study, the research questions, the significance of the study, the assumptions of the study, the delimitations of the study, the limitations of the study, the definition of terms, and the chapter summary were all be covered.

1.1 Background to the study

Every nation is affected by money laundering, which is a global phenomenon. Poor legislation that makes it difficult to combat money laundering has earned some nations a dubious reputation. According to Kemsley, et al (2021) to battle tax evasion, worldwide drives have zeroed in on a mix of various techniques going from upholding monetary authorisations to naming nations with a poor track of carrying out tax evasion countermeasures.

Money laundering is active up to today, hence it’s not a new phenomenon (Ardizzi, 2014). It dates back to history, long before the Western way of banking system came into existence. Sharma (2006) highlighted that first Chinese underground banking system was then operating and running. Hindu is another similar system that was operating in the middle-east. Both are oldest forms of money laundering, but they still exist today. It is well explained by Bunt (2007) that they operate separately independent from normally used commercial systems and in countries that are still experiencing terrorism, civil wars or political instability (Çınar, 2022).

Furthermore, in the early 1990s, as it was noted by Zeldin Michael, (1994) the financial systems of developed countries were experiencing an influx of illegal money through complex transactions. These transactions included purchases of real estate and luxury items, among others. The root cause of this trend was a combination of the rise of organised crime and the fall of communism in Eastern Europe. According to Bagella et al (2003), money laundering, as a result of these activities, was identified as a serious threat to financial stability, with banks found to have been funding criminal activities.

In response, governments and financial institutions worldwide began implementing anti-money laundering (AML) regulations to detect and prevent such activities. (Trajkovski and Nanevski, 2015) argues that these regulations require financial institutions to conduct due diligence on their customers, monitor transactions for suspicious activity, and report any potential money laundering activity to the appropriate authorities. Financial Action Task Force, (2012-2018) emphasised that these regulations serve to identify and prevent such activities, ensuring the integrity of the financial system.

This research was based on the background scenes giving rise to the cases of money laundering. Money laundering is defined as a process by which all methods of illicit dealings and illegal proceeds are disguised to conceal their sources of origin. According to Goredema (2003) predicate offenses have been on the rise, such crimes are corruption, terrorism, illegal drug dealings, smuggling, fraud, embezzlement, human trafficking, and racketeering and illegal fire arms dealings. In their series of actions of money laundering criminals produce significant revenues and different mechanisms are applied to cloak the source of their illicit dealings and proceeds of crime. UNODC, (2007) defines money laundering as process which includes the disguising of illegally obtained money through illegal means and then try to legitimise it.

Several factors such as communication, information technology, globalisation and privatisation have been facilitating the rise and increase in organised crime activities (Böszörmenyi and Schweighofer, 2015). Money laundering and illicit transactions activities happens in non-financial institutions (NFIs), banks and money markets.

We have two forms of strategic money laundering. Money can be laundered through legitimate businesses or companies and this is one is the first form. This is when money generated through illegal means is concealed as part of their profits and licit proceeds generated by the business. It allows illegitimate money to be converted into clean money destroying trails and conceal its source origin.

Financial institutions are used to launder money and this the second form of strategic form of money laundering. This is when money launderers use the financial institutions, mostly global markets are used to move money and transfer funds obtained from illicit activities. Using ensconced approaches and methods, such institutions facilitates to convey the illegal money. FBI (2001) postulates that, it is important to critically note that in financial institutions money laundering processes can take place with their knowledge or without their knowledge. Financial institutions are thoroughfares that can be used by money launderers to move to their money without being oblivious. According to Barone, et al (2008) anti-money laundering weaknesses are taken advantage of by money laundering process in order to disguise their operations without the financial institution knowing.

The Zimbabwean government put in place laws with the efforts to restrain money laundering activities, so laws that are against such activities comprises of the Money Laundering and Proceeds of Crime Act 2004 and Bank Use Promotion and Suppression Act. These acts offers a wide-gauge and coherent legal frameworks measures for fighting money laundering in Zimbabwe. However, fighting money laundering and its effects is still complex, given for example financing of terrorism still challenge policy makers locally and internationally. This study was focused on money laundering in banking business through financial institutions. The study aimed to evaluate the efficiency of measures and tactics against money laundering, as well as identify areas where these measures may be lacking.

1.2 Statement of the problem

Financial institutions now have internal connections across different countries in the world and it involves less economically developed to more economically developed countries (Albinali and Ghosh, 2023). Banks interconnectivity has brought, as highlighted by Reuter, (2011), the ease of doing business by facilitating international trade and making it easy for the transfer of funds when doing international transactions, nevertheless there are limits.

The banking sector faces a notable issue with money laundering, and it has a negative impact on the financial stability, reputation, and customer confidence of banks. Despite the existence of anti-money laundering (AML) regulations and guidelines, money laundering continues to be a significant challenge for banks around the world. Therefore, the purpose of this study is to investigate the effects of money laundering in business environment of financial institutions, with a view to understanding the extent of the problem and identifying ways to mitigate its effects. For example, money laundering can increase the risk of financial crime, such as fraud and embezzlement, which can have a negative impact on the reputation of the bank. Additionally, money laundering can also increase the cost of doing business for banks, as they may need to invest in additional compliance measures to prevent money laundering. Furthermore, money laundering can also undermine the integrity of the financial system as a whole, by allowing criminals to move illicit funds through the banking system.

This statement of the problem provides a clear and concise overview of the problem being investigated, with examples. It also highlights the significance of the problem and the potential impact on the bank and the financial system as a whole. Therefore, this researcher was focused on the effects of money laundering in the environment which the financial institutions are operating.

1.3 Research objectives

The purpose of the study is to:

- To establish causes and prevalence of money laundering at CBZ Bank Harare.
- To determine the sources of money laundering.
- To explore the effects of money laundering in financial institutions.

- To proffer solutions in curbing money laundering.

1.4 Research Questions

- What are the causes of money laundering?
- What are the sources of money laundering?
- What effects does money laundering have on financial institutions?
- What are the ways to stop money laundering?

1.5 Significance of the study

To financial institutions

This research gave recommendations to the financial institutions, the better ways on how can they structure their internal controls. This study, through lessons mastered and some of the findings, have information that could assist financial institutions to reduce the impact and unnoticed money laundering play. Therefore, the findings from this study can help to develop extreme strategies for anti-money laundering in the financial field.

To the researcher

This study is significant to the researcher, because it challenges and test what has been learnt at the university and put theory into real practise. This exploration helped the researcher to have good understanding and appreciation into the impacts of money laundering. This is also beneficial to the researcher because it is compulsory for every student to carry out and complete this study, so that he/she can graduate. This study also appreciate the relationship between criminology and money laundering, so it is significant to the researcher because it gives a clear understanding of both fields.

To the university

This study is value addition to the university, through new ideas that were uncloaked and the concepts that is very useful to the financial intelligence. It was also gives an insight to the already established body knowledge mainly in the field of criminology, hence covering the gap that has not been filled with other researchers at the institution.

Future researchers can benefit from this study as it has increased the foundation of knowledge in the library and added more material to the same field.

1.6 Assumptions

During the study the research was based on the following assumptions:

- Money laundering has a great impact in the business environment.
- Data required was readily available.
- All respondents were literate and was able to interpret English language which was used in the questionnaire and interview guide.
- Information from respondents can be relied upon, was relevant and it was also be accurate.
- All instruments that was used and methods are decent and morally accepted.

1.7 Delimitations of the study

- The study specifically examined how money laundering impacts the business environment in which financial institutions operate, rather than exploring its effects on other sectors or aspects of the economy.
- This research was covered period from 2018 to 2023 targeting 20 people across at CBZ Bank Harare and its other branches located in the Harare Central Business District (CBD).
- Among the targeted respondents are managers, compliance officers, regular employees and regulators was willing participate in this research because they all have something to contribute to this study.

1.8 Limitations to the study

These are the obstacles that are likely to prevent the study from running smoothly, so they are highlighted in this discussion.

1.8.0 Financial scarcity

In the future, the researcher may face financial challenges due to the harsh economic environment in the country. The cost of preparing data collection instruments, distributing them, and collecting data may be high, making it difficult for the researcher to fund the study on his own. The researcher may have to sacrifice their limited salary to cover the costs of the research program.

1.8.1 Openness by victims

A few employees crumbling was not at freedom to uncover their statuses subsequently information that was challenging to gather. There were guaranteed that information assortment instruments are organised in a way that is satisfactory to any gathering.

1.8.2 Personnel

Despite the size of the area that needs to be covered, which necessitates the assistance of others, the researcher carried out the task on his own to ensure the credibility of the results. The researcher dealt with a group of respondents, so this was a difficult task. To relieve this task, the exploration was dependant on examples to guarantee a lot of ground is covered.

1.8.3 Time constraints

Time shortage was expected as the specialist was focused on friendly and business related issues as well as chasing after other course connected with this review at Bindura College. In any case, the analyst distributed time in his day to day timetable to guarantee the effective fruition of the examination program.

1.9 Definition of terms

- Money laundering is the process by which assets generated using illegal means are concealed to obscure the connection between crime and the proceeds of crime.

- According to Alldridge (2002), money laundering, basically means making dirty or ill-gotten money look clean and legitimate.

1.10 Summary

In brief, the first chapter of the dissertation was offered clear explanations and evaluations required for one to have an understanding borrowed study. It has provided the background of the study, statement of the study and most significantly the purpose or objectives of the study. Lastly has explained the assumptions, delimitation, limitations and the defined terms used in this chapter. The next chapter looked into literature review.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This second chapter of the study critically analysed the literatures. Conceptual framework, theoretical framework and the empirical evidence are the headings which literature has been reviewed under. The development of this chapter act as a touchstone for the data subsequently obtained and data under review was presented in chapter four of this research.

Rudestam and Newton (1992) define a literature review as a comprehensive evaluation of relevant literature in the chosen research area. This involves the researcher conducting a thorough search for information and gaining an understanding of previous research conducted in the field.

2.1 Conceptual framework

2.1.0 Definition of Money Laundering

Money can be spent without any fear of being prosecuted and incriminated if it does not involve criminal activities, or the receiver not being connected with any criminal offenses. By excluding relatively petty crimes, offenders who steal to sustain themselves and in cases where the collectors of things that is rarely seen purchase the stolen ancient treasures and place them in their private collections, it still hangs on that in any illegal activity undertaken it’s proceeds of crime must be carefully concealed.

According to the International Monetary Fund (IMF) (2001) defined money laundering as essentially the handling of criminally obtained property and assets including the proceeds and investments that are moved with the intention of concealing the source of illicit assets and crime.

2.1.1 The causes of money laundering

The causes of money laundering are so many, as it is very complicated to an extent that if the regulations are not effective it can take place whether in a country or a business. At the same time if anti-money laundering (AML) measures are not strong, there is a possibility that it can happen.

Considering the essence of money laundering their main objective is to avoid the system and maximise their money. There are chances that it can take place to anyone whether it is an ordinary employee in an institution or the top officials in government. Nevertheless multiple causes of money laundering are there and also includes lacking good governance, lacking transparency and lacking good strong monitoring methods.

Insider trading

Insider trading happens when a person with insider information uses that information to buy or sell shares of a company. Money laundering frequently occurs as a result of insider trading, which is a prevalent cause. It involves the use of non-public information about a company to make a profit or avoid a loss on the stock market. Insider trading is considered a white-collar crime and is often used to generate illegal profits. According to Gup (2003), insider trading is one of the most difficult crimes to detect and prosecute, as it involves the use of sophisticated financial instruments and techniques. This information can be used to gain an unfair advantage in the stock market. Such transactions can be used to launder money. In Zimbabwe, the Securities and Exchange Commission of Zimbabwe (SECZ) is mandated to regulate and supervise the securities market. According to the SECZ, insider trading is one of the ways in which money laundering is perpetuated in Zimbabwe (SECZ, 2019).

Lacking good corporate governance

Good governance is signified by accountability, by avoiding corrupt activities, having rule of law and good regulations. If these fails it means money laundering is likely to happen according to Levi and Reuter (2006). Top officials and ordinary employees must not elevate their values which is very contradictory to good governance, more colleagues and people around them are likely to engage into money laundering. It will move and spread very fast. Once corruption and money laundering start to propagate they are not easy, but very difficult to contain and manage. Punitive measures for criminals are provided in good governance.

Nevertheless, in our societies that ignores anti-money laundering laws (AML) and financial related crimes, criminals are encouraged or given boost in their activities. In other recruitment sectors money laundering is strongly supported. An online source revealed that this shows poor standards to the general public, which will lose credibility in businesses and financial institutions.

Bank secrecy

Bank secrecy laws prevent banks from disclosing information about their customers' accounts to third parties. Bank secrecy is another major cause of money laundering. It allows criminals to hide their illegal funds by depositing them into offshore bank accounts or accounts held under false identities. According to Levi & Reuter (2006), bank secrecy is a major impediment to anti-money laundering efforts, as it makes it difficult for law enforcement agencies to trace the source of illegal funds. In Zimbabwe, bank secrecy laws are governed by the Bank Use Promotion and Suppression of Money Laundering Act. These laws have been identified as a cause of money laundering in Zimbabwe by the Financial Intelligence Unit (FIU) (FIU, 2018).

Bribery and political corruption

Bribery is the act of giving or offering something of value, such as money, gifts, or services, to influence the behaviour of an individual or group, especially in order to gain an unfair advantage or obtain a benefit that would not otherwise be available. This can take many forms, including giving money or other items of value to government officials or employees in exchange for favours or influence, or bribing private individuals to do something that goes against their normal interests. Political corruption, on the other hand, is a more general term that refers to the abuse of power by those in positions of authority, such as government officials or politicians. This can take many forms, including bribery, embezzlement, nepotism, and abuse of public resources for personal gain.

Bribery and political corruption are often linked, as bribes and other forms of corruption can be used by individuals and groups to gain an unfair advantage or to influence the decisions of those in positions of authority. This can have a corrosive effect on democratic institutions and can undermine public trust in government.

Lacking limpidity

If an organisation is unable to comply with its practices and core values there is a risky of money laundering taking place. If they cannot implant the spirit of being accountable and clearness, the employers will show signs of weakness and failure their work. However this increases the possibility of illicit activities like money laundering. Stiff penalties for such activities are given to businesses even if it is happening behind the scenes or in the open.

Failure to comply with measures and having unhealthy relationships at work can cause negative culture in an organisation. Employees can be involved in money laundering especially when the business is not functioning well. Lastly, in some cases government can sometimes play a part in illicit activities.

Smuggling

Smuggling is another common cause of money laundering. It involves the illegal import or export of goods, such as drugs, weapons, or counterfeit goods. Smuggling is often used by criminals to generate illegal profits, which are then laundered through legitimate businesses. According to Fijnaut & Paoli (2003), smuggling is a major source of illicit funds, which are then laundered through the financial system.

Tax Evasion

Tax evasion is a common cause of money laundering, as it involves the illegal non-payment or underpayment of taxes. Tax evasion is often used by criminals to conceal their illicit funds, as it allows them to keep their profits without drawing the attention of tax authorities. According to Alm (2012), tax evasion is a major cause of revenue loss for governments around the world.

Lacking solid monitoring systems

If workers realise that there is an opportunity to avoid being punished, they are likely to launder money. Nevertheless, if they fail to carry out compliance measures it elevates financial crimes, as this gives them the impetus to commit crime. Monitoring means exercising due diligence and gathering transactional information that permit for logging. Financial institutions in the controlled sector must have all these in place to avoid criminals getting away with crime, if not more will imitate the same thing. Control measures must be effective and strong in businesses, so that crime does not pay to those who practice it. It is required by compliance statutes that due diligence, risk assessment and monitoring mechanisms must always be on point. Finally illicit dealer's routine is to advance for their own benefits. Organisations should not be in a position of stimulating crimes by failing to have anti- money laundering measures. Cash spent on securing compliance will guarantee protection than paying fines or being imprisoned.

Terrorist Financing

Terrorist financing is another major cause of money laundering, as it involves the use of illegal funds to support terrorist activities. Terrorist financing is often used to purchase weapons, explosives, or other materials needed to carry out terrorist attacks. According to Levi & Reuter (2006), terrorist financing is a major threat to national security, as it allows terrorists to carry out attacks without drawing the attention of law enforcement agencies.

2.1.2 The effects of money laundering

Risk of privatisation

It is possible for money laundering to have a significant negative impact on privatisation efforts. It poses a threat to the environment for fair competition the context of unfair competition, according to Schott (2006); tax criminals can outbid legitimate buyers for previously state-possessed endeavours. As a result, the economy will see a significant presence of criminals. Crooks are driven by different contemplations than regular business people and respond to various upgrades. McDowell (2001), highlighted that the criminal proprietor will occasionally shift output and pricing patterns according to non-economic factors: like experiencing a police crackdown or changing investment locations as a result of restrictive legislation being passed. Consequently, significant parts of the economy may become shielded from market-oriented stimuli, which may further delay the economy's readjustment process. In addition, it will result in speculative and anti-competitive business practices in these sectors.

Unfavourable or (favourable) impacts on growth rates

Money laundering has a major detrimental effect on economic growth. It redirects funds from secure very risky investments, from productive to unproductive ones, and encourages crime and corruption, thus causing economic growth to suffer (Unger, 2007). McDowell (2001) also noted that when a venture or industry is no longer attractive to launderers, they tend to abandon it, which can lead to the collapse of these sectors and cause serious damage to the economies in question. Gupta and Anuradha (2010) further argued that money laundering can also damage financial institutions, which are essential for economic growth, and distort the allocation of resources, thus further decreasing economic growth. Quirk's empirical study of 18 industrial countries from 1983 to 1990 confirmed these assertions, finding that increases in money laundering activities were associated with reductions in annual growth rates (Quirk 1997:6).

On the other hand, money laundering can also have positive effects on growth. For instance, if a country is a transfer country for criminal money flows, it can gain value added from financial services without having to bear the costs of crime. If money is transferred from the country with criminal activities to the laundering country, then the latter does not experience the negative effects of the predicate crimes associated with money laundering. It benefits from crime abroad and does not have to pay for it. This is particularly true for countries with less strict anti-money laundering regulations than their neighbours, as less strict regulations can have a positive effect on the capacity to attract illegal capital. Conversely, Unger and Brigitte (2013) found that the stricter the anti-money laundering regulations, the more the country will suffer from a negative externality effect, i.e. the inability to attract illegal capital.

Reputational risk in the financial sector

Reputation in the financial sector is very crucial and this is why many authors are greatly concerned with the impacts of money laundering. International Monetary Fund (IMF) and World Bank (2001) organised criminals and illicit dealers can sneak into the main system of financial institutions. Money laundering can break the progress being made in the financial sector and the reasons are, first wipes out financial institutions: meaning there is a relationship between money laundering and deceitful acts done by the employees. Secondly, trust from customer is essentially important to the organisational growth. From Dixon and Harry, (2017), if businesses and financial institutions start to be involved in illicit dealings and subsequently discovered its credibility will be lost together with customer loyalty and confidence. Money laundering is associated with corruption and fraud, meaning it is a perceived and if economic organs will cut ties with those financial institutions and find somewhere to do their businesses.

Consumption falsification

Mostly, money is spent differently after it has been transferred to the offender from the victim. Meloen, 2003 noted that the ways the general public spent its money can differ at some point with those of criminals. In addition, Barlett (2002) asserts that the actual act of money laundering entails the acquisition of assets like real estate, art, jewellery, and other luxury items because these items enable money launderers to conceal substantial amounts of illicit funds without attracting suspicion. Aluko and Bagheri, (2012) also points out that these spending decisions may be different from the victims', who might have intended to use the money for everyday needs, retirement, or for emergencies.

Gains to the perpetrator and losses to the victims

Money laundering is connected to the commission of a predicate offence such as fraud, theft, drug trafficking, tax evasion, and other offences that require laundering (Reuter and Truman, 2004). This implies that resources are illegally and unjustly taken away from the victim and given to the perpetrator. The illicit character of the proceeds of crime necessitates the laundering activity in order to make the wealth look as if it was acquired through legitimate means. Therefore, money laundering helps in the process of unjust redistribution of wealth from the innocent to the guilty by making detection very hard and allowing criminals to benefit from their wrongdoings without any hindrance. According to MacKrell (1997: 3), "money laundering helps make crime worthwhile. It helps give legitimacy and even respectability to some of the most undeserving in society. It gives economic power to criminals and takes it from the law abiding tax payer". Schneider and Windischbauer, (2008) also supported this. In other words, money laundering makes crime profitable.

Investments falsified and savings distorted

The consequences of money laundering on investment can be severe because launderers prioritise avoiding detection and control over maximising returns, as Hinterseer (2002), explains. This leads to the misdirection of funds to assets that create little economic activity or jobs, and the preference for investments that offer the most concealment, even if they have lower returns. As a result, money is diverted away from beneficial investments and into risky, low-quality ones.

Increased terrorism activities

Today the effects of terrorism are now international due to their markets being connected globally and the terrorist groups are now using more advanced technology with more capacity. The only way money laundering can support terrorism is by financing their activities through using laundered funds. A good example is terrorism financing through producing drugs and some narcotic stuffs (Walker, 2007). The illicit proceeds of crime were previously clean illegally that is laundered through illicit methods. Their aim is disguise and covering the illegal source of the money and at the same time concealing its unlawful destination.

It should be noted and must acknowledged that terrorism is also being financed with money obtained legally with no criminal history, and not only from illegal proceeds of crime always. Usually the clean money comes governments, family, benefactors or friends as part of their support to the terrorists.

Increase in terrorism activities

Vaithilingam et al, (2015) asserts that today's interconnectedness of markets and terrorists' advanced technological capabilities make the impact of terrorism much more global. Because the money that is laundered can be used to fund terrorist activities, it can contribute to an increase in terrorism. According to Masciandaro (2004), a typical illustration of this is the financing of terrorism through the sale and production of narcotics. The shady money that is used to fund terrorism will first be "laundered." This serves two purposes: it conceals both the illegal destination of the funds and their illegal origin.

However, it should be made clear that terrorism frequently receives funding not only from funds derived illegally but also from legitimate sources that have never been associated with criminal activity. Supporters, friendly governments, and unsuspecting donors all contribute these clean funds.

Lower public sector revenues

Money laundering can have a negative impact on government revenues by decreasing tax revenue. From (9/11 Commission Report, 2004) and Trist and Emery (2000), cash washed, additionally addresses pay that dodges charges. Distorting or underreporting pay is quite possibly of the most normal strategies for leading tax evasion. Money laundering, according to Proctor (2010), hinders efforts to collect taxes. Simultaneously, an expansion in predicate offenses and illegal tax avoidance requests public authorisation consumption, which further draws on public incomes. Since it will result in an increase in tax rates, this will have an indirect effect on honest taxpayers.

Changes in unfamiliar direct venture

The harmed honesty of the monetary area because of its relationship with tax evasion what's more, the dug in presence of coordinated wrongdoing can adversely affect unfamiliar direct venture. Investors' trust may be eroded and the jurisdiction's reputation damaged if the commercial and financial systems of a nation are perceived to be influenced by criminal elements. Therefore, Johnson, (2003) states that their inclusion on the black lists maintained by the OECD and FATF could have significant negative effects on foreign direct investment.

However, Walker (2004) says that if a country is seen as a tax haven or a lax regulatory environment, it will increasingly attract illegal capital and reap significant benefits from it, especially if the money is invested directly in the economy rather than simply transiting through it.

Threat to the financial sector, liquidity and solvability

Laundering's impact on the financial industry raises additional concerns. According to McDowell (2001) and Schroeder (2001), when money laundering is carried out in large quantities, it has a particularly negative impact on banking solvability or liquidity and, as a result, compromises the soundness of banks. Launderers' monetary way of behaving and decisions are less unsurprising than those of traditional financial backers.

As a result, financial institutions or groups of financial institutions could, in the words of William (2001), make poor policy decisions regarding the proportion of assets that they need to keep liquid. As a result, they might not be able to meet unexpected solvability requirements or even fail. The financial systems integrated and interconnected nature raises the possibility of systemic crises and monetary instability.

Corruption and Bribes

Illegal tax avoidance advances defilement and pay off in monetary organisations as well as in entire areas of the economy. First, it affects the financial institutions that process criminal proceeds, as stated by Dobovsek (2002) and Bunt (2007). Law firms and notaries public who work together are also necessary for laundering. These foundations what's more, callings become defenceless against debasement by launderers looking to additionally penetrate and acquire a traction in a specific market. Therefore, "the respective institution could be drawn into active complicity with criminals and become part of the criminal network itself," according to FATF (2002:3).

As per International Monetary Fund (I.M.F.), (2005), this starts a genuine compounding phenomenon and if fruitful, washes will extend and ruin experts like attorneys, investors, bookkeepers and public authorities answerable for monetary market guideline. Money laundering activities, according to Alldridge (2002:308), can corrupt parts of the financial system and undermine bank governance. Nonmarket behaviour can be introduced into operating areas other than those directly related to money laundering once bank managers have become corrupted by the substantial sums of money involved in laundering, posing risks to banks' safety and soundness.

The effect of corruption extends beyond the financial sector. According to Unger, (2013), once money launderers have penetrated a specific economy, they will either further invest or bribe public officials to take control of significant portions of the economy. According to Unger (2007), once established, they will introduce a parasitic, anti-competitive business model and drive out legitimate competitors. Likewise from Levi and Reuter (2006), highlighted that the equilibriums amassed in the wake of washing could be utilised to corner markets or much more modest economies to the degree that they stay constrained by largescale coordinated wrongdoing interests. FATF (2002) suggests that the increasing political and economic power of organised crime will not only affect the economy, but also have a detrimental impact on society as a whole by undermining social cohesion and undermining shared moral values.

2.2 Theoretical Framework

The researcher examined several theories, including the Walker Gravity model, Financial Systems Theory, Differential Association Theory, and the Systems theory, as they offered valuable insights into the problem of money laundering. However, for the purpose of the study and its relevance to the topic, the following theories were utilised.

The Walker-The Gravity Model

One of the conventional methods for studying money laundering is the Walker model. In 1995, Walker developed this model specifically to examine the money laundering practices in the Australian market. The Isaac Newton gravity model served as a strong foundation for the theory. According to this theory (Walker, 2013), a country's GDP, level of sophistication, and crime rates all played a role in determining its money-laundering rates. For this situation, it highlighted that in created countries, for example, Australia, there was more modern wrongdoing and as such more returns under tax evasion. However, it was noted that domestic institutions sometimes provide sufficient cover for laundered cash, so not all of it is sent abroad. This hypothesis application was additionally changed in assessing illegal tax avoidance in Netherlands. Through its modifications, the scope and definition of a money laundering case in the Walker model were broadened. In such manner, it extended to shape the customary underground financial exercises like medication dealings and wrongdoing, to continue from the shadow economy like expense avoidance among others. The study's use of the model is crucial to its development. In this scenario, the model was used to define the scope of the study on the prevalence of tax evasion in the Zimbabwean financial industry (Unger, 2007). As a result, the study covered illicit funds from both the informal and underground economies that were illegally channelled through financial institutions in Zimbabwe.

Financial Systems Theory

The Financial Systems Theory is a concept that suggests that money laundering is a systemic problem that is caused by the financial system itself. This theory suggests that money laundering is a result of the way the financial system is structured and the lack of oversight and regulation. The Financial Systems Theory states that money laundering is caused by the lack of transparency in the financial system. This lack of transparency allows criminals to move money through the system without detection. This lack of transparency also allows criminals to hide their identities and the source of their funds.

The theory also suggests that money laundering is a result of the lack of regulation in the financial system. According to Nelson and Lankhorst, (2004) lack of regulation allows criminals to take advantage of the system and use it to their advantage. In the absence of regulations, it gives criminals the freedom to use the system to hide their activities and the source of their funds.

The movement of illicit funds is a result of the lack of oversight in the financial system. This grant criminals to take advantage of the system. Lack of oversight in the business financial system also allows criminals to use the system to hide their activities and the source of their funds.

The Financial Systems Theory suggests that money laundering is a systemic problem that is caused by the financial system itself. This theory suggests that money laundering is a result of the lack of transparency, regulation, and oversight in the financial system. Lack of oversight and regulation allows criminals to take advantage of the system and use it to their advantage. This lack of oversight and regulation also allows criminals to hide their activities and the source of their funds.

The Systems theory

The second hypothesis related to money laundering is the systems theory, which relies on systems theory. This theory suggests that all functioning entities have various subsystems that work together towards a common goal. In money laundering, different systems must work together to achieve success. The stakeholders play a crucial role in the process, with external stakeholders being the actual money launderers and internal stakeholders supporting complacency and helping to conceal the systems. According to Kemsley et al. (2021), many money laundering transactions go undetected due to internal personnel and systems. The application of systems theory is also helpful in identifying the three stages of money laundering: placement, layering, and integration. The placement stage involves introducing the proceeds of illegal money into the monetary system, usually from the shadow and underground economies. Hopton, (2016) highlighted that the layering stage involves disguising the proceeds to hide the existing paper trail using various techniques such as cash conversion. Finally, the integration stage involves integrating the illegal funds into the mainstream economy, often with the help of financial institutions through fictitious loans or invoices.

The systems theory analysis reveals that financial institutions' ignorance or complacency can affect the money laundering process and that the process progresses through the three fundamental stages. The theory's findings serve as a strategic foundation for the presence of these stages in Zimbabwean financial institutions.

Differential Association Theory

Developed by sociologist Edwin Sutherland in the 1930s, this theory suggests that individuals learn criminal attitudes, values, and behaviours from their social environment, particularly through their interactions with family members, peers, and other influential people. The theory can be applied to money laundering, as it posits that criminal behaviour is learned through social interactions. In the case of money laundering, individuals may learn how to engage in this illegal activity through their associations with others who have experience or knowledge in this area. Research has shown that social networks and peer influence can play a significant role in the decision to engage in money laundering. A study by Brinkley (2013) found that social ties to money launderers were a strong predictor of involvement in money laundering activities. The authors concluded that social learning theory, which is based on Differential Association Theory, could explain the relationship between social networks and money laundering. Furthermore, the frequency, intensity, and duration of these social interactions can also impact an individual's likelihood of engaging in money laundering. For instance, if an individual has frequent and prolonged exposure to others who engage in money laundering, they may be more likely to learn and adopt these behaviours themselves. In addition to social learning, Differential Association Theory also emphasises the importance of social control in preventing criminal behaviour. In the case of money laundering, social control mechanisms such as legal sanctions, regulatory enforcement, and social norms against illegal activity can act as deterrents to prevent individuals from engaging in money laundering. Overall, Differential Association Theory provides a useful framework for understanding the social and contextual factors that contribute to money laundering. By examining the social networks and influences that shape individuals' attitudes and behaviours towards money laundering, policymakers and law enforcement officials can develop more effective strategies to prevent and combat this illegal activity.

2.3 Empirical Evidence

The following information contains the empirical evidence obtained from multiple research studies.

2.3.0 The causes of money laundering

The study's overarching objective was to also ascertain the various factors that contribute to money laundering.

Williams et al, (2019) the evasion of taxes is, according to this article, the primary cause of money laundering in any nation. This study also found that corruption in all sectors of society was created and encouraged by a lack of political transparency and good governance, which is the primary cause of money laundering. Ultimately, the review found that political flimsiness soundness is a central issue for the wealth that in some way urge them to search for outside objective.

According to Gidadhubli and Kumar's (1999) analysis, a significant cause of tax evasion in Russia is the close relationship between political and business groups. Often, business entities receive substantial bribes from influential political figures within the state administration in exchange for exclusive protection and even economic espionage services. Another important cause of money laundering is using unfair tactics in international trade.

There is a wealth of exploration that inspects the effect legal frameworks in combating money laundering in Nigeria. Chitimira and Oyesola Animashaun (2023) explored that banditry and psychological oppression comprise serious security takes a chance in Nigeria. This is due to the fact that Nigeria is regarded as one of the world's most afflicted states by terrorism. To fund their activities in Nigeria, terrorists and bandits typically engage in predicate crimes like kidnapping, smuggling, drug trade, and similar activities. To make their criminal enterprises self-sustaining, criminals typically launder the funds they obtain from nefarious sources like drug sales and kidnapping ransom. Consequently, all "filthy" cash is washed so as not to draw in the consideration of policing. Due, in part, to flaws and loopholes in the current anti-money laundering and anti-terrorist laws, the funds realised through the receipt of ransom from kidnapping, smuggling, or funds from sponsors are laundered through channels like bureau de change. These channels are difficult for the Nigerian authorities to monitor. A doctrinal and qualitative desktop research approach was used in this study. In such manner, the ongoing enemy of illegal tax avoidance and hostile to psychological oppressor regulations are examined to investigate potential estimates that could be embraced to cure the blemishes and escape clauses in such regulations and battle tax evasion and funding of psychological warfare in Nigeria.

Quirk (1997) identified that a lack of cooperation from countries where money laundering has occurred is a cause of money laundering. Effective enforcement of money laundering requires proof of the illegal source of the funds, which may be difficult to obtain without cooperation from the countries involved. Additionally, in developing nations with corrupt practices and a lack of bank regulators, domestic financial institutions can be used by foreign actors to launder the proceeds of foreign crime. All the more thus, the review found that the failure of states to examine and arraign tax criminals and to recuperate criminal returns utilising existing instruments that require severe following of resources for criminal action, even as assets go through mystery purviews and are put resources into a progression of complex resources additionally cause and increment illegal tax avoidance.

2.3.1 The prevalence of money laundering

The United Nations Office on Drugs and Crime (UNODC) conducted a study in 2012 that analysed Suspicious Transactions Reports (STRs) filed by banks between 2000 and 2009. The study found that 2.7% of the analysed (STRs) were linked to money laundering, with a total amount of over $400 billion USD suspected to be laundered. Private bankers and large commercial banks were found to be the most common originators of money laundering-related STRs, and complex laundering schemes involving multiple transactions and jurisdictions were the most common typology. The study also highlighted trade-based money laundering as an emerging trend and found that Eastern Europe and Central Asia had the highest rates of suspected money laundering. Overall, this study provides valuable insights into the prevalence and methods of money laundering in the banking system worldwide and emphasises the importance of robust anti-money laundering controls.

Money laundering is a serious issue in Zimbabwe that has been increasing in recent years, according to the US Department of State. The country serves as both a source and destination for money laundering, with criminals involved in drug trafficking, fraud, and corruption often using Zimbabwe's financial system to conceal their illicit proceeds. The country's informal economy and weak regulatory framework also contribute to the problem.

According to the research findings from **Second Money Laundering and Terrorist Financing National Risk Assessment Key Findings**, during the **national risk assessment** conducted between 2014 and 2018, it was discovered that proceeds of crime generated in Zimbabwe had a medium level of money laundering (ML) threat. This was due to a comprehensive evaluation of the trends and volume of proceeds from the four predicate offenses that generate high proceeds of crime (NRA, 2018). The study also highlighted the offenses committed in foreign jurisdictions were assessed and found to have a low ML threat level due to a decrease in the prevalence of external linkages such as fraud, theft of motor vehicles, and drug trafficking. The absence of cases in this category indicates that the rate of these crimes in foreign jurisdictions has decreased and the proceeds are not being consumed in Zimbabwe. As a result, offenses committed both in Zimbabwe and foreign jurisdictions were rated as medium low.

However, offenses committed in Zimbabwe and whose proceeds are consumed locally were rated as medium, while those from foreign jurisdictions were rated low. Offenses whose jurisdiction could not be identified were rated low, which can be corroborated by the previous NRA report, which also rated them as low. One notable example of money laundering in Zimbabwe is the CBZ Bank case. In 2018, the Reserve Bank of Zimbabwe fined CBZ Bank $385,000 for violating anti-money laundering regulations. The bank was found to have failed to identify and report suspicious transactions and to have inadequate internal controls in place to prevent money laundering. This case highlights the need for stronger measures to combat money laundering in Zimbabwe. Regarding legal institutions mandated to fight corruption in Zimbabwe, three institutions are commonly cited: the Zimbabwe Anti-Corruption Commission (ZACC), the National Prosecuting Authority (NPA), and the Zimbabwe Republic Police (ZRP). However, their effectiveness has been questioned due to political interference and lack of resources.

In another study from Mwandiambira (2018) surveyed bank employees in Zimbabwe to assess the prevalence of money laundering in the country. The study found that money laundering was a significant problem in Zimbabwe, with many bank employees reporting that they had encountered suspicious transactions that they believed to be linked to money laundering. The study also found that there was a lack of awareness among bank employees about the importance of reporting suspicious transactions, which may contribute to the risk of money laundering in the country.

2.3.2 The sources of money laundering

The dirty cash typically comes from exercises like medication and sex dealing, psychological militant exercises, and other illegal means, so in his study of International Money Laundering from A Comprehensive Review and General Theory of Corruption, Calvin Lee Pacle (2003), found that drug trafficking, embezzlement of public funds, crimes involving corruption and abuse of power, fraud in the financial sector, and other forms of criminal activity are the most frequently identified as generating illicit proceeds. The Financial Action Task Force (FATF) assessment team that looked at several countries anti-money laundering system also took into account the dangers of organised crime and cybercrime.

According to the FATF (1998), money laundering may be necessary for various crimes, including extortion, drug trafficking, arms smuggling, and white-collar crimes. The United Nations Office on Drugs and Crime (UNODC) further explains that criminals launder money for two reasons: to cover up the evidence of their crime, whether it is a street crime, corporate white-collar theft, or corruption by a public official. Jean B. Weld also supports this viewpoint.

2.3.3 The effects of money laundering

This study from Toan, (2022) researches the impact of unfamiliar direct venture (FDI) streams on exchange based illegal tax avoidance (TBML). This study found that there is no correlation between a person's occupation and their awareness of money laundering. A proxy for TBML is trade wrong invoicing, which includes under- and over-invoicing of imports and exports. The empirical findings, which are based on data from Vietnam from 2000 to 2019, are supported by the FDI-fuelled capital flight hypothesis because they demonstrate a positive correlation between FDI flows and TBML. Leaving from the ongoing writing, it shows that this impact becomes articulated for send out under-invoicing when Vietnam exchanges with low-pay and lower-centre pay nations. Furthermore, economic liberty and the efficiency of the government have a negative impact on this effect.

But this study says that the government can also curb money laundering by saving taxes, keeping accurate banking records, and spreading awareness through the media.

According to the study, money laundering damages a nation's economy, government, and social wellbeing. McDowell (2001) highlighted that he economic effects of ML were the primary focus of the study. Illegal tax avoidance sabotages the genuine confidential area. Additionally, ML compromises the security of financial markets, that is asset, liability, and operational management are more difficult for financial institutions that depend on criminal proceeds. Bank runs and liquidity issues may arise as a result.

Cherroun's study (2021) reports that money laundering has a negative impact on a country's economic growth. Specifically, it significantly slows down the growth rate and harms legitimate businesses. Money laundering also promotes bribery and corruption within financial institutions and other economic sectors. The study concludes that money laundering destabilises political institutions.

Kumar conducted a comprehensive longitudinal study on money laundering and found that the negative effects of money laundering can harm the financial sector, as well as the formal agents of the economy such as the state, financial institutions, and the banking sector. Money laundering diverts resources to less productive activities and promotes domestic corruption and crime, thereby hindering economic growth through the real sector. The study also shows that money laundering has a negative impact on the external sector. It reduces the local residents' trust in their own financial institutions and foreign investors' trust in a state's financial establishment, ultimately leading to a decline in economic growth.

2.4 Gap Analysis

The literature on the impact of tax evasion on financial institutions is extensive and varied. Ion Calvin Lee Pacleb's study shows that the Financial Action Task Force (FATF) has identified corruption and bribery offered to public officials as two of the four sources of dirty money, with the other two sources being drug dealing and illegal exploitation. However, any crime that requires money laundering, including tax evasion, fraud, embezzlement, terrorism, and other blue-collar crimes such as theft and robbery, are considered sources of money laundering.

From the investigation of Tomas Williams, Pablo Slutzky and Mauricio Villamizar-Villegas March (2019), the excellent reason for ML is absence of political straightforwardness and great administration that made and empowered defilement in all areas of the society. According to a 1999 study by R. G. Gidadhubli and Rama Sampath Kumar, the nexus between political and business groups is the primary cause of ML in Russia. Chitimira and Animashaun's study (2023) found that a significant weakness contributing to money laundering is the failure of countries to cooperate fully with mutual legal assistance requests from countries where the crime has occurred. This is particularly problematic as effective enforcement of money laundering often requires proof of the illegal origin of the funds. Other factors that contribute to money laundering include a lack of transparency, poor governance, and inadequate monitoring systems or opportunities.

John McDowell's study in 2001 identified several negative effects of money laundering, such as undermining the legitimate private sector, compromising the integrity of financial markets, increasing risks associated with privatisation efforts, and causing significant social costs. Meanwhile, Vandana Ajay Kumar's study in 2012 showed that money laundering destabilises political institutions and slows economic growth.

Reguia Cherroun (2021) discovered that the financial sector, the real sector of formal agents like the state, financial institutions, retails, banking sector and some businesses may suffer from the negative effects of money laundering. Money laundering, on the other hand, has repercussions in the form of reputation risk, compliance risk, and strategic risk, direct losses for the perpetrator and gains for the victim, and an increase in terrorism.

There is limited observational research conducted in Zimbabwe regarding the effects of money laundering on business environment. Additionally, there is no empirical literature that directly relates to the Zimbabwean financial sector's business environment, and most of the available studies were conducted in the western market. Therefore, this study aims to fill the knowledge gap by analysing and discussing the sources, effects, and causes of money laundering in financial institutions. The study's primary focus is on the business environment of financial institutions since money laundering is primarily centred in this area.

2.5 Chapter Summary

The current chapter provides an introduction followed by the presentation of the conceptual framework, theoretical framework, and empirical evidence. The next chapter focuses on the research design, including the procedures undertaken to ensure the validity of the findings and the data collection instruments used to determine the effects of money laundering on Zimbabwe's business environment.

CHAPTER THREE

RESEARCH METHODOLODY

3.0 Introduction

This chapter offers a detailed analysis and explanation of the methodology used to gather the necessary data for the study. Chapter three provides a comprehensive and accurate description of how the study was conducted, outlining the precise process used to obtain, analyse, and examine the required data.

Apart from providing a descriptive analysis of the research methods used, this chapter also offers a critical evaluation of these methods. The justifications for why these methods were chosen over other theoretically feasible ones for collecting and analysing study data are also presented. The chapter is divided into several main sections, including research design, subjects (population and sampling), research instruments, data collection procedures, and data analysis.

3.1 Research Design and justification

A research design, according to Annie Yang-Heim (2023), is the plan and structure for investigating information to answer research questions. It established the framework for data collection, measurement, and analysis. The research configuration is the adhesive that binds the research project together. Myres (2009) defines a research design as a comprehensive strategy for a research undertaking that outlines the methods and procedures to be used. The aim of the design is to establish a structured framework that guides the execution of the research.

The purpose of this research is to investigate the effects of money laundering in Zimbabwe's business environment, using CBZ Bank as a case study. To gather both qualitative and quantitative data easily, the researcher chose a descriptive case study design that allows for the use of questionnaires and interviews. Hochwald et al. (2023) defined quantitative data as numerical data that can be obtained through methods such as questionnaires, while qualitative data is non-numerical and can be collected through methods such as interviews. The researcher utilised both types of data collection in this study. According to Kumar (2022) and the concept of a descriptive research design, the goal is to obtain a comprehensive and accurate description of the situation being studied, which includes questions such as who, what, when, where, and how. The researcher used captivating research techniques such as surveys and interviews to gather information. By using a descriptive case study design, the researcher was able to obtain relevant data related to the research topic.

3.2 Target Population

According to Mason et al. (2007), a study's population refers to the complete set of individuals, objects, or measurements that are of interest. In this study, the population under investigation was the Zimbabwean financial industry, which encompassed third-party experts and industry regulators. To obtain a representative sample, the researcher selected a population of 20 individual experts across different branches. The collection period for the study should not exceed three weeks. Because of this, a sample base needed to be used. The strategic goal of developing the sample base was to ensure that the used respondents met the inclusion criteria and were completely representative of the entire population base. Consequently, the study settled on five in-depth interviews with experts based on the available timelines.

3.3 Sampling Procedures

A statistical sample refers to a small subset of a population that is studied to gain insights into the entire population. In the context of people, a sample is a group of individuals selected from a larger population for the purpose of a survey. The size and selection process of the study sample can impact the confidence in the results and the degree to which generalisations can be made about the population.

In this research, a non-probability purposive sampling strategy was employed to select and include respondents. To be considered, respondents had to have prior experience and direct work in controlling money laundering in financial institutions. Specifically, respondents were selected based on having worked in the Zimbabwean financial sector for at least four years, including at least two years in direct management of anti-money laundering systems. Out of the initial target population of 20 people, 15 individuals were chosen as sample size that includes 5 managers, 3 compliance officers, 3 regulators, and 3 regular employees from each of the initial four branches. The industry specialists or controllers were selected separately. This sampling approach ensured that a diverse group of knowledgeable individuals were included in the study.

3.4 Sample size

Mason et al. (2007) defined sample size as the number of individual cases selected from a larger population. This concept is also echoed by Kumar (2022), who defined sample size as the number of units included in the study. For this research, the researcher selected a sample size of fifteen (15) employees, both managerial and non-managerial, who had a minimum of four years of experience in Zimbabwe's financial sector.

Department	**Population**	**Sample Size**
Managers	5	5
Compliance Officers	5	4
Regulators	5	3
Regular Employees	5	3
Total	**20**	**15**

Table 1: Samples and Departments (Bare Data)

3.5 Research Instruments

The type of data to be collected determines the format for the data collection. However, both primary and secondary data was utilised in this particular study. The following were the methods used to collect data:

3.5.0 Questionnaire

According to Wegner (1991), a questionnaire refers to a set of methodically designed questions that researchers used to obtain relevant information from respondents. In this study, the researcher utilised the questionnaire to gather data from 5 managers, 4 compliance officers, 3 regular employees and 3 regulators using structured, scale response questions and providing clear and concise instructions to respondents. The questionnaire was included both open-ended and close-ended questions to allow respondents to elaborate on their views during data collection. Moreover, the questionnaire's design was guided by the study's objectives to achieve the desired results.

3.5.1 Interviews

An interview, according to Gubrium and Holstein (2001), is a heated discussion between two or more people. In the social sciences, interviews are a common research tool that draws a lot of commentary and discussion.

Interviews allowed the researcher to gain a deeper understanding of the participants and learn more about them. The interviewer was able to interact freely with the interviewee since the questions were open-ended, and the interviewer could add or modify questions as needed. The downside of using interviews was that they were time-consuming because they had to be recorded and transcribed word-for-word. Additionally, scheduling meetings with the respondents proved to be a challenge, limiting the number of interviews conducted. Nonetheless, the researcher made efforts to convince the participants to agree to the meetings and allocate time for them.

3.6 Data Collection Procedures

Reynolds et al. (2003) described the data collection process as the method used to gather primary and secondary data. To begin with, the researcher obtained permission from the Human Resources Manager and Head Security Officer before delivering the questionnaires to the selected respondents in person. The respondents were informed that their participation was voluntary, and that their data would be kept confidential. To avoid putting any pressure on the respondents, measures were taken to ensure their comfort and ease during the data collection process.

After seven (7) days, the questionnaires were be collected. Follow-up calls were made to each department secretary chosen to boost the response rate, remind interviewees of the date and time of the interviews, and the researcher explained the purpose of the interview to the interviewees. This was done to increase the response rate. This also assisted the respondents with to be engaged and to have a thought of what kind of data is needed. In order to minimise disruptions to the participants' business schedules, the interviews were considered to conduct face-to-face and each session must last approximately ten (10) minutes.

3.7 Reliability and Validity of Measurements/ Pilot Study

Reliability

Reliability is rooted in consistency, meaning that if a research design is reliable, and another researcher uses it, the same results are likely to be obtained. In order to guarantee consistency and compliance with the research objectives, only relevant data were collected. Questions that remained unanswered were removed during data analysis. In order to ensure that only trustworthy data was be collected, good interview questions and questionnaires were chosen.

Validity

In qualitative research, a wide variety of terms are used to describe the idea of validity. Words from Winter et al, (2000, p.1), highlighted that it is a construct that is contingent and inevitably based on the methods and intentions of specific research methodologies and projects, which means this concept is not a singular, fixed, or universal concept). According to Petty et al. (2009), validity in research refers to the accuracy of the research instrument, technique, and report. When we talk about validity, we are referring to the quality of a procedure or tool used in research, which needs to be accurate, meaningful, and appropriate. In simpler terms, validity means that the researcher is measuring what they are supposed to measure. In request to approve the information, polls were tried and presented to different specialists to regulate if it catches the targets of the review. The purpose of the pilot study was used to verify the questionnaire and interview guide's clarity. A pilot study, according to Lancaster (2005), is a miniature version of the main study. As a result, respondents were given questionnaires to fill out, and they were asked to do so. The questionnaires were adjusted to meet the requirements of the study in the event of errors.

3.8 Data Presentation and Analysis

By analysing field data, this aims to answer research questions. Gathered information was broken down to decide how they addressed the given exploration targets. The collected data was organised according to the goals. Both qualitative and quantitative data analysis was used in this study for the open-ended and closed-ended questions.

The questionnaire data was analysed using thematic analysis in this research. Subsequent to approving the information, we entered it into a pre-arranged SPSS PC programming version 20. After calculating the frequencies for various variables, such as age, gender, and respondents' perceptions, we then presented the statistical data in the form of graphs, tables, and pie charts.

After that, we conducted an analysis of the information gleaned from the interviews by comparing the responses that respondents to the questionnaire provided regarding the same subject with what they actually said about the study.

In addition, the researcher used a qualitative approach, in which the respondents' experiences and opinions was transcribed from their interviews. The qualitative content analysis strategy have a strategic alternative in the study. A coding strategy for the obtained findings is used as part of this strategy's application. The study categorised the collected data into separate themes that arose from the responses given. The themes were developed based on the study objectives, with each objective serving as a main heading for a section of the study. Several themes were analysed under each objective, with the responses being coded and interpreted. The themes were then compared or contrasted with the findings discussed in the literature review section to gain a deeper understanding of the data.

3.9 Ethical Considerations

The researcher provided the respondents with an explanation of the study's purpose and how the collected data was used to address effects of money laundering in Zimbabwe through analysing banks and beyond, ensuring respondents' confidentiality and privacy. The review was totally deliberate, and members were allowed to pull out whenever with next to no punishment. Before beginning the process of collecting data, the researcher sought the informed consent of each and every participant. The study's findings are accessible to all participants without restriction. By handling each participant separately and structuring the questionnaire and interview guides in a manner that does not expose them to harm, the researcher ensured that the respondents were not harmed in any way, either physically or psychologically.

3.10 Chapter summary

In summary, Chapter 3 of the dissertation presented a thorough examination of the methodology and process used to gather the study data. The chapter also highlighted the reliability and validity of the data collection instruments, as well as their strengths and limitations. The subsequent chapter focused on the analysis and discussion of the data obtained from the interviews.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

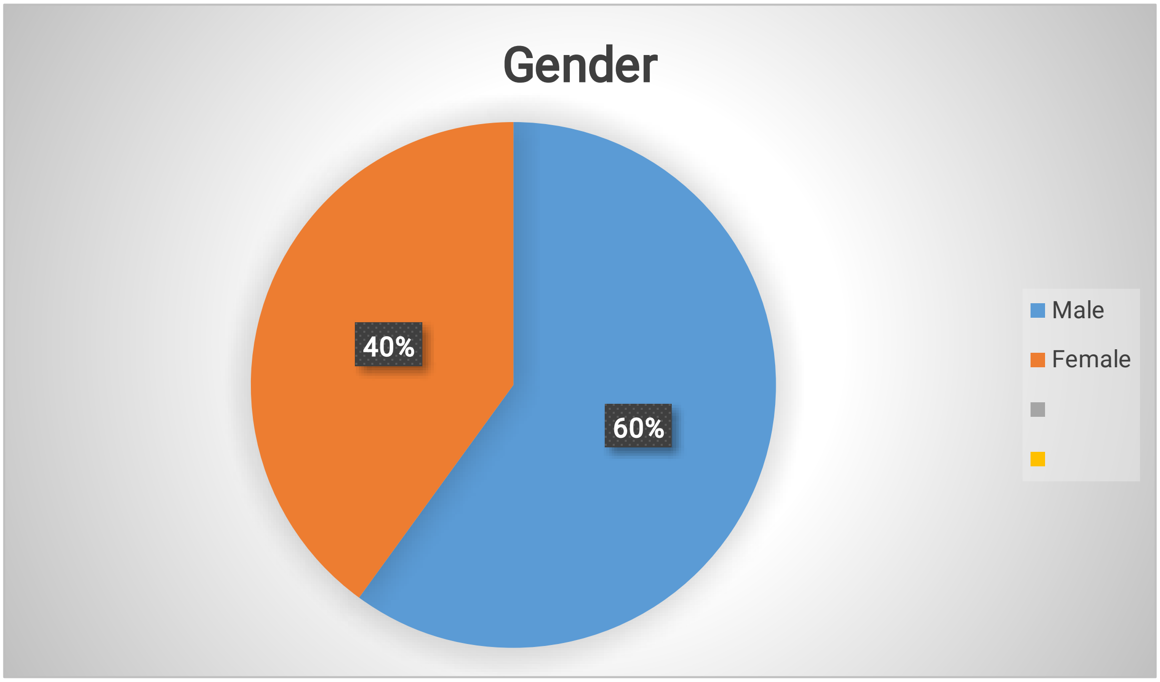
4.0 Introduction

This chapter presents the findings of the data that was obtained from the primary research and analyses the findings of the research. The research findings are then compared and contrasted to draw conclusions. The data obtained in the research is summarised and presented in the form of tables, graphs and pie charts.

4.1 Demographic information of respondents

4.1.0 Gender profile of respondents

Figure 1: Gender profile



The first section of the questionnaire sought to understand the background information of the respondents. Fig 4.1 shows that 9(60%) of the respondents were male while 6 (40%) were female. The gender profile of respondents is important because it helps to understand how gender impacts the choices of an individual and this also provided varied response about the effects of money laundering in the business environment. Therefore, the gender ratio of respondents is important in the research because it helped in analysing the effects of money laundering from different gender perspectives.

4.1.1 Distribution of respondents according to grade/ rank

Figure 2: Grade of the respondents

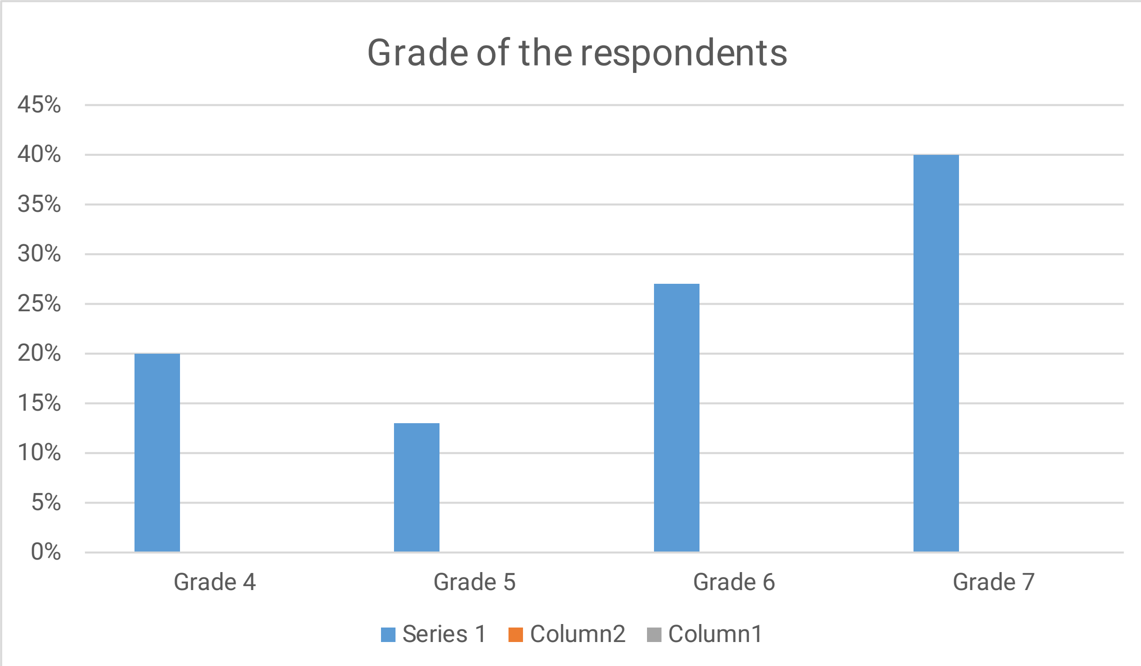


Fig 4.2 shows that Grade 4 respondents constitute 3(20%), Grade 5 constitute 2 (13%) and Grade 6 constitute 4(27%) of the respondents. Majority of the respondents 6(40%) are in Grade 7 which is the highest rank among the participants. Arranging the respondents according to their grade is important because it helps in establishing priority among the respondents. This helps in understanding the position of employees in the bank and also a measure of their understanding on the prevalence of money laundering in the financial institution.

4.1.2 Period of employment

Figure 3: Period of employment

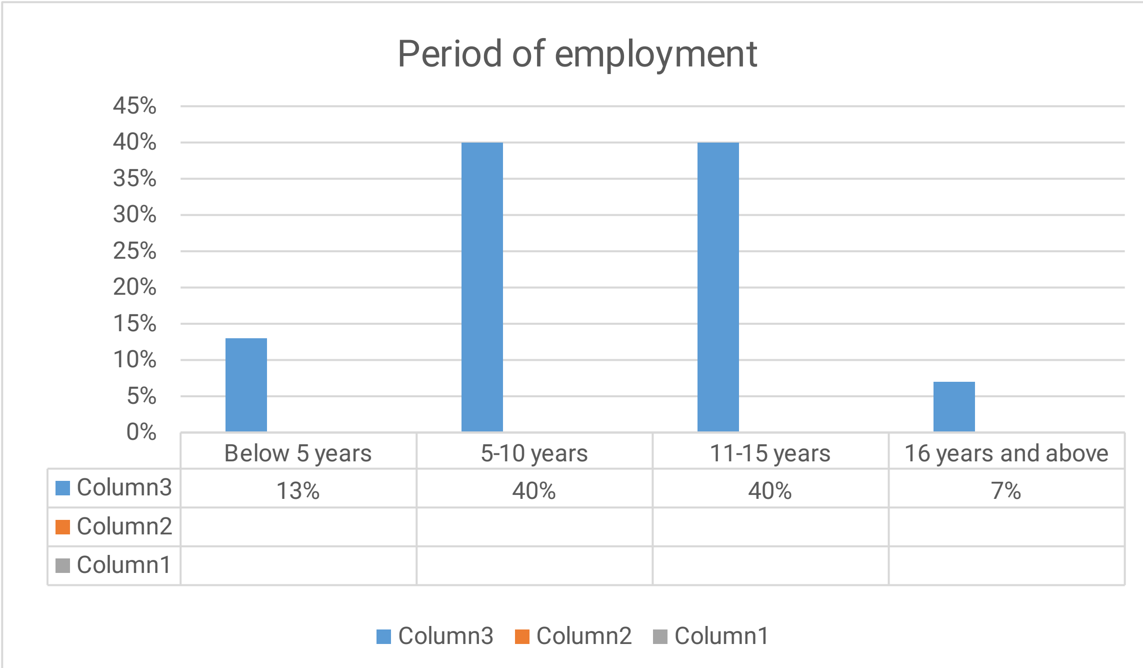


Fig 4.3 represents the number of years that the respondents have worked for in the bank. Two respondents constituting 2(13%) have worked in the bank for less than five years and 6(40%) have worked in the bank for more than five years and 6(40%) have worked in the bank for more than ten years. Only one respondent represented by 1(7%) have worked in the bank for more than sixteen years. Therefore, this shows that majority of the respondents know the different crimes that are committed in the financial institution because they have been working in the bank long enough to understand different activities.

4.1.3 Distribution of respondents according to academic qualification

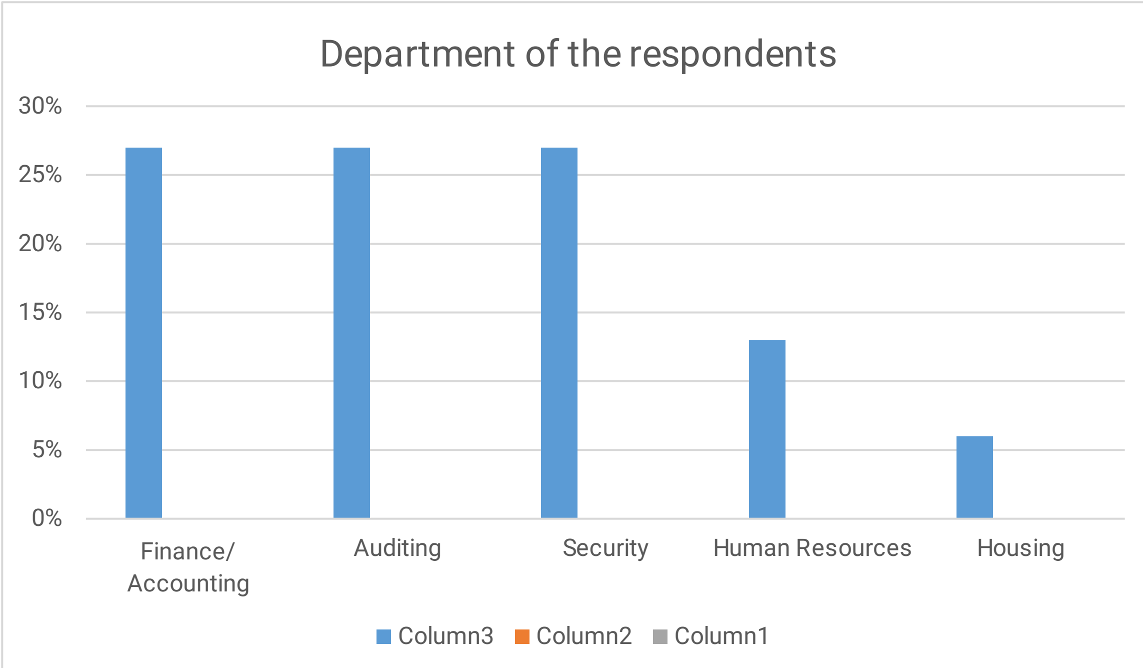
Table 2: Academic qualification

Academic qualification	Frequency (n=15)	Percentage

ZIMSEC Advanced Level	0	0
National Certificate/ Diploma	3	20%
Undergraduate degree	8	53%
Postgraduate degree	4	27%
Total	**15**	**100%**

Table 4.1 shows the academic qualification of respondents and majority of the respondents have obtained undergraduate degree as shown by 8(53%). 4(27%) of the respondents have acquired postgraduate degree while only 3(20%) of the respondents have National Certificate or Diploma.

4.1.4 Distribution of respondents according to their departments
Figure 4: Work departments of the respondents



The research findings revealed that 4(27%) of the respondents were in the Finance or Accounting department, 4(27%) work in the Auditing department, 4(27%) work in the Security department and 2(13%) work in the Human Resources department. 1(7%) of the respondents work in the Housing department. The research comprised of employees from different departments in the organisation in order to capture the prevalence of money laundering in the organisation.

4.2 Section B: Sources of money laundering

Key: SA-strongly agree, A- agree, D- disagree, SD-strongly disagree.

Table 3: Sources of money laundering (n=48)

Source of money	SA	A	SD	D	Mean	Mode	Standard

laundering							Deviation
Fraud	47.9	43.8	4.2	4.2	4.27	5	0.984
Corruption	45.8	41.7	0	12.5	1.62	2	0.703
Drug trafficking	50	37.5	8.3	4.2	4.08	4	1.048
Tax evasion	47.9	45.8	4.2	2.1	1.69	2	0.854
Cybercrime	43.8	47.9	0	8.3	1.73	2	0.844
Embezzlement	50	45.8	4.2	0	1.60	1	0.792
Real estate	47.9	45.8	6.2	0	1.67	1	0.781

[Source: primary data]

The research findings revealed that fraud is the foundation of money laundering because it obtained a mean of 4.27 on table 4.2. In this case, fraudulent criminal activities generate money which then needs to be cleaned and the best way to do this is using financial institutions. Hanke and Kwok (2021) state that fraud paves way for money laundering, fraudulent activities can be done through scamming people or stealing identity and cashing out money from other people's accounts. Therefore, the money obtained has to seem legitimate and financial institutions are the best option. The research findings concur with Schuler (2018) who states that the dirty money that is obtained from illegal activities is then used for transactions on the parallel market to meet the demands for foreign currency in the country.

Cybercrime as illustrated on table 4.2 had a mean on 1.73 and this also a major source of money laundering. The research of the dissertation revealed that cybercrime have been used as an instrument to obtain money through committing fraud and other illicit activities on the computer. Packle (2018) revealed that lack of security and weaknesses in the banking system contribute to cybercrime. Packle (2018) suggests that the money obtained from cybercrime needs to be cleaned, hence the cycle of money laundering continues.

The study revealed that corruption and embezzlement are two major sources of money laundering as represented on table 4.2. Corruption has a statistic mean of 1.62 and embezzlement obtained a mean of 1.60. The research findings concur with Pacle (2003) who states that corruption in all its different forms and embezzlement create large amounts of illegal money and as a result this leads to money laundering.

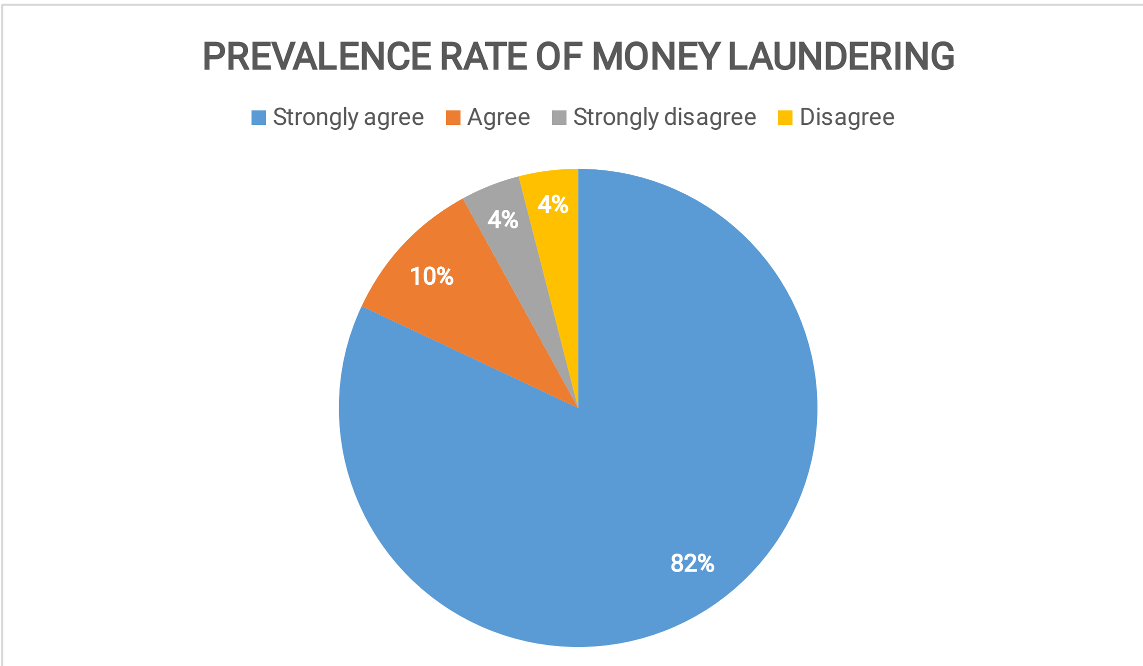
Information obtained from the interviews also confirmed that corruption and embezzlement set the foundation for money laundering because the funds obtained illegally have to be cleaned. The results are supported by the General Theory of Corruption (Pacle, 2003) which propound that embezzlement of public funds reflect weak or poor control systems and therefore it becomes easy for money to be laundered without being detected especially using the financial institutions

The research findings revealed that fraud, corruption, drug trafficking and cybercrime are the major sources of money laundering. This is supported by the Walker Gravity

Model which states that the level of sophistication and crime rates determine the money laundering rates. The results show that these illegal activities generate proceeds which are then laundered through the financial system. Thus, the research findings validate the usage of the Walker Gravity Model.

4.3 Prevalence of money laundering

Figure 5: Prevalence of money laundering



The fig 4.5 above shows that 12(82%) of the respondents strongly agreed that money laundering is prevalent in financial institutions and 10% agreed while strongly disagree and disagree shared the remaining 8%. The respondents indicated that money laundering was prominent in financial institutions although the financial institutions have not been effective in detecting money laundering. The study revealed through interviews that money laundering is prevalent because there have been numerous reports about the issue in media that financial institutions in Zimbabwe's business environment have been used to launder dirty money to make it clean and that no financial institution is immune.

The study found that money laundering is prevalent in the financial institutions. The findings are in line with the Financial System Theory which suggests that money laundering is a systemic problem caused by the lack of transparency, regulation and oversight in the financial system. The theory states that this allows criminals to take advantage of the system to launder money. Therefore, the results confirm the applicability of the Financial System Theory.

4.4 Section C: Causes of money laundering

Table 4: Descriptive statistics on the causes of money laundering (n=15)

Cause of money laundering	Yes	No	Not sure	Mean	Standard Deviation
Bribery and political corruption	56.2	43.8	0	1.48	0.618
Terrorism financing	47.9	52.1	0	1.52	0.505
Smuggling	52.1	43.8	4.1	1.52	0.618
Bank secrecy	43.8	54.2	0	1.52	0.699

Insider trading	45.8	47.9	6.3	1.62	0.494
Criminal activities	50	47.9	2.1	1.58	0.703
Tax evasion	56.2	43.8	0	1.48	0.618

[Source: primary data]

Bribery and political corruption

The research sought to analyse the causes of money laundering in order to understand some of the major factors contributing to the prevalence of money laundering in banking institutions. Table 4.2 shows that bribery and political corruption is the cause of money laundering because it obtained a mean static of 1.48. According to the research, some of the respondents agreed that inadequate bank policies, procedures, and systems fuel the prevalence of money laundering. Where others also indicated that poor economic status and insufficient legal check and balance were the other factor contributing to the prevalence of money laundering. All respondents were unconcerned about how misconceptions about a banker's liability in trade transactions contribute to the prevalence of money laundering in the Central Business District.

The results demonstrate that, above all, the problem of an inside person in the bank is not simply a failure of the individuals, the bank involved or indeed the banking industry. Instead, it is a broader social problem that is related to government policy and financial institutions. The advancement of the banking system and structure means that the banking institution, perceived as being one of the best institutions, is secluded and does not have access to outside resources to control money laundering. However, this is not only a matter of elitism, but of structural adjustment and resulting deregulation.

Criminal activity and terrorism

Criminal activity is also among the chief causes of money laundering because it has a mean of 1.52 and terrorism also had a mean of 1.52 respectively. The research findings revealed that the lack of a general database for banks has facilitated money laundering in the banking industry. The research findings concur with an industrial discussion about centralising identities in a national database (Ndungu and Etemesi, 2010). This research does support the need for this service. However, creating a national database raises issues of security of data, ownership, financial capacity, individual rights, access management, and human resources (UNDP, 2014).

In addition, socio-cultural issues are also reflected in the acceptance of corruption as well as economic situations that generate economic stress at many levels of society (Zahra et al., 2014; Bakre, 2010). Ethical issues in banking are reflected in a sense that fraud is accepted within society, although the use of whistle-blower programs does mitigate the outcomes (Aguilaret al., 2010). This can also be mitigated by the fact that the bank should maintain a written code of ethics that should be read and signed on a regular basis by the employees.

Insider trading and bank secrecy

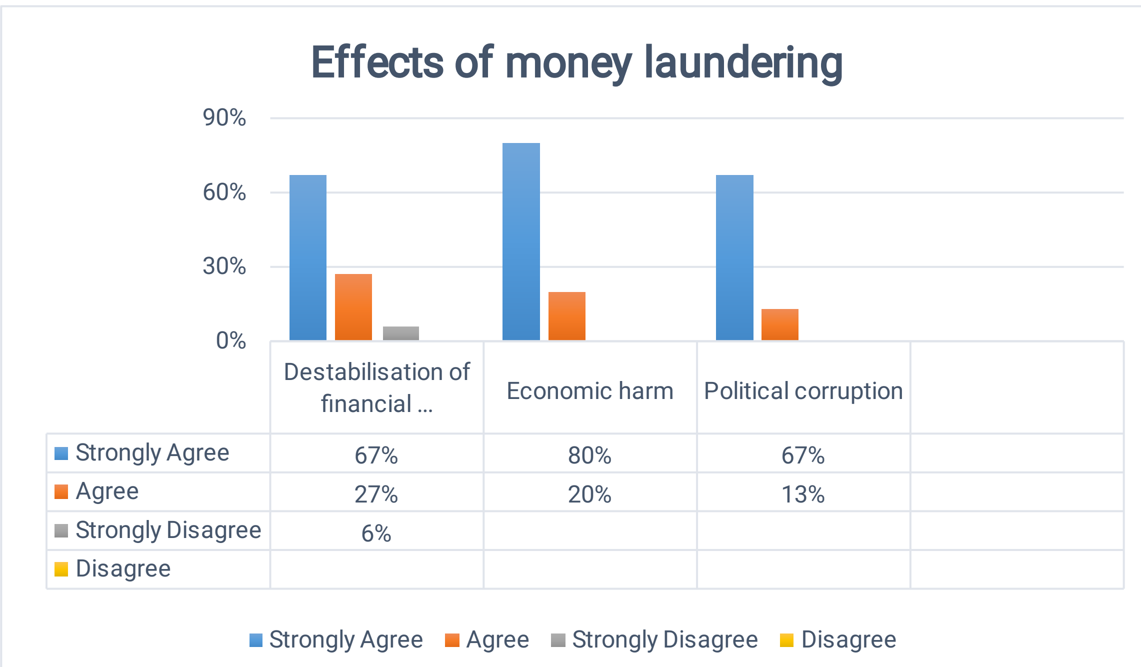
The research findings revealed that insider trading and bank secrecy are among the causes of money laundering because the variables obtained mean of 1.62 and 1.52 respectively.

In general, the findings were largely consistent with the requirements of the Financial Systems Theories and to a lesser extent the differential association, agency theory, and the eclectic theories. From this study the presence of collusion, in essence, adds an extra dimension to the money laundering strategies identified in other studies. These results also pointed to a link between the internal organisational culture and the external environment, demonstrating that there are issues that are seen in wider society and that need to be addressed there.

The study revealed that bribery, corruption, terrorism financing, bank secrecy and criminal activities are the major causes of money laundering. These findings are supported by the Differential Association Theory which states that corruption and other unethical behaviours are learned through interactions with others. Thus, the theory explains how these causes of money laundering are acquired and spread in the society and financial institutions.

4.5 Section D: Effects of money laundering in financial institutions

Figure 6: Effects of money laundering



4.5.0 Analysis of the effects of money laundering

This section answers the third research question of the study by revealing the effect of money laundering on the business environment. Information from the respondents shows that money laundering leads to the destabilisation of financial systems, economic harm and political corruption.

Destabilisation of the financial systems

Fig 4.6 shows that 10(67%) of the respondents strongly agreed that money laundering destabilises the financial institutions and 4(27%) also agreed while 1(6%) strongly disagreed. In this case, money laundering damages the financial sector which is crucial for the growth of the economy. The research findings are in line with Zahra et al (2014) who state that money laundering creates an unpredictable pattern in the demand for money and this causes unstable exchange rates which in turn affect the value of the local currency. Bakre (2019) also states that the introduction of the auction rate system in Zimbabwe is failing because of the emergence of the parallel market (black market) which has large stocks of foreign currency in cash. As a result, the black market determines the pricing of goods and services in the country and replaces the banks as the black markets ends up distributing cash because it is readily available as compared to the banks (Bakre, 2019). Therefore, the unmonitored cash inflows and outflows causes destabilisation of the financial institutions.

Economic harm and Political corruption

The research findings revealed that 13(87%) of the respondents strongly agreed that money laundering causes political corruption and 2(13%) also agreed. The research findings can be attributed to the fact that the increasing self-enrichment by specific individuals and groups can lead to the creation of social classes and widen the gap between the rich and the poor. The research findings concur with Aguilar (2016) who state that money laundering can cause the emergence of social vices and unethical behaviour in both the public and private institutions. Ndungu and Etemesi (2018) also revealed that corruption is rampant in public institutions and this has led to poor service delivery in both urban and rural areas. Ndungu and Etemesi (2018) further state that dilapidating infrastructure, poor water supply, poor waste management and illegal settlements because of money laundering. Therefore, poor policy formulation all contribute to poor living standards.

Information derived from the interviews also supported that money laundering is responsible for weak policy implementation and regulation. The respondents agreed that money laundering create income differences between individuals and creates an avenue for people to commit crimes without notice because the money will end up being cleared to make it seem legal.

The research found that money laundering leads to the destabilisation of financial systems, economic harm and political corruption. These findings validate the usage of the Systems Theory which views money laundering as a system with various subsystems that work together. The theory states that if one subsystem such as political corruption is affected, it impacts other subsystems like the economy. Therefore, the findings support the Systems Theory in explaining the effects of money laundering.

4.6 Strategies that can be implemented to combat money laundering

The question was posed in order to gain a better understanding of some of the most significant strategies for combating money laundering at CBZ. Some of the respondents also stated that they conduct regular audits to ensure the adequacy of internal control systems to prevent financial fraud.

Furthermore, most of the respondents stated that regular staff trainings on money laundering should be conducted to sensitise all of their staff on money laundering as well as customer due diligence practices to help prevent money laundering. Moreover, the respondents also indicated transaction monitoring to detect suspicious transactions. All respondents mentioned reviewing customer documents as another way to prevent money laundering. The survey results are consistent with the strategies employed by ZB Bank and Stanbic Bank as indicated in reviews in the literature.

Recruiting competitive employees

Hiring the right employees is a crucial factor in preventing money laundering as they are better equipped to detect any unusual transactions in the bank. As mentioned in the literature review, conducting suitable background checks is important and involves examining an individual's professional and educational qualifications, employment history, criminal record, media and credit records, as well as honesty and integrity testing (Brody, 2010). However, the study revealed a weakness in this area, and while background checks are helpful, honesty and integrity testing is recommended (Brody, 2010). The bank did not utilise this method based on the responses obtained.

A confidential police report from the Banking Fraud Investigation Department, recently made public, highlights the issue of new hiring, suggesting that most bank frauds are committed by bank staff and that hiring practices have a strong correlation with fraud (Bank Fraud Report Shocker, 2010). However, in Zimbabwe, obtaining reference checks from credible sources is challenging due to the lack of centralised systems and other organised criminal databases. The "Certificate of Good Conduct" is generally accepted as proof, but this system is vulnerable to corruption, making it less reliable.

Working with partners or other stakeholder

The study found that technical controls are crucial for monitoring transactions in the bank. Additionally, the enforcement of industry regulation by its members is more effective than government regulation, as demonstrated by the case of Standard Chartered Bank. This bank has a higher level of self-regulation due to its vulnerability to bribery, which is attributed to having an organisation that promotes self-regulation. The research aligns with findings in Kenyan banks, which have an opportunity to enhance stability, transparency, and decrease costs associated with monitoring money laundering by sharing information through the KBA. Studies by Giannetti et al. (2010) and Mwanza (2010) support this approach.

4.7 Chapter summary

This chapter presented and analysed data from the research findings at CBZ Bank in Harare. Fifteen participants took part in the study and the research findings confirmed the prevalence of corruption in financial institutions with fraud, corruption, embezzlement, cybercrime, drug trafficking being the major sources of money that is laundered in Zimbabwe's business environment, The research findings revealed that the causes of money laundering include terrorism financing, political corruption and bribery, smuggling, bank secrecy and insider trading being the major causes of money laundering. There are also other causes of money laundering such as poor legal framework and monitoring systems which are weaknesses that are manipulated to conduct money laundering in the financial institutions. The study revealed that the effects of money laundering include destabilisation of the financial institutions, economic harm and political corruption. The impact of money laundering creates a breeding ground for different crimes to be committed in communities without notice as money that is obtained from illicit activities is cleaned up to make it legal through banks in Zimbabwe.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents an overview of the significant findings obtained from our research and proposes strategic recommendations. Firstly, we summarise the conclusions drawn from our analysis of Commercial Bank of Zimbabwe (CBZ) and its practices. These findings are not specific to CBZ Bank, but rather apply to the financial industry as a whole in Zimbabwe's business environment.

Secondly, we present a set of general recommendations for the Zimbabwean financial industry, based on our analysis. These recommendations are not limited to CBZ Bank, but rather aim to improve the overall financial sector in These findings are not specific to CBZ Bank, but rather apply to the financial industry as a whole in Zimbabwe's business environment.

Finally, we discuss the limitations of our study and suggest areas for further research in the future.

5.1 Summary of the findings

In this study, we aimed to investigate the effects of money laundering in Zimbabwe's business environment. To gather data for our analysis, we collected both empirical and theoretical information from various sources, including the internet and books. We employed a descriptive research design, distributed questionnaires and conducted interviews with experts in the field to gather information on the topic. The study had the following objectives:

- To establish causes and prevalence of money laundering at CBZ Bank Harare.
- To determine the sources of money laundering.
- To explore the effects of money laundering in financial institutions.
- To proffer solutions in curbing money laundering.

In this summary of findings, the study identified these findings as the sources of money laundering, including corruption (M=1.62), tax evasion (M=1.62), fraud (M=4.27), embezzlement (M=1.60), real estate (M=1.67), cybercrime (1.73), drug trafficking (M=4.08). The research discovered that these were several factors responsible for the high occurrence of money laundering cases in Zimbabwe's business environment.

The research also found that financial institutions are vulnerable to money laundering due to a lack of transparency, poor corporate governance, and inadequate monitoring systems. In particular, Bribery and political corruption (M=1.48), Terrorism financing (M=1.52), bank secrecy (M=1.52), insider trading (M=1.62), Smuggling (M=1.52), Criminal activities (M=1.58), Tax evasion (M=1.48) and lack of transparency were also identified as some of the primary causes of money laundering in financial institutions.

This study found that money laundering can have negative effects in Zimbabwe's business environment, including economic harm with 67% and 27% also agreed while 6% strongly disagreed strongly agreed that and 27% also agreed while 6% strongly disagreed money laundering destabilises the financial institutions, destabilisation of financial systems. Economic harm and political corruption, 87% of the respondents strongly agreed that money laundering cause's political corruption and 13% also agreed. Other specifics which financial institutions may also suffer compliance risk, and liquidity risk. These effects are detrimental to the financial institution's success. Economic harm was identified as the most significant effect of money laundering in Zimbabwe's business environment.

To combat money laundering, the study suggests various measures that banks must can implement. These measures include recruiting competitive employees working with partners or other stakeholder, promoting effective transparency, implementing staff training policies, establishing advanced tools effective monitoring systems, conducting due diligence, document review and adhering to Know Your Customer (KYC) principles. These measures aim to prevent money laundering in Zimbabwe's business environment and ensure the financial institution have the stability and success in their operations.

5.2 Conclusions

In conclusion, the research has provided insights into the effects of money laundering in Zimbabwe's banking industry. The findings of the research support the hypothesis that money laundering is a significant problem in Zimbabwe's banking industry. Furthermore, the findings also indicate that the bank's risk management practices and compliance with anti-money laundering regulations are inadequate. The findings of the research have implications for the banking industry in Zimbabwe. The findings suggest that the banking industry needs to implement effective risk management practices and compliance measures to prevent money laundering. The results also suggest that the banking industry needs to be more transparent and accountable. It is also highlighted in the findings that the banking industry needs to be more proactive in reporting suspicious transactions to the relevant authorities.

This part presents the conclusion of the study, which aimed to analyse the effects of money laundering in Zimbabwe's business environment. The study has four main objectives which were to establish the causes and prevalence of money laundering at CBZ Bank Harare, determine the sources of money laundering, explore the effects of money laundering in Zimbabwe's business environment, and finally, to proffer solutions to curb money laundering. Each of the objectives was concluded separately as follows:

- The study established that a variety of factors contributed to the prevalence of money laundering in business environment. These factors included weak regulatory frameworks, lack of proper monitoring and compliance systems, and corruption among bank officials. The research findings also revealed a substantial prevalence of money laundering cases in the bank, which negatively impacted its overall reputation and financial performance.

- The research identified several sources of money laundering in CBZ Bank Harare, such as proceeds from illegal activities like drug trafficking, corruption, and tax evasion. In addition, money laundering was found to be facilitated by the use of complex financial transactions, offshore accounts, and shell companies. These sources of money laundering present a significant challenge for financial institutions like CBZ Bank and law enforcement agencies in Zimbabwe, as they continue to evolve and adapt to new regulations and detection methods.

- Money laundering poses a significant risk to financial institutions' stability and integrity. The study found that the effects of money laundering in CBZ Bank Harare included reputational damage, financial loss, and regulatory penalties. Additionally, the bank's involvement in money laundering activities has led to a loss of trust among its customers, which has further exacerbated the bank's financial challenges. The research also highlighted the negative impact of money laundering on the overall business environment in Zimbabwe, resulting in reduced foreign investment and economic growth.

- Based on the findings, the study proposed several solutions aimed at curbing money laundering in CBZ Bank Harare and other financial institutions in Zimbabwe. These recommendations included strengthening regulatory frameworks, enhancing compliance and monitoring systems, and promoting transparency and accountability in the banking sector. The study also emphasised the need for increased cooperation and collaboration between financial institutions, regulatory authorities, and law enforcement agencies to effectively combat money laundering.

The study shows that Zimbabwe’s business environment is negatively affected by money laundering through various risks, including reputational risk, compliance failure, liquidity risk, and strategic risk. These effects are detrimental to the financial institution's success in business environment. In conclusion, this study provided valuable insights into the causes, sources, and effects of money laundering in CBZ Bank Harare and the broader Zimbabwean business environment. By implementing the suggested recommendations, it is expected that the bank and other financial institutions can effectively address the issue of money laundering and, in turn, contribute to the restoration of trust and integrity in Zimbabwe's financial sector.

5.3 Recommendations

Drawing from the conclusions and results of the study, the researcher formulated strategic suggestions for the financial industry in Zimbabwe to execute. These recommendations aim to address the issues identified and prevent money laundering in the Zimbabwe’s business environment. The strategic recommendations include employee training programs to enhance their skills and knowledge in detecting and preventing money laundering, and the development of ICT security systems to strengthen the financial institutions' ability to monitor transactions and detect suspicious activities.

Development of security for ICT (Information and Communication Technology) systems.

The research advocates for the creation of a robust and secure ICT infrastructure to reduce the potential for money laundering facilitated by lax bank practices. Strengthening security protocols and restricting employee access to confidential data can accomplish this. The study proposes that the CBZ Bank approach, which employs a division of labour and moderate control systems, could be extended to other financial organisations to attain this objective. The primary strategic recommendation of the research is to implement this model to guarantee the safety of the ICT network.

The study suggests that CBZ Bank has successfully mitigated the risk of money laundering by implementing a division of labour approach. This approach ensures that no single staff member has control over the entire auditing process, reducing the risk of complacency and potential money laundering transactions. The study recommends that other financial institutions adopt this model as a best practice to prevent and identify money laundering.

The study suggests that medium access controls can be used to secure the ICT system. This involves limiting access to the system to authorised AML staff members, with different levels of access only available to those with appropriate clearance. By making long-term investments in ICT systems, the compliance department can identify any unauthorised access or interference by a compromised employee and take necessary measures. This investment can also minimise the threat of external parties penetrating the system and compromising the department's ability to detect questionable transactions.

Training provided to employees of AML (Anti-Money Laundering) teams

The second strategic recommendation put forth by the study involves the creation of an employee development program. This recommendation aims to provide guidance to organisations in establishing effective learning and development programs for their AML teams. The research highlights the significance of employee skill development, particularly in areas such as ICT competency, research proficiency, and personality traits. Thus, the study suggests that entities should implement an employee skills development program to ensure that their AML teams possess the requisite skills. Another alternative to nurture these skills is to adopt an internal recruitment strategy, which involves promoting employees from within the organisation to higher positions within the compliance department. The study suggests that an internal recruitment strategy can be used to develop employee skills in the AML teams. This approach involves giving priority to internal employees for promotions, creating a strong departmental culture, and incorporating identified skills gaps into a biannual employee skills development program. By regularly updating and reorienting employee skills, the study believes that entities can stay ahead of changing money laundering risks and schemes.

Restrictions and proposals for future research resulting from the study

The study had some limitations. One of them was that it focused on data from CBZ Bank and only used additional data from other experts in the market. This means that the findings only provide an evaluation of the AML system used by CBZ Bank compared to other systems in the financial industry. Consequently, the study was unable to make a comparative analysis between the AML systems of CBZ Bank and those of other organisations in the business environment.

REFERENCES

Aluko, A, & Bagheri, M. (2012). *The impact of money laundering on economic and financial stability and on political development in developing countries*. Journal of Money Laundering Control. 15. 442-457. Doi: 10.1108/13685201211266024

Agarwal, J. D. and Aman Agarwal (2006), *Money Laudering: New Forms of Crime, Victimization, presented at the National Workshop on New Forms of Crime, Victimization, with reference to Money Laundering*, Indian Society of Victimology, Department of Criminology, University of Madras, India.

Alldridge, P. (2002). *'The Moral Limits of the Crime of Money Laundering'.* Buffalo Criminal Law Review, Vol. 5:279

Alm, J. (2012). Tax evasion, tax avoidance, and tax expenditures in developing countries: A review of the literature. World Development, 40(4), 894-908.

Alm, J. (2012). Tax evasion, tax avoidance, and tax expenditures in developing countries: A review of the literature. World Development, 40(4), 894-908.

Barone, R., Masciandaro, D., 2008. *Worldwide anti-money laundering regulation: estimating the costs and benefits.* Global Business and Economics Review 10, 243–264.

Bunt, Henk van D. (2007), *The relation between organized crime and informal markets: The role of hawala bankers in the transfer of proceeds from organized crime,* CRIMPREV, Ghent University, Ghent (Belgium), Discussion Paper.

Brigitte Unger, (2013) *"Introduction in Research Handbook on Money Laundering*, ed. Brigette Unger and Daan van der Linde, (Cheltenham: Edward Elgar Publishing Limited), p.4

Boorman, J., Ingves, S. (2001). *'Financial System Abuse, Financial Crime and Money Laundering'* . IMF Background Paper, International Monetary Fund.

Brinkley, J., Forbes, W., & Payne, B. (2013). Social networks and money laundering. Journal of Money Laundering Control, 16(2), 148-160.doi:10.1108/13685201311318103

Cipher Trace, „Q2 2019 Cryptocurrency Anti-Money Laundering Report" (CipherTrace, 2020)<https://ciphertrace.com/q2-2019-cryptocurrency-anti-money-laundering-report/> accessed 12 May 2023.

Cherroun, Reguia. (2021). *The Economic Effects of Money Laundering. Most countries suffer from what's called money laundering*

Dobovsek, Bojan. (2007), *Transnational organized crime networks, Paper presented at the conference "Tackling Money Laundering",* University of Utrecht, Utrecht (The Netherlands), November 2-3.

Dixon, Harry. (2017). *"Maintaining Individual Liability in AML and Cybersecurity at New York's Financial Institutions"* , Penn State Journal of Law and International Affairs, Vol. 5, Issue 1: pp.72-110

FBI (2001) Money *Laundering, FBI Law Enforcement Bulletin* , by William R. Schroeder, May, Vol 70, No 5, pp. 1-9.

Gupta, Dr. Anuradha, 2010: *Money Laundering and Financing of Terrorism-A Study on Methods to Fight Money laundering in India and USA* , Journal of the Institute of Chartered Accountants of India, volume 58,No.10

Gubrium, J.F & Holstein, J.A. (2001). *Handbook of interview research: context and method* . Thousand Oaks, California: Sage. Crawford

Gup, B. E. (2003). Insider trading: The laws and loopholes. Greenwood Publishing Group.

Goredema, C. 2003. *Money laundering in East and Southern Africa: An overview of the threat* . ISS paper 69. Pretoria: Institute for Security Studies.

Halevi Hochwald, Inbal & Green, Gizelle & Sela, Yael & Radomyslsky, Zorian & Nissanholtz-Gannot, Rachel & Hochwald, Ori. (2023). *Converting qualitative data into quantitative values using a matched mixed-methods design* : A new methodological approach. Journal of Advanced Nursing. 1-13. 10.1111/jan.15649.

Hossain, Zeenia Hossain. (2020). *An Analysis on Prevalence of Money Laundering with the Challenges of Emerging Technologies in the context of the United Kingdom* . 47-54. 10.9790/0837-2501064754.

Hatchard J. 2014, *Combating Corruption: Legal Approaches to Supporting Good Governance and Integrity in Africa* (UK edn, Edward Elgar Publishing Ltd)

Hinterseer, Kris. Criminal Finance. (2002): *The Political Economy of Money Laundering in a Comparative Legal Context Law*. Hague: Kluwer Law International

Hopton, T. (2016). Money laundering: A concise guide for all business. Kogan Page Publishers.

International Monetary Fund (IMF) and World Bank (2001), *Enhancing Contribution to Combating Money Laundering*: Policy Paper, Washington D.C

International Monetary Fund (I.M.F.), 2005, *The IMF and the Fight against Money Laundering and the Financing of Terrorism*, available on the website http://www.imf.org/external/np/exr/facts/aml.htm17

International Monetary Fund. 2001. *Financial System Abuse, Financial Crime and Money Laundering.* Washington.

International Monetary Fund (IMF) (2001), *Financial System Abuse, Financial Crime and Money Laundering*, Washington D. C., IMF (2001)

Johnson, J. (2003). *"Repairing Legitimacy after Blacklisting by the Financial Action Task Force."* Journal of Money Laundering Control 7(1).

Johnston, R. & Carrington, Ian. (2006). *Protecting the financial system from abuse: Challenges to banks in implementing AML/CFT standards*. Journal of Money Laundering Control. 9. 48-61. 10.1108/13685200610645210.

Johnston, M. (2005). Syndromes of corruption: Wealth, power, and democracy. Cambridge University Press

Kumar, V., 2012. *Money Laundering: Concept, Significance and its Impact. European Journal of Business and Management* 4, 113–119

Kemsley, Deen & Kemsley, Sean & Morgan, Frank. (2021). *Tax evasion and money laundering: a complete framework. Journal of Financial Crime*. Ahead-of-print. 10.1108/JFC-09-2020-0175.

Levi, M., Halliday, T., & Reuter, P. (2014), *'Global surveillance of dirty money: assessing assessments of regimes to control money-laundering and combat the financing of terrorism'.*

Levi, M., Halliday, T., & Reuter, P. (2014), *'Global surveillance of dirty money: assessing assessments of regimes to control money-laundering and combat the financing of terrorism'.*

Levi, M., & Reuter, P. (2006). Money laundering. In Organized crime (pp. 179-201). Springer.

Levi, M. and Peter Reuter (2006), *Money Laundering, Chicago*: The University of Chicago Press, 2006

Miller, MJ. 2023. *"Money Laundering: A Guide to Detection and Prevention"*. New York, USA

McDowell J. (2001). *'The Consequences of Money Laundering and Financial Crime, Economic Perspectives'.* Electronical Journal of the US Department of State, Volume 6, Number 2.

Masciandaro, Donato (editor). (2004), *The global financial crime: Terrorism, money laundering and offshore centres*, Aldershot, Great Britain

Mniwasa, E.E. (2004). *'Tackling Money Laundering in East and Southern Africa an Overview of Capacity',* Published in Monograph No 108, Volume Two

Mwandiambira, C.W. (2018), "Measuring the Extent of Money Laundering in Zimbabwe: A Survey of Bank Employees", Journal of Money Laundering Control, Vol. 21 No. 1, pp. 89-99.

Nelson, H., Lankhorst, Pr*evention of Organised Crime* 'Edition 2004

Proctor, Charles. (2010), *The Law and Practice of International Banking*. Oxford: Oxford University press.

Schroeder, William (2001). *"Money Laundering: A Global Threat and the International Community's Response."*

Petty, R. E, Briñol, P., Loersch, C., & McCaslin, M. J. (2009). *The need for cognition. In M. R. Leary & R. H. Hoyle (Eds.), Handbook of individual differences in social behaviour* (pp. 318–329). New York, NY: Guilford Press.

Paul Allan Schott., *Reference Guide to Anti- Money Laundering and Combating the Financing of Terrorism. Second Edition and Supplement on Special Recommendation IX,* World Bank & IMF. 2006. Available at: http://siteresources.worldbank.org/EXTAML/Resources/3965111146581427871/Reference_Guide_AMLCFT_2ndSupplement.pdf

Reynolds, N.L., Simintiras, A.C., and Diamantopoulos, A. (2003). *Theoretical justifications of sampling choices in international marketing research*: key issues and guidelines for research, *Journal of International Business Studies*, 34/1, 80-89.

Rudestam, K.E. and Newton, R.R. (1992), *Surviving your dissertation: A comprehensive guide to content and process. California: Sage, p49.*

Reuter, P. and Truman, E.M. 2004. *Chasing dirty money: The Öght against money laundering*. Washington, D.C.: Institute for International Economics

Schneider, Friedrich. (2008). *Money laundering and financial means of organised crime: Some preliminary empirical findings*. Global Business and Economics Review. 10. 309-330. 10.1504/GBER.2008.019986.

Schneider, F., & Windischbauer, U. (2008), *'Money laundering: some facts'*, European Journal
of Law and Economics, Vol. 26, No. 3, pp. 387-404

The 9/11 Commission Report (2004) by the *National Commission on Terrorist Attacks*, US Government Printing Office, Washington D.C

Trist, E. and F. Emery (2000). *Systems Theory and Organizational Change*.

Toan, Bui. (2022). *Effects of foreign direct investment on trade-based money laundering: The case of Vietnam*. Cogent Social Sciences. 8. 10.1080/23311886.2022.2132672.

Toan, Bui. (2022). *Effects of foreign direct investment on trade-based money laundering: The case of Vietnam.* Cogent Social Sciences

Teichmann, F & Wittmann, C. (2022). Money laundering in the United Arab Emirates: the risks and the reality. Journal of Money Laundering Control. ahead-of-print. 10.1108/JMLC-01-2022-0014.

Unger, Brigitte (2007), *The scale and impacts of money laundering*, Cheltenham (GB): Edward Elgar Publishing

Unger, Brigitte. (2013). *"Introduction in Research Handbook on Money Laundering",* ed. Brigette Unger and Daan van der Linde, pp.3-16. Cheltenham: Edward Elgar Publishing Limited

United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988, from https://www.unodc.org/pdf/convention_1988_en.pdf.

Vaithilingam, Santha & Nair, Mahendhiran & Thiyagarajan, Thangarajah. (2015). *Managing Money Laundering in a Digital Economy*. Journal of Asia-Pacific Business. 16. 44-65. 10.1080/10599231.2015.997626

Wale Olusi. (2015). *The Negative Effects of Money Laundering on Economic Development*. Journal of Money Laundering Control, 18(1), 7-20.

Walker, John (2007), *Measuring Global Money Laundering, Paper presented at the conference 'Tackling Money Laundering'*, University of Utrecht, Utrecht, Netherlands, November 2007.

Walker, John (2004), *"A very temptative exploration of the relationship between shadow economy and the production and transit of illicit drugs",* New York: UNODC document.

Walker, John (2007), *Measuring Global Money Laundering, Paper presented at the conference 'Tackling Money Laundering'*, University of Utrecht, Utrecht, Netherlands, November 2007.

Yang-Heim, Gui. (2023). *Research Design and Methodology* . 10.1007/978-981-19-9790-7_3.

United Nations Office on Drugs and Crime (2005) *Money laundering http://www.unodc.org/unodc/en/money_laundering.html*

Bindura University of Science Education

P Bag 1020

Bindura

Dear Respondent

I hope this letter finds you well. My name is Patrick Rajabhu and I am currently an undergraduate student at the above-mentioned institution undertaking my Bachelor of Commerce (Honours) Degree in Financial Intelligence. I am conducting a research study on **analysing the effects of money laundering in Zimbabwe's business environment. A case study of Commercial Bank Of Zimbabwe (CBZ) Bank in Harare Central Business District (CBD)**. I am writing to request your assistance in completing a questionnaire that is an integral part of my research.

Your contribution to this study is vital, and I would greatly appreciate your participation. The questionnaire should take approximately 20 minutes to complete. Your responses will be kept confidential and used solely for academic research purposes.

Please complete the questionnaire and return at your earliest. If you have any questions or concerns about the questionnaire or the study, please do not hesitate to contact me

Thank you for your time and consideration in this matter. I look forward to receiving your response.

APPENDICES

APPENDIX 1: QUESTIONNAIRE FOR RESPONDENTS

SECTION A: PERSONAL BACKGROUND

NB: Please do not write your name on the questionnaire.

Please put a tick [] on the appropriate box, and where possible, include an explanation

1. Please indicate your gender:

A. Male [ ]

B. Female [ ]

2. Please indicate your grade/rank:

A. Grade 4 [ ]

B. Grade 5 [ ]

C. Grade 6 [ ]

D. Grade 7 [ ]

3. Please indicate your period of employment:

A. Below 5years [ ]

B. 5-10 [ ]

C. 11-15 [ ]

D. 16 and above [ ]

4. Can you specify your academic qualification(s)?

A. Advanced level [ ]

B. Post Graduate [ ]

C. Undergraduate [ ]

D. Diploma level [ ]

If other (please specify)……………………………………………………….…..

5. What is your department?

A. Finance/ Accounting [ ]

B. Auditing [ ]

C. Security [ ]

D. Human Resources [ ]

E. Housing [ ]

SECTION C: PREVALENCE OF MONEY LAUNDERING

6. To what extent do you agree that money laundering is a prevalent issue in Zimbabwe's business environment mainly the financial institutions?

A. Strongly agree

B Agree

C Strongly disagree

D Disagree

SECTION D: SOURCES OF MONEY LAUNDERING

7. Fraud

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

8. Corruption

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

9. Drug trafficking

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

10. Tax evasion

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

11. Cybercrime

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

12. Embezzlement

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

13. Real Estate

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

SECTION D: CAUSES OF MONEY LAUNDERING

14. Bribery and political corruption

A. Yes [ ]

B. No [ ]

C. Not sure [ ]

15. Terrorism financing

A. Yes [ ]

B. No [ ]

C. Not sure [ ]

16. Smuggling

A. Yes [ ]

B. No [ ]

C. Not sure [ ]

17. Bank secrecy

A. Yes [ ]

B. No [ ]

C. Not sure [ ]

18. Insider trading

A. Yes [ ]

B. No [ ]

C. Not sure [ ]

19. Criminal activities

A. Yes [ ]

B. No [ ]

C. Not sure [ ]

20. Tax evasion

A. Yes [ ]

B. No [ ]

C. Not sure [ ]

SECTION E: EFFECTS OF MONEY LAUNDERING IN FINANCIAL INSTITUTIONS

21. Destabilisation of financial systems

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

22. Economic harm

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

23. Political corruption

A. Strongly agree [ ]

B. Agree [ ]

C. Strongly disagree [ ]

D. Disagree [ ]

24. Which types of crimes related to money laundering are happening at CBZ Bank?

……
……
……
……………………………………………………

25. What strategies may be implemented to combat money laundering in local banks and beyond?

……
……
……
……………………………………………………

Thank you for participating!!!

APPENDICES

APPENDIX 2: INTERVIEW GUIDE

Research Questions

- What are the causes of money laundering?
- What are the sources of money laundering?
- What effects does money laundering have on financial institutions?
- What are the ways to stop money laundering?

INTERVIEW QUESTIONS.

1. What are the sources of money laundering?
2. What do you believe are the primary causes of money laundering?
3. Can you describe how you have seen money laundering negatively impacted banks in the Central Business District (CBD) or its stakeholders?
4. What measures do you think banks in the Central Business District (CBD) can take to prevent money laundering activities?
5. How confident are you in your ability to recognise and report potentially suspicious financial activity at CBZ Banks in the Central Business District (CBD)?

Thank you for your valuable time to take participation in this interview