

Anti Money Laundering: Proactive involvement and perception of Internal Auditors in Anti-Money Laundering Compliance Review.

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In
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By
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GUJARAT TECHNOLOGICAL UNIVERSITY

AHMEDABAD

February-2024

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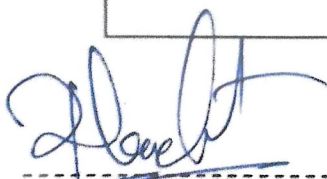
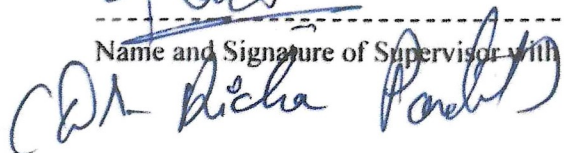
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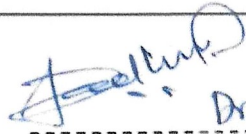

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ABSTRACT

Anti-money-laundering regulations (AML) are in place to stop and identify money-laundering behaviour. The AML responsibility requires banks to strictly adhere to Know Your Customer (KYC) regulations in order to get to know their clients well and to identify and report suspicious and high-value transactions in order to prevent the misuse of banks for money laundering operations. Since the Prevention of Money Laundering Act (PMLA) was passed in 2002, India's Reserve Bank of India (RBI), which serves as the country's central bank, has taken steps to ensure AML compliance in banks. Despite the regulator's efforts, the RBI found that banks are not effectively implementing AML regulations. As a result, the researcher has attempted the current investigation. Any financial sector's stability and prosperity depend heavily on the banking industry. The destructive effects of money laundering (ML), however, put such stability in jeopardy. As a result, the demand for a strong and strict AML program arose. The new role for internal auditors (IAs) needed to convoy such evolution by moving from a traditional and reactive role to a more proactive and strategic role in light of the drastic evolution of the business environment over the last few decades to heavily rely on Anti Money Laundering Governance (AML Governance).

Research Problem:

The research process has involved almost nine stages such as formulating the research problem, literature survey and reviewing, developing the hypothesis, preparing the research design, sampling, data collection from primary (through structured interviews of the respondents) and secondary sources, data analysis, hypothesis testing and suggesting a model. The current study has determined that non-compliance can be linked to ignorance of AML standards through talks with internal auditors and the literature already in existence; Intentional violations occur when there is oversight during the governance's implementation, when commercial objectives take precedence over compliance, or when someone violates the rules for their benefit. As a result, this study attempted to comprehend the degree of internal auditor involvement in anti-money laundering governance and the general attitude toward an assessment of AML compliance review. From the standpoint of bank internal auditors, another research sought to understand internal auditors' limitations in AML implementation. More research is needed to determine whether the AML compliance assessment has any effect on the combat of

money laundering. The effect of internal auditor participation in AML governance on internal auditor effectiveness in AML compliance review has not been thoroughly examined. The study looks at internal auditors' key obstacles to anti-money laundering compliance review and execution as well as the impact of successful compliance reviews on Combat money laundering.

Methodology followed for research:

Based on past research, a survey was created and distributed to internal auditors in the Indian banking industry. The definition of research objectives has been produced using a conceptual model. The poll of internal auditors provided evidence to support the conceptual model. The sample consists of 748 internal auditors from Gujarat's governmental and private sector banks, drawn from various cities. They were chosen at random, and data were analyzed with AMOS and SPSS software utilizing factor analysis and structural equation modelling.

Outcome of the research:

The descriptive results indicate that there is room for further improvement with regard to the banking IA involvement, as the vast majority of respondents acknowledged that IA involvement in AML governance structure, Risk assessment Duties, and Actions against ML are more extensive than IA involvement in AML governance processes. The study looks into how to better combat money laundering by involving internal auditors in AML governance and enhancing the effectiveness of AML compliance review. The outcome demonstrates that internal auditors can combat money laundering by developing more efficient AML Compliance Reviews. From the standpoint of bank internal auditors, research also examines internal auditor's limitations in AML Compliance review and implementation. Which are listed below Inadequate Budget, Inadequate Customer assistance, Inadequate Training, Implementation concerns, Market competition /Business Interest, Insufficient feedback and information sharing are all examples of deficiencies.

Application:

The researcher thinks that implementing the recommendations made in this thesis based on the study's findings will help the Indian banking industry establish a more effective AML system. The overall findings should be helpful to banks generally as they attempt

to make the most of internal auditors' abilities to fight money laundering by enhancing their efficiency in AML compliance assessment.

KEYWORDS: Anti-money laundering compliance review and Anti-money laundering governance; Combating Money laundering; Internal auditors; Anti-money laundering implementation .

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List of Abbreviation

AGFI	:	Adjusted Goodness of Fit Index
AIRE	:	Anomaly Index using Rank and Entropy
AML	:	Anti-Money Laundering
AMLATFA	:	Anti-Money Laundering and Counter-Terrorism Financing Act
AML/CFT	:	Anti-money laundering and counter-terrorist financing
AMLSC	:	Anti-Money Laundering Standing Committee
AMLSCU	:	Anti-Money Laundering Suspicious Cases Unit
AOCD	:	Anti-Organized Crime Department
APG	:	Asia Pacific Group
AVE	:	Average Variance Extracted
BSA	:	Bank Secrecy Act
BCBS	:	Basel Committee on Banking Supervision
CFI	:	Comparative Fit Index
CR	:	Composite Reliability
CFA	:	Confirmatory Factor Analysis
CSR	:	Corporate social responsibility
CFT	:	Counter Financing of Terrorism
CDD	:	Customer Due Diligence
DGI	:	Deep Graph Infomax
DNFBP	:	Designated Non-Financial Businesses and Professions
DBN	:	Dynamic Bayesian networks
ED	:	Enforcement Directorate
EFA	:	Exploratory Factor Analysis
FATF	:	Financial Action Task Force
FinCEN	:	Financial Crimes Enforcement Network
FIU-IND	:	Financial Intelligence Unit-India
FIUs	:	Financial Intelligence Units
FSLRC	:	Financial Sector Legislative Reforms Commission
FTIL	:	Financial Technologies India Ltd
FINTRC	:	Financial Transaction Reports and Analysis Centre
GIN	:	Graph Isomorphism Network
GNN	:	Graph Neural Network
HTMT	:	HETEROTRAIT – MONOTRAIT
IA	:	Internal Auditors
IMF	:	International Monetary Fund
JAFIO	:	Japan's financial intelligence unit office
KYC	:	Know Your Customer
LF	:	loading factor
MSV	:	Maximum Shared Variance

MOUs	:	Memoranda of Understanding
MLROs	:	Money Laundering Reporting officers
MAG	:	Multi-Agency Group
NSEL	:	National Spot Exchange Ltd
NSFI	:	National Strategy for Financial Inclusion
NBFCs	:	Non-Banking Financial Companies
NFI	:	Normed Fit Index
PEPs	:	Politically Exposed Persons
PMJDY	:	Pradhan Mantri Jan Dhan Yojana
PMLA	:	Prevention of Money-Laundering Act
RF	:	Random Forest
RFI	:	Relative Fit Index
RBI	:	Reserve Bank of India
RBA	:	Risk-Based Approach
RMSEA	:	Root Mean Square Error of Approximation
SEBI	:	Securities and Exchange Board of India
SIT	:	Special Investigation Team
SEM	:	Structural Equation Modelling
SAR	:	Suspicious Activity Reports
TLI	:	Tucker Lewis Index
SDGs	:	United Nations Sustainable Development Goals
WB	:	World Bank
UNODC	:	World Bank, the United Nations Office on Drugs and Crime

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Appendix A : Questionnaire

CHAPTER - 1

Introduction

“MONEY LAUNDERING IS GIVING OXYGEN TO ORGANIZED CRIME.” (ENRIQUE PEÑA NIETO, PRESIDENT OF MEXICO)

The basic goal of law and order is to safeguard society by punishing those who breach the law with due consideration for justice, equity, and fair play. As a result, a proceeding is established to determine who is guilty of breaking the law and to punish them, so that the court can set an example that those who disobey the law will not be spared and will be punished properly. The judicial system plays a vital part in society's protection by penalizing those who transgress the law. This can be accomplished by a variety of sanctions, such as community service, fines, and imprisonment. Sanctions are intended to deter crime by making it unpleasant, as well as to rehabilitate offenders. The justice system also works to ensure that justice is delivered and that those who commit crimes face consequences.

1.1. Money-Laundering History

Market-based economies and the advent of increasingly complicated trading practices are said to have occurred simultaneously with the introduction of money. Money is a medium of exchange that is used to facilitate the trade of goods and services. It creates a standard of value that can be used to make transactions more convenient and secure. Additionally, the use of money as a unit of measure enables individuals to assess the relative costs of various products and services. As a store of value, money can be used to save for future purchases and helps people to plan.

Money is a medium of exchange accepted by buyers and sellers in exchange for goods and services. It is a stored-value instrument that serves as a unit of account, a store of value, and a medium of exchange. Money is typically issued by a government in the form of coins and

paper bills, although other forms of money, such as digital currencies, are becoming increasingly common. (*Money and banking - ncert Rationalised 2023-24*)¹

“A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Examples of commodities include grains, gold, beef, oil, and natural gas. Commodities are traded on regulated commodity exchanges, in which they are bought and sold in standardized contracts.” (Arula, 2023)² These contracts specify the quality and quantity of the commodity being traded and are traded on futures exchanges, which act as a centralized marketplace for buyers and sellers. Commodities are also traded over the counter in which buyers and sellers negotiate directly with each other. Commodities are an important part of the global economy, as they are often essential inputs for the production of other goods and services. They are often used as a hedge against inflation or economic uncertainty. (groww, 2016)³ (Kumar, 2012)⁴ “Money laundering is the process of disguising the original ownership and control of the proceeds of criminal activities.” It is often done by transferring money through a complex web of financial transactions and often involves the use of offshore accounts and shell companies. The goal of money laundering is to make the income seem like it comes from a legitimate source and to avoid detection by law enforcement and taxation authorities. Money laundering is illegal in many countries and is a criminal offense. “Laundering is a term used to describe the process of disguising or processing money obtained illegally so that it appears to have come from a legitimate source.” It is often used in the context of money laundering, which is the process of using monetary transactions to hide the true origin of money obtained through illegal activities. (Dr. Rodolfo Uribe, et al., 2003)⁵.

¹ Money and banking - ncert. (n.d.-c Rationalised 2023-24). <https://ncert.nic.in/textbook/pdf/leec103.pdf>

² Arula, K. (2023a, July 7). What are commodities? definition & examples. Finbold. <https://finbold.com/guide/what-are-commodities>

³ Groww. (2016). Commodity market - types & features: Traders in a commodity market. Groww. <https://groww.in/p/commodity-market>

⁴ Kumar, V. A. (2012). Money laundering: Concept, significance and its Impact - IISTE. <https://www.iiste.org/Journals/index.php/EJBM/article/viewFile/1040/960>

⁵ Dr. Rodolfo Uribe, Anti-Money Laundering Unit, & CICAD/OAS. (2003). Changing paradigms on money laundering - cicad.oas.org. Changing Paradigms on Money Laundering. http://www.cicad.oas.org/oid/NEW/Information/Observer/Observer2_2003/

(Shamsuddin.) Dr. Shamsuddin states that “Money laundering is the process of concealing the origins of money obtained through illegal activities. It typically involves three steps: 1. Placement 2. Layering, and 3. Integration. During placement, money is moved into the financial system. During layering, money is transferred and moved around to create confusion and disguise its origin. During integration, money is reintroduced into the legitimate economy. Money laundering is a criminal offense that carries a range of sanctions, including fines and incarceration.”⁶

Money laundering crimes can include a variety of activities, including: (Cameron, 2023)⁷

- Hiding or disguising the source of illegal funds by passing them through legitimate businesses or accounts.
- Using the proceeds of criminal activity to purchase real estate, businesses, or luxury goods.
- Setting up shell companies to hide the true ownership of assets.
- Smurfing, which is the process of transferring money in small amounts to avoid detection. Using false invoicing to disguise the movement of money.
- Using "black market" currency exchanges to move funds anonymously.
- Offshore banking or investments to hide funds from law enforcement. To avoid the discovery of large transactions, they are divided into smaller ones through the process of structuring.

1.2. How is Money Laundered

Money laundering typically involves three steps: placement, layering, and integration. Placement is the first step of money laundering and involves introducing the influx of illegal money into the established financial system. In this phase, the money-launderer blends legitimate money with "unclean" money, making it more difficult to trace. Common methods of placement include bank deposits, wire transfers, cash deposits, and currency exchange

⁶ Shamsuddin., D. (n.d.). *Commentary on Prevention of Money Laundering Act, 2002.* . New Delhi: : 2nd Edition Commercial Law Publisher (India) Pvt. Ltd.

⁷ Cameron, S. (2023, July 26). What are the 3 stages of money laundering? Comply Advantage. <https://complyadvantage.com/insights/3-stages-money-laundering>

transactions. Layering is the second step of money laundering and involves concealing the source of the illicit funds by transferring the money through a web of transactions. This is done to separate the illicit funds from their source so that they cannot be traced. The process of not revealing the identity of illegally obtained funds and converting them into legitimate funds. Common methods of layering include setting up multiple bank accounts, engaging in complex financial transactions, money transfers to offshore accounts, falsifying invoices, and purchasing high-value items such as art or real estate.

Different methods may be used for the separation, or layering, process, including: Changing the form of the money to make it less identifiable, such as sequentially changing cash into traveller's cheques, then combining all the traveller's cheques into larger traveller's cheques, then finally converting the traveller's cheques into cash. Transfers, such as bank drafts or wire payments, are sent to/from different locations and/or institutions, or to a series of fictitious names. complicated transactions, such as bank deposits from different countries, made to a single account in a Money Laundering It occurs when criminals use the profits, they've made through their illegal activity to buy assets, such as homes, businesses, real estate, or currency, causing the appearance of those assets to transform into legitimate status. Once the assets become legitimate, they can be sold in cash return, which has been transformed into clean money. After the layering process has taken place, the proceeds are moved to an institutional account (also called the integration stage). The proceeds are then used to purchase financial instruments - such as stocks, bonds, real estate, and other investments – or used to buy legitimate businesses. This is the process of moving money that was previously hidden through layering techniques and putting the money back into the economy in a way that is not traceable. Placement, Layering, and Integration are known as historical stages of the laundering process. The criminal will deposit small amounts of money into a checking account, or several checking accounts set up in different names. In some cases, criminals now open an account with a broker and buy a money order or traveller's check for one amount, but only have the broker issue a partial payment to the criminal. The money order or traveller's check is now in a different form but still has the money's original value. This process is repeated many times to make it appear as though the criminal has made multiple small legal purchases. This is the process of separating money to take the original "dirty" source of earnings and create the appearance of clean, earned income by blending the funds through the use of financial institutions or the use of legitimate

businesses. In some cases, the funds are split up into numerous small deposits over some time with the mix of funds deposited into various accounts. In other cases, the funds are transferred to another country and back before they're used to purchase financial products or assets. Banking records will show that the funds were legally earned and deposited through a mixture of earnings from a business, sales of property, or other seemingly legitimate sources which masks the original dirty sources of the funds. (Fraud Prevention, 2022)⁸

Integration is the third step of Money laundering and involves combining the laundered funds with legitimate funds. In this phase, the launderer seeks to legitimate the funds by disguising them as normal business earnings. Common methods of integration include investing in stocks and bonds, creating phony loans, false accounting, opening anonymous shell companies, and purchasing luxury goods. (H.S., 2022)⁹

The term for a crime associated with the illegal activity of concealing money or assets received and draining them by making behind-the-scenes earnings appear legitimate and less suspicious. The crime of money laundering is defined as an action taken to protect or hide unlawfully gained money, to reduce the risk that it will be detected by law enforcement, so that it can be used, disguised as legitimate money. The most common method of money laundering is to use an asset or create a relationship that makes it seem as though the money came from another source, such as an inheritance, income earned in another country, being a partner in a business, or gambling in a casino.

⁸ Fraud Prevention, F. (2022, June 30). How to detect money laundering. Veriff. <https://www.veriff.com/blog/how-to-detect-money-laundering>

⁹ H. S. (2022, August 22). What is money laundering and how is it done?.

1.2.1. Methods of Money-Laundering

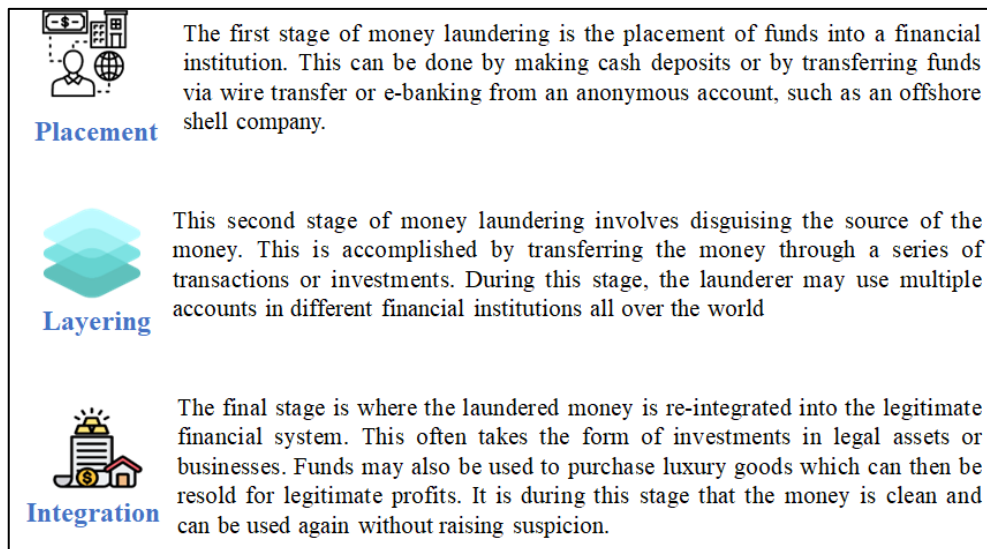


FIGURE 1. 1 Methods of Money-Laundering

PLACEMENT: “The Placement stage of money laundering is the process of introducing the proceeds of criminal activity into the legitimate financial system. This may involve transaction methods such as the use of currency, various commercial businesses, and the banking system.” The placement stage of money laundering involves the actual movement of illegally obtained funds into the financial system. This includes converting the funds from their original form (cash or other financial instruments) into another form, such as physical assets, bank deposits, investments, or another financial instrument. For example, a criminal might buy luxury cars or real estate with illegally obtained funds, or place the money in accounts at legitimate banks. It is often the riskiest part of money laundering because of the visibility where criminals are exposed to being caught by law enforcement or financial regulators. (Abdullah Aldaas, 2022)¹⁰

The placement stage of money laundering is the first of three stages involved in the laundering process. Here, the launderer will attempt to place the illicit funds into a financial system to hide their origin and avoid detection. The launderer can move the funds into multiple layers of bank accounts before depositing them into a regular financial institution.

¹⁰ Abdullah Aldaas. (2022, February). Preventing money laundering during the placement stage: the Jordanian commercial banks case. DOI:10.1504/IJPLAP.2022.10043599 AML CFT FCC 2022-23. Fintelekt. (n.d.). <https://fintelekt.com>

Alternatively, they can avoid depositing the money into a bank account altogether and instead purchase assets such as property, stocks, bonds, and other investments. By using multiple accounts, international wire transfers, and anonymous money orders, the launderer is then able to hide the origin of the funds and make it much harder for investigators to trace them. (Schneider & Windischbauer, 2008)¹¹

This is the introduction of criminal proceeds into the financial system. To avoid attracting the attention of law enforcement, placements typically involve cash payments for goods and services or the use of cash institutions that are not required to take steps to verify the identity of customers. Similar techniques can be used to place Bearer Negotiable Instruments, such as traveller's cheques, and money orders bankers drafts since these instruments are typically exchanged for cash (without the original maker being required to identify themselves). "The first step in money laundering is to move the funds from the original source into the financial system, which is referred to as placement." Once the money obtained through fraudulent practices has been placed in the financial system, it can be mixed with other legitimate funds. The first stage of money laundering is placement, in which the team responsible for the operation places large amounts of cash, generated through criminal activity, into the financial system. For example, a drug dealer might take a large stack of cash that was generated through the sale of illegal drugs and buy a money order. (Tiwari et al., 2020)¹²

LAYERING: "The layering stage of money laundering is designed to disguise the source of the illegally obtained funds. During this stage, the launderer will move the money through multiple bank accounts, shell companies, and offshore accounts. These transactions typically involve large amounts of money and are conducted over a long period to confuse investigators and make tracing the money difficult. The purpose of this stage is to break the connection between money and the crime that it was generated from. This stage is often compared to the process of onion peeling because it involves multiple layers of transactions."

¹¹ Schneider, F., & Windischbauer, U. (2008). Money laundering: Some facts. *European Journal of Law and Economics*, 26(3), 387–404. <https://doi.org/10.1007/s10657-008-9070-x>

¹² Tiwari, M., Gepp, A., & Kumar, K. (2020). A review of Money Laundering Literature: The State of research in Key Areas. *Pacific Accounting Review*, 32(2), 271–303. <https://doi.org/10.1108/par-06-2019-0065>

(Abdullah Aldaas. , 2022)¹³.The Layering stage of money laundering involves the process of hiding illegally obtained money or other assets by sending them through a series of complex transactions and transfers. This is done to break the link between the money's source and its ultimate destination. Layering can involve using shell companies, money mules, false invoices, wire transfers, and a variety of other money movement techniques. (Schneider & Windischbauer, 2008)¹⁴The Layering stage of money laundering is where the proceeds of crime are moved around to obscure the exact source or destination of the funds. The layering stage of money laundering is the most complex and can involve a variety of methods and techniques. Common techniques used in the layering stage include:

Offshore Accounts: A criminal can transfer money to an offshore account in a foreign jurisdiction where banking secrecy laws make it difficult for law enforcement to trace the funds.

Currency Exchanges: A criminal can exchange the funds for another currency, such as Euros, which can make it difficult to find the source of the illegitimate income.

Shell Companies: A criminal can create shell companies that can be used to facilitate the transfer of funds and make it difficult to determine the origin.

Wire Transfers: A criminal can transfer funds across borders via wire transfer, making it difficult to trace the funds.

Money Orders and Checks: A criminal can use money orders and checks, which can be cashed by recipients and make it difficult to trace where the funds originated.

Casinos and Gambling Sites: A criminal can use online gambling sites and casinos, which can be used to “wash” money and make it difficult to trace.

¹³ Abdullah Aldaas. (2022, February). Preventing money laundering during the placement stage: the Jordanian commercial banks case. DOI:10.1504/IJPLAP.2022.10043599 AML CFT FCC 2022-23. Fintelekt. (n.d.). <https://fintelekt.com>

¹⁴ Schneider, F., & Windischbauer, U. (2008). Money laundering: Some facts. European Journal of Law and Economics, 26(3), 387–404. <https://doi.org/10.1007/s10657-008-9070-x>

Layering is the process by which the source of criminal proceeds is separated from the proceeds, using conducting a series of complex financial transactions that essentially transfer the proceeds from one institution or person to another. Layering is the stage in which the launderer establishes multiple layers or transactions to complicate the audit trail. This is typically done by transferring money to multiple accounts in different countries. (TOCAML, 2009)¹⁵The second stage of money laundering is layering, which is when the team responsible for the operation starts to move the money around and make it more difficult to trace. For example, a member of a money laundering organization might purchase assets with the money generated through criminal activity, then sell those assets and wire the money to a different bank account in another country.

INTEGRATION: The integration stage of money laundering is the last step of the money laundering process. This stage involves transferring illicit funds into the financial system, usually through a series of complex transactions. This stage is complex because it requires the launderer to find a way to unlink the illicit funds from their criminal source and obscure their true origin. Techniques employed at this stage typically involve structuring, offshore and shell companies, trusts, and other methods to lay false trails and hide the money's true source. (Schneider & Windischbauer, 2008)¹⁶“The Integration stage of money laundering is the final stage of the money laundering process and involves reintroducing the laundered money into the legitimate financial system. The launderer will often create fake documents, a false identity, or disguise the source of the funds and the ultimate destination to conceal their crime.” Examples of integration may include placing funds into legitimate investments, buying real estate, purchasing luxury goods, or even opening a legitimate business. (Abdullah Aldaas. , 2022)¹⁷

¹⁵ TOCAML0/07. (2009). Chapter II Review of Literature 1 money laundering and financing of unodc.org/roseap. https://www.unodc.org/roseap/uploads/archive/documents/2009/02/TOCAML0/07-CHAPTER_II.pdf

¹⁶ Schneider, F., & Windischbauer, U. (2008). Money laundering: Some facts. *European Journal of Law and Economics*, 26(3), 387–404. <https://doi.org/10.1007/s10657-008-9070-x>

¹⁷ Abdullah Aldaas. (2022, February). Preventing money laundering during the placement stage: the Jordanian commercial banks case. DOI:10.1504/IJPLAP.2022.10043599 AML CFT FCC 2022-23. Fintelekt. (n.d.). <https://fintelekt.com>

This is a stage where the assassin's proceeds are assimilated into legitimate commercial transactions or assets. This can be achieved herein a range of ways, including:

- a) - Continuous cash purchases of, for example, luxury assets.
- b) - One liquid, large cash purchase of commercial property, investment portfolio, premium rate life insurance policy or fine wine, or transaction(s) in a legal or illegal activity that generates large cash transactions or purchases.
- c) - Development of a series of legitimate businesses through the systematic reinvestment of illegal proceeds.

1.3. Effects of Money Laundering on the Economy

Money laundering impacts organizations in the financial sector that are essential to economic growth, encouraging crime, corruption, recession, and decreasing efficiency in the real business sector. Most international study focuses on the two significant money laundering industries which are: (A) drug trafficking, and (B) Terrorist groups, there will be more drugs, crime, and bloodshed to clear up drug money. To give a clear illustration, consider how terrorists steal money so that the government can't track it and stop its planned attacks. This could make the connection between money laundering and terrorism a little more complex. (Ferwerda, 2013). Developing economies also face the problem of money laundering. The objectives of developing markets for money laundering are becoming more and more appropriate as their economies and financial sectors open up. Money laundering causes significant fluctuations in global capital movements and exchange rates as well as unpredictable changes in currency demand.¹⁸

1.3.1. Effect on money demand

This is more typical in nations where the danger of money laundering is low. In countries without laundry regulations and with a system in place for stocking banks and customer

¹⁸ Ferwerda, J. (2013). The effects of money laundering. Research Handbook on Money Laundering. <https://doi.org/10.4337/9780857934000.00011>

information that rigorously upholds banking secrecy, the informal economy's share of the overall economy is high. Cash and cash streams are simple for launderers. Consumption rates are increasing, especially luxury consumption, as money transfers to the land are quick and unchecked. However, there is a possibility for significant increases in imports, exports, foreign payments imbalances, inflation, interest rates, and unemployment rates. The monetary policy will be impacted negatively because of the infusion of black money in the economic market.

False signs of money laundering hinder, particularly in industrialized nations, the implementation of critical steps to address budget deficits and rising inflation as well as promote efficient economic management. If the market stability of one country is impacted, it will lead to financial crises and this will ultimately have an impact on the international market. Sometimes it is difficult to predict the demand for money in the market due to the rotation of black money. This can be attributed to one of the results of the failure of central bank policy.

1.3.2. Effect on growth rates

Real sectors may suffer significantly as a result of the nation's financial turmoil. So, having foreign investors has become crucial for businesses. Therefore, it is difficult to draw international investors to money laundering nations. International investors would find it risky to invest in a country where the issues related to money laundering are not taken into consideration. This is because the price stability brought on by black money in the financial system will affect the economy's external credibility. Investment rates won't rise if legal money leaves the country. This will impact the sustainable growth of the nation and will result in an economic slowdown. High-volume nations are viewed as dangerous investment locations. For those who seek to entice foreign capital into their countries, the war on black money sends a powerful message of investor confidence. Investors will increase as a result of the struggle's effectiveness, which will benefit economic growth.

1.3.3. Effect on income distribution

The financial sector is experiencing significant issues because of serious losses resulting from the conversion of black money to sources of income. Social issues are impacted by

these economic issues as well. The growing wealth of particular individuals and groups is what leads to social decay. Black money's detrimental effects on income distribution rank among its most significant harms. It is challenging to compensate for social loss even while the negative consequences of income drop and economic differentiation are difficult to quantify. If the income distribution is not proper in any country, then people will find different means to make money illegally which will increase the propensity of crime. Also, because the money hurts competition, registered sector operators are partly penalized. The prevalence of tax evasion in informal economies raises the tax burden on government employees and harms how revenues are distributed.

1.3.4. Effect on tax revenues

The main portion of public revenue comes from taxes. If this revenue is modest, the opportunity is greater, and if it materializes \ deficits result from a failure of public revenues to cover public expenditures. Black money income is income that is not subject to local taxes. Tax income will decrease as a result of these gains. The state with declining tax revenues has two choices. The public crowding-out effect, which encourages borrowing by profitable private investors, lowers the amount of productive investment in the private sector. In addition, as a result of borrowing, market interest rates rise, which causes several issues. Another strategy for dealing with the shortfalls is the emissions policy. This policy's result is consistent with others. So, we can conclude that both options have a detrimental effect on the economy.

1.3.5. Effect on financial institutions

Financial institutions may be exposed to sudden changes in their assets and liabilities that are unintentionally used for money laundering. The public is interested in the news that these financial institutions have been involved in money laundering. In this scenario, these institutions' reputations will suffer as a result of increased pressure on their auditing.

1.3.6. Impact of Money Laundering on National Finances

“Many economic assessments have shown that institutions like banks and non-bank financial institutions are crucial players in the economic development of nations. These financial organizations use both domestic and foreign resources to support economic growth.” The issues about money laundering hurt the growth of these financial institutions. According to the anti-money laundering policies implemented by the corresponding financial institutions, there is a connection between employee fraud and money laundering, therefore their combined efforts are detrimental to the institutions. Financial institutions suffer when money laundering occurs frequently because criminals exploit these institutions to siphon off the money they steal. These negative effects can damage customer confidence. As a result, for customers and related institutions to establish financial institutions, it is crucial that their economies grow and their financial sectors remain stable. The perception of fraud in key institutions, including depositors, investment firms, society in general, and customers, is a significant barrier to their confidence. Customers lose trust in financial institutions as a consequence of cash laundering, which harms organizations’ reputations.

1.4. Outlines of “The Prevention of Money Laundering Act, 2002”

“The Prevention of Money Laundering Act, 2002” includes a discussion of the various provisions of the Act, its implications, and its impact on the banking sector. The author also examines the various methods used to combat money laundering, and the role of the government in preventing and prosecuting it. The book also provides a comprehensive overview of the international standards and regulations that govern money laundering, as well as the various approaches used by countries around the world to combat it. The author also discusses the legal framework of money laundering, as well as the different types of money laundering offenses, punishments, and defenses. The book is an invaluable resource for practitioners, academics, and students alike.¹⁹

The Act implements the provisions of the United Nations Convention against Transnational Organized Crime, which India ratified in 2002. The Act provides the framework for a central

¹⁹ The prevention of money-laundering act, 2002 arrangement. (2003, January). <https://www.indiacode.nic.in/bitstream/123456789/2036/1/A2003-15.pdf>

agency to investigate any offense related to money laundering. It came into force with effect from 1 July 2005. “The Act provides for a mechanism to detect and deter the processes of money laundering and to prescribe measures for tracing, seizing, and confiscating the proceeds of crime. The act also provides for the establishment of an authority to coordinate and enforce the provisions of the Act. The Act also provides for the establishment of an Appellate Tribunal to hear appeals against the orders of the adjudicating authority.” It defines money laundering as the activities of disguising the proceeds of crime to make them appear to have originated from legitimate sources.” The Act provides for the establishment of a Financial Intelligence Unit (FIU) to collect, analyze, and disseminate information regarding suspicious financial transactions. It also provides for the establishment of special courts to try cases of money laundering. The PMLA has been effective in Combat money laundering in India. Following its implementation, the number of convictions related to money laundering has increased significantly. The Act has also led to enhanced cooperation between Indian law enforcement agencies and foreign counterparts in the fight against money laundering. Overall, the PMLA has been successful in Combat money laundering in India. It has provided a legal framework to prosecute those involved in money laundering and has resulted in increased convictions. Furthermore, it has improved.

The PMLA has given the government extensive and effective powers to investigate and prosecute money laundering. The Enforcement Directorate has been set up and empowered by the Act to investigate money laundering cases and take necessary measures in this regard. The Act also provides for special courts to hear cases related to money laundering. The Act has also established “The Financial Intelligence Unit,” which is responsible for collecting, analyzing, and disseminating financial intelligence. The Act has made it mandatory for financial institutions and intermediaries to report suspicious transactions to this unit. The PMLA has also called upon financial institutions and intermediaries to keep records of transactions and verify the identity of customers before accepting large transactions. The Act also provides for the transfer of information with foreign states and law enforcement agencies. The PMLA has been instrumental in curbing money laundering activities in India. It has enabled the government to effectively investigate and prosecute those involved in illicit activities and confiscate the proceeds of their crime. The Act also ensures timely and effective sharing of information between foreign states and enforcement agencies, thereby

helping in curbing international money laundering. (*The Prevention of money-laundering Act, 2002 arrangement* 2003)²⁰

1.5. India's Biggest Financial Crimes

- i. **NSEL Scam:** In the NSEL scam, which took place in 2013, it was alleged that the National Spot Exchange Ltd, a commodity exchange owned by Financial Technologies India Ltd (FTIL), had been misleading investors and diverting funds to other companies. The Mumbai police, who had been investigating the matter, found out that almost Rs 5,600 crore had been siphoned off from the exchange. The NSEL scam involved a multi-crore fraud in which the executives of the National Spot Exchange Limited (NSEL) misused the funds of the investors. It is one of the biggest financial scams in India's history. (Mateen Hafeez / TNN / Dec 7, DEC 2022)²¹
- ii. **National Bank PNB Fraud:** In 2018, a case of money laundering and fraud that had been going on for years was uncovered at the Punjab National Bank (PNB). Nirav Modi and companies associated with him had taken loans from PNB by showing fake documents. These loans were further used to finance diamond and gold trades. This was one of the biggest financial crimes to have ever taken place in India and resulted in a loss of more than Rs 14,000 crore. The Rs 13,400 crore fraud involving fugitive diamond jeweler Nirav Modi and his uncle Mehul Choksi has been revealed as the biggest banking scam that India has ever seen. (Business Standard, 2022)
- iii. **Saradha Chit Fund Fraud:** The Saradha chit fund scam involved a multi-crore fraud by the Saradha Group, a collective investment scheme operator based in West Bengal, India. It is considered one of the biggest financial scams in Indian history. The Saradha Group was a collective of over 200 private companies in India that

²⁰ The prevention of money-laundering act, 2002 arrangement. (2003, January). <https://www.indiacode.nic.in/bitstream/123456789/2036/1/A2003-15.pdf>

²¹ Mateen Hafeez / TNN / Dec 7, 2022. (n.d.). NSEL SCAM: 220 named after 11th Chargesheet: India News - Times of India. The Times of India. <https://timesofindia.indiatimes.com/india/nsel-scam-220-named-after-11th-chargesheet/articleshow/96040508.cms>

engaged in collective investment schemes. The group was founded by Sudipta Sen, who had previously been a successful real estate developer. Over 17 million people in various states across India invested in various schemes offered through the collective, ultimately amounting to an estimated sum of around ₹200 billion (USD 2.8 billion). In April 2013, the group came under scrutiny and in April 2013, the Securities and Exchange Board of India (SEBI) issued a notification to the group, asking it to shut down their collective investment activities. However, instead of complying with the notice, Sen left Kolkata abruptly and attempted to abscond with a large amount of investor money. Sen was eventually arrested and charged with fraud, misappropriation of investor funds, and criminal breach of trust, among other crimes. Sen is currently serving a four-year term in prison for his involvement in the scandal. In the aftermath of the scandal, a large number of the companies involved in the collective collapsed, leaving a large number of investors without the money they had invested. The government of West Bengal set up the Saradha Re-payment scheme to help reimburse investors. As of 2019, a total of almost ₹25 billion (USD 350 million) has been refunded to investors, with around ₹150 billion (USD 2.1 billion) still to be refunded. (TIMESOFINDIA.COM / Updated: Feb 4, 2019)²²

- iv. **Satyam Scam:** In 2009, Satyam Computers, once considered to be one of the most trusted Indian IT companies, was rocked by a scandal involving its founder and chairman Ramalinga Raju, who admitted to had been cooking the books to make the revenues seem bigger than they were. This case was one of the biggest financial scandals to have taken place in India and shook the confidence of investors not just in India but globally. The Satyam scam or Satyam fraud was a corporate scandal in India in 2009, when the chairman of Satyam Computer Services, B. Ramalinga Raju, confessed that the company's accounts had been falsified. It is one of the largest financial frauds exposed in Indian corporate history. (5Paisa.com, 2023)²³

²² TIMESOFINDIA.COM / Updated: Feb 4, 2019. (n.d.). Saradha Chit Fund Case: All you want to know: India news - times of India. The Times of India. <https://timesofindia.indiatimes.com/india/sardha-chit-fund-scam-all-you-want-to-know/articleshow/67831731.cms>

²³ Satyam scam: Case study of the satyam fraud case. 5paisa. (n.d.). <https://www.5paisa.com/blog/satyam-scam>

- v. **Harshad Mehta Scam:** Harshad Mehta was an Indian stockbroker who was accused of numerous financial crimes that occurred in the Stock Market in 1992. It is considered one of the biggest financial scams in India's history, involving an approximate amount of Rs 5000 crore. The Harshad Mehta scam was a financial scam and securities fraud that took place in India in 1992 involving a stockbroker. The scam was spearheaded by Harshad Mehta, a stockbroker who was later convicted of fraud and other crimes. Mehta took advantage of the loopholes in the banking system to create false demands in the market and create a frenzy of speculation. He drove up prices of certain stocks, including Reliance and Associated Cement Companies, without real demand and made huge profits. At its peak, the scam amounted to over ₹20 billion (US\$ 279 million). The fallout from the scam resulted in massive losses to the banks due to exposure to unsecured loans, which were lent to brokers for investing in the volatile securities market. The losses eroded half of the public sector banks' capital and led to a tightening of banking regulations, including stricter enforcement of the end-use of funds. The Securities and Exchange Board of India (SEBI) was established in 1992 to ensure that such scams do not recur. The RBI also issued guidelines and regulations to check such fraudulent practices in the stock market. (Palak Shah, 2022)²⁴
- vi. **Ketan Parekh and the Stock Market Scam of 2001:** The Ketan Parekh scam of 2001 is the first major stock market scam in the history of Indian stock markets. It occurred when Ketan Parekh and some of his accomplices were caught manipulating the stock market for their benefit. It was later revealed that Ketan Parekh managed to manipulate the markets with the help of many banks and some corporate houses. The stocks of many companies were artificially inflated by Parekh and his associates which caused a sharp decline in the share prices when the scam was revealed. The scam caused a great loss to many investors and companies which resulted in the SEBI slapping a fine of Rs.2.5 crore on Ketan Parekh and Rs.1 crore on some other entities. The SEBI also put restrictions on their activities and directed Banks and Financial

²⁴ Shah, P. (2022, July 7). Harshad Mehta Scam: Wife Jyoti Breaks silence. BusinessLine. <https://www.thehindubusinessline.com/markets/harshad-mehta-scam-wife-jyoti-breaks-silence/article65610760.ece>

Institutions to not do business with them. The collapse of some of the major companies in the stock market due to the Ketan Parekh scam led to a decline in the Indian stock market index by nearly 30%. The Indian government was compelled to take strong steps to regulate the stock markets and check for any manipulation or foul play. After the scam, SEBI introduced tighter restrictions on insider trading, increased the disclosure requirements of listed companies, and created tougher measures to monitor stock market activities. The Ketan Parekh scam is a reminder of the need for stringent regulations in the stock market to ensure fairness and transparency in the Indian stock market. The scam has brought about a new awareness among investors and regulatory bodies alike have become more vigilant in their job of protecting the rights of investors. (Hindustan Times, 2021)²⁵

- vii. **Kingfisher Case:** The Kingfisher case deals with the alleged illegal and improper diversion of funds by the Vijay Mallya-led Kingfisher Group from its parent company, United Breweries Holdings Limited, to various overseas entities. The allegations involve possible fraudulent and improper diverting of funds from Kingfisher, which was once the largest Indian-owned integrated alcoholic beverage company, to acquire properties, purchase commercial airplanes, and repay loans. The CBI has filed charges against Mallya for cheating and criminal breach of trust along with 18 other individuals and companies that were involved in the alleged diversion of funds. The Enforcement Directorate has issued a show cause notice to Mallya and other entities involved seeking an explanation for the alleged diversion of funds. (The Economics Times, 2023)²⁶

²⁵ Hindustan Times. (2021, December 22). Dig deep into Scamster ketan Parekh's case only on "money mafia" season 2. Hindustan Times. <https://www.hindustantimes.com/brand-post/dig-deep-into-scamster-ketan-parekh-s-case-only-on-money-mafia-season-2-101640074780426.html>

²⁶ The Economic Times. (2023, March 23). Former IDBI GM conspired with Mallya over short term loan to Kingfisher Airlines, says CBI. The Economic Times. <https://economictimes.indiatimes.com/news/india/former-idbi-gm-conspired-with-mallya-over-short-term-loan-to-kingfisher-airlines-says-cbi/articleshow/98934453.cms?from=mdr>

- viii. 2G Scam:** 2G scam is a telecom scam that took place in India where telecom companies were granted licenses to operate in the country, including 122 licenses for the 2G GSM spectrum in 2008, at lower than market prices, causing a loss of Rs.1.7 trillion (US\$26 billion approx.) to the public exchequer. The licenses were given away based on under-the-table money and several prominent politicians were found to have been involved in the scandal. The scam exposed a massive deep-rooted corruption in the Indian telecommunications industry, leading to the prosecution of then telecom minister A. Raja and other agencies and businessmen involved in the scam. Eventually, after an extensive criminal investigation and trial, A. Raja and 15 other accused were sentenced to jail terms ranging from 3 to 5 years. The court also ordered that all 122 licenses be canceled and all the illegal gains be returned. (Hindustan Times. , 2023)²⁷

1.6. Terrorist Financing Phenomenon

“Terrorist financing is a phenomenon that can be defined as the economic and financial support provided to terrorist organizations. It is used to fund a wide range of activities, from recruitment and training to the purchase of weapons and equipment. Terrorist financing can come from multiple sources, such as individuals, entities, and groups, who provide either direct or indirect support. The two most common sources of terrorist financing include donations and illicit activities, such as extortion and the sale of illegal goods or services. Terrorist financing is a major global concern, as it enables terrorist groups to operate and remain financially independent and sustain their activities over long periods of time. To combat this, governments have implemented several regulations and initiatives to detect, prevent, and disrupt terrorist financing.” (Patrick Hardouin., 2009). Terrorist financing can take many forms, and organizations use a diverse range of tactics to move, launder, and hide funds. Some common tactics include:

²⁷ CBI has a strong case against 2G scam accused: Officials. Hindustan Times. (2023, May 23). <https://www.hindustantimes.com/india-news/cbi-argues-strong-evidence-ignored-in-2g-scam-acquittal-delhi-hc-to-hear-case-that-could-impact-corruption-cases-101684867469436.html>

1. Charitable Organizations: Setting up charities and other non-profit organizations that use charitable donations as a cover for funding terrorism activities.
2. Profit from Criminal Activities: Generating profits from criminal activities such as drug trafficking and extortion.
3. Money Laundering: Using networks and financial systems to move funds from their sources to their intended use.
4. Hawala: Using a hawaladar (remit facilitator) to transfer money without a conventional bank account.
5. Bulk Cash Smuggling: Transfer large amounts of physical cash to cities, countries, and terrorist groups outside the jurisdictions in question.
6. Equipping Terrorists: Procurement of weapons and other materials necessary to carry out terrorist activities.
7. Concealment of Funds: Concealing financial resources by using front companies, offshore accounts, and money mules to hide the origin and destination of funds.²⁸

1.7. Necessity to Counter Money Laundering

Money laundering is the process of disguising illegally obtained money so that it appears to be legitimate.²⁹ It is a huge problem in the global economy, as it enables organized crime and terrorist organizations to launder and hide their money. The need to combat money laundering is therefore paramount.³⁰ (Nicola Sharp, 2023) (S. Vitvitskiy et al., 2021) The main objective of Combat money laundering is to protect the integrity of the financial system and to protect the legitimate businesses and investors that contribute to it. The global financial system is only as secure as the measures put in place to fight money laundering and terrorist financing. Money laundering activities can put legitimate businesses at risk by

²⁸ Patrick Hardouin. (2009, July 17). Banks governance and public-private partnership in preventing and confronting organized crime, corruption and terrorism financing. *Journal of Financial Crime*. <https://doi.org/10.1108/13590790910971757>

²⁹ S. Vitvitskiy, S., N. Kurakin, O., S. Pokataev, P., M. Skriabin, O., & B. Sanakoiev, D. (2021). Formation of a new paradigm of anti-money laundering: The experience of Ukraine. *Problems and Perspectives in Management*, 19(1), 354–363. [https://doi.org/10.21511/ppm.19\(1\).2021.30](https://doi.org/10.21511/ppm.19(1).2021.30)

³⁰ Nicola Sharp. (2023, February 24). India's AML and CFT measures to be reviewed by FATF. *Lexology*. <https://www.lexology.com/library/detail.aspx?g=f2c8086a-b9c8-45fa-8078-8366632cd649>

providing criminals with the means to conceal their sources of income.³¹ It can also create instability in the markets, as it can lead to significant losses in both the stock and currency markets. (Naheem, 2020)

The primary means of Combat money laundering is to implement anti-money laundering measures, such as customer due diligence, stronger financial regulation, and improved transparency. Anti-money laundering measures require banks and other financial institutions need to carry out and report on customer due diligence for suspicious activities. Financial regulation should also be strengthened to give more power to the regulators to identify and take action against money laundering activities.³² Finally, improved transparency should be sought by making sure that all money laundering activities are recorded and reported to the appropriate agencies. (Gao & Ye, 2007)

1.8. Global Strategies Against Money Laundering

The global anti-money laundering regime consists of several initiatives, such as the Financial Action Task Force (FATF), the International Monetary Fund (IMF), the World Bank, the United Nations Office on Drugs and Crime (UNODC), the Basel Committee on Banking Supervision, the Egmont Group of Financial Intelligence Units, and others. The main objectives of these initiatives are to prevent, detect, and combat money laundering and to protect the integrity and authenticity of the international financial system.³³ (OECD, 2014)

“The IMF and the World Bank support countries to strengthen their anti-money laundering and counter-terrorist financing (AML/CFT) regimes. The IMF and World Bank provide

³¹ Naheem, M. A. (2020, January 21). The agency dilemma in anti-money laundering regulation. *Journal of Money Laundering Control*. <https://www.emerald.com/insight/content/doi/10.1108/JMLC-01-2016-0007/full/html>

³² Gao, Z., & Ye, M. (2007). A framework for data mining-based anti-money laundering research. *Journal of Money Laundering Control*, 10(2), 170–179. <https://doi.org/10.1108/13685200710746875>

³³ OECD. (2014). What do illicit financial flows mean for developing countries? *Illicit Financial Flows from Developing Countries*, 19–25. <https://doi.org/10.1787/9789264203501-4-en>

technical assistance and capacity building programmed to support countries in the implementation of the FATF standards.”³⁴

“The UNODC supports countries in establishing and strengthening their AML/CFT regimes. It provides technical assistance, capacity building, and study into funding for terrorism and money laundering. The UNODC is also associated with various other international organizations, such as INTERPOL and the Egmont Group, to promote global collaboration and cooperation between law enforcement agencies to identify, assess, and combat money laundering and terrorist financing effectively.”³⁵

The Basel Committee on Banking Supervision is an inter-governmental body that sets standards and develops guidance for banks to prevent and detect money laundering and terrorist financing. The Basel Committee facilitates banking institutions to adopt FATF standards. As well as international cooperation between banks to detect and report suspicious activities.”³⁶

“The Egmont Group is an international organization of financial intelligence units that assists in the international confront towards money laundering and terrorist financing. The Egmont Group promotes the sharing of financial intelligence among its members and facilitates international cooperation.”

The Financial Action Task Force (FATF) is an intergovernmental body established in 1989 by the G7 Summit. Its objective is to set international standards for Combat money laundering and terrorist financing. The FATF has established a set of forty Recommendations (The FATF Recommendations) to provide a comprehensive and consistent framework to combat money laundering and terrorist financing under FATF Recommendations 2009. The FATF Recommendations cover measures for governments, financial institutions, and other designated non-financial businesses and professions to

³⁴ Tackling challenges together, IMF 2015 annual report. (n.d.). https://www.imf.org/external/pubs/ft/ar/2015/eng/pdf/ar15_eng.pdf

³⁵ TOCAMLO/07. (2009). Chapter II Review of Literature 1 money laundering and financing of unodc.org/roseap.https://www.unodc.org/roseap/uploads/archive/documents/2009/02/TOCAMLO/07-CHAPTER_II.pdf

³⁶ BCBS. (2016, September). Basel Committee on Banking Supervision - Bank for International Settlements. <https://www.bis.org/bcbs/publ/d383.pdf>

prevent and detect money laundering and terrorist financing.³⁷ These measures include enacting and enforcing laws, regulations, and other domestic measures to combat money laundering and terrorist financing; instituting international cooperation between governments and financial intelligence units to foster the sharing of data, developing effective measures to trace, freeze, seize, and confiscate criminal proceeds; and conducting customer due diligence and record keeping. The FATF also reviews and assesses the effectiveness of the implementation of its standards through mutual evaluation and compliance reports. (FATF, 2023)³⁸

The current member countries of the FATF are

Australia 2. Austria 3. Belgium 4. Brazil 5. Canada 6. China 7. Denmark 8. European Commission 9. Finland 10. France 11. Germany 12. Gulf Cooperation Council 13. Hong Kong, China 14. India 15. Indonesia 16. Ireland 17. Italy 18. Japan 19. Korea 20. Luxembourg 21. Mexico 22. The Netherlands 23. New Zealand 24. Norway 25. Portugal 26. Russian Federation 27. Singapore 28. South Africa 29. Spain 30. Sweden 31. Switzerland 32. Turkey 33. United Kingdom 34. United States 35. Zimbabwe 36. Caribbean Financial Action Task Force 37. Eastern and Southern Africa Anti-Money Laundering Group

The FATF currently comprises 35 member jurisdictions and 2 regional organizations, representing most major financial centers in all parts of the globe.

International Conventions and Resolutions to Curb Money Laundering

The United Nations Convention against Transnational Organized Crime: This treaty establishes common definitions and legal frameworks, such as criminalizing money laundering and setting up asset recovery instruments, to effectively combat transnational crime.

³⁷ FATF. (2023). The FATF Recommendations 2012. As amended February 2023. <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>

³⁸ FATF & APG 2010. (n.d.). <https://www.fatf-gafi.org/en/countries/global-network/asia-pacific-group-on-money-laundering--apg-.html>

The Council of Europe's Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds of Crime: This convention requires states to criminalize money laundering, and provide for administrative and judicial measures for exchanging information and recovering the proceeds of crime.

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA): These West African countries' regional organization works to establish and strengthen anti-money laundering and counter-terrorist financing regimes in their member states.

The United Nations Security Council Resolution 1617 (2005): This resolution requires member states to freeze and combat the financing of terrorists and actively investigate, apprehend, and prosecute individuals or entities associated with terrorism.

The United Nations Security Council Resolution 1822 (2008): This resolution requires member states to deny terrorists access to funds, financial services, and other related resources.³⁹(Yeh, 2022)

Established Financial Intelligence Units (FIUs) are critical for national efforts to identify, analyze, and punish financial crimes such as money laundering and the financing of terrorism. FIUs are independent and autonomous government bodies tasked with gathering, analyzing, and exchanging financial information from various public and private sectors. FIUs are also responsible for coordinating law enforcement efforts to identify and target suspects, by performing analyses, developing financial profiles of suspect individuals and businesses, and assisting with the seizure of assets. Through FIUs, governments and law enforcement can better identify and investigate potential criminal activities, while preventing and effectively responding to financial threats. (Simwayi & Haseed, 2012)

Financial intelligence units (FIUs) are special governmental bodies or agencies that collect and analyze financial data in order to prevent, detect, and investigate money laundering, terror financing, and other financial crimes. They also support government efforts to combat such crimes. FIUs provide financial intelligence to law enforcement agencies, government

³⁹ Yeh, S. S. (2022, March 11). New OSCE recommendations to combat corruption, money laundering, and the financing of terrorism. MDPI. <https://www.mdpi.com/2075-471X/11/2/23>

authorities, financial institutions, and international organizations, to help them detect, investigate, and prevent money laundering, terrorism financing, and other financial crimes. The information they provide includes suspicious activity reporting and other forms of financial data. Additionally, they provide technical and operational advice and training to the institutions they monitor and support national and international initiatives to combat financial crime.⁴⁰(Simwayi & Haseed, 2012)

Basel Committee on Banking Supervision (BCBS) Statement of Principles (1988) “The Basel Committee on Banking Supervision (BCBS) is the primary global standard setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.” It seeks to do so through issuing global standards and guidance; encouraging adherence to these through peer pressure and mutual evaluation; conducting outreach about the importance of these standards for banking supervisors; and monitoring the implementation of banking supervisory standards. The BCBS draws membership from central banks and bank supervisory authorities from major banking systems. Its principal functions include: identifying key supervisory issues, developing guidance and maintaining standards for banking supervisory authorities; assessing banking supervisory practices, and the outcomes of their application, against internationally agreed standards; fostering market discipline by developing guidance for effective communication and enhancing transparency, (BCBS, 2016)

Basel II

The Basel II Accord was first proposed in 1999 as a revision of the 1988 Basel I Accord, which had been in operation since 1992. The purpose of Basel II was to update the risk management practices of international banks in light of the increased risk management knowledge and technology available. The Accord was developed by the Basel Committee on Banking Supervision (BCBS) and released in 2004. Even though Basel II was not

⁴⁰ Simwayi, M., & Haseed, M. (2012, January 1). The role of Financial Intelligence Units in combating money laundering: A comparative analysis of Zambia, Zimbabwe and Malawi. *Journal of Money Laundering Control*. <https://doi.org/10.1108/13685201211194754>

intended to increase capital requirements, it has been controversial, and the Comb Federal Reserve has not implemented it. ⁴¹(BCBS, 2016)

Basel III

The Basel III Accord (Basel Committee on Banking Supervision, 2010) was issued as a response to the global financial crisis. It made capital requirements more stringent and introduced a new leverage ratio measure for banks. Basel III was developed by the “Basel Committee on Banking Supervision (BCBS),” which met in September 2010. Basel III was introduced in three phases. The first two phases took effect on 1 January 2013 and 1 January 2014, respectively. The third and final phase will take effect on 1 January 2019. “This includes the introduction of a global Liquidity Coverage Ratio (LCR), which requires banks to maintain a buffer of liquid assets to cover any cash outflows over a 30-day period of stress.”

Notes 1. The Basel II Accord was first proposed in 1999 as a revision of the 1988 Basel I Accord, which had been in operation since 1992. The purpose of Basel II was to update the risk management practices of international banks in light of the increased risk management knowledge and technology available. The Accord was developed by the Basel Committee on Banking Supervision (BCBS) and released in 2004. Even though Basel II was not intended to increase capital requirements, it has been controversial, and the US Federal Reserve has not implemented it. 2. The Basel III Accord (Basel Committee on Banking Supervision, 2010) was issued as a response to the global financial crisis. It made capital requirements more stringent and introduced a new lever ratio measure for banks. Basel III was developed by the Basel Committee on Banking Supervision (BCBS), which met in September 2010. 3. Basel III was introduced in three phases. The first two phases took effect on 1 January 2013 and 1 January 2014, respectively. The third and final phase will take effect on 1 January 2019. This includes the introduction of a global Liquidity Coverage Ratio (LCR), which requires banks to maintain a buffer of liquid assets to cover any cash outflows

⁴¹ BCBS. (2016, September). Basel Committee on Banking Supervision - Bank for International Settlements. <https://www.bis.org/bcbs/publ/d383.pdf>

over a 30-day period of stress.⁴² (Spiro, 2014) Banks should operate a sound and prudent banking business.

- Banks should have a capital adequacy ratio that is reasonably commensurate with the nature, scale, and complexity of their banking activities.
- Banks should have an effective internal control, risk management, and compliance system in place.
- Banks should have appropriate systemic liquidity considerations and contingency funding plans in place.
- Banks should have an effective loan review and portfolio management system in place. 6. Banks should be subject to comprehensive supervision, including regular on-site reviews and off-site monitoring.
- Banks should have adequate internal and external audit functions in place.
- Banks should provide information to their supervisors in a timely, accurate, and comprehensive manner.
- Banks should have adequate training and education for their staff.
- Banks should adhere to sound practices for banking operations and risk management.

1.9. Assessment of India's AML Framework

The Reserve Bank of India (RBI) has implemented several types of measures to ensure compliance with anti-money laundering (AML) regulations in India. These include the establishment of an Anti-Money Laundering Standing Committee (AMLSC), the issuance of guidelines on customer identification and record-keeping, and the setting up of a Financial Intelligence Unit (FIU). The RBI has also put in place a mechanism for reporting suspicious transactions and has issued instructions to banks and financial institutions to take appropriate action in cases of non-compliance with AML regulations.⁴³ Despite these measures, there are various challenges in ensuring compliance with AML regulations in India. These include

⁴² Spiro, J. J. (2014). *Accounting and Capital Markets*, Cengage Learning. Andover.

⁴³ Narayan, S. (2018). Anti-money laundering law in India: A 'glocalization' model. *Statute Law Review*, 40(3), 224–235. <https://doi.org/10.1093/slr/hmy005>

the lack of awareness among the general public and businesses, the lack of coordination between different regulatory agencies, and the lack of adequate resources and capacity at the Financial Intelligence Unit (FIU). In addition, In India, reporting suspicious transactions is not mandatory, which limits the effectiveness of the mechanism. The government has taken some steps to address these challenges. For instance, it has launched a campaign to create awareness about AML regulations and formed a task force to coordinate the efforts of different agencies in this area. However, more needs to be done to ensure effective compliance with AML regulations in India. (Narayan, 2018)

India is a founding member of the FATF and the Asia/Pacific Group on Money Laundering (APG), the regional body of the FATF.” In line with the international standards set by the FATF, the Government of India has put in place a comprehensive legal and institutional framework to combat money laundering and terrorist financing. Some of this framework includes:

- The Prevention of Money Laundering Act, 2002 (PMLA), which criminalizes money laundering and provides for confiscation of property derived from or involved in money laundering;
- The Prevention of Money Laundering (Maintenance of Records) Rules, 2005, which requires certain entities to maintain records and furnish information to the financial intelligence unit of the Government;
- The Prevention of Money Laundering (Declaration of Trust and Deposits) Rules, 2005, which requires persons to declare trust and deposits to the financial intelligence unit;
- The Prevention of Money Laundering (Amendment) Act, 2012, which widens the definition of predicate offenses, empowers the special court to order attachment and confiscation of property, and provides for confiscation of property located outside India;
- The Benami Transactions (Prohibition) Act, 1988, which prohibits Enami transactions and provides for confiscation of benami property; and
- The Fugitive Economic Offenders Act, 2018, which provides for the confiscation of assets of economic offenders who have fled the country.

In addition to the legislative measures, several institutional mechanisms have been put in place for the effective implementation of the anti-money laundering/counter-terrorism financing (AML/CFT) framework. These include:

- Financial Intelligence Unit-India (FIU-IND), which is the central national agency responsible for receiving, processing, analyzing, and disseminating financial intelligence relating to AML/CFT;
- The Multi-Agency Group (MAG), which is the nodal coordination mechanism for intelligence sharing and investigation in cases of serious financial crimes;
- The Special Investigation Team (SIT) on Black Money, which is tasked with taking measures to unearth and bring to tax income and assets kept outside India; and
- The Enforcement Directorate (ED), which is the primary law enforcement organization responsible for enforcing PMLA.

In addition, various other agencies such as the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India, etc. have put in place AML/CFT measures in their respective areas of regulation.

The Government has also notified the United Nations (Security Council) Act, 1947, and the United Nations (Anti-Terrorism Measures) Act, 2002 for giving effect to the resolutions of the United Nations Security Council relating to terrorism.

The Government has taken several other measures to improve the AML/CFT framework in the country, including:

- Introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) for financial inclusion of all sections of society;
- Inclusion of biometrics (Aadhaar) in banking transactions to curb fraud and financial crimes;
- Making the reporting of suspicious transactions mandatory for banks, financial institutions, and intermediaries;

- Implementing the recommendations of the Financial Sector Legislative Reforms Commission (FSLRC) to consolidate and rationalize the laws and regulations governing the financial sector; and
- Formulation of the National Strategy for Financial Inclusion (NSFI) to ensure access to formal financial services by all sections of society.

The Government has also signed bilateral agreements/memoranda of understanding (MOUs) with various countries and international organizations for cooperation in Combat money laundering and terrorist financing.⁴⁴ (Sultana, 2020)

1.10. Countermeasures against Banking Money Laundering

1. **Develop and maintain a risk-based AML program:** Financial institutions and other companies subject to AML regulations should establish internal policies and procedures to help identify, assess, and combat the risks related to money laundering.
2. **Establish beneficial ownership rules:** Beneficial ownership rules help organizations identify the individuals behind companies and are essential in protecting against money laundering.
3. **Strengthen Know Your Customer (KYC) procedures:** Financial institutions and other companies should establish and maintain effective KYC procedures to help identify their customers and create a comprehensive customer profile.
4. **Conduct due diligence on customers:** Financial institutions should conduct due diligence on their customers to verify their identities and assess the risks of opening and maintaining a business relationship.
5. **Make suspicious activity reports (SAR):** Financial institutions and other companies should establish policies and procedures for gathering and filing suspicious activity reports (SARs) with the appropriate authorities.
6. **Utilize technology and data analytics:** Organizations should use technology and data analytics tools to detect suspicious activity, perform due diligence checks, and automate the AML compliance process.

⁴⁴ Sultana, S. (2020). Role of financial intelligence unit (FIU) in anti-money laundering quest. *Journal of Money Laundering Control*, 23(4), 931–947. <https://doi.org/10.1108/jmlc-01-2020-0003>

7. **Increase training and awareness:** Companies should ensure employees responsible for AML compliance have received adequate training and are kept informed

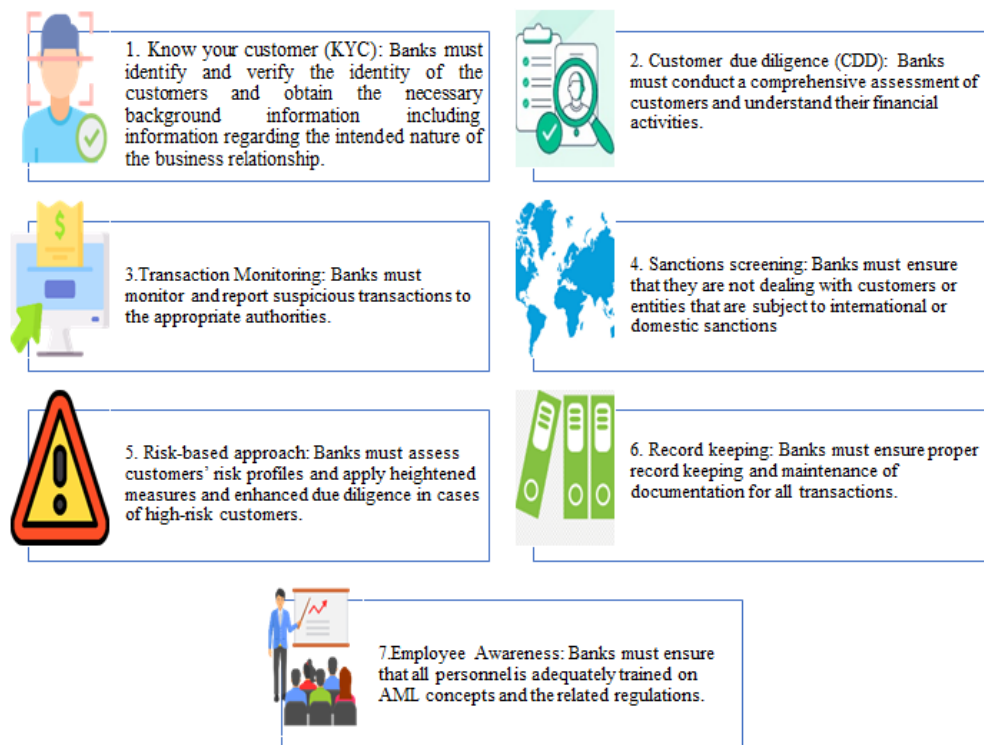


FIGURE 1. 2 Measures to Combat Money Laundering Activities in Banking

The Bank Secrecy Act (BSA) is a US federal law that requires financial institutions to report suspicious activity to the Financial Crimes Enforcement Network (FinCEN). The purpose of the BSA is to prevent money laundering and other financial crimes. Financial institutions are required to take steps to prevent money laundering, such as establishing customer due diligence (CDD) programs and maintaining records of all transactions. They are also required to report suspicious activity to FinCEN. Banks may use several methods to prevent money laundering, including customer identification programs, transaction monitoring, and Suspicious Activity Reports (SARs). Customer identification programs require financial institutions to verify the identity of their customers. This can be done through the use of government-issued ID, such as a passport or driver's license. Transaction monitoring is a process of identifying and reporting suspicious transactions. This can be done through the use of software that flags patterns that may be indicative of money laundering. SARs are reports that financial institutions must file with FinCEN when they suspect that a transaction

could be associated with money laundering or other financial crimes. SARs can be filed electronically or on paper.

Banks are required to take steps to prevent money laundering, which includes verifying the identity of customers, keeping records of transactions, and reporting suspicious activity to authorities. Identity verification measures may include requiring customers to provide government-issued identification, such as a passport or driver's license when opening an account. For transactions above a certain threshold, banks may also require customers to provide proof of income or source of funds. Banks are required to keep records of all transactions, including the date, amount, type of currency, and name and address of the parties involved. These records must be kept for five years and must be available for inspection by authorities. Banks must report any suspicious transactions to the Financial Intelligence Unit of the Ministry of Finance. Suspicious transactions include those that are attempted without proper identification, have no apparent purpose, or have unusual features such as large cash withdrawals or transfers to or from high-risk jurisdictions.

1.11. Internal Auditors' Contribution to Bank AML Efforts

Internal auditors play a vital role in Anti-Money Laundering processes, ensuring that financial institutions and businesses comply with AML regulations and prevent money laundering activities.⁴⁵ (Naheem, 2016) They have important responsibilities within the organization, such as:

- **Assessing AML Policies and Procedures:** Internal auditors evaluate the effectiveness of an organization's AML procedures, guidelines, and controls, ensuring they are current, aligned with relevant regulations, and adhered to correctly.
- **Identifying AML Risks:** They conduct risk assessments to pinpoint potential areas of vulnerability to money laundering. This involves analyzing processes, transactions, and customer profiles for signs of suspicious activity.

⁴⁵ Naheem, M. A. (2016, October 3). Internal Audit Function and AML compliance: The Globalisation of the Internal Audit Function. *Journal of Money Laundering Control*. <https://doi.org/10.1108/JMLC-05-2015-0020>

- **Monitoring Transactions and Reporting:** Internal auditors verify the accuracy and efficiency of the transaction monitoring system, making certain it can detect suspicious activities promptly and ensuring timely reporting of such transactions to the appropriate authorities.
- **Promoting AML Training and Awareness:** They may also be involved in providing AML training to employees to ensure they understand their responsibilities and grasp the significance of AML compliance.
- **Maintaining Independence and Objectivity:** Internal auditors maintain impartiality and objectivity in their evaluations, allowing them to assess the effectiveness of AML controls without bias.
- **Evaluating Internal Controls:** They assess the adequacy of internal controls related to AML measures and provide recommendations for improvement if necessary.
- **Conducting Investigations:** In cases where suspicious activities are detected or reported, internal auditors may conduct internal investigations to assess the situation and suggest appropriate actions.
- **Monitoring Compliance:** Internal auditors continuously monitor the organization's compliance with AML laws and regulations and report their findings to senior management and the board of directors.
- **Facilitating Regulatory Compliance:** They assist the organization in preparing for AML audits conducted by external regulators and ensure all necessary documentation is readily available.
- **Contributing to Risk Management:** Ultimately, internal auditors play a crucial role in the organization's overall risk management efforts, helping to prevent financial and reputational losses resulting from involvement in money laundering activities.

Internal auditors must be well-versed in the numerous schemes used by criminals to launder money, as well as the growth of various money laundering and terrorist funding schemes and how Internal software and technologies may be utilized to dissuade these white-collar crimes. (Mathias Mokube, Aloysius Vutumu, Simon Ademola Akinteye, & Doris Ochei. (n.d.), 2023)⁴⁶

⁴⁶ Mathias Mokube, Aloysius Vutumu, Simon Ademola Akinteye, & Doris Ochei. (n.d.). The Impact of Internal Audit on Improving Anti-Money Laundering (Aml) and Counter Terrorist Financing (Ctf) Controls in Nigeria.

1.12. Purpose of the Study

The purpose of this study is to assess the role of internal auditors in the anti-money laundering (AML) compliance review. Specifically, this study sets out to explore the proactive role that internal auditors can play in AML compliance reviews, particularly in terms of proactively detecting and reporting potential money laundering activities. While there is extensive literature regarding the role of internal audits within the financial industry, there is a current lack of research regarding their active involvement in AML compliance reviews. To this end, this study aims to provide an evidence-based investigation into the proactive approach that internal auditors should take when reviewing the efforts of an organization to prevent money laundering activities. The study will examine the adequacy of the internal audit process when assessing the Bank's compliance with relevant anti-money laundering regulations and will develop recommendations for further improvements of the AML compliance review process.

It will examine the state of AML governance in the Banks and evaluate its effectiveness in preventing, detecting, and deterring money laundering activities. The study will also explore various constraints internal auditors face for successful Compliance Review. Finally, the research will suggest ways in which internal auditors can become proactive participants in the fight against money laundering through their role in AML governance. It is believed that the insights gained from this research will benefit both internal auditors and banks in their efforts to combat money laundering.

1.13. Objectives of the Study

OBJECTIVE 1: To identify the level of involvement of internal Auditors in Anti Money Laundering (AML) Governance Activities and Effective compliance review for Combat Money laundering.

OBJECTIVE 2: To Evaluate Intra-relationships amongst Individual activities related to Anti Money Laundering (AML) Governance, Effective compliance review, and Combat Money Laundering.

OBJECTIVE 3: To Confirm the Role of Mediating Effect of Effective compliance review in relation to Anti Money Laundering (AML) Governance activities to Combat Money Laundering.

OBJECTIVE 4: To Identify and Confirm the Major Constraints of Internal Auditors in Anti Money Laundering Compliance review and Implementation from the perspective of Internal Auditors.

1.14. Scope of the Study

The scope of this research has been limited to the Ahmedabad, Rajkot, Surat, and Baroda regions. The survey covers the Internal Auditors of Banks. It also covers internal auditors of some typical banking departments like the risk management, audit, and credit departments of the bank's zonal offices. The research was carried out by 748 internal auditors from banks. The banks were chosen based on their market capitalization in fiscal year 2021. The data was analyzed using SPSS 24 and AMOS 26 software. This research would guide the banks in improving AML compliance and understating its impact on Combat money laundering.

The majority of anti-money laundering and anti-terrorism financing measures are nearly identical. As a result, the concept of combat money laundering is covered under the heading 'AML compliance' in this survey. Here is the survey Moving Internal Auditors Towards a Proactive Role in Anti-Money Laundering Compliance Review and Determine the internal auditors' limitations during AML compliance review and installation and look into their issues with stopping money laundering.

1.15. Significance of the Study

The study will significantly contribute to the knowledge base on the proactive role of internal auditors in anti-money laundering compliance review and Combat money laundering. It will provide empirical evidence on the effectiveness of AML governance activities and the features that are associated with an effective AML program. The study will help to identify

potential areas for improvement and inform policy and decision-making related to money laundering prevention and detection. This research also provides an opportunity to review existing AML governance frameworks, which could facilitate further research in this area. Furthermore, the results of this study could inform the implementation of new requirements and initiatives into the anti-money laundering policy of financial institutions, and assist auditors to strengthen their AML compliance review approach.

The significance of this study is twofold. First, it will provide insights proactive role of internal auditors in Anti–anti-money laundering compliance review and the role of effective compliance review in combat money laundering. Second, it will highlight the constraints internal auditors face regarding implementing compliance reviews with anti-money laundering legislation. The challenges such auditors face in determining compliance review effectively can be leveraged to make recommendations to improve current control systems. Ultimately, the findings of this study may help financial institutions develop and enhance their strategies for preventing and detecting money laundering activities.

1.16. Thesis Outline

The thesis report is divided into six chapters.

In Chapter 1, the study explores the subsequent areas: a brief elucidation of money laundering and terrorism financing undertakings, endeavors to thwart money laundering and terrorism financing, the responsibilities of internal auditors in upholding rule adherence, the aims of this investigation, and the significance and extent of this research.

Chapter 2 Review of Literature and Conceptual Framework

In this chapter, the fundamental principles governing anti-money laundering (AML) regulations are explored. It encompasses an in-depth analysis of various aspects, such as the recommendations from FATF and the essential requirements mandated by Basel for banks to conduct thorough background checks on their customers. Additionally, the chapter delves into the specific AML guidelines issued by RBI for financial institutions. Alongside these discussions, the chapter also presents a comprehensive study focused on assessing effective AML compliance review within the banking sector. Moreover, it critically examines the

limitations and gaps identified in previous research. Finally, introducing a novel model relevant to the present study, the chapter aims to contribute to the current understanding of AML practices.

Chapter 3 Research Methodology

This chapter outlines the research methods and procedures employed in the current study. It offers a detailed description of the research design aspects for both investigations: one focusing on the involvement of internal auditors in Anti-Money Laundering (AML) compliance review and the other one on internal auditors' perception of the constraints related to AML compliance review and implementation. Furthermore, this chapter identifies the research hypotheses and discusses the appropriate research design and administration. It also covers the structure, format, content, translation, data collection procedures, and pilot study of the questionnaire.

Chapter 4 Data Analysis

In this chapter, the analysis, findings, and discussion on the viewpoint of Internal Auditors on the implementation of AML (Anti-Money Laundering) are presented. The detailed results of the analysis are discussed, and the data analysis is conducted using the SPSS 24 package. Furthermore, appropriate statistical tools are chosen based on the research objectives and hypotheses.

Chapter 5 Discussions of Findings

This chapter offers a comprehensive overview of the entire study, emphasizing its key findings.

Chapter 6 Conclusion, Implications, and Future Directions

This chapter offers an overview of the entire study, including its conclusions. It delves into the theoretical and practical implications, addresses the limitations, and suggests potential opportunities for further research.

CHAPTER-2

Review Of Literature and Conceptual Framework

This literature survey examines the various approaches to the study of language in the field of linguistics. It reviews the most common theories of language, the various ways in which language is studied, and the implications of language for society.

This section's literature review includes reviews of FATF, Basel Committee, and RBI reports, as well as publications by independent researchers in the area of AML regulation and practices in banks and financial institutions.

2.1. Theoretical Context of AML Regulations

Money laundering is a criminal activity that is used to conceal the source of illegally obtained money or to disguise the true nature of the funds. It is a complex and multi-faceted crime that can be difficult to detect and prosecute. Money laundering is a global problem, and governments around the world have implemented a variety of anti-money laundering regulations to attempt to combat it. The primary purpose of anti-money laundering (AML) regulations is to prevent criminals from using the financial system for illicit activities. These regulations are designed to identify, prevent, and disrupt the use of the financial system for the purpose of laundering money. AML regulations target financial institutions such as banks, brokerages, and other financial service providers, and non-financial institutions, such as casinos, and jewellery stores. AML regulations typically require financial institutions to take steps to identify and verify their customers, monitor customer activities for suspicious transactions, and report any suspicious activity to the appropriate government agency. They

also require financial institutions to have adequate internal controls and procedures in place to prevent and detect money laundering. The effectiveness of AML regulations depends on the effectiveness of their implementation. Governments must ensure that the regulations are adequately enforced and that financial institutions are compliant with the regulations.⁴⁷

(Cao, January 2017)

2.2. FATF's Recommendations

“The Financial Action Task Force (FATF) is an intergovernmental organization established in 1989 to combat money laundering, terrorist financing, and other related threats to the integrity of the international financial system.” The FATF sets standards and promotes the effective implementation of legal, regulatory, and operational measures to combat these threats. It has developed a set of 40 Recommendations that are recognized as the international standard for Combating money laundering and terrorist financing.

The Recommendations are divided into two categories: (1) Special Recommendations on Terrorist Financing and (2) General Recommendations. The Special Recommendations provide a comprehensive framework of measures to detect, prevent, and suppress the financing of terrorist activities. The General Recommendations provide a framework for countries to effectively implement measures to detect, prevent, and suppress money laundering activities. The FATF Recommendations cover a broad range of topics, including customer due diligence and record-keeping requirements; financial institution reporting of suspicious transactions; financial institution compliance programs; international cooperation; and the availability of information to law enforcement authorities.⁴⁸

The Recommendations also call for countries to develop and implement counter-terrorism financing laws and regulations and to effectively implement them. Finally, the Recommendations emphasize the need for countries to monitor and assess the effectiveness

⁴⁷ Cao, B. R. (January 2017). Review the Literature and Theories on Anti-Money Laundering.

⁴⁸ FATF. (February 2023). *The FATF Recommendations: Adopted on 16 February 2012 and regularly updated*. FATF's publications Reports.

of their counter Money Laundering and suspects⁴⁹ (FATF, The FATF Recommendations: Adopted on 16 February 2012 and regularly updated, February 2023).

2.3. Basel's Customer Due Diligence for Banks

Customer Due Diligence (CDD) under Basel for banks consists of rules and procedures designed to help banks identify and manage their customers' risks. The CDD requires banks to conduct customer identity verification, analyze customer risk profiles, and monitor customer behavior. Banks must also keep records of customer information, including customer identity documents, source of funds, and beneficial owners. As a part of the due diligence process, the banks are supposed to report mala fide transactions to the concerned authorities. Finally, banks must regularly review and update their customer information and risk profiles. (BCBS, 2023)⁵⁰

As stated in the Basel Committee's report on Customer Due Diligence (CDD) for banks in 2001, there is a strong endorsement for banks to adopt FATF recommendations. These recommendations are not limited to preventing money laundering but also extend to managing other banking risks effectively, such as operational, legal, reputational, and concentration risks. The implementation of Know Your Customer (KYC) procedures plays a pivotal role in safeguarding a bank's reputation and integrity, as it reduces the likelihood of the bank falling victim to financial fraud. Through rigorous customer identification and verification processes, banks gain better insights into their customers' financial activities and fund sources, enabling them to detect and prevent potential instances of money laundering and other illicit financial activities. Embracing FATF recommendations and implementing robust KYC measures empowers banks to strengthen their risk management strategies, enhancing their resilience against various risks within the financial industry. (BCBS, 2023)

⁴⁹ FATF. (February 2023). *The FATF Recommendations Adopted on 16 February 2012 and regularly updated since*. FATF's publications Reports.

⁵⁰ BCBS, B. C. (2023). *Customer due diligence for banks Various technical amendments latest editing*. BIS.

The Basel framework for KYC consists of four components, as follows:

Identification and Verification: This involves the identification and verification of customers by collecting and verifying information such as name, address, date of birth, and identity documents. Identification and verification are two of the most important steps for ensuring the security of a system. Identification is the process of recognizing an individual, while verification is the process of confirming the identity of the individual. Identification involves recognizing an individual through the use of identification documents such as a driver's license, passport, or other government-issued identification. Verification requires additional verification such as a fingerprint scan, retinal scan, or other biometric recognition. The purpose of identification and verification is to ensure that the individual attempting to gain access to a system, or other restricted area, is the correct person. This is an important step in preventing unauthorized access to sensitive data and protecting against potential security threats. Identification and verification are also important for preventing identity theft and other crimes.

Risk Assessment: This involves assessing the customer's risk profile based on the information collected during the identification and verification process. Identifying and Prioritizing Risk: It is important to identify the risks that may be posed to the project and prioritize them to Combat them. • Categorizing Risk: Categorizing the risks into various categories like technical, market, financial, etc. to understand them better. • Analysing the Risk: Analysing the risk factors and the consequences of them. • Developing Strategies: Developing strategies to combat the risks by using various tools like risk mitigation plans, contingency plans, etc. • Monitoring and Controlling Risk: Monitoring and controlling the risk factors to ensure that the project is on track and the risks are minimized.

Customer Due Diligence: This involves collecting additional information and documents from customers, such as the source of funds, the purpose of the transaction, and other relevant details. Customer due diligence is the process of verifying a customer's identity and their source of funding to prevent fraud, money laundering, and any other type of financial crime. This includes gathering information about the customer's background, their financials, and their sources of income. Banks, financial institutions, and payment processors often require customer due diligence checks before offering their services to customers.

These checks help protect the institution from being used as a vehicle for fraud and money laundering.

Monitoring: “This involves monitoring the customer’s transactions for suspicious activities and reporting any suspicious activity to the relevant authorities.” This could include monitoring payments, withdrawals, and transfers. Another step may be to monitor customer activity on social media sites and other partnerships of the bank. Nowadays, with the help of artificial intelligence and machine learning tools, companies can detect suspicious behavior. Additionally, it is important to stay up to date on the latest banking regulations and regulations from the Financial Action Task Force to ensure compliance with anti-money laundering laws.

2.4. RBI's Regulatory Guidelines for Anti-Money Laundering Implementations

The Reserve Bank of India (RBI) has released directives concerning Anti Money Laundering (AML) measures that must be implemented by all financial institutions under the RBI's regulation. These guidelines fall under the purview of Section 35A of the Banking Regulation Act, 1949, and Section 43 of the Non-Banking Financial Companies (NBFCs) Regulation Act, 1949.

The purpose of these guidelines is to prevent financial institutions from being used for money laundering activities and to help them develop appropriate systems and controls to detect and report suspicious transactions.⁵¹ These guidelines apply to all financial institutions regulated by the RBI, including banks, NBFCs, financial Companies, and cooperative banks. (RBI, (Updated upto June 30, 2008))

“Financial Institution means any entity that is engaged in the business of banking, lending, insurance, investment, money changing, or any other financial service. “Money Laundering” means any activity that aims to hide or disguise the source of illegally obtained money or

⁵¹ Reserve Bank of India. (2022-2023.).

<https://www.rbi.org.in/commonman/English/Scripts/PressReleases.aspx>

assets. All financial institutions regulated by the RBI shall put in place an AML policy approved by their Board of Directors.”

The AML policy should be able to address the below-mentioned aspects:

- a. Commitment of the financial institution to stop terrorism financing and money laundering;
- b. The procedures to be followed by the financial institution to detect and report suspicious transactions; The steps a financial institution must take to identify and report suspicious transactions;
- c. The risk management practices that a financial institution should adhere to combat the dangers of money laundering and terrorism financing;
- d. The responsibilities and obligations of the financial institution's employees regarding anti-money laundering (AML); i.e., the AML training and education initiatives to be carried out for the financial institution's employees;
- f. The procedures to be followed by the financial institution for monitoring and reporting cross-border transactions; the steps that the financial institution must take to monitor and report international transactions;
- g. The rules for KYC/AML compliance that the financial institution must follow for both new and current clients;
- h. Requirements for keeping track of transactions and consumer data;
- I. The AML internal audit guidelines that the financial institution must adhere to;
- j. The plans the financial institution must make for an external audit of its AML policies.

The financial institution’s AML policy shall be reviewed at least annually and updated as required. The financial institution shall appoint a senior management employee as the Compliance Officer responsible for implementing the AML policy and ensuring compliance

with these guidelines. ⁵²The financial institution shall establish an AML Committee, comprising senior management employees, to review the progress made in implementing the AML policy and to recommend improvements, if necessary. (Reserve Bank of India, 2023)

The AML policy and procedures shall be communicated to all employees of the financial institution. They shall provide training to their employees on an ongoing basis on the AML policy and procedures, as well as on the identification of malicious transactions. They shall put in place appropriate systems and controls to detect and report suspicious transactions. They are obligated to keep a record of all transactions, both domestic and international, for a period of five years from the date of each transaction. They shall report any suspicious transaction, whether domestic or international, to the Financial Intelligence Unit of the RBI within seven days of detecting the same. The financial institution shall, on an ongoing basis, monitor and review its AML policy and procedures, and shall update the same as required. They shall have a mechanism in place for receiving and responding to customer complaints concerning AML. These guidelines shall come into effect from the date of their publication in the Official Gazette.

- I. The Reserve Bank of India (RBI) should mandate that banks and financial institutions under its regulatory purview implement Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) initiatives.
- II. Banks should set up a comprehensive AML/CFT policy system that should encompass risk assessment, transaction monitoring, and customer due diligence processes.
- III. Appropriate systems and processes should be established for data security and safekeeping.
- IV. Banks should conduct periodic reviews of their AML/CFT policies and procedures and make appropriate changes if identified.
- V. Banks should establish procedures to ensure that suspicious transactions, as defined by RBI, are reported to the authorities and are investigated promptly.

⁵² Reserve Bank of India. (2023). *Reserve Bank of India has issued regulatory guidelines Anti -Money Laundering (AML) standards for Combating of Financing of Terrorism*. MUMBAI: RBI.

- VI. Banks should ensure compliance with applicable laws, including those related to terrorist financing, for customers and transactions with cross-border implications.
- VII. Banks should develop systems for client risk assessment and customer due diligence (CDD) processes to evaluate the risk posed by different types of customers.
- VIII. Banks should develop and maintain a sanctions list related to AML/CFT activities and ensure that transactions comply with applicable sanctions.
- IX. Banks should develop processes and procedures to ensure robust and timely reporting of suspicious transactions to FIU-India.
- X. Banks should ensure that employees are appropriately trained in AML and CFT regulations and should provide periodic updates on relevant regulations.

2.5. Financial Institutions and AML Compliance

Numerous research studies have been carried out to investigate financial institutions' efforts in preventing money laundering. These studies aim to identify challenges, explore employee and auditor attitudes towards the implementation of AML/CFT measures, assess the risks associated with AML, study the impact of compliance on bank performance, and emphasize the need for effective AML solutions. The period between 2003 and 2022 has seen a range of scholarly papers and reports from various institutions that provide a brief summary of these studies.

(Graham, 2003) Emphasizing the importance of adhering to KYC and conducting customer due diligence, the author highlighted two crucial advantages of KYC compliance. The first benefit is that it helps with risk assessment for customers and efficient account monitoring for transactions that need to be reported. In order to better serve the client base, KYC information also makes it feasible to identify potential clients in the financial sector. The author further explained how KYC compliance is beneficial to financial firms, as it helps prevent money laundering, terrorism financing, and other frauds, while also enhancing client services.

(Gill, 2004) “The research focused on understanding the viewpoints and experiences of the financial sector, including banks, insurance companies, investment firms, and others, regarding Anti-Money Laundering (AML) regulations in the UK.” A questionnaire was distributed to officers in the UK, leading to a comprehensive survey, and key personnel involved in AML were interviewed to gain deeper insights. The study found that there was broad support for AML regulations across the financial sector. However, opinions were less favourable when it came to the specific aspect of Know Your Customer (KYC) practices. While banks generally viewed the level of regulation as appropriate relative to the risks involved, other financial firms perceived the KYC requirements as burdensome, with implementation costs outweighing perceived benefits. Many respondents expressed concerns that such stringent requirements might deter potential clients and impact long-term customer relationships. One of the major limitations identified was the inefficiency of KYC requirements in revealing the connections between Politically Exposed Persons (PEPs) and their close associates. Additionally, the study found that KYC measures were ineffective in

accurately determining the beneficial owners of accounts. Customer identification primarily relied on information provided by clients, and there was a lack of an independent official reference source to verify this information for financial institutions. In conclusion, the research suggested that the existing KYC requirements in the UK were more likely to be effective in countering less sophisticated attempts at money laundering rather than those carried out by more sophisticated offenders.

(Harvey J. , 2004) Investigated the rising costs and benefits associated with anti-money laundering (AML) compliance within financial institutions. The research encompassed surveys and interviews conducted with compliance staff from various UK financial institutions and their regulatory bodies. The respondents unanimously agreed on the critical importance of AML compliance for their businesses, attributing its significance to the substantial improvement it brings to their reputation. However, opinions varied regarding the costs. Some respondents expressed scepticism towards the value of reporting, citing the absence of feedback on the effectiveness of reported activities and the limited increase in money laundering prosecutions. In contrast, many perceived AML compliance as an essential practice that does not hinder customer relationships, as customers are well-informed about the reasons behind its implementation. Additionally, a few respondents believed that compliance efforts were primarily motivated by a fear of criminal sanctions, rather than a focus on the benefits they bring to the firm.

(Kishima, 2004) Discussed Japan has been actively involved in global efforts to combat money laundering and terrorist financing. These endeavors include addressing terrorism financing laws, customer identification and record retention, foreign exchange and foreign trade regulations, and the initiatives of “Japan's financial intelligence unit office” (JAFIO). Notably, Japan played a pivotal role as a founding member of the Financial Action Task Force (FATF), demonstrating its commitment to tackling these illicit activities. Japan has taken a strict approach to criminalizing terrorism financing, making it a punishable offense even if the actual criminal act has not yet occurred. Moreover, Japanese authorities have the jurisdiction to prosecute their nationals engaged in terrorist financing abroad. In terms of customer identification, Japan has implemented robust laws. The law about customer identification and retention of records on transactions with customers by financial institutions, established in 2003, mandates thorough due diligence measures for both

domestic and international transactions. Financial institutions that infringe any of the sanctions with these measures face penalties. Additionally, this legislation prohibits customers from providing false information to financial institutions, with penalties imposed on those caught doing so.

(Kumar B. V., 2004) India's anti-money laundering function has earned recognition for its pioneering efforts, as it was one of the first countries to introduce AML legislation. The Prevention of Money Laundering Act (PMLA) plays a central role in this framework, addressing various aspects. It encompasses the definition and punishment of money laundering offenses, the establishment and powers of adjudicating authorities, procedures for asset attachment, adjudication, and confiscation, obligations imposed on financial institutions and intermediaries, and provisions for international cooperation on information exchange, the seizure of illegally acquired assets, and collaborative investigations with other countries.

(Vickers, 2005) The ease with which large sums of money can be transferred around the world via computer networks creates opportunities for corruption. To aid in the fight against international terrorism and drug trafficking, money laundering legislation has recently been strengthened and expanded to include new business sectors. This article talks about the changes made by the legislation and the information that the professionals should possess to ensure that their system complies with the law along with minimizing the hassle for the client, prospects, and staff.

(Fleming, 2005) Investigated how law enforcement agencies (LEAs) in the United Kingdom utilize and handle Suspicious Activity Reports (SARs). The study involved engaging with members of the SARs community from the private sector, government, and LEAs through meetings and communication. Additionally, a survey of LEAs was conducted to better comprehend the impact of SARs on crime reduction. The research also included site visits to specific LEAs. The places for site visits were selected based on the size as well as the location. The key findings indicated that a significant number of LEAs underutilized SARs and lacked comprehensive records of their SAR usage. Communication and feedback among LEAs, the UK - Financial Intelligence Unit (FIU), government, and industry were found to be suboptimal. Furthermore, the feedback provided by LEAs to the National Criminal Intelligence Service (NCIS) was not effectively used by the NCIS or the financial industry.

(Ping, 2005) the origins of the requirement for financial systems and other organizations to report suspicious transactions. To support this assertion that banks are not required to report suspicious transactions, the author cited the 1988 Statement of Principles of the Basel Committee on Banking Regulations and Supervisory Practises. According to the author, the 1988 Statement of Principles of the Basel Committee on Banking Regulations and Supervisory Practises did not place any obligations on banks to disclose suspicious transactions. Financial institutions may be required to comply with either a voluntary or mandatory requirement under this permissive reporting scheme. The FATF has instructed financial institutions to stop serving consumers and terminate their accounts in the absence of a mandatory reporting system. As a result, the author provided valuable insights into the historical development of reporting requirements. The evolution was traced from a lack of reporting to the introduction of voluntary reporting and, eventually, to mandatory reporting. The study also highlighted the progressive expansion of the reporting obligations, initially focusing on banks, then extending to non-bank financial institutions, and finally encompassing non-financial institutions as well.

(Johnston, 2006) The conversation centered around recent developments in the regulatory and financial sectors concerning Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). During the discussion, various challenges to AML/CFT compliance were outlined. These included the difficulty of establishing suspicions about transactions possibly linked to terrorism financing compared to identifying money laundering transactions. Another concern discussed was the complexity faced by internationally active banks in managing Know-your-customer (KYC) risks across national borders. Moreover, legal constraints on sharing customer information between countries were noted as a hindrance to consolidating a customer's KYC data.

(Kini, 2006) highlighted notable AML enforcement actions and the valuable compliance lessons derived from them. It specifically referenced cases involving ABN AMRO, Oppenheimer & Co., Bank Atlantic, and Crowell, Weedon & Co. These instances underscored the significance of Suspicious Activity Report (SAR) filings, comprehending the risks associated with the business, enhancing AML compliance measures to accommodate business expansion, implementing enterprise-wide AML programs, and strictly adhering to written policies and procedures.

(Favarel-Garrigues, 2007) Examined the transition of French banks from their existing tradition of confidentiality to the responsibility of fighting money laundering. A survey was carried out through interviews with compliance officers and other individuals involved in anti-money laundering (AML) efforts at institutions such as the Banking Commission and Tracfin (France-FIU). According to the study, bankers demonstrated a strong commitment to fulfilling their new responsibilities and managing risks effectively. The research highlighted significant investments in staff recruitment and training, the acquisition of expensive computer equipment, efficient software solutions, and the implementation of internal procedures.

“(Wit, 2007) emphasizes the significance of embracing a risk-based approach when implementing an anti-money laundering (AML) system.” Employing exhaustive customer due diligence (CDD) measures for all clients, especially in smaller institutions, presents considerable challenges. Therefore, adopting a risk-based approach proves advantageous for implementing CDD measures. According to the author, around 80% of a financial institution's customers can be classified as low-risk, making standard CDD procedures adequate for them. On the other hand, high-risk customers' identities and transactions should undergo meticulous scrutiny. The author acknowledges that these low-risk customers might get involved eventually being involved in money laundering or suspicious non-monitored transactions. To tackle this, the author suggests the creation of a "customer acceptance matrix," which factors in a customer's status and the specific products or services they seek to determine their risk level.

“(PricewaterhouseCoopers., 2007) investigated the merits and drawbacks of implementing the risk-based approach (RBA) in Anti-Money Laundering (AML) measures in the United Kingdom.” The research involved money laundering reporting officers (MLROs) and other financial services compliance professionals who participated in interviews, forming the basis of the survey. Out of the 148 participants in the survey, 117 were MLROs. The study found that financial institutions are increasingly adopting the risk-based approach to fulfill AML requirements. However, 82% of the total respondents reported that there was no tangible benefit compared to the costs associated and reported that they hadn't observed any tangible benefits compared to the costs associated with implementing AML through RBA. This perception was attributed, in part, to the lack of awareness among respondents regarding

their company's AML compliance budget allocation. During the implementation of RBA, participants highlighted various challenges, including time constraints, limited resources, lack of guidance, and other issues. Notably, approximately one-third of the respondents found the identification of “Politically Exposed Persons (PEPs)” to be one of the most daunting challenges, mainly due to the absence of a comprehensive PEPs list. Additionally, more than half of the participants identified staff training and technology implementation as the most formidable challenges faced by their respective companies in the context of AML. In conclusion, the study reveals the mixed experiences and difficulties encountered by financial institutions and compliance professionals in adopting the risk-based approach to AML and effectively managing the risks associated with money laundering.

Using the empirical method, (Nair, 2007) investigated the impact of legal framework efficiency, human capital quality, ethical conduct in companies (corporate governance), the technological landscape (information and communication technology infrastructure), and the ability to foster innovation on the occurrence of money laundering in both developed and developing nations. The sample included 88 countries from both developing and developed economies, and the study took place between 2004 and 2005. The ordinary least square method was used to examine the impact of the aforementioned factors. The finding suggested that in order to reduce the spread of money laundering activities, an effective legal framework and ethical corporate governance practices existed. The ability to innovate negatively contributed, and as a consequence, there has been an increase in the prevalence of money laundering activities. The study suggests that the impact of technology and the quality of human capital on money laundering occurrence is negligible. Instead, it highlights that an effective legal framework and ethical behavior within firms are the most crucial factors in reducing the extent of money laundering on a global scale. However, it was observed that the influence of the aforementioned factors had a major impact on the developed countries rather than the developing countries.

“In his research paper, (Bruce Zagaris, 2007) discovered that formal banking systems are absent or weak, or that structural obstacles distort foreign exchange and other financial markets.” He also recommends licensing or registration requirements for operators, as well as competent authority due diligence on operators.

“(Choo, 2008) highlighted the potential dangers posed by politically exposed persons (PEPs) and put forth practical strategies for regulated entities to diminish the inherent risks of money laundering associated with PEPs.” These recommendations encompass an extension of PEP monitoring to cover individuals entrusted with roles of public significance within their respective jurisdictions, including those with political exposure and functions that might not be conventionally deemed prominent. The scope of monitoring should also encompass individuals occupying significant positions within the private sector, such as CEOs of publicly traded companies, as these individuals are also susceptible to criminal activities such as corruption. In order to effectively tackle these risks, the author advised regulatory bodies and the entities they oversee to adopt a customized strategy tailored to their specific jurisdiction. This could involve the implementation of a corruption prevention strategy or a similar approach that aligns with the regulatory landscape. This tailored approach should prioritize heightened scrutiny and the integration of specific Customer Due Diligence (CDD) measures in addition to the standard CDD process. This layered strategy aims to effectively curtail the money laundering risks associated with PEPs. To execute this approach, it is imperative to cross-reference customer databases with credible commercial PEP databases, peer association watch lists, and other publicly accessible resources. By doing so, the comprehensive efforts to mitigate money laundering risks tied to PEPs can be notably bolstered.

This study, (Chaikin D. , 2008) Analyses the correlation between commercial corruption and the illegal practice of money laundering. Corruption contributes to money laundering activity by paying bribes to individuals in charge of anti-money laundering (AML) systems. Because of the recursive nature of the links between corruption and money laundering, policies aimed at Combat both may have a mutually reinforcing effect.

(Rusmin, 2008) Semi-structured interviews were employed to gather insights from diverse Indonesian stakeholders, representing different sectors, about their views on AML legislation. The majority acknowledged its significance in combating money laundering, with lawyers being the exception, as they emphasized the reporting costs outweigh the benefits. Additionally, insurance companies expressed concerns about potential client losses due to the disclosure of customer identities, while other sectors reported an excess of low-quality Suspicious Transaction Reports. Most stakeholders stressed the importance of

receiving feedback on submitted reports. In conclusion, the interviews revealed diverse perspectives on AML legislation and its implementation in Indonesia.

(Chaikin D. , 2009) The study aimed to evaluate the efficiency of Switzerland's Suspicious Transaction Report (STR) regime. The results indicated a comparatively low number of STRs generated concerning the scale of Switzerland's offshore private wealth management sector. This raised concerns about the effectiveness of the Swiss STR system due to the potential underreporting of suspicious transactions. Some of the suspected cases were going unreported and the reason behind the same was the fact that tax evasion was not considered a crime in Switzerland. The study also found a significant disparity in the number of STRs filed between Switzerland and other countries such as the United States, the United Kingdom, and Australia. Despite this, the study concluded that the quality of STR reports filed in Switzerland was high, as a considerable percentage of them were forwarded to prosecuting authorities for further investigation. Additionally, the statutory requirement to automatically block funds upon filing an STR resulted in a substantial amount of frozen funds.

(Dayanath Jayasuriya, 2009) The purpose of this study is to examine how anti-money laundering initiatives aid in the promotion of good governance, and how ethical governance measures aid in the promotion of anti-money laundering activities. The paper demonstrates how good governance norms and practices can influence further development and refinement and the successful enforcement of anti-money laundering and counter-terrorism financing frameworks.

(Harvey J. &, 2009) The study conducted in the United Kingdom aimed to investigate the relationship between AML (Anti-Money Laundering) compliance and the reputation-building efforts of banks. To explore this connection, the researchers utilized the 'legitimacy theory,' which suggests that if banks perceive AML compliance as significant for their reputation, they should provide a 'high level of good quality disclosure' concerning AML-related information. The research focused on the annual reports of well-known banks, including Halifax Bank of Scotland (HBOS), Barclays, Hong Kong Shanghai Banking Corporation (HSBC), Northern Rock, Lloyds TSB, Royal Bank of Scotland (RBOS), and Standard Chartered Bank, covering the period from 2001 to 2005. Using qualitative analysis and content analysis, the study examined bank disclosure on AML compliance, specifically

looking into themes such as anti-money laundering measures, account-related activity, training, reputation identification, compliance or regulatory activity, and financial crime. Additionally, the researchers delved into the factors motivating the reporting of suspicious or unusual activities, aiming to ascertain whether the primary motivation was to build a positive reputation or to avoid penalties. The results indicated that the annual reports of UK banks contained limited information about their AML compliance activities. As such, the study couldn't conclusively support the idea that AML legislation was primarily driven by the need to safeguard the financial sector's reputation. Instead, the research suggested that compliance efforts were mainly motivated by the desire to evade fines and penalties.

(Jun, 2009) Examined China's CDD practices about international CDD regulations. Despite the presence of CDD provisions in China since 2007, the author found that China's adherence to FATF requirements did not meet the expected standards. Banks lacked social and environmental support for verifying the authenticity of customer identification information, and there were no practical means to identify online customers and regulate their online transactions. Moreover, it was difficult for the institutions to comply with the CDD regulations promptly because customer identification was still a new concept in China.

(Singh, 2009) Outlined India's position on money laundering control in comparison to international AML requirements. The investigation addressed several gaps and challenges concerning the enforcement of AML (Anti-Money Laundering) laws. The study highlighted the following concerns: inefficiency in the implementation mechanism, failure to keep abreast of technological advancements leading to an upsurge in cybercrime, inadequate awareness among the general public about money laundering and its consequences acting as an impediment to effective AML enforcement, perfunctory adherence to Know Your Customer (KYC) norms, the existence of illicit underground channels for selling goods, apprehensions related to tax avoidance and evasion, and the absence of a comprehensive enforcement agency due to the lack of convergence among various law enforcement branches.

(Subbotina, 2009) Evaluated the level of compliance with Anti-Money Laundering (AML) regulatory standards by a Russian bank was thoroughly examined. The data for the analysis was obtained through extensive research into the regulator's banking legislation, conducting interviews with practitioners, and closely observing banking practices. The study focused on

three crucial aspects of AML implementation: regulatory legislation, the behavior of those involved, and conflicts arising from differences between regulation and practice. The findings indicated that the banks were not fully adhering to AML regulations. The reasons for this non-compliance included the flexibility of AML laws, leading to diverse interpretations, inadequate understanding of international AML norms and standards among participants, a lack of feedback on the effectiveness of the banks' measures, and AML compliance activities being driven more by fear than sincere dedication to combating money laundering. The study also observed that while reporting obligations were generally met by banks, occasional delays occurred due to technical issues in their IT AML solutions. Additionally, while most top-management representatives showed support for AML measures, middle- and low-level practitioners tended to have a negative attitude. This prompted concerns about whether financial institutions were unwilling or unable to comply with the regulator's rules. In light of these findings, the study recommended that the state take measures to improve understanding and clarity in the implementation of AML rules.

“(Verhage, 2009) The study aimed to examine the practices and challenges faced by compliance officers in Belgium and evaluate the effectiveness of Anti-Money Laundering (AML) regulations.” It involved conducting a survey among Belgian compliance officers and analyzing 13 years' worth of AML implementation statistics in the country. The survey covered various aspects, including the general characteristics of compliance officers, the importance of information exchange between public and private entities, and identified bottlenecks in AML compliance. The study revealed several bottlenecks, such as the lack of access to national registers, the absence of a Politically Exposed Persons (PEP) list and a database of high-risk clients at banks, insufficient feedback from the Financial Intelligence Unit (FIU), and limited investigative resources. To assess the effectiveness of AML measures, the study considered indicators such as the number of reported suspicious transactions, FIU investigations, dismissals of Suspicious Transaction Reports (STRs), and the count of public prosecutions and convictions. However, the study's findings indicated that the reporting system had only a minor impact on the efforts to combat money laundering. Despite significant investments in AML measures, the study concluded that the overall outcomes of the system remained uncertain.

(Advisors., 2009) A comprehensive survey was carried out to assess the compliance approach of Indian banks with Anti-Money Laundering (AML) regulations, their readiness to meet current and future AML requirements, the level of priority senior management placed on AML, and the challenges faced by these banks. The survey utilized a web-based questionnaire and computer-assisted interviews, involving 168 employees from all management levels, with a majority situated in middle management across various departments in public sector banks, private sector banks, and foreign banks in India. The results generated from the survey showed that 64% of the total respondents stated that they complied with recommended practices. However, it was evident that their awareness of AML provisions did not entirely align with their claims of high compliance. While senior management respondents viewed implementation as the most challenging aspect of AML, middle management respondents found interpretation to be more difficult, and off-shore level found “reporting” as one of the major challenges. Regarding detecting suspicious transactions, all respondents from private banks considered staff vigilance as an effective method, whereas respondents from foreign banks cited both staff vigilance and AML technology as effective means. In terms of AML training, most respondents in public sector banks reported receiving regular training, whereas about 38% of respondents in private banks revealed that training was only provided during on boarding. The study highlighted the scarcity of skilled AML staff as the most significant operational challenge faced by banks, and it was observed that respondents at the senior management level implemented a risk-based approach.

(He, 2010) This paper doesn’t provide detailed information on, or commentary on, various money-laundering techniques or future efforts to combat money laundering, which would be useful to policymakers, enforcement authorities, and judicial professionals. Money launderers will sometimes take advantage of lawyers and accountants. Criminals prefer to launder money through transactions that do not involve one-on-one interaction due to the widespread use of electronic money and the Internet. The fight against money laundering is a battle between good and evil. It is critical to pierce the secret veil of money laundering to fight against the same more effectively and efficiently.

(Shahrivar, 2011) Assessed the status of AML compliance in developed economies (the United States and the United Kingdom) and developing economies (India and Iran). The

assessment incorporated both primary and secondary sources. The author also examined the attitudes of respondents towards AML (Anti-Money Laundering) laws, institutional AML measures, AML awareness, technology, and legal consequences in developed and developing economies. To collect data, a well-structured questionnaire was distributed via email to selected public and private sector banks in the United States, the United Kingdom, India, and Iran, resulting in a sample of 329 banks. The findings indicated that compliance with AML laws tended to be lower in developing economies, with Iran showing the lowest compliance rate among the four countries under study. Furthermore, the research revealed that developing economies imposed more severe legal punishments compared to their developed counterparts. Nonetheless, the study showed that developing economies exhibited a substantial level of compliance with international cooperation frameworks. Interestingly, there was little difference in the attitudes of respondents from the public and private sectors towards AML regulation.

(Jones & ACAMS., 2011) AML executives, including chief compliance officers, vice presidents of AML, compliance directors, and compliance officers from various countries like the United States, United Kingdom, Canada, China, Japan, Australia, and Spain, were part of a survey aimed at understanding their primary challenges in implementing Anti-Money Laundering (AML) measures. The survey received responses from 600 participants, revealing significant insights. Respondents reported a substantial increase in their workload due to a heightened focus on AML regulations, as well as facing difficulties arising from understaffing and a lack of adequately trained personnel. Moreover, the survey found that the majority of AML alerts generated by AML solutions were found to be false positives.

“(Kutubi, 2011)” The research aimed to explore the current endeavours and obstacles within Bangladesh's financial sector to combat money laundering. To gather data, a survey questionnaire was distributed to 21 financial institutions, encompassing private commercial banks, foreign banks, and non-bank financial institutions. The respondents were experienced senior financial professionals with more than a decade of expertise. The survey primarily focused on various aspects, like detecting fraudulent monetary transactions, reporting those transactions, monetary costs associated with the same, institutional framework, and governance. The study's results indicated that the banks in Bangladesh have taken praiseworthy initiatives to prevent money laundering by adhering to the guidelines provided

by the “Central Bank of Bangladesh.” The monitoring mechanism proved to be efficient in identifying a significant number of potentially risky transactions. However, the reporting process fell short of expectations, as only a small proportion of the total fraudulent transactions were reported.

(Norman Mugarura, 2011) The purpose of this paper is to make the case for the establishment of a global anti-money laundering (AML) court. The proposed court, as an institution, can develop a rule-based ethos as well as an atmosphere favorable to the enforcement of AML regimes including crucial global societal changes. According to the paper, any global initiatives, whether on money laundering (ML) or otherwise, must be housed within an institutional framework in order to function effectively. Short of that, global AML regimes may face enormous challenges in operating as intended.

By comparing the Danish and British AML regimes, (Simonova, 2011) The study explored the challenges associated with implementing a risk-based approach to Anti-Money Laundering (AML) and proposed effective methods to strengthen this strategy. A key issue identified was the absence of standardized risk terminology. The flexibility granted to financial institutions in developing their risk-based AML systems had the potential to undermine the overall efficacy of AML laws. Another prevalent concern across financial institutions was the lack of transparent public registries containing information about beneficial owners of legal entities, leading to difficulties in their identification and verification. Similarly, identifying and verifying politically exposed individuals, their relatives, and associates proved challenging due to the heavy reliance on self-reported data and private registries. Moreover, the absence of a centralized register for all trusts in the UK added to the complexities. Furthermore, the study emphasized the need for a multi-dimensional risk assessment. It argued that adhering solely to the risk factors prescribed by legislation should not automatically trigger increased customer due diligence. Instead, a comprehensive evaluation of various risk elements should be undertaken. For instance, if a product requested by a foreign Politically Exposed Person (PEP) is assessed as low risk, it may be justifiable to apply simplified diligence, rather than imposing enhanced due diligence solely based on the PEP classification by international standards. The author underscored that money laundering risk depends on a combination of factors and not solely on a single risk factor defined in international standards or national legislation. To enhance the

effectiveness of the AML regulatory framework, the study recommended integrating AML considerations into corporate social responsibility (CSR) policies, as well as codes of business conduct and ethics.

(Simser, 2011) Investigated counter-terrorism financing. The research focused on the process of terrorist financing, using Al-Qaeda in Iraq (AQI) as a case study. AQI received financial support from various countries, including Saudi Arabia, through charities and direct solicitations. However, the international efforts to combat terrorist financing (CFT) had a significant impact on AQI by 2005. As a result, they shifted their financing strategy and started collecting funds locally to sustain their terrorist activities. The study also analyzed the effects of international and Canadian anti-terrorism financing regulations on financial institutions. It underscored the importance of sharing knowledge and intelligence to effectively counter-terrorist financing. However, the CFT system had certain limitations, especially when intelligence gathering took precedence in controlling terrorism. One key drawback was that financial institutions were obligated by law to close accounts associated with terrorist activities as soon as they were detected. Unfortunately, this sometimes led to missed intelligence opportunities. To address this issue, the author highlighted the significance of keeping accounts open and operational while law enforcement authorities conducted their investigations to maximize intelligence gathering. In conclusion, the study emphasized the necessity of striking a balance between acquiring objectives, actionable intelligence, and using appropriate mechanisms to achieve counterterrorism objectives.

(Simwayi, 2011) Investigated the role of commercial banks in the People's Republic of China's (PRC) fight against money laundering. A survey of ten commercial banks in Xichang City was conducted. Data was gathered from bank employees entrusted with AML activities using a combination of a survey and guided verbal interviews. The study was conducted during the period between July 1st and August 20th, 2010. The research unveiled that despite undergoing independent audits by external auditors, the PBOC did not assess all banks' compliance with AML regulations and policies from 2006 to 2010. Nevertheless, all banks had established AML policies and procedures, appointed an AML compliance officer, and provided training to their staff. The study also highlighted the contrast in attitudes between senior management and junior staff. While the former exhibited positive attitudes, the latter perceived AML as an additional burden on the bank's operations. Furthermore, the research

addressed the challenges faced by compliance officers, which encompassed tasks ranging from customer identification to detecting and reporting suspicious transactions. Authenticating the legitimacy of identity documents posed a significant challenge due to the ease with which they could be forged. Additionally, promptly identifying specific suspicious transactions and reporting them presented difficulties.

(Yepes, 2011) The study evaluated 161 countries' compliance with Anti-Money Laundering (AML) and countering the Financing of Terrorism (CFT) measures between 2004 and 2011. The primary focus was to investigate how domestic factors influenced their adherence to the recommendations set by the Financial Action Task Force (FATF). Compliance levels were measured using a scoring scale, with a perfect compliance score being 49. The findings revealed that overall country compliance with FATF recommendations was generally low, and achieving full compliance with any of the recommendations was uncommon. Advanced countries exhibited a higher level of compliance with the AML/CFT standards compared to others. The extent to which countries implemented AML/CFT measures varied according to their Money Laundering and Financing of Terrorism (ML/FT) risk levels. However, the study emphasized that the risk levels were not solely determined by a country's level of development. Interestingly, some low-income countries were less affected by ML, contrary to the initial assumptions. Regarding specific recommendations, the study observed that AML recommendations received higher compliance rates than CFT recommendations. Notably, all countries received significantly low compliance scores for the fifth recommendation, which pertains to customer due diligence measures in financial institutions. The study also highlighted several factors that influenced compliance levels. There was a positive correlation between a country's economic development and its AML/CFT compliance index. Countries with better regulatory frameworks demonstrated higher levels of compliance. Additionally, those with lower control over corruption exhibited lower compliance levels. Moreover, an increase in a country's net interest margin was associated with a significant negative impact on compliance. The author emphasized the critical role of improving local governance to enhance the effectiveness of the AML regime.

(Gilles Favarel-Garrigues, 2011) Private sector efforts to combat money laundering and counterterrorism financing (AML/CTF) are an example of how the concepts of state sovereignty and neoliberal governmentality collide. In this paper, we demonstrate that the

primary tangible result of two decades of international policy in this domain has been the normalization of professional relations between banks and law enforcement organizations. Banks hire former law enforcement officers and try to build informal relationships with police and intelligence agencies. They are also active participants in intelligence-led policing missions and have developed interdependent relationships with law enforcement agencies. The article examines how new everyday professional routines in the banking sector reflect govern mentality, using data from 75 interviews with AML/CTF professionals in France. In this article, we show that the reutilization of professional interactions between banks and law enforcement agencies is the main concrete output of two decades of global policy in this area. Banks hire former law enforcement officers and try to build informal relationships with police and intelligence agencies. They are also active participants in intelligence-led policing missions and have developed interdependent relationships with law enforcement agencies. (Saleha Raza, 2011) Suspicious activity reporting has long been a critical component of anti-money laundering systems. Financial transactions are regarded as suspicious when they deviate from their consumers' usual behavior. Money launderers make particular efforts to make their transactions appear as normal as possible to conceal their illegal nature. This could fool traditional deviation-based statistical methods, which are employed to detect anomalies. SARDBN (Suspicious Activity Reporting Using Dynamic Bayesian Network) is introduced in this article as a method for detecting anomalies in transaction sequences that combines clustering and dynamic Bayesian networks. (DBN). DBN is used by SARDBN to discover trends in a customer's monthly transactional sequences and create the AIRE anomaly index. (Anomaly Index using Rank and Entropy). AIRE assesses the degree of abnormality in a transaction and compares it to a pre-defined threshold to determine whether the transaction is normal or suspicious. The suggested method has been tested on a real dataset of over 8 million financial transactions and has yielded good results.

The System for the Prevention of Money Laundering functions in two ways, according to (Assistant Professor Svetlana Nikoloska, 2012) The first is when entities identify suspicious transactions and notify Financial Intelligence Units, who then deliver the data to law enforcement entities for the provision of evidence and prosecution of money launderers, and the second is when a crime is detected and money is followed. Banks are required by law to take certain steps to detect money laundering.

(Idowu, 2012) Investigated the influence of Anti-Money Laundering (AML) policy on the performance of banks by conducting a census of three Nigerian banks. Bank employees were selected as respondents and provided their feedback through a structured questionnaire. The participants totalling 200 employees were chosen using a simple random sampling technique, with each bank contributing approximately 67 employees on average. The questionnaire was designed to assess the level of awareness and the effectiveness of implementing the AML policy. The findings revealed a strong positive association between bank performance and the successful implementation of the AML policy. Furthermore, the study indicated that a significant majority of bank employees were well-informed about the AML policy and had a clear understanding of its provisions.

(Desai, 2012, November) The report investigated specific factors that contributed to money laundering in Asia and assessed Asia's adherence to FATF recommendations. According to the author, several developing economies in Asia are characterized by political instability, economic volatility, a high level of corruption, and a lack of institutional capacity. These factors create both opportunity and demand for money laundering. Furthermore, the prevalence of cash transactions, alternative remittance systems, and high-end criminal activity facilitate money laundering in Asia. It also states that stringent privacy laws in several jurisdictions prevent the reporting of suspicious transactions to regulators and other authorities. In terms of countries' compliance with FATF's six core and ten key recommendations, the study found a wide range of compliance ratings among Asia's economically significant countries (Hong Kong, China, Japan, India, Malaysia, Singapore, Indonesia, South Korea, the Philippines, Vietnam, Thailand, Taiwan, U.S.). Only 13% of FATF recommendations were rated as partially compliant (PC) or non-compliant (NC) in Singapore, whereas 75% or more of the recommendations were rated as PC or NC in Vietnam, Thailand, the Philippines, and Indonesia. As a result, these countries were designated as high-risk jurisdictions on the FATF's watch list. In India, approximately 56% of the recommendations were classified as PC or NC. The study also identified significant issues in AML implementation, such as a lack of enforcement, capacity constraints (such as a lack of skills, training, and resources), and the need for cross-jurisdictional coordination. Despite strict laws prohibiting money laundering and terrorism financing, a lack of enforcement has resulted in a low rate of prosecutions and confiscations. In 2012, India reported six prosecutions and zero convictions for money laundering and financial crimes.

According to the study, developing an AML/CFT system takes time, and most Asian countries are moving in the right direction.

(Sreekumar, 2012) Presented the determinants of AML compliance based on semi-structured interviews with senior bankers from India's public, private, and foreign banks. The sample included banks of various sizes. The interview focused on the factors that contribute to poor AML compliance, the causes of operational risk events, the components of a good compliance culture, the role of regulators and audit, the costs and benefits of compliance/non-compliance, the role of technology and HR policies, and non-compliance indicators. The authors reported that the following were the most important determinants of compliance (in the order in which they were ranked): 1. Employee education and training 2. Internal auditing 3. Unambiguous legislation 4. Culture of compliance 5. Stable systems and processes 6. The cost of non-compliance 7. Government and third-party backing 8. Penalties or strict enforcement, 9. Clear communication, 10. Regulation is adaptable. 11. Internal control measures, and 12. System support to generate alerts. The following were the major effects of noncompliance recorded (in the order of their ranking scored): 1. Audit findings, 2. Regulatory action, 3. Fraud, 4. Complaints/legal issues 5. Negative impact on brand image/reputation 6. Business disruption, 7. Has an impact on staff accountability, and 8. NPA quality.

(Rusmin, 2012) A qualitative inquiry was conducted to report on the advancement of KYC implementation and the crackdown on foreign bribery in Indonesia. The research was based on semi-structured interviews carried out in 2011 with high-ranking officials from the Indonesian Financial Transaction Reports and Analysis Centre (FINTRAC), the Indonesian Police Force, and the Indonesian Attorney General's Office, who possessed extensive expertise in AML management. Conversations with Indonesian police officers revealed that many institutions in Indonesia were not abiding by their KYC protocols. Although the officers were eager to conduct specific training sessions to ensure KYC compliance, institutions lacking the necessary resources never requested training.

(KPMG, 2012) conducted a study on anti-money laundering in India. The research focuses on KYC requirements, due diligence measures, politically exposed individuals, reporting, training, and compliance costs. The issues raised above in both Transaction Monitoring and Sanctions Compliance indicated an underdeveloped or rudimentary system that would

necessitate investment in areas such as building IT capabilities that encompass the customer profile, risk ratings, and financial transactions. The lack of expert tools for transaction monitoring, and customer and payment screening can stymie an organization's AML program. As a result, Indian organizations must recognize the significance of fully integrating AML as a risk management practice, taking into account all AML-related processes such as transaction monitoring, sanction, and PEP compliance. According to the study, India is on the right track, having tripled the manpower of the Directorate of Enforcement, which leads money laundering investigations in the country; the presence of the Financial Intelligence Unit, which tracks and analyses money laundering risk through its reporting mechanism; and the recent updating of the legislative framework.

(Svetlana Nikoloska, 2012) The role of banks in the system for money laundering prevention as a subject or component of the first pillar is critical because bank employees have first-hand knowledge of suspicious transactions and suspicious customers who use any of these schemes to enter dirty money into the financial system. Banks are required to use the indicators for suspected suspicious transactions. The extent to which banks comply with these legal provisions and obligations for the treatment and detection of suspicious transactions is primarily determined by their education and cooperation with Financial Intelligence Units. The prompt statement of info for suspicious transactions or suspicious activity is a critical component of discovering, clarifying, and obtaining evidence of a crime that resulted in criminal proceeds obtained for which criminals are tried or placed in the financial system for legalization. Early freezing of criminal money in bank accounts allows confiscation, which benefits the criminals by making crime unfeasible.

(Unger, 2013) Can money laundering decrees be analyzed in this study? According to this article, money laundering has hardly decreased over the last two decades. This is largely due to the broadening of the definition of money laundering. However, there are some indications that traditional areas of laundering, such as fraud and corruption proceeds, have grown rather than been effectively combated. Money laundering may become less prevalent in the future.

(Huang, 2013) Used a questionnaire to assess the perceived effectiveness of Malaysia's anti-money laundering (AML) requirements in controlling money laundering and terrorism financing from the perspective of law enforcement agencies. Initially, the intended respondents were the Royal Customs Malaysia Department and the Royal Malaysia Police.

However, due to a low response rate from these organizations, the sample size was expanded to include participants from reporting institutions. According to the study's results, a majority (59.3%) of the participants believed that AML measures had been highly effective in controlling money laundering and terrorism financing over the last five years.

(Sarigul, 2013) The study discusses the misuse of the financial system, particularly banks, for money laundering. According to the research, banks serve as attractive channels for money launderers due to the global nature of the banking system, enabling them to conceal illegal funds effectively. Additionally, banks offer a secure and swift means of relocating funds and can transform these funds into various bank products, creating the illusion of legitimacy. Despite the implementation of anti-money laundering (AML) measures that have made money laundering through banks more challenging in recent years, banks continue to play a significant role for money launderers. The report identifies several tools and services, such as bank drafts, electronic money transfers, branchless banking (e.g., internet banking, mobile banking, ATMs), correspondent banking, private banking, offshore banking, and loan back schemes, which contribute to the attractiveness of banks for money laundering activities.

(Shahin, 2013) The analysis presented a case study demonstrating how Lebanon, a small open economy with a banking sector oriented towards a free market, abided by global regulations and personal initiatives in the worldwide battle against Money Laundering and Combating the Financing of Terrorism (AML/CFT). The research also sheds light on the collaborative role of banks in the AML/CFT arena. The study revealed that the Lebanese banking system was in harmony with the USA Patriot Act, and Lebanon had consistently been a key proponent of adhering to international rules, notably since the establishment of FATF in 1990. Furthermore, the Lebanese banking sector demonstrated diligent compliance with international sanctions aimed at preventing illicit activities and thwarting infiltration attempts. Lebanese banks, whether in Lebanon or overseas, maintained robust and transparent relationships with correspondent banks.

(Murithi, 2013) This paper investigated the impact of anti-money laundering regulations on the financial performance of Kenyan commercial banks. Based on the findings, the study recommended that the Financial Action Task Force (FATF) continue to be implemented in addition to the regulatory and institutional framework under the AML Act, in collaboration

with the Central Bank of Kenya, to ensure the stability and integrity of the financial system. Money laundering is an economic crime that has hurt African country's economic development. Money laundering is notorious for discouraging or frustrating legitimate business ventures, corrupting financial systems, and eventually bringing the economy to its knees. The objective of this paper was to investigate the impact of anti-money laundering regulations on the financial performance of Kenyan commercial banks. According to the findings, the study concludes that bank reporting has an impact on AML, which has resulted in increased transactional costs due to screening and the reporting frequency that the bank has implemented, as well as a broadening of the types of reports prepared. The study also concludes that increased/high transaction costs, as well as training staff on detecting suspicious activities, have a notable influence on the operational outcomes of commercial banks in Kenya. Concerning the impact of transaction monitoring costs on AML, the study concludes that there is insufficient staff to monitor suspicious transactions in banks and that transaction monitoring costs have a significant impact on AML in Kenya.

(Brooks, 2014) Investigations were carried out to examine the existing strategies used for combating money laundering in Dubai. The study involved conducting semi-structured interviews with a group of thirty respondents, including representatives from the AML Suspicious Cases Unit (AMLSCU), the Anti-Organized Crime Department (AOCD), and employees from the Central Bank. The interviews centered around three main themes: the role of experience in making decisions related to money laundering, the utilization of technology in mining and analyzing customer behaviors and accounts, and the willingness of banks, law enforcement, and the AOCD to employ available sanctions in addressing illicit activities. According to the research findings, all participants were well aware of the significance of these strategies in preventing money laundering in Dubai. The study shed light on the importance of knowledge, technological tools, and a collaborative approach among various entities to effectively combat money laundering and maintain the integrity of the financial system in the region.

(Gallant, 2014) The study investigated the consequences of Canadian money laundering regulation spanning four decades. According to the author, these regulations have significantly contributed to the recovery of illicit assets by enabling the repatriation of suspected illegal funds to state treasuries. Furthermore, the regulations have somewhat

reduced the level of secrecy prevalent in international financial activities and have resulted in increased attention to taxation matters within a global context.

(Kemal, 2014) Investigated Assessing the efficacy of anti-money laundering measures in Pakistan, focusing particularly on customer record maintenance, employee training, and reporting of suspicious transactions. A questionnaire was used to collect a sample of one hundred responses from employees of public and private sector banks in Rawalpindi and Lahore. To make the analysis more reasonable, an equal number of responses were collected from both cities. The sample was chosen using snowball sampling. The study's results revealed that employee training has a moderate impact on money laundering in banks. However, the regulations concerning suspicious transaction reporting and customer record keeping have shown limited effectiveness in combating money laundering.

(Koker, 2014) The investigation focused on evaluating the effectiveness of the FATF customer identification framework in preventing the anonymous use of financial services. The study drew insights from various sources, including documents from FATF, the Basel Committee on Banking Supervision, and the Alliance for Financial Inclusion. The findings indicate that the implementation of the FATF's customer identification principles mainly results in costly procedural requirements for honest customers, but it does not effectively deter dishonest individuals from exploiting false identities to gain access to financial services.

This conceptual paper by (Zaiton Hamina, 2014) examines such obligations and the barriers to reporting in many jurisdictions, including Malaysia. It also investigates lawyers' vulnerabilities to money laundering and the role of the FATF in establishing reporting requirements. The lawyers' unwillingness to comply with their reporting obligations could be attributed to a culture of confidentiality and fear of eroding the principle of client-lawyer privilege.

(Normah Omar Z. A., 2014) The Financial Action Task Force (FATF) issued Special Recommendation (SR) VIII to help member countries assess the sufficiency of their current laws and regulations governing non-profit organizations. This paper examines the evaluation reports for various member countries. The overall review adds to the body of knowledge on

terrorist abuse of non-profit organizations while also facilitating effective policy implementation by member countries.

(Norton, Received 13 November 2014) This study examines the Asia Pacific Group (APG) recently conducted Mutual Evaluation reports on various countries to evaluate their compliance levels with respect to DNFBP (Designated Non-Financial Businesses and Professions) regulations. These reports also examined the key characteristics that define the DNFBP sector compliance rating. The findings indicate a low level of compliance with these standards in general, implying either a lack of awareness or a lack of enforcement by regulators. This paper evaluates the legislation's surveillance implications for auditors using lenses developed in the accounting and sociological literature by Brivot and Gendron, Neu and Heincke, Deleuze and Guattari, and Haggerty and Ericson. It discovers that auditors generate information flows that are then reassembled into discrete and virtual "data doubles" for capture and use by unknown third parties. According to the paper, the surveillant assemblage has expanded into the space of the auditor-client relationship, but this expansion is hampered by auditors' relatively low level of engagement in providing SARs, indicating a level of resistance in professional service firms to the deployment of regulation that jeopardizes the foundations of this relationship. It discovers that auditors generate information flows that are then reassembled into discrete and virtual 'data doubles' to be captured and used for unknown purposes by authorized third parties. The paper contends that the surveillant assemblage has expanded into the space of the auditor-client relationship, but that this extension has been hampered by auditors' relatively low level of engagement in providing SARs, indicating a degree of resistance in professional service firms to the deployment of regulation that jeopardizes the foundations of this relationship.

(A. Werner, 2014) This study provides the first empirical evidence in banking history on the subject of whether banks can produce money out of thin air. The banking crisis reignited attention on this topic, although it remained unresolved. The literature recognizes three hypotheses. Banks, like other non-bank financial firms, are essential intermediaries in the financial intermediation theory of banking, collecting deposits that are subsequently lent out. Individual banks, according to the fractional reserve theory of banking, are merely financial intermediaries that cannot produce money, but collectively they create money through systemic interaction. A third viewpoint is that when a bank offers credit, it has the potential

to create money "from nothing." (The credit creation theory of banking). The issue of which hypothesis is correct has far-reaching implications for research and policy. Surprisingly, despite the long-running discussion, no empirical research has been done to assess the hypotheses. This is the contribution of the current paper. An empirical test is performed in which money is borrowed from a cooperating bank while its internal records are monitored to determine whether the funds were transferred from other accounts within or outside the bank during the process of making the loan available to the borrower, or if they were created from scratch. This study proves objectively for the first time that banks independently manufacture money out of thin air. The money supply is created as "fairy dust" by individual banks, "out of thin air. "Insight of Anti-Corruption Initiatives in Malaysia.

(B. Viritha V. M., 2015)The review was done to check if India's planned business banks follow the rules against illegal tax evasion (AML) and to find any issues in their implementation of AML measures. The results showed that the banks were mostly in line with effective Anti-Money Laundering measures. Most people followed the rules for updating their KYC information (79. 9%), while fewer people followed the rules for reporting requirements (72. 7%) and verifying their identity (72. 7%) 574 percent can be simplified as more than half. 671 percent of people believed that the bank's AML strategy needed to be changed or updated due to risks and new administrative responsibilities. Most of the people who were surveyed agreed that the important things in preventing money laundering are not having enough resources, helping customers, training, feedback, and sharing information. There are only a few tests that look at how well Indian banks are following money laundering rules. So, the current review is trying to assess how business banks follow the rules for preventing money laundering and financing terrorism. It also aims to understand the difficulties they encounter when implementing these rules. The review was done to check if India's planned business banks are following the rules against money laundering, and also to find any problems in how they implement these rules. The findings showed that most banks were following the rules to prevent money laundering effectively. Most of the people who answered agreed that issues like not having enough resources, customer service, training, feedback, and information exchange were very important in the practice of AML.

(B. Viritha V. M., 2015) The purpose of this paper is to check how well India's system for reporting suspicious financial transactions works and how it helps to stop money laundering by convicting and taking away illegally obtained money. The main goal of the Financial Action Task Force (FATF) guidelines on AML and countering terrorist financing (CFT) is to make sure that banks and other businesses report any transactions that seem suspicious to the agency in charge of dealing with money laundering. Although there has been a large increase in the number of reports on suspicious financial activities, we have not seen many convictions or confiscations related to anti-money laundering since the Prevention of Money Laundering Act (PMLA) was passed. The efforts to prevent money laundering and combat the financing of terrorism are still in the early stages in India and need more time to achieve results. There are not enough studies looking at the reporting system under PMLA, so this paper tries to understand what happens when suspicious transactions are reported in the AML chain.

(Covlea, 2015) This paper investigates some frauds and illegal activities that are motivated by the desire to make as much money as possible for themselves. While international terrorist organizations carry out violent public attacks. The main link between organized crime, money laundering, and international terrorism is international terrorist financing. Once this link is severed, international terrorism will be without its most powerful financial support, making it much easier to eradicate.

(Elham Hady Nia, 2015) The primary goal of this research is to provide a more in-depth understanding of the reasons for asset theft committed by bank employees in Iran. The exploratory study employs quantitative methods to gain a better understanding of the reasons why bank employees commit fraud at work. The current study's sample size is comprised of 200 bank managers and employees from Iran's top three banks, namely Bank Melli Iran, Bank Saderat Iran, and Bank Tejarat Iran. All respondents were chosen using a stratified selection method from those who shared two characteristics. First, being informed about details of fraud in Iran's banking industry, and then being a decision maker. The paper's findings contributed to a better understanding of the concept of fraud and asset misappropriation in Iran. The findings will help policymakers, banking system managers, and practitioners improve the safety of Iran's banking mechanisms. Managerial implications and future research directions are also provided. It led numerous banks to fail, trapping

countless investors' and depositors' funds. In fact, it has hindered many banks from meeting their objectives, and many firms have gone bankrupt. Asset misappropriation has been rampant in recent decades, particularly in the financial services industry. Furthermore, employee fraud is the most common sort of fraud encountered by organizations. As a result, the primary goal of this research is to provide a more in-depth understanding of the motivations for asset theft committed by bank workers in Iran. The findings will help policymakers, banking system administrators, and practitioners improve the safety of Iran's banking mechanisms. Managerial implications and future research directions are also provided.

(Hörnqvist, 2015)Based on a review of recent regulatory approaches to organized crime and money laundering, this article repositions sovereignty. The spread of techniques across administrative domains is traced through organizational documents and practitioner interviews and is linked to an observed trend toward the integration of policing and regulatory research. However, the same trend assigns sovereignty to the periphery. Through a reading of the classical theorists, a richer notion of sovereignty is recovered and used to tease out the articulation of sovereignty in current state strategies. Theorizing sovereignty at the center as opposed to sovereignty at the periphery' calls into question fundamental assumptions about the relationship between the state and economic activity, particularly about the utility-oriented nature of state violence.

(Mohamed, 2015) This document is about corruption in Malaysia. In 2014, the President of the World Bank, Jim Young Kim, said something surprising. He said that corruption is even more harmful to humanity than terrorism. This is because corruption can take away around \$1 trillion from developing countries through illegal activities like bribery, avoiding taxes, and other financial violations. In addition, Malaysia loses approximately RM 10 billion each year due to corruption, which is about 1 to 2 percent of the country's total economic output. GTP0 or "Growth and Transformation Plan 1. 0" is a plan aimed at combating corruption. Because of these bad outcomes, the government has focused on finding ways to fight corruption, which has led to a lot of anti-corruption efforts. The Malaysian government wanted to improve the likelihood of hosting the 30th in 2020. The goal was created because people were worried that corruption would stop money invested by other countries from coming in. This investment is important for Malaysia's growing economy and its goal to

become a developed and high-income country by 2020. If the situation is the same as before, Malaysia may not achieve its goals and vision by 2020.

(Normah Omar Z. ‘., 2015) People like lawyers, accountants, company secretaries, and real estate agents who work in the field of non-financial business and professions need to follow the FATF 40+9 Recommendation. To fight against money laundering and supporting terrorism, FATF suggests that DNFBPs should adhere to five key recommendations (Recommendations 12, 16, 17, 20, 24, and 25). This means investigating and checking information about their customers. This study looks at recent reports from Asia Pacific Group countries to see how well they follow the rules for keeping records of transactions and reporting suspicious activity. It also looks at how well they follow the rules for non-financial businesses and professions. The results show that people, in general, are not following these standards very well. This could mean that they either don't know about the standards or that the people in charge of making sure they are followed aren't doing a good job.

(Normah Omar R. J., 2015) Money laundering and terrorism funding (ML/TF) continue to be a problem that threatens the country's reputation and investment climate, potentially leading to economic and societal ramifications. In 2004, the Anti-Money Laundering and Counter-Terrorism Financing Act (AMLATFA) was revised to include accountants, auditors, lawyers, and other approved professionals as Reporting Institutions. The study is the first of its type in Malaysia to measure accountants' awareness of AML/CFT requirements. Notable attempts have been made by financial institutions to give technical help and capacity building in counterterrorism finance. The vulnerability of non-financial firms and professions to terrorist financing, on the other hand, is underappreciated. The FATF has long expressed concern that these entities, known collectively as Designated Non-Financial Businesses and Professions (DNFBPs), may be vulnerable to becoming involved in illicit transactions that facilitate money laundering and terrorism financing because DNFBPs provide opportunities to launder funds for these purposes. DNFBPs can be used to move or maintain value outside of highly regulated jurisdictions, as well as to provide advice on how to structure transactions to minimize the risk of detection. Unlike previous studies that assessed MLTF participants' financial and non-financial compliance reporting practices, the current study attempted to analyse the Malaysian DNFBP's degree of awareness,

perceived impact, and attitudes toward AML/CFT regulations. This study is the first one to check how well accountants in Malaysia understand the rules for preventing money laundering and terrorism financing. The data gathered from this survey reflects their perceptions of the awareness and impact of AML/CFT requirements on them, as well as the effectiveness, cost, and benefits of AML/CFT requirements. In general, the findings revealed some indications of respondents' perceptions that could be used by authorities to improve any current programs designed to improve the function of DNFBP. This study's findings could be utilized to increase our understanding of the current level of DNFBP knowledge based on their perceptions of AML/CFT Requirements awareness and influence on them, as well as the effectiveness, cost, and benefits of the AML/CFT Requirement. In conclusion, the data indicated some indications of respondents' perspectives that authorities may use to improve any current activities aimed at improving the operation of Banks.

(Omar, 2015) A survey was done to find out how well accountants in Malaysia understand AML/CFT requirements. A questionnaire was used to collect the information. The accountants who answered worked in companies that are approved and regulated for accounting, audit, finance, or banking. 172 people were included in the study. Based on the study results, most people had a good understanding of AML requirements. The rules and regulations about preventing money laundering have made accountants take action by offering resources and training on money laundering and terrorist financing requirements.

(Salwa Zolkaflila, 2015) This study investigates the FATF Special Recommendation IX (SR IX) compliance ratings of 40 countries based on Mutual Evaluation Reports issued by the Asia Pacific Group on Money Laundering (also known as APG). Based on the Mutual Evaluation Reports, this study investigates the recommendations and comments made by the various panels. The compliance ratings, as well as the panel's recommendations and comments compiled in this study, will be useful to relevant authorities for future improvement in their respective countries. For future research, the findings will also highlight issues related to cross-border declaration or disclosure. This study explores the recommendations and criticisms given by the various panels based on the Mutual Evaluation Reports. The compliance ratings, as well as the panel's recommendations and comments, will be valuable to relevant authorities in their respective nations for future improvement.

The findings will also highlight concerns related to cross-border declaration or disclosure for future research.

(Yusarina Mat Isaa, 2015) According to the findings of the interviews, money laundering is a real risk in banking institutions, and frontline officers must be adequately competent in carrying out their duties. Even if banking institutions have automated risk management solutions, a manual (human expertise) is required to assess money laundering risk. The compliance department's assistance is seen as complementary to the roles played by frontline officers, and the regulatory authority's monitoring should have increased compliance intensity in banking institutions.

(Zuraidah Mohd Sanusia, 2015) The fraudsters could come from both internal (employees) and external (third-party) sources (customers, suppliers, contractors, and lawyers). Because banking institutions engage in a wide range of activities, fraud has the potential to affect many parties, including shareholders, depositors, borrowers, employees, and the banking institution itself. To investigate the types and extent of fraud occurrences in the portfolio of mortgage loans and hire purchase loans, a study was conducted among management levels in Malaysian banking institutions, with a focus on branch managers and assistant managers who handle mortgage loans and hire purchase loans. According to the findings, the most common fraud cases in mortgage branches were money laundering, whereas hire purchase loan branches were a common fraud occurrence in Malaysia's banking sector. This paper will also highlight various attempted frauds and fraud cases in banking institutions for both internal and external fraud schemes. This paper is intended to provide valuable learning points for banking institution staff who handle daily banking operations to assist them in detecting and preventing similar occurrences of fraud.

(Losiewicz-Dniestrzanska, 2016) As a result of the global financial crisis, banks, and other financial institutions are focusing more on compliance with business standards. In recent years, the relevance of compliance units in the management of compliance risk in the bank has grown. The author emphasizes the importance of risk monitoring of regulatory noncompliance in the study and presents several monitoring alternatives for this type of risk in the bank. The research includes examples of tools and methods used by Polish banks. In general, these are indicator-based methods of business process management that are supported by information technology solutions. Last year, the scope of compliance was

greatly expanded. The study's author emphasizes the method's growing popularity in merging operational and regulatory risk. The research emphasized the importance of compliance units and compliance risk management. Compliance risk monitoring is an essential part of the risk management process. The essay addressed the challenges associated with monitoring compliance risks, which are mostly related to quantitative methodologies based on universally accepted values, such as indicator reference values. The huge number and variety of indicators used in compliance management might be cumbersome to use and may finally lead to their abandonment. A good method to avoid this is to use an IT software package that incorporates a warning system, such as BPMS-ADONIS, to enable compliance risk monitoring. The quantitative nature of indicators in compliance risk monitoring, as well as the partial duplication of indicators in operational risk, may hint at the integration of both domains. This essay attempts to demonstrate why it is desirable to keep compliance units independent while maintaining close communication with operational risk and other bank divisions.

(National, 2016)The Russian Federation's anti-money laundering system is facing new problems. Representatives from the national financial intelligence unit and the banking industry emphasize the importance of broadening information exchange. Commercial banks send information about suspicious transactions to Ros fin monitoring with delays. As a result, the importance of such evidence in criminal prosecutions lessens. It-solutions that may aid in the settlement of the aforementioned difficulties are the focus of this essay. This study focuses on information technology technologies that have the potential to increase the efficiency of information sharing between Ros fin monitoring and commercial banks. We outline important challenges that these organizations face in the article. Web services, neural network committees, and data storage optimization were proposed as specialized computer systems to optimize the chores of massive data collecting and processing. We believe they will boost information exchange between the national financial intelligence unit and financial institutions significantly.

(S.M.Solaiman, 2016)The primary goal of this paper is to critically examine the impact of black money whitening opportunities on the Bangladesh housing market, as well as the implications for honest taxpayers and criminal behavior in the country. It demonstrates that the opportunity to whiten black money has not resulted in increased demand for housing

property, instead, it promotes illegal activities like money laundering, corruption, and other crimes. As a result, a collection of specific recommendations has been submitted to effectively deal with the prevention of black money generation rather than allowing it to be invested in properties with impunity. This paper is unique in its critical analysis of frequent offers of the opportunity to whiten black money and their unfair effects on honest taxpayers, as well as the resulting encouragement to engage in money laundering, corruption, and other felonies. It clearly justifies the assumption that such amnesties to wrongdoers violate the national constitution, anti-corruption, and anti-money laundering legislation, and they wound human beings' sense of ethical behavior. Furthermore, it supports the hypothesis that such opportunities for black money holders have no positive impact on increasing demand in the country's property markets.

(VirithaB.andMariappanV., 2016)The goal of this research was to determine bank customers' awareness and acceptance of anti-money laundering (AML) practices. The study also sought to understand their limitations in adhering to the bank's anti-money laundering policy. Respondents showed a lack of knowledge about how banks can be used to move and hide money that comes from illegal activities like money laundering and funding terrorism. Customer surveys revealed that they were well aware of ML. Customer identification was required, according to bank officials' surveys. The papers also investigate whether banks should reveal their transactions to third parties, such as financial intelligence units.

(Menezes, 2017)The study's goal was to assess the money laundering threat to financial institutions and recommend risk-mitigation strategies for financial institutions. The study looked into the various sources of money laundering schemes, the AML skills required, the role of self-regulation, and existing loopholes in this case. The review used a qualitative study approach to collect the necessary study data, with a total of five interview respondents sampled using a purposive sampling approach and findings analyzed using a qualitative content analysis approach. This is the first section of the first chapter. This section discusses the various study objectives-based conclusions. As a result, sub-sections within this segment include respondents' backgrounds, approaches, and sources for perpetuating money laundering, skills required by AML staff teams, and the role of self-regulation in financial institutions. According to the study findings, money laundering sources ranged from currency smuggling, and bank complacency through currency conversion and asset

conversion, to the use of false export and import invoices, and the use of false loans. Furthermore, the study found that the primary AML team possessed research and ICT skills, as well as an integrity and transparent personality. Finally, the review determined that self-regulation was essential. As a result, the study concluded that entities should prioritize staff skill development and ICT (Information and Communications Technology) system security.

(Syed Alamin Ahmed, 2017) This paper aims to give a basic explanation of the rules against money laundering. It will also talk about how these rules are applied worldwide. A case study of Bangladesh is used to draw specific conclusions; the country's national financial culture is carefully examined to determine the extent to which it is conducive to the adoption of such frameworks. Customers' due diligence requirements are given special attention, as are the unique challenges posed by alternative remittance systems. The paper assesses the impact of globalization as well as the relationship between developments based on the resources available to each state. Before a practical AML framework can be successfully implemented, Bangladesh's internal structural development and various social and economic issues must be improved.

(Shihadeh, 2017) This paper discusses money laundering research and economic theories about anti-money laundering. We recommend additional technical studies on financial reports and anti-money laundering technological systems. According to the study, banks and other financial institutions should follow global patterns by reporting suspicious transactions to the financial intelligence unit. Employee training courses could improve the implementation of specific regulations.

(Bainbridge, 2018) On June 26, 2017, the Money Laundering, Terrorist Financing, and Transfer of Funds (Information on the Payer) Regulations 2017 ('MLR 2017') went into effect, increasing the anti-money laundering (AML) compliance obligations imposed on financial institutions and others in the UK. Against this backdrop, this article will identify a growing trend of AML policy-making affecting the private sector; investigate the correlation of legislative and regulatory measures taken in the UK with those in Europe and around the world; and ask whether the measures are proportionate and effective response to the perceived threat of money laundering and terrorist financing to national security.

(MollaImeny, 2018) In this regard, financial institutions play an important role in Combat money laundering by being involved in all three stages of the process (placement, layering, and integration). The goal of this paper is to look into the AML situation in Iranian banks and to look into some related variables. We conclude that Iranian banks have adequate anti-money laundering controls in place. It is concluded that banks with more employees and more experience are more likely to implement strong AML controls. Banks with more branches, on the other hand, are less likely to implement strict AML controls. The current study is the first to be conducted in Iran, and the findings may aid the Iranian and international banking systems in establishing stronger AML controls.

(Patel Tasnim Kundan, 2018) This paper attempts to investigate the various definitions of "money laundering" as well as the role of the Prevention of Money Laundering Act, 2002 (PMLA) in dealing with various sectors of the economy. Given the gravity of the situation, this paper attempts to highlight India's anti-money laundering (AML) regulatory regime as well as the issues that must be addressed to ensure an effective AML environment.

(Sveinsdottir, 2018) The article examines the EU's emphasis on proactive financial investigations in THB cases before moving on to the EU AML framework. The 4th AML Directive (Directive (EU) 2015/849), the Second Transfer of Funds Regulation (Regulation (EU) 2015/847), the Second Payment Services Directive (Directive (EU) 2015/2366) and the Cash Control Regulation (Regulation (EC) 1889/2005) receive special attention. The methods used by traffickers operating within the EU to launder the proceeds of their crimes are then investigated to assess the framework's effectiveness. The analysis reveals that the EU AML framework fails to capture some common modes of money laundering (ML) in THB cases, and it is also less effective when criminal proceeds are involved. Furthermore, the analysis demonstrates that the EU AML regime is heavily reliant on the ML risk assessment of private actors, many of whom do not comply with their AML obligations and are widely under-monitored within Member States (MS). The article concludes that the limitations of the EU AML framework and its implementation in the MS have made detecting ML associated with THB and gathering evidence during THB investigations difficult.

(Patr'icia, 2019) Money laundering and terrorist financing pose a clear threat to society's integrity, proper functioning, reputation, and stability, particularly in the financial system.

As a result, effective measures to address these risks and threats are required. The European Commission has been doing important work in this area, but it is critical not to rush things to ensure that the new legislative measures and initiatives are properly implemented in close collaboration with the Member States and all the actors involved, to achieve a harmonised framework and avoid unnecessary overlapping and redundancies with real impact on the fight against money laundering and terrorist financing. Furthermore, it is necessary to ensure that the anti-money laundering measures are effective. The amendments to the 4th AML Directive, in particular, regarding the processing and access to personal data involved in beneficial ownership information, may not be fully compliant with the principle of proportionality. According to the findings of the preceding studies, the staff's understanding and opinion of AML rules and regulations determine how well the AML guidelines are put into practice. Some reasons why AML implementation is affected are not enough resources, not enough feedback, not enough support from customers, and legal limits.

(Ernesto ugo savona, 2019)demonstrates how the public and private sectors can find useful scientific references and inputs to develop CDD methodologies or risk assessment exercises. And look for empirical exercises to back up the risk paradigm studies that are increasingly being advocated in their respective fields.

(Maastricht, 2019,). The primary justification in the European Commission's proposal for the recently adopted anti-money laundering Directive 2018/1673, the first directive on money laundering focusing on criminal law rather than administrative measures, was to combat terrorism. We use collective securitization theory to show how the EU is attempting to link the criminalization of money laundering to the fight against terrorism, which necessitates, for example, the criminalization of self-laundering. As an example of how the securitizing rhetoric has failed to persuade the Member States, we discuss the case of Finland, which is willing to expand its criminalization of self-laundering, although the legal economy, rather than terrorism protection, is considered to be the object of legal protection. We show that using terrorism-focused securitization is problematic, particularly in the context of criminal law, because it challenges the traditional understanding of legal protection objects as the basis of criminalization.

(Sułkowski, December 2019)The United Nations Sustainable Development Goals (SDGs), which were adopted in 2015, are the most important global agreements on 17 essential issues

affecting all governments and civilizations. To achieve the SDGs, the scope of money laundering must be limited, which destabilizes domestic economies. According to this original research study, the capacity of supreme audit institutions (SAI) to audit and evaluate anti-money laundering systems is limited for a variety of reasons, including a lack of worldwide SAI criteria and guidelines for auditing anti-money laundering systems. The study's purpose was to provide a widely accepted method of auditing anti-money laundering results. 15 representatives from 11 SAIs were interviewed to meet the research goal. INTOSAI members were also interviewed, and SAI audits of anti-money laundering organizations were reviewed. A literature review was also carried out. Based on the research findings, a new system for managing anti-money laundering and auditing such measures was created. This study establishes the framework for better risk management, which will aid in the SDGs' effective implementation. The suggested Sustainable Model for Anti-Money Laundering will boost SAI's audit capacities and significantly improve legislative watchdogs' investigation efforts.

(Alomari, 2020) The purpose of this research is to look into the function of Jordan's central bank's compliance unit in e-government and money laundering. The samples include 142 central bank employees from several Units. They were chosen at random and assessed by AMOS 26. According to the studies, the compliance unit has a significant influence degree between e-government and money laundering. A study also discovered a link between e-government and money laundering. Based on the findings of the study, the following recommendations are made: the need to develop a commitment plan for all bank workers at various levels and positions of responsibility on the basic principles associated with fighting money laundering methods in terms of preventing such operations from occurring and detecting them if they do occur.

(Arabpour, 2020) The goal of this research is to provide an improved model of money laundering control based on transparency characteristics in Melli Bank of Iran's financial system. As a result, the factors impacting money laundering control in this study were found first through exploratory investigations and a Delphi survey of specialists familiar with the subject, and these elements were then tested in the form of a model constructed in a statistical population. To test the model, the study's statistical population included all 321 senior managers of Melli Bank branches in Kerman province, with 200 of them chosen as the

sample using a convenience random sampling approach. The current study is a descriptive survey study conducted in the field. In terms of objective, this research is applied-developmental. The technique of data collection in this study was a combination of library and field studies, and data were acquired through analyzing documents, interviews, and questionnaires (2 questionnaires), with a high percentage of validity and reliability validated. SPSS 24 and AMOS 26 software were used to analyze the research data. Controlling and managing foreign currency, having a strong structure and organization to combat money laundering, giving statistical information, a supervisory function, and openness in financial and administrative systems are some of the components mentioned in the report. The study's findings confirmed the research model and demonstrated that controlling and supervising foreign currencies, establishing a powerful organization, providing statistical reports, the role of supervisors, and transparency in financial and administrative systems are all effective methods of preventing money laundering. It is also recommended that UN documents on Combat money laundering be passed and implemented, that companies' financial and economic operations be adapted to combat money laundering regulations and rules, and that transnational supervisions be performed to combat money laundering, as well as to supervise non-resident customers and individuals with political positions. It is also suggested that currency exchange offices, stock traders, and traders of weaponry, metals, precious stones, and jewellery, as well as hotels and charities, be monitored. Supervisors should also learn about the work processes and operations of local banks and huge international institutions. It is also advised that the media and the press play an effective role in informing and making information transparent and that there be political will to make financial and administrative systems transparent.

(BAGHERI, 2020) Money laundering harms the global financial system and can disrupt economic order. This is the FATF's fundamental position, as well as that of other significant international financial institutions such as the IMF and the World Bank. Since its inception, the FATF has been rather successful in getting states to accept its recommendations. Although the FATF is considered a soft law agency, the indirect authority it has gained through its connections with both the IMF and the World Bank has galvanized it into playing a coordinated and coercive role in the implementation of its recommendations. Membership in this group is currently regarded as a positive indicator of anti-money laundering compliance and shows a state as welcoming to migrants. Money laundering cannot be totally

eliminated, but FATF actions are pointing us in the right direction. This Note demonstrates that, notwithstanding the FATF's soft law status, the organization has shown appropriate mandatory rigor in assisting in the reduction of financial crimes through its recommendations. It has demonstrated that it is capable of decreasing the plague of money laundering and, by extension, corruption. According to this essay, the FATF's operations should be viewed as a major contributory factor in the global financial system.

(Dr. Anil Nagtilak, 27-May -2020) Banking is strongly reliant on risk management. Bankers concentrate on credit risks and are aware of the hazards associated with making loans and advances to borrowers. This conceptual study aims to comprehend the many types of risk that Indian banks confront. This study also examines the risk management process in Indian banks, as well as credit risk estimation in the Indian setting. Credit Risk Management practices aid in the banking industry's credit risk strategy. The goal of this research was to investigate the conceptual framework of credit risk management practices in the Indian banking industry. Practices in credit risk management ensure that the banking sector adopts an effective credit risk strategy. Risk management procedures used by banks, which are regularly updated, eventually lead to a stronger banking sector. As a result, the market acquires a competitive advantage and assures that the existing industry focuses on diverse types of risk. Rather than risk reduction, risk management is centered on determining which risks to avoid or hedge. In the banking industry, risk management practices include risk identification, risk assessment, risk control, and risk supervision. The banking industry needs to encourage the risk management committee, credit policy committee, and asset liability committee to safeguard critical changes and anticipate impending threats. It is reasonable to conclude that the performance of a banking organization is defined by how successfully the organization handles financial crises and how efficiently the company maintains its entire risk management system. Conscious risks with full information, clear purpose, and comprehension would ensure that the organization reduced the impending dangers.

(Kumar C. M., 2020) Engaging in illicit methods to generate funds and subsequently converting these funds into legal currency through the exploitation of legal gaps and procedural systems. Such activities span various sectors within an economy, both directly and indirectly. While certain sectors have been identified and addressed, a considerable amount of effort is yet required. The researchers of the previously mentioned study

endeavored to categorize diverse individuals and industries with heightened involvement in money laundering, along with the stages at which they operate. The authors also sought to evaluate the economic repercussions of money laundering and worked towards devising remedies to curtail it. Additionally, legal advancements aimed at preventing money laundering have been examined, accompanied by a presentation of insights into the global legal landscape concerning money laundering.

(Lubis, February 2020) Money laundering (TPPU) is a White-Collar Crime that has sparked the interest and concern of various international nations, including Indonesia. This is a normative research method for qualitatively analysing a legislative rule. According to the findings, the legal procedures outlined in Government Regulation No. 43 of 2015, which required the profession to disclose dubious financial activities for its customers, were unsuccessful. The intended legal arrangements, such as the purchase and sale of real estate, the management of money, securities, and other financial service products, the administration of current accounts, savings accounts, deposit accounts, securities accounts, company operation, and management, and the formation, purchase, and sale of a legal entity. Professional reporting has exceptions, such as the User's interest in ensuring the User's legal position and handling of a case, arbitration, or alternative dispute resolution. Legal procedures for the profession's function as a reporting party in preventing and combat money laundering are not successful. A legal system, that is, a unified complete system embracing legal structure, legal substance, and legal culture, is essential to produce successful legal regulation. The profession is required to report suspicious financial transactions for its clients, such as the purchase and sale of property, management of money, securities, and/or other financial service products, management of current accounts, savings accounts, deposit accounts, and/or securities, operations, management accounts of the company; and/or the establishment, purchase, or sale of a business, according to Government Regulation Number 43 of 2015. However, this Government Regulation also governs the exclusion of reporting responsibilities for professionals working in the Service User's interest, or for and on behalf of the Service User, to ensure the Service User's legal position and the conduct of a lawsuit, arbitration, or other dispute resolution. Advocates are associated with other providers of products and/or services because they provide legal assistance to their clients. Attorneys, as reporting parties, do not violate the idea of maintaining client confidentiality.

(Pedro., 2020)Criminals launder billions of cash generated from significant crimes (such as terrorism, drug smuggling, or human trafficking) every year, causing misery to countless people and economies. Crypto currencies, in particular, have emerged as a haven for money laundering. These prohibited patterns can be discovered using machine learning. Traditional supervised algorithms, however, are rendered ineffective because of the scarcity of labels. This part will focus on detecting money laundering with limited label access. To begin, we demonstrate that existing cutting-edge solutions based on unsupervised anomaly detection algorithms fall short of detecting illicit tendencies in a genuine Bitcoin transaction dataset. Then, using only 5% of the labels, we demonstrate that our suggested active learning strategy can outperform a fully supervised baseline. This method reflects a common real-world situation in which expert annotation can only obtain a limited number of labels.

(Rao Imran Habib, 2020) Recent allegations in the media of money laundering through phony bank accounts link banks to money laundering through "managed bank accounts." Furthermore, loan waivers from ostensibly steady enterprises raise fresh questions and concerns about the actions of banks. This endeavour's purpose is to find solutions to such fundamental difficulties. The study uses qualitative content analysis methodologies to critically examine banks' money laundering activities and loan waiver policies. According to the study, despite strict banking regulations and laws, bank accounts are being utilized for money laundering. Furthermore, the analysis suggests that the process of waiving off loans reportedly created an avenue for misusing public funds, resulting in a net loss to the public purse. The study concluded that the bank's role in maintaining fake/idle accounts and the loan waiver policy, as well as its fraudulent use in the banking industry, resulted in financial fraud and money laundering in Pakistan.

(Ronald.F, 2020) This paper talks about how important it is for different experts to work together when dealing with big issues like money laundering. It uses anti-money laundering as an example to show this. The study found that policies against money laundering have very little impact on stopping illegal money transfers. The cost of complying with these policies is much higher than the amount of money recovered from criminals. Additionally, banks, taxpayers, and regular people face harsher consequences compared to illegal businesses. The information is not very strong, and there are many problems with the way the research was done, so it's hard to make any judgments. However, there is a big difference

between what the policy intends to do and what actually happens. The problem is so big that the solutions that are meant to fix it don't address the main issues. Blaming banks for not following anti-money laundering laws is an easy lie to believe, but it's not the real problem. Basic problems may come up because of the creation of the main solution to a policy. This paper suggests that to achieve better results, it is important for policymakers to actively listen to different perspectives and connect with other areas of study. This includes looking at the effectiveness of policies, and their outcomes, and evaluating public policies.

(Tiwari, Gepp, & Kumar, 2020) This research aims to gather and summarize information from previous studies on money laundering and topics closely related to it. The primary purpose is to discover and direct attention to any gaps in the literature. The literature on money laundering is divided into six broad categories: (i) the anti-money laundering framework and its effectiveness, (ii) the impact of money laundering on other fields and the economy, (iii) the role of actors and their relative importance, (iv) the magnitude of money laundering, (v) new opportunities for money laundering, and (vi) money laundering detection. Most of the studies on catching money laundering have looked at how people use new technologies, bank transactions, buying and selling property, and cheating with trade. However, there is not much information available on finding shell companies that are specifically used for hiding illegally obtained money. The importance of investigating illegal money transfers through businesses is highlighted by instances of using them to wash large amounts of money, like in laundromat schemes or when leaked data is found.

(Vivek Jogi, 2020) Advances in information and communication technology have created various opportunities for banks to provide a wide range of products and services in recent years. Customers, businesses, and banks all benefit from e-banking through e-services. Through e-services, a consumer can access his account and perform various transactions using his computer and cell phone, but it has also presented many risks. Technology plays an important role in this process, both as a source of risk and as a risk management tool. Because of great advances in information technology, there is no finality like risk or control procedures. The study's primary goals are to provide critical insights on overall emerging risks associated with e-services provided by e-banking, and it will assist bankers in understanding the various risk and security issues associated with e-services where customers have a high level of awareness. This will help with the delivery of secure e-

services, the retention of existing clients, and the conversion of potential users into actual e-banking users. Along with the advantages, e-banking brings with it a variety of risks for both the bank and the financial system as a whole. Rapid technological innovation will almost certainly continue to alter the kind and scope of risks that banks confront. These risks must be balanced against the benefits. The highest levels of government must develop methods or methodologies for recognizing new risks, assessing risks, managing risks, and controlling risk exposure. However, higher authorities must keep in mind that the development and use of e-banking are still in their early stages, and policies that discourage constructive innovation and experimentation should be avoided. Thus, management authorities must push banks to build a risk management strategy that is rigorous and thorough enough to deal with known emergent threats while being flexible enough to handle changes in risk type and severity. The younger generation has already adapted to this transformation and sees the changing banking system as a convenience rather than a challenge. The RBI and the IT Act of 2000 played a critical role in avoiding and securing E-banking practices in India.

(Wilkes, 2020) The study delves into the question of whether financial institutions should be obligated to report criminal activities like money laundering. It contends that while these institutions have a responsibility to prevent benefiting from criminal exploitation of the financial system, reforms are needed to limit how much law enforcement duties are shifted to them. Comparisons are drawn with other entities, like social media platforms, that aren't bound by similar duties. It also suggests that while broadening reporting obligations might be logical, it should align with principles of fairness and proportionality. The conclusion proposes a balanced approach through a cost-benefit analysis and suggests reforms to distribute responsibilities more equitably between the public and private sectors.

(Lucia dalla Pellegrina, 2021) Excessive and ineffective reporting called the "crying wolf effect," is a fundamental issue that must be addressed in any anti-money laundering (AML) approach. As a result, AML legislation in the United States and Europe has recently changed from a rule-based to a risk-based approach. This study investigates, both conceptually and experimentally, whether the risk-based approach generates the desired consequences. The theoretical model suggests that a trade-off between precision (fewer type I and type II errors) and deterrence may develop. An empirical analysis conducted following the implementation of the risk-based approach in Italy confirms such a trade-off. More specifically, deterrence

is increased while precision is decreased. The findings suggest that Italian bankers are prone to "crying wolf."

(A.V. L.N. Sujith, 2022) Globally, enterprises are focusing on extracting greater value from data collected from diverse sources. -The goal of this study is to look at the key components of machine learning in making sound financial judgments. -Business executives are now confronted with a massive amount of data that must be kept, analyzed, and retrieved in order to make successful decisions and gain a competitive advantage. Machine learning is a subtype of artificial intelligence that focuses on optimizing commercial processes with little or no human interaction. -e ML approaches enable the analysis and recognition of patterns in big data sets and provide the essential information to management for successful decision-making in various sectors such as finance, marketing, supply chain, and so on. Machine learning promotes growth by extracting quality patterns and forecasting data from databases; machine learning, among other things, helps the transfer from physical data to electronically stored data, improves memory, and aids in financial decision-making. This study focuses on the use of machine learning in making effective financial decisions among businesses; the use of ML has emerged as a critical technology that is being applied in the current competitive market, and it has provided more opportunities for business leaders to leverage the large volume of data. The purpose of the study is to gather data from employees, managers, and company executives across industries to better understand the impact of machine learning.

(Suleiman Jamal Mohammad Al-Jubaiha, 2022) The purpose of this article is to ascertain bank workers' understanding and satisfaction levels about various aspects of money laundering in Jordanian commercial banks. The information was gathered through questionnaires that were distributed. For data analysis, statistical techniques such as correlations and regressions, as well as hypothesis testing, were used. According to the report, staff of Jordanian commercial banks were satisfied with numerous initiatives and procedures for identifying money laundering in their institutions, although employee exposure was a concern. The significance of this research is founded on the idea that money laundering harms the growth and progress of the monetary system, owing to the impact of the bank's risk structure as well as negatively affecting customer trust. As a result, proper implementation by the financial system adds another layer of money laundering prevention.

(Oscar M. Granados, 2022) Corruption and organized crime are socioeconomic difficulties that affect both public and private entities across a wide range of industries and activities in many places across the world. These problems, on the other hand, are global phenomena that transcend economic, cultural, and social boundaries, especially when corrupt individuals use the global banking system to conceal their illicit funds. The goal of this research is to look into the structure of different suspect money laundering groups and how to detect them by utilizing topological and geometrical ideas that do not require potentially unavailable (or constrained) information.

(Wai Weng Loa, 2023) Criminals are growing increasingly competent at using crypto currencies like Bitcoin to launder money. Crypto currencies can be used to mask criminal identities and transfer hundreds of millions of dollars in illicit funds via illicit digital wallets. This is regarded as a paradox because crypto currencies are gold mines for open-source intelligence, providing law enforcement officials with enhanced forensic testing capabilities. This study proposed Inspection-L, a graph neural network (GNN) architecture based on self-supervised Deep Graph Infomax (DGI) and Graph Isomorphism Network (GIN) with supervised learning methods, Random Forest (RF), to detect illegal transactions for AML. Our idea, to the best of our knowledge, is the first to apply self-supervised GNNs to the problem of AML in Bitcoin. The suggested method was tested on the Elliptic dataset and shown to outperform the state-of-the-art in terms of key classification metrics, demonstrating the promise of self-supervised GNN in Bitcoin illicit transact detection. This study presents a novel approach for detecting fraudulent Bitcoin transactions based on self-supervised GNNs. To train the Random Forest for detection, we first generated the node embedding using raw features using the DGI. Our experimental results demonstrate that our technique outperforms the state-of-the-art ML-based/Graph-based classifier. The evaluation findings of our initial classifier show the promise of a self-supervised GNN-based technique for detecting unlawful crypto currency transactions. Through this research, we hope to inspire others to work on the crucial topic of applying graph machine learning to undertake financial forensics, which is severely lacking in current research. We intend to integrate with unsupervised anomaly detection techniques in the future to detect unlawful transactions in an unsupervised manner.

2.6. Research Gap

Multiple foreign researchers have done several types of research on anti-money laundering. Their study contains an anti-money laundering framework compliance and level of implementation in the financial institutions of respective countries.

Any financial sector's stability and prosperity depend heavily on the banking industry. The destructive effects of money laundering (ML), however, put such stability in jeopardy. As a result, the demand for a strong and strict AML program arose. The new position for internal auditors (IAs) needs to support such change by moving from a traditional and reactive job to a more proactive and strategic role in light of the drastic evolution of the corporate environment over the previous few decades to rely primarily on AML Governance.

Based on the literature review, it's observed that there is a deficiency in specific studies related to Proactive involvement and perception of internal auditors in anti-money laundering compliance review and Combat-money laundering. There has been very little research has been done on internal auditors and the effectiveness of Anti-money laundering compliance review and prevention of money laundering.

These studies partially concentrated on examining the effect of IA proactive Involvement in AML governance and IA efficiency in AML compliance as well as IAs effectiveness in Combat money laundering. Further, the work on understanding internal auditors' perception of constraints faced by Internal Auditors in the process of AML compliance and implementation is very scanty. There are some roles and responsibilities of internal auditors for Combat money laundering. Internal Auditors must be well-trained in AML to meet compliance regulation expectations and also devise controls to combat money laundering as Prevention is always better than cure. The present research will focus on banks' internal Auditors and which factors mostly affect combating and curbing money laundering.

In the past, other researchers have not taken those Factors for doing this kind of research. The research collects the internal auditor's appropriate opinions regarding all the factors that are important for effective compliance and Combat money laundering and also analyses according to internal auditors which constraints highly confirm as a bottleneck.

2.7. Problem of the Study

According to the 2015 IMF report, the global scale of money laundering activity is estimated to fall within a range of \$725 billion (equivalent to cash 56.5 trillion) to \$1.8 trillion (equivalent to cash 40.4 trillion). (IMF Annual Report 2015) In 2016, the Basel Committee on Banking Supervision (BCBS) emphasized the integral role of the financial services sector in the battle against money laundering and the prevention of terrorism financing.⁵³ (BCBS, 2017)

India, positioned as a robustly emerging economy, contends with an array of challenges, including corruption, tense relations with neighbouring countries, cross-border complexities, deficiencies in the justice system, and a lack of collaborative international efforts. These factors collectively expose India to vulnerabilities associated with money laundering and terrorism financing. Notably, India grapples with issues such as widespread corruption, tax evasion, trafficking of narcotics and humans, counterfeiting of the national currency, and a range of economic crimes encompassing fraud, forgery, criminal conspiracies, and breaches of trust. These factors, underscored by the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG) in 2010, along with insights from the Bureau of International Narcotics and Law Enforcement, serve as the principal sources contributing to the generation of illicit funds in India. (FATF & APG 2010; Bureau of International Narcotics and Law Enforcement Affairs, 2013). The gains generated from these unlawful activities subsequently contribute to the rise of economic offenses like money laundering, funding terrorism, stealing identities, and committing fraud. India has also been a focal point for numerous terrorist factions, encompassing both domestic and internationally situated extremist groups.⁵⁴ (FATF & APG 2010; Bureau of International Narcotics and Law Enforcement Affairs, 2013). The exact sum of black money from India deposited in overseas banks remains undisclosed. Certain sources suggest that a sum surpassing US\$50 trillion is hidden in Swiss accounts. Nanjappa and Vicky, 2009). In February 2012, the head of the Central Bureau of Investigation (CBI) noted that Indians possess approximately \$500 billion

⁵³ Basel III Monitoring Report. The Bank for International Settlements. (2017, September 12). <https://www.bis.org/bcbs/publ/d416.htm>

⁵⁴ . (FATF & APG 2010; Bureau of International Narcotics and Law Enforcement Affairs, 2013).

in black money within offshore tax havens, a sum surpassing that of any other nation. However, the Government of India subsequently clarified in March 2012, during a parliamentary session, that the CBI Director's assertion regarding the \$500 billion illegal money was an approximation derived from a declaration presented to India's Supreme Court in July 2011. (The Hindu - Business Line, 2012). HSBC Suisse received a fine of £27.8m (\$30.9m) from Swiss authorities due to "organizational deficiencies" that allowed its clients to engage in money laundering. The bank's efforts to prevent money laundering, sanctions violations, and criminal activities still exhibit significant shortcomings, to the extent that revealing them publicly could pose a risk of serious criminal activity.⁵⁵(Neate, 2016).

India has established a dedicated task force aimed at locating unreported or untaxed funds, commonly known as illicit money, which is often held in foreign banks. Certain approximations suggest that around \$500 billion is held in offshore tax havens. Additionally, the Reserve Bank of India (RBI) has declared its intention to phase out all currency notes printed before 2005 by March 31, as part of an effort to restrict the flow of undisclosed wealth in the economy. In the Economic Times (dated 16th March 2005) in 1999-2000, a case of money laundering was documented, involving approximately Rs. 700 crores being transferred through the Hawala channel from the Gulf to bank branches in Mumbai. Subsequently, these funds were redirected to Kerala, where they were utilized for substantial investments in the real estate sector.

The Ministry of Finance strongly indicates that a significant probability exists for a substantial portion of illicit funds that have left India to now be reintegrated into the Indian economy through avenues such as Foreign Direct Investment (FDI), Participatory Notes, as well as foreign contributions to charitable entities, non-governmental organizations, and various associations in India. (Ministry of Finance, 2012). Financial institutions engaged in the role of financial intermediation encounter a range of diverse financial and non-financial hazards. These risks are intricately interconnected and possess the potential to influence the stability of the financial domain. Among these perils is the concern of Money Laundering, a situation that places banks at vulnerability to risks encompassing reputation, legality,

⁵⁵ Neate, R. (2016, July 11). HSBC escaped US money-laundering charges after Osborne's intervention. Retrieved from The Gaurdian.

operations, and overall integrity. Sarigul (2013) It has been stated that individuals engaged in unlawful money transfers still prefer to utilize the financial system for their activities.⁵⁶ A report from the Financial Intelligence Unit – India (FIU-India) reveals that the largest share of illicit funds circulating within the Indian financial system is channeled through banks, accounting for about 55% of the total amount subject to money laundering. Subsequently, the breakdown involves the laundering of funds through brokerage and investment firms (27%), insurance companies (9%), credit cards (5%), and money services (4%). (FIU-India, n.d.)

Criminals favor banks as their primary avenue for money laundering due to multiple factors (Sarigul, 2013). Banks offer a range of services like fund transfers and drafts, allowing illicit funds to be moved with a semblance of legitimacy. The global reach of banks, combined with technological integration, facilitates rapid and untraceable cross-border money transfers. Moreover, banking services come at a lower cost, appealing to criminals. While the principle of bank secrecy has been undermined by AML regulations, it once aided wrongdoers in avoiding detection by law enforcement. An examination of fines imposed for different instances of violations related to Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations during the fiscal year 2022-23 (April 1, 2022 - March 31, 2023) by the Reserve Bank of India (RBI) and the Financial Intelligence Unit of India (FIU-IND) reveals that the majority (68%) of penalized entities were cooperative banks of varying sizes, spanning across different regions of the country.

Nonetheless, the most substantial fines in terms of amount were imposed by the RBI due to failure to adhere to guidelines pertaining to Prepaid Payment Instruments (PPIs) and KYC on two payment aggregators (PAs), namely Amazon Pay (India) and Ola Financial Services. Some of the key enforcement trends observed in FY 2022-23 were:

Escalating Penalties in Terms of Number and Magnitude

A combined total of 71 enforcement actions were officially announced by both the RBI and FIU-IND in the fiscal year. This marked a substantial upswing from the previous period,

⁵⁶ Sarigul, H. (2013). Money Laundering and Abuse of the Financial System. *International Journal of Business and Management Studies*, 2(1), 287-301.

which had witnessed 41 penalties, primarily attributed to the RBI. The collective sum of fines escalated from INR 11.23 crores (USD 1.37 million) in the preceding year to INR 13.83 crores (USD 1.68 million) in FY 2022-23. The magnitude of fines imposed by the FIU-IND demonstrated an 18-fold surge, largely driven by an exceptional instance – a hefty penalty of INR 2.07 crores enforced exclusively on a single bank, namely HSBC.

TABLE 2. 1 Penalties: Comparative Figures for Current and Prior Years

	2022-23	2021-22 (previous year)
Number of Institutions Penalized	71	41
- RBI	58	37
- FIU India	13	4
Penalty Amount (INR)	13,82,94,295	11,23,50,000
- RBI	11,40,89,295*	11,10,60,000*
- FIU India	2,42,05,000	12,90,000

Source: RBI and FIU-IND websites, Fintelekt Research, (RBI, 2023) (AML CFT FCC, 22-23) (FIU IND penalties, 2022-23) (Financial Intelligence Unit | Ministry of Finance | Compliance order, 2022-23) some penalties levied by the RBI are for more than one type of violation, but the RBI does not provide a breakdown of the penalty by the type of violation. Hence the penalty value for the AML/KYC part of the violation may be overstated.

Variety of Penalized Entities

Cooperative banks prominently featured among the list of penalized entities, while a smaller number of NBFCs, other banks, and participants in the capital market also incurred penalties throughout the year. Cooperative banks faced an average penalty of just INR 3.9 lakhs, whereas payment system operators encountered the highest average penalty (INR 1.6 crores).

The FIU-IND expanded its scope not only by imposing penalties on a greater number of entities compared to the previous year but also by targeting a more diverse range of institutions. This extended to two cooperative credit societies, two companies operating in the capital markets, and a travel and tours operator, all of which received penalties for inadequacies in their AML programs.

TABLE 2. 2 Categories of Penalized Financial Institutions in the Fiscal Year 2022-23

Type of Institution	Levied by RBI	Levied by FIU-IND	Total	Amount (INR)
Cooperative Bank	45	4	49	1,92,41,330
NBFC	4	2	6	49,18,965
Public Sector Bank	3	0	3	2,12,00,000
Private Sector Bank	2	1	3	1,96,00,000
Payment System Operator	3	0	3	4,80,39,000
Foreign Bank	1	1	2	3,12,59,000
Capital Markets	0	2	2	2,00,000
Cooperative / credit society	0	2	2	7,20,000
Travel and Tours	0	1	1	1,00,000

Source: RBI and FIU-IND websites, Fintelekt Research, (RBI, 2023) (AML CFT FCC, 22-23) (FIU IND penalties, 2022-23) (Financial Intelligence Unit | Ministry of Finance | Compliance order, 2022-23)

The Highest Ten Penalties

Taking the lead was a substantial penalty of INR 3.07 crores imposed on Amazon Pay (India) Private Limited for failing to adhere to the RBI's Prepaid Payment Instruments (PPIs) and KYC Guidelines. Interestingly, Amazon received preliminary approval from the RBI to operate as an online payment aggregator in February 2023. The timing of this penalty in March 2023, shortly after the preliminary approval, raises inquiries as complying with KYC standards is a pivotal prerequisite for final licensing.

Following closely, the FIU-IND issued the second most significant penalty, totalling INR 2.07 crores, specifically directed at HSBC. This penalty stood out among the top ten cases,

attributed to a series of instances involving reporting lapses by the bank. These lapses pertained to handling proceeds from criminal activities, including the channelling of funds from online gambling activities through HSBC-held bank accounts.

In July 2022, Ola Financial Services encountered the third-highest penalty at INR 1.68 crores. Interestingly, the RBI returned Ola Financial Services' application to operate as a payment aggregator in September 2022. In response, the company was instructed to halt online payment aggregation activities and close nodal/escrow accounts within 180 days from the date of the application return. It remains uncertain whether the KYC violation played a role in the RBI's decision to return Ola Financial Services' application.

Other substantial penalties were imposed by the RBI on various private, public, and foreign banks. The penalty amount typically mirrored the bank's size and significance within the financial landscape. Violations related to Unique Customer Identification Codes (UCIC) led to penalties for the Bank of Maharashtra, Axis Bank, and Bank of India.

TABLE 2. 3 The Highest Ten Penalties in FY 2022

Financial Institution	Amount (INR)	Description of Penalty	Regulator
Amazon Pay (India) Private Limited	3,06,66,000	Non-compliance with the RBI's Directions on Prepaid Payment Instruments (PPIs) and KYC	RBI
HSBC	2,06,75,000	Specific instances of failures in connection with carrying out due diligence, STR reporting, cross-border wire transfer reporting	FIU-IND
Ola Financial Services Private Limited	1,67,80,000	Non-compliance with the RBI's Directions on Prepaid Payment Instruments (PPIs) and KYC	RBI
Bank of Maharashtra	1,12,00,000*	Non-compliance with the directions on KYC requirements and failure to allot Unique Customer Identification Codes (UCIC) to its individual customers	RBI
IndusInd Bank Ltd	1,00,00,000	Specific instances of failure to adhere to CDD procedures and fixed deposit limits in non- face-to-face accounts	RBI
Axis Bank Ltd	93,00,000*	Specific violations of failure in verification of officially valid documents and not adhering to Unique Customer Identification Code (UCIC) norms	RBI
Bank of India	70,00,000	Failure to adhere to UCIC norms and complete the process within timelines	RBI
Industrial Bank of Korea	36,00,000	Failure to put in place a system of periodic review of risk categorization of accounts	RBI
The Delhi State Cooperative Bank	30,85,000*	Non-compliance with KYC Directions	RBI
Bank of Baroda	30,00,000*	Breached the stipulated transaction limits (aggregate of credits in a financial year and aggregate of all withdrawals & transfer in a month) in small accounts	RBI

Source: RBI and FIU-IND websites, Fintelekt Research, (RBI, 2023) (AML CFT FCC, 22-23) (FIU IND penalties, 2022-23) (Financial Intelligence Unit | Ministry of Finance | Compliance order, 2022-23)

“Certain penalties imposed by the RBI encompass multiple types of violations, yet the breakdown of the penalty according to each violation type is not disclosed. Consequently, the monetary value attributed to the AML/KYC aspect of the violation might be potentially inflated.”

The Most Frequent Violations

Enforcement directives issued by the FIU-IND typically offer more comprehensive insights into the nature of the breaches and the rationale behind imposing penalties on the institution. These orders often present a breakdown of the violations by category in most instances. In contrast, press releases from the RBI lack specific details and omit categorizing violations, even in cases involving substantial fines.

Despite the absence of intricate particulars, discernible patterns emerge from the explanations provided by the RBI. One prevalent cause frequently mentioned is the failure to conduct a thorough review of customer risk classification. The process of categorizing risk after assessing a customer is a vital foundation of an effective AML program within any organization. Neglecting periodic risk classification underscores a fundamental vulnerability in the AML framework. In certain instances, the RBI points out instances where customer risk categorization was entirely disregarded.

Additionally, the imposition of fines was justified due to the absence of a mechanism to detect suspicious transactions. Inadequate employment of red flags, an insufficiently robust system, and a lack of procedures for handling alerts were also factors contributing to these penalties.

For the FIU-IND, which serves as the central entity for receiving Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs), and other threshold-based reports, the largest number of penalties stemmed from failures in reporting. This was followed by deficiencies in mechanisms to identify and report suspicious transactions.

TABLE 2. 4 Primary Reasons for Imposing Penalties

Most Common Contraventions in Penalties Levied by the RBI	Most Common Contraventions in Penalties Levied by the FIU-IND
<ul style="list-style-type: none"> • Failure to conduct review of risk categorisation • Lack of mechanism to detect suspicious transactions • Failure to conduct periodic updation of KYC • Not adhering to UCIC norms • Failure to carry out risk categorisation 	<ul style="list-style-type: none"> • STR/CTR/Other Reporting Failures • Lack of mechanism to detect suspicious transactions • Lack of mechanisms to raise alerts • AML governance failures (no Board oversight)

Source: RBI and FIU-IND websites, Fintelekt Research, (RBI, 2023) (AML CFT FCC, 22-23) (FIU IND penalties, 2022-23) (Financial Intelligence Unit | Ministry of Finance | Compliance order, 2022-23)

The COVID-19 pandemic has resulted in a nearly three-year postponement of India's Mutual Evaluation by the Financial Action Task Force (FATF). This delay has provided the Reserve Bank of India (RBI) and FIU-IND with additional time to intensify their efforts against financial institutions that violate regulations. This continued emphasis is evident in the increasing trend of penalties over the past three years. While the amount of penalties is also on the rise, there could be an argument that it remains relatively insignificant in comparison to the size of these financial institutions. This raises questions about whether the penalties effectively underscore the significance of Anti-Money Laundering (AML) and combating the Financing of Terrorism (CFT) measures. Except for a few instances, particularly involving well-established financial entities where the risk to reputation due to penalties would be substantial, it is plausible that the penalties might be viewed as a routine cost of conducting business rather than a driving force for enhancing AML/CFT policies and procedures.⁵⁷ (Bedekar, 1681)

The RBI's tightening of AML regulations and harsh penalty action may have prompted banks to bolster their compliance function. Banks must therefore demonstrate that they are willing partners in the AML/CFT regime. AML/CFT regulations have been in place in India for

⁵⁷ Bedekar, A. (1681, July 16). AML/KYC penalties in FY 2022-23 in India: Cooperative banks and payment aggregators the hardest hit. LinkedIn. <https://www.linkedin.com/pulse/amlkyc-penalties-fy-2022-23-india-cooperative-banks-payment-bedekar>

about a decade. Given the vulnerability of financial institutions, particularly banks, it is necessary to assess the level of Internal Auditors' involvement in AML Governance activities and effective compliance, as well as confirm the current status of AML compliance review and Combat Money Laundering in banks and understand the Internal Auditors' constraints of AML implementation.

As a result, the current study seeks to address the following research problems:

- To what extent do internal auditors participate in effective compliance auditing and anti-money laundering governance activities?
- Does the involvement of the bank's internal auditors in AML Governance support efficient AML Compliance review?
- Does effective compliance review play a mediation role in Combat money laundering among various AML governance activities?
- What challenges do internal auditors confront when enforcing AML compliance reviews?

2.8. Conceptual Framework

In theory, the potential exists for illicit funds laundering to target commercial banks. This is due to the proliferation of banking services and products, intricate financial connections, advancements in technology, and the accelerated pace of global money movement. Consequently, those engaged in money laundering have needed to adapt their techniques. Currently, Anti-Money Laundering (AML) activities primarily rely on manual procedures, focusing heavily on detecting transactions and generating a continuous stream of alerts for further investigation. Additional research is still needed to comprehensively comprehend the effectiveness and efficiency of their management capabilities. Efforts to address the issue, even if unsuccessful in executing transactions accurately, have not yielded positive outcomes. Especially concerning significant institutions and entire nations, relying solely on a manual system falls short of being a fully efficient solution for comprehensive automated transaction monitoring. Furthermore, commercial banks require capable and proficient personnel, an internal compliance auditor, and a well-devised audit policy for the bank's staff. The ongoing endeavors of money launderers are largely responsible for creating

instability and eroding confidence in financial institutions. Local efforts by internal auditors need to cooperate to stop them. It is necessary to ensure since internal auditors play a significant role in Compliance Review.

Theoretical Framework

(Mwirigi, 2018) This paper talks about the impact of Anti-money laundering practices in the financial institutions of Kenya. To understand the factors undermining this law, a primary survey was conducted with 42 banks in Kenya. It was found that the country faced issues related to money laundering but was able to implement anti-money laundering to a great extent. Hence, the study recommended that it is important to provide relevant training to the staff to make them understand anti-money laundering policies. At the same time, it is important to keep a watch on online monetary transactions and the jurisdiction of these transactions.

(Sabry, 8 May 2018) This paper talks about the impact of the internal auditor's committee on IT governance. It talks about the importance of IAs to understand and advance themselves in technology and for the same, the Egyptian banking sector was taken into consideration. The descriptive analysis of the study suggests that there is a scope for improvement in this area. It further suggested that the effectiveness of AML compliance review was positively impacted due to the involvement of IAs in IT governance. So, this paper was able to identify the importance of the role of IA in a country like Egypt where this profession is still developing and it provided suggestions as to how IAs need to go beyond a certain limit and act a bit more proactively to combat money laundering.

(Reem Oqab Kasswna, 19 Dec 2012) This paper talks about the importance of the audit committee in setting up an "Internal control system" to address the issues related to money laundering. Jordian banks were taken into consideration to carry out the research. It was seen that there was a huge impact of the auditing committee in setting up an internal control system which also resulted in combatting money laundering to a certain extent.

(Papachristou, 2015) This paper talks about the term "Combating money laundering and financing of terrorism." It describes the origin of this term and its evolution over certain years. It focuses on the internal auditors and its impact on regulatory compliance. Finally,

this paper concludes that it is important to discuss the alternative course of action based on historical events and combat issues of money laundering.

(Masetah Ahmad Tarmizia, 13 January 2022) This paper talks about the importance of training among the employees of financial institutions to combat money laundering. This training should be given to give them knowledge about compliance with money laundering. This compliance included three aspects: “Know your customer (KYC),” “Client Due Diligence,” and “Record Keeping.” A primary survey was conducted and it was found that employees were able to comply with the “Anti-money laundering compliance” after going through the necessary training.

(Nertila Cika, Januaray-April 2018) This paper talks about the increasing level of issues related to money laundering in Albania. The main purpose of this paper to understand whether there is any role of Albanian Auditors in solving this issue and what is the contribution of other stakeholders in fighting the issues related to money laundering. The results stated that there was negligence seen from the end of the Albanian Auditors and most of the money laundering cases were driven by construction companies.

(Klarskov Jeppesen, 2019) This paper talks about the role of auditors in fighting corruption. It provides a detailed description of the ways through which auditors can play an active role in fighting corruption. The paper has discussed that earlier auditors were not playing a major role in fighting corruption and they cited the major reason as, “Non-compliance with laws and regulations.” However, this paper argues that it is not about compliance only. The auditors can also detect corruption because there will be misstatements in the financial statement due to corruption. So, they can identify the same and fight the issue of corruption.

(Karage, 2019) This paper talks about the inter-relationship between the senior management and risk management team with internal audit-related activities and fraud mitigation techniques. It was seen that there was a positive relationship between employees and risk management while there was a significant relationship between risk management, fraud management, and senior management. It was further seen that if the senior management system and risk management system are in place then it can lead to betterment in detecting any fraudulent activities. Senior management plays a crucial role in managing risk management as well as internal audit activities. The study also demonstrates a significant

mediating effect of internal audit activities (IAA) on the relationship between RM, TMS, and FM.

(Eiya, 2013) This paper talks about audits as a mechanism to fight corruption. It states that auditors play a very crucial role in reducing corruption. Though they might not point out the exact event of corruption they can help state areas where corruption exists and try to eliminate those areas through rigorous scrutiny and compliance.

(Sultani, 2014) When investigating the infrequent reporting by auditors, it all boils down to a seeming expectation gap. As such, this study has aimed to test that hypothesis, by conducting an attitude survey among Swedish auditors, as we believe the attitude towards obligations to have an impact on the tendency to report. We cannot with certainty conclude whether the auditors perceive themselves as having an obvious preventive role in the fight against money laundering due to ambiguous answers, but there seems to exist a somewhat opposed attitude toward the suggested duty to detect money laundering during audits. Nevertheless, traces of an expectation gap were found in this study. However, with a sample size of 20 respondents, we cannot make generalizations without careful consideration. As such, the findings of this study should be regarded as indicative rather than definitive.

(He, 2006) To request that the legislature pay more attention to professional laundering and increase the capabilities to combat money laundering. To strike a balance between the fight against money laundering and the protection of professional privilege, we should distinguish between professional activities: when professional activities are related to judicial proceedings or ascertaining the legal position of clients, they are exempt from the obligation of anti-money laundering; when they perform financial or company law activities, they must assume anti-money laundering obligations. This study proposes a plausible solution to the conflict between professional privilege and anti-money laundering duties that would benefit legislators.

Model Development

This model has been developed after considering the aforementioned secondary research.

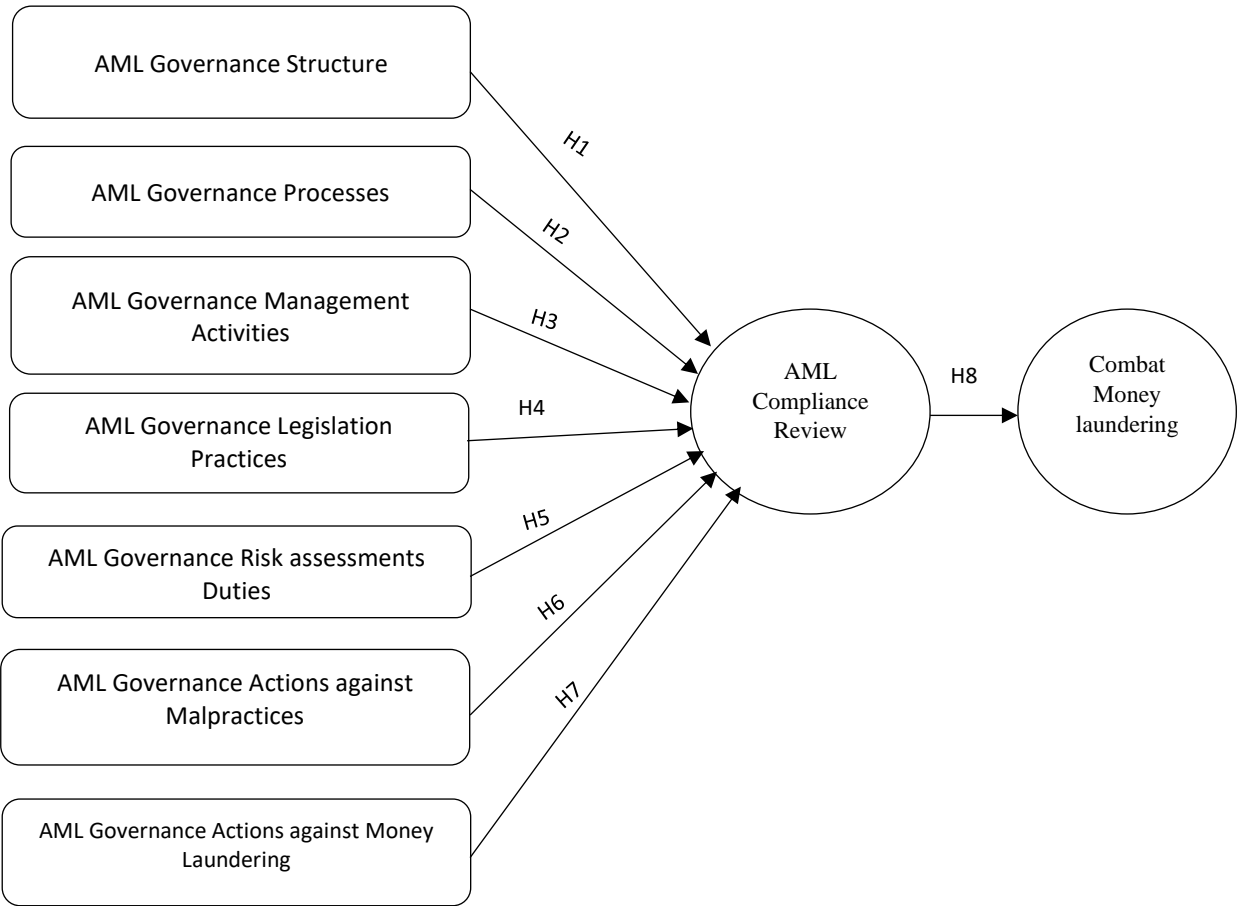


FIGURE 2. 1 Hypothetical Model

The conceptual framework aids readers in understanding the hypothesized relationship between the study's elements. The following are the study's factors:

TABLE 2. 5 Factors Development

Name of Authors	Factors
(Mwirigi, 2018)	IA involvement in AML Governance Structure
(Reem Oqab Kasswna, 2012)	IA involvement in AML Governance Processes
(Sabry, 8 May 2018)	IA involvement in AML Governance Management Activities
(Sabry, 8 May 2018)	IA involvement in AML Governance Legislation Practices.
(Papachristou, 2015)	IA involvement in AML Governance Risk assessments Duties.
(Karage, 2019)	IA involvement in AML Governance Actions against Malpractices
(Karage, 2019)	IA involvement in AML Governance Actions against Money Laundering
(Sabry, 8 May 2018),(Masetah Ahmad Tarmizia, 13 January 2022)	IA Effectiveness in AML Compliance Review
(He, 2006),(Nertila Cika, Januaray-April 2018),(Klarskov Jeppesen, 2019),(Sultani, 2014-05-28)	Combat Money laundering

To achieve the objective of finding out whether the internal auditors faced any constraints while complying with AML, a questionnaire was developed after going through previous work done in this domain.

TABLE 2. 6 Variables Development

Name of Authors	Questionnaire / Variables
(KPMG, 2012)	KYC's documentation requirements.
(B. Viritha V. M., 2015)	Loss as a result of the KYC requirements.
(Saleha Raza, 2011) (Svetlana Nikoloska, 2012)	Customers closed their accounts due to the reporting of transactions
(Unger,2013)(Wit, 2007)	Hindrance to conducting business.
(Sarigul,2013 (Johnston, 2006)	Business considerations and AML implementation challenges
(PricewaterhouseCoopers., 2007) , (Simonova, 2011)	Not able to disclose the politically exposed
(Johnston,2006)	Difficult to recognize suspicion
(Advisors,2009)	AML Measures training is insufficient.
(Fleming,2005)	Delays in reporting or incomplete reports
(Kini, 2006) (Nair, 2007)	consistent exchange of information
(Chaikin D,2009) (Advisors,2009)	Lack of management support
(PricewaterhouseCoopers,2007)	Improper budget
(Vivek Jogi, 2020) (A.V. L.N. Sujith, 2022)	Inadequate technology

CHAPTER-3

Research Methodology

3.1. Introduction

To get a deeper understanding, this chapter gives a method for answering research questions and testing hypotheses regarding the Role of Internal Auditors in AML Activities, intra-relationships among AML compliance Activities as well as the Role of effective Compliance review between AML Governance individual activities, and combat money laundering in the several public as well as private sector banks. Research questions also identify the major constraints of Internal Auditors in AML compliance reviews and implementation. The research question and hypothesis came from noticing something missing in previous studies.

This Section describes the chosen research strategy used, the method of selecting participants the sample size, the design of the questionnaire, and an analysis of the pilot testing. The following four study objectives, which were established for the analysis in Chapter One, are restated: This section covers methodologies for data collecting and processing as well as instrument development and sample methods.

Following were the major research objectives that were taken into consideration while carrying out the research:

OBJECTIVE 1: To identify the level of involvement of internal Auditors in Anti Money Laundering (AML) Governance Activities and Effective compliance review for Combat Money laundering

OBJECTIVE 2: To Evaluate Intra-relationships amongst Individual activities related to Anti Money Laundering (AML) Governance, Effective compliance review, and Combat Money Laundering.

OBJECTIVE 3: To Confirm the Role of Mediating Effect of Effective compliance review in relation to Anti Money Laundering (AML) Governance activities to Combat Money Laundering.

OBJECTIVE 4: To Identify and Confirm the Major Constraints of Internal Auditors in Anti Money Laundering Compliance review and Implementation from the perspective of Internal Auditors.

3.2. Hypothesis of the study

Objective: 3 To Confirm the Role of Mediating Effect of Effective compliance review about Anti Money Laundering (AML) Governance activities to Combat Money Laundering.

IA involvement in AML Governance Structure

H0: There is a negative significant Impact of IA involvement in AML Governance Structure related to the effectiveness of AML Compliance Review.

H1: There is a positive significant Impact of IA involvement in AML Governance Structure related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Processes

H0: There is a negative significant Impact of IA involvement in AML Governance Processes related to the effectiveness of AML Compliance Review.

H2: There is a positive significant Impact of IA involvement in AML Governance Processes related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Management Activities

H0: There is a negative significant Impact of IA involvement in AML Governance Management Activities related to the effectiveness of AML Compliance Review.

H3: There is a positive significant Impact of IA involvement in AML Governance Management Activities related to the effectiveness of AML Compliance Review.

IA Involvement in AML Governance Legislation Practices:

H0: There is a negative significant Impact of IA involvement in AML Governance Legislation Practices related to the effectiveness of AML Compliance Review.

H4: There is a positive significant Impact of IA involvement in AML Governance Legislation Practices related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Risk assessments Duties:

H0: There is a negative significant Impact of IA involvement in AML Governance Risk assessments Duties are related to the effectiveness of AML Compliance Review.

H5: There is a positive significant Impact of IA involvement in AML Governance Risk assessments Duties are related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Actions against Malpractices:

H0: There is a negative significant Impact of IA involvement in AML Governance Actions against Malpractices related to the effectiveness of AML Compliance Review.

H6: There is a positive significant Impact of IA involvement in AML Governance Actions against Malpractices related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Actions against Money Laundering

H0: There is a negative significant Impact of IA involvement in Actions against Money Laundering related to the effectiveness of AML Compliance Review.

H7: There is a positive significant Impact of IA involvement in Actions against Money Laundering related to the effectiveness of AML Compliance Review.

IA Effectiveness in AML Compliance Review

H0: There is a negative significant Influence of IA effectiveness in AML Compliance Review impact on Combat Money Laundering.

H8: There is a positive significant Influence of IA effectiveness in AML Compliance Review impact on Combat Money Laundering.

3.3. Research Design

The careful plan of research to make sure to get accurate results can be called research design. (Reis, 2000), p. 17. It includes information about the population to be investigated, the treatment to be used, as well as the dependent variables to be analyzed. A research design is defined by (Polit D. F., 2001) as Research design refers to the process of carefully organizing and planning how a research study will be conducted to obtain reliable and accurate results.

A research design is a strategy for carrying out a study while ensuring that all aspects that might impact the accuracy of the results are carefully controlled (Burns N. &, 2009) A study design is a strategy that describes how and when data will be gathered and evaluated by (Parahoo, 2006) A research design may be defined as "the researcher's plan for answering the study question or testing the research hypothesis. (Polit D. F., 2012)

A research design is the plan or strategy for how a study will be done. It explains all the important parts of a research project, like the samples or groups, measurements, treatments, or programs, and how they work together to find the answers to the research questions. The way a study is set up greatly affects our ability to understand what causes differences in a dependent measure. Data analysis and research design go hand in hand. (Miller, 2002).

A research design is similar to a strategy that outlines how to do research. It describes the procedures and methods employed. It functions similarly to a strategy or roadmap for acquiring, analysing, and presenting the information. This ensures that the information gathered is relevant to the study issue and provides a means to examine the data. Data analysis is the process of extracting, transforming, and interpreting data to draw meaningful conclusions. Data analysis is used to identify patterns, trends, relationships, and other insights from data. It involves examining large amounts of data to uncover information that can be used to inform decision-making. The two processes are closely linked in that research

design provides the structure for data analysis. The research design outlines the methods that will be used to collect data, as well as the methods for analysing that data. This ensures that the data collected is relevant to the research question, as well as providing a structure for analysing the data. Data analysis also allows researchers to draw conclusions from the data and provide insights into the research question. This is done by examining the data collected in the research design and assessing the relationships between variables. This can be accomplished through the use of descriptive statistics, inferential statistics, or other data analysis techniques. To summarize, study design and data analysis are inextricably intertwined.

3.3.1. Exploratory Research Design

According to (Malhotra, and Dash,2009), exploratory research is a type of study that is used to investigate or seek through an issue or scenario to produce insights and understanding. Exploratory research is useful in any case in which the researcher lacks sufficient understanding to proceed with the study topic. Because formal research protocols and procedures are not used, exploratory research is characterized by methodological flexibility and versatility.

Structured surveys, high sample sizes, and probability sampling procedures are uncommon. As they work, the researchers in this study are looking for fresh ideas and insights. When a new thought or insight is presented, they may alter their exploration. That new road is pursued until its options are exhausted or another alternative is uncovered. As a result, the investigation's emphasis may shift regularly as new information becomes available. Thus, in exploratory research, the researcher's creativity and originality are critical.

Exploratory research is a type of study done to gain an understanding of a problem or situation and to find possible solutions. It is often used when a problem is not clearly explained or when there is confusion about the situation. Exploratory research helps us better understand the problem and come up with new ideas that can be studied further. Usually, when doing exploratory research, use methods like talking to groups of people, asking questions, and studying specific cases.

These methods help researchers understand the problem better and find possible solutions. Exploratory research is done by using surveys and polls that ask people questions. These techniques can help researchers understand more about the characteristics of the people they are studying. Exploratory research is commonly used when there is not much information available about the problem or situation being studied. This can be used to come up with ideas and find new concepts and theories. It can also be used to come up with ideas that can be tested in the future.

Exploratory research can also be used to uncover prospective variables' linkages. Exploratory research is an important element in the research process because it allows researchers to obtain a deeper grasp of the problem under consideration. It may be used to generate hypotheses and identify potential solutions. To acquire a fuller grasp of the subject, it is frequently utilized in conjunction with other research methodologies.

3.3.2. Descriptive Research Design

The features of the relevant group are described in a descriptive study design. (Malhotra, and Dash,2009)They went on to say that this research design is better suited to estimating the percentage of units in a given population that demonstrate specific behaviour, assessing product perception, determining the degree of association between various marketing variables, and making specific predictions. The primary difference between exploratory and descriptive research is that descriptive research requires the preceding development of relevant ideas. As a result, the data is well-defined. Descriptive research is meticulously planned and executed. It is based on a large sample size.

A descriptive research design is a scientific strategy for describing the features of a population or phenomena under study. It is a sort of research that seeks to comprehend the social, economic, psychological, and other elements of a particular population or phenomenon. The purpose of descriptive research is to offer an accurate account of phenomena so that people may understand them better and make better judgments. Data is often collected from a sample of persons in descriptive research designs. This data may be analyzed to acquire a better understanding of the sample's features. For example, if scholars wanted to learn about the demographics of a certain group, they could use a descriptive study format to gather information like age, gender, ethnicity, education level, and so on. This

information might then be utilized to acquire a better grasp of the population's attributes. Descriptive research designs can also be used to explore relationships between variables. For example, researchers could use a descriptive research design to explore how education level is related to income level in a given population. Descriptive research designs are often used in combination with other research methods such as surveys, experiments, and observational studies. For example, descriptive research design could be used to provide an initial understanding of a phenomenon, while other research methods could then be used to explore the relationships between variables or to test hypotheses. Descriptive research designs are an important part of the scientific process, as they provide a foundation of knowledge upon which further research can be conducted. As such, researchers must use descriptive research design when attempting to gain an understanding of a population or phenomenon.

3.4. Sample Design

Sample design is the process of creating a sample that is typical of the population being studied. It entails selecting a particular portion of the population as a whole that is believed to be indicative of the entire population. The sample design is a crucial element in the survey since it determines the accuracy and reliability of the results. Sample design involves several steps. It starts with defining the population of interest and the type of sample needed. The population of interest can be a general population or a specific subpopulation. Once the population of interest has been discovered, the sample size must be determined. The sample size should be sufficient to guarantee that the results are accurate for the entire population. After determining the sample size, the following step is to decide on the sampling strategy to be employed. Simple random sampling, stratified sampling, cluster sampling, and systematic sampling are all common sampling approaches. Each of these methods has advantages and limitations. It is critical to select the approach that is most suited to the research subject. The next step is to collect the data. Survey instruments like as questionnaires, interviews, and focus groups are used in this process. The final stage is to analyse the data after it has been collected. Statistical tests are used to verify the reliability and validity of the results. Sample design is a key phase in the survey research process. It is critical to ensure that the sample is representative of the population under consideration. The sample size should be large enough to achieve accurate and valid findings. The sampling strategy should be carefully designed to guarantee that the findings are representative of the

entire population. Finally, the data should be thoroughly collected and examined to ensure the correctness of the results.

A population sample is collected, and then a survey is conducted. A sample is a portion of the population being studied to make conclusions about the overall population. On the off chance that the test measure is expansive sufficiently, it'll have the same characteristics as the populace, (Zikmund W. , 2003), and the comes about are routinely utilized to produce population-level generalizations. As a consequence, a decent test could be an infinitesimal representation of the entire populace. A test plan incorporates the following components:

- Sample Unit
- Sample Technique
- Sample Size

3.4.1. Sample unit

The study's goal is to investigate the amount of involvement of internal auditors in anti-money laundering compliance reviews and combat money laundering in banks, as well as internal auditors' constraints in anti-money laundering compliance and implementations.

Furthermore, because the study is limited to Gujarat, four main cities in selected public and private sector banks were chosen as sample units. Ahmedabad, Rajkot, Baroda, and Surat are being considered as survey locations in Gujarat. Respondents are from the selected public and private sector banks of Gujarat cities.

TABLE 3. 1 Sample Unit

Sr No:	Bank Type	
	Public	Private
1	State Bank of India	Axis Bank
2	Bank of Baroda	Bandhan Bank
3	Canara Bank	Development Credit Bank Ltd.
4	Punjab National Bank	Kotak Mahindra Bank
5	Indian Bank	Federal Bank

6	Union Bank of India	HDFC Bank
7	Bank of India	ICICI Bank
8	Central Bank of India	IDBI Bank
9	Bank of Maharashtra	IDFC First Bank
10	UCO Bank	IndusInd Bank
11	Indian Overseas Bank	RBL Bank
12	Punjab and Sind Bank	Yes Bank

3.4.2. Sample Technique

Simple methods are used to select a smaller group from a larger group by making sure there are not too many people in the smaller group. The two primary types of sample procedures are non-probability and probability sampling. The study used a non-probability sampling technique. Because, according to (Malhotra, and Dash,2009), this technique allows researchers to choose which items should be included in the sample.

This method also yields precise estimations of population characteristics. Additionally, convenience sampling is used as part of Non-Probability Sampling. Convenience Sampling, according to (Malhotra, and Dash,2009), tries to get a sample of convenient items. Respondents are picked for being in the right location at the right time. Respondents in this survey are picked for the convenience of the researcher as well.

3.4.3. Sample Size

The sample size affects how closely the sample results reflect the population. (Burns A. &, Bush, R. 2010) The bigger the sample, the more likely the generalizations are to correctly reflect the population. (Saunders M. L., & Thornhill, A. 2009) Statistical book writers have generally agreed that the larger the sample, the more appropriate the application of various statistical analyses. (Pallant, 2007) The table below shows the sample size utilized to perform the survey. (RajendraNargudkar, 2010)

Standard Deviation

$$\sigma = \sqrt{6 \times (5-1)} = \sqrt{24} \quad \sigma = 4.9 = 0.67$$

Sample Size

$$N = Z^2 \frac{\sigma^2}{e^2} = (1.96)^2 \frac{(0.67)^2}{(0.05)^2} = 676 = (\text{Taken as } 800)$$

3.5. Sources of Data

The two sorts of data sources are primary information and secondary information. Primary data is information that a researcher makes on purpose to try and solve a problem they are studying. It is made for a specific reason and is not already existing information. According to (Malhotra, and Dash,2009), most research is done to collect new information. Secondary data sources include things like journals, books, websites, and papers that have been published or not yet published, and also thesis work.

3.6. Planning of Data Collection

The Survey Method was employed to obtain data. The Survey Method, according to (Malhotra, and Dash,2009), is a method of acquiring information that involves questioning respondents. This survey asks respondents a series of questions on anti-money laundering compliance and money laundering activity mitigation. Because the study's questioning is planned, it is also known as a structured data-gathering strategy, in which a formal questionnaire with questions set in order is used. During the stage of collecting information, 200 responses from each city - Ahmedabad, Surat, Rajkot, and Baroda - were reached out to and asked questions. A structured questionnaire was sent to 30 to 50 responders from each bank (public and private) out of 200.

After completing their work and working hours, some of the banking staff completed the questionnaire. This has given the Bank Auditors enough time without interfering with their banking activity. When Bank internal auditors fill out a questionnaire at the bank, it helps them focus on specific things while answering the questionnaire which helps to prevent any issues with Bank auditors having to remember their past experiences. (Burns A. &, Bush, R. 2010) Some people were also contacted through email.

3.7. Data Collection Instrument

A questionnaire is a tool used to collect information. It includes a list of questions that the person filling it out needs to answer. Questionnaires are very important for survey research. They need to be prepared well and are crucial for the survey. (Malhotra, and Dash, 2009), Using open-ended questions in self-completion surveys is not a smart idea since the replies will be insufficient and extremely typical. A questionnaire's closed-ended inquiries have the benefit of being pre-coded. This sort of question is suitable for surveys that are self-filled since it saves the responder time while entering replies. (Hague, 2004). As a result, the questionnaire items in this study are closed-ended, and participants were prompted to pick an option to indicate their level of agreement.

The structured questionnaire is divided into three sections. The first section of the questionnaire examines internal auditors' proactive engagement in AML compliance reviews. The second section examines internal auditors' perceptions regarding limitations for AML compliance review and implementation. The last section of the questionnaire examines the researchers' demographic information.

3.8. Developed by Researcher

The survey ends with asking for personal details of the participants. In the study, the researcher used a scale with 5 options instead of a scale with 7 options. (Prayag, 2007), research suggests that using a scale with 5 points can reduce frustration for survey participants and also lead to more and better-quality responses. (Malhotra, and Dash, 2009) Was mentioned that it is easy to create and handle. In simple words, people easily understand how to use the scale and it is more suitable for surveys through mail and personal interviews. As a result, all the statements are pointed on a scale of 1 to 5 to evenly spread out the observations.

3.9. Scaling of the Questionnaire

All of the things were evaluated on a scale of 1 to 5. A score of 1 means strong disagreement and a score of 5 means strong agreement. The questionnaire's diagrammatic rating scale is as follows:

TABLE 3. 2 Scale

Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
1	2	3	4	5

After studying the information and factors of a survey, identified Anti Money Laundering Compliance review and Combat Money Laundering as the main factors to study and see how it affects other factors.

3.10. Pilot Study

Before the data collection step, pilot research was conducted. According to (Malhotra, and Dash, 2009), is the testing of a questionnaire on a small sample of respondents to detect and eradicate any flaws. The adequacy of the questionnaire was evaluated, including question content, language, sequence, structure, and presentation. The pilot research was carried out in Ahmedabad. In the pilot study, a survey of 100 people was undertaken. Cronbach Alpha and the confidence interval test were used to examine the questionnaire's reliability.

3.11. Reliability of the Research Instrument

(Saunders M. L., & Thornhill, A. 2009) A reliability test was done throughout the scale creation process to assess the consistency of the scale and, if necessary, to purify the scale. The level of dependability defines how consistent the results are depending on the data gathering and processing procedure. Furthermore, because multiple criteria are judging the idea, dependability is especially important when utilizing a Likert-type questionnaire. (Saunders M. L., P. & Thornhill, A. 2007)

In psychological testing, the term dependability has two distinct but closely related meanings, writes (Freeman, 1965). First, it pertains to how correctly the test measures a certain thing. Second, dependability refers to how well a measuring instrument consistently generates reliable results when tested and retested.

Cronbach's alpha is a popular metric for measuring equipment reliability. Cronbach's alpha calculates how closely the questionnaire items are linked. (Pallant, 2007) Cronbach alpha values vary from 0 to 1, with a minimum of 0.6 indicating outstanding levels of internal reliability. (Hair J.F, 2006). (Nunnally, 1978) , advocated that an Alpha value of 0.7 be chosen as the bare minimum. The Cronbach alpha value was employed by the researchers to determine reliability.

3.12. Validity of the Scale Research Instrument

As defined by (Zikmund W. &., 2010) validity is the degree to which a measure correctly reflects a notion. In terms of test validity is a concern with whether the test can test the purposes for which it was created, which is more complicated than it first appears (Hair J.F, 2006). Convergent validity and discriminant validity are the Two different categories of validity that evaluate an instrument's accuracy.

3.12.1. Convergent Validity

Convergent Validity refers to the ability of items that are indicative of a specific concept to converge or share a major proportion of variance. (Hair J.F, 2006). Convergent validity, according to Anderson (Anderson, 1991), should be assessed by examining if the items on a scale converge or load collectively on a single measurement model construct. In other words, convergent validity is the degree of convergence found when two efforts to assess the same construct are undertaken using maximally diverse procedures. If there is no convergence, the theoretical framework of the study must be investigated, or the measure must be cleaned by deleting the items. For convergent validity, the scores for the category "excellent" must be greater than the scores for the category "very good" on each of the dimensions. The scores for the category "good" must be higher than the scores for the category "poor," and so on. (Aldlaigan, (2002)) . Convergent validity can be established using the following approaches:

Factor Loading: The magnitude of the factor loading is an important consideration. In the case of strong convergent validity, heavy loading on the factor would imply that they converge on a common point on their latent construct. As a general rule, standardized loading estimations should be 0.5 or higher and 0.7 or higher. Because the square of the standardized factor loading, also known as the item's extracted variance, reveals how much

variation in an item is explained by the latent component, this rule of thumb exists. (Hair J.F, 2006).

Average Variance Extracted (AVE): In CFA, the Average Variance Extracted (AVE) is a summary indicator of convergence calculated as the mean variance extracted for the item loadings on a construct. According to (Fornell, 1981) sufficiently convergent measures should have shared variance or more than 50% explained variation. Each latent construct in a measuring model needs to have an AVE measure calculated for it.

3.12.2. Discriminant Validity

Discriminant validity shows that in some manner, Discriminant validity determines how dissimilar two constructs' measurements are from one another on a comparative basis. (Campbell, 1959). Discriminant validity is the degree to which one notion and its indicators differ from another concept and its indications. It indicates that items from one scale should not load or converge too tightly with items from another scale and that independent latent variables with unusually high correlations may be measuring the same concept rather than multiple different constructs (Garver, (1999),)

According to (Fornell, 1981) the amount of variance that a construct may explain in another construct is referred to as shared variance. The square of any two conceptions' correlation serves as its representation. The authors also presented a method for assessing the discriminant validity of two or more components. A researcher compares the average variance of each construct to their common variance in this case. If the AVE for each idea is greater than its shared variance with any other construct, discriminant validity is maintained.

3.13. Exploratory Factor Analysis (EFA)

EFA is a statistical approach used in the social sciences and psychology to find the underlying elements or dimensions in a dataset. It tries to identify the structure or patterns of interrelationships among a group of observable variables, according to (Kinnear, 2010) the analysis in EFA begins with a large number of variables and aims to minimize the number of variables by grouping them into a smaller number of factors through a series of mathematical processes. These are latent variables that cannot be measured directly but are

inferred from the observable variables. According to (Cooper, 2008) Factor Analysis is a method used in conjunction with certain computational approaches. These aspects, also known as latent variables, commonly strive to quantify things like attitudes and sentiments that are difficult to assess directly. This strategy may be used to characterize the relationships between variables by condensing them into fewer elements. (Zikmund W. &, 2010).

Factor analysis is the most effective statistical tool for discovering latent variables. (Gill, 2004) , assert that throughout the past thirty years, nearly one-sixth of journal publishing writers employed this method. As a result, exploratory factor analysis was employed to investigate the degree of service offered by each of the four banks. To assess the suitability and application of the data, the Kaiser-Meyer-Olkin (KMO), and Bartlett's Test of Sphericity are utilized. A higher KMO value suggests a stronger correlation between the variables. (Gill, 2004). According to (Kaiser, 1974) a KMO value greater than 0.6 is considered suitable. Low correlation values between variables imply that they are unsuitable for membership in any factor, which is how KMO assesses sample adequacy. Bartlett's Test of Sphericity is used to analyze the correlation between the variables (Hair J.F, 2006). According to a statistically significant Bartlett's Test of Sphericity (Sig. 0.05), there are strong correlations between the variables.

Principle Component Analysis is the method used most frequently to extract factors from component analysis (Kinnear, 2010) (Cooper, 2008) In this method, correlations between various variables are used to examine their interrelationship and classify them into a few common categories. According to (Hair J.F, 2006) The anti-image correlation matrix illustrates the partial correlation between variables as well as the amount to which the factors influence the results. The off-diagonal values show a negative partial correlation between variables (around zero), but the diagonal contains estimates of sampling adequacy for each variable (higher than 0.05).

3.14. Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis is used to determine whether or not there is a link between the observable variables and their underlying latent variables. (Child, 1990) Furthermore, the CFA would ensure that each question is correctly matched with the appropriate components of the bigger concept being evaluated.

Exploratory factor analysis determines the structure of the factors and extracts them from a group of variables. CFA is used to determine how well an EFA-generated factor structure fits the data. According to (Hair J.F, 2006) CFA serves as a confirmatory test for Measurement Theory, which is a logical and systematic representation of the measurable variables of the constructs in a theoretical model. CFA is used to test model fit for data using a range of fit statistics. A variety of metrics are used to assess model fit.

The Chi-Square Test with degrees of freedom (2) is the first. The chi-square test, according to (Hu, 1999), reveals the degree of discrepancy between the expected and observed covariance matrices. A chi-square value near zero and a chi-square p-value higher than 0.05 show that the expected and actual covariance matrices differ little from one another, which is a sign of good fit. (Browne, 1993) Good model fit is usually demonstrated by The Root Mean Square Error of Approximation (RMSEA) and comparative Fit Index (CFI) The Normed Fit Index (NFI) is a common indicator to measure model fit (Hu, 1999). (Hair J.F, 2006), describes the Adjusted Goodness of Fit Index (AGFI), and Tucker Lewis Index (TLI) as conceptually similar to NFI, and a value above 0.90 is considered acceptable.

3.15. Regression Analysis: (Structural Equation Analysis)

The Pearson Relationship Co-efficient (r), often known as the Basic Relationship or Bivariate Relationship, is referred to. The r esteem represents two levels of grandeur, each with a positive or negative heading. The range of values from -1 to 0 to +1, where the values are less than 0.35, are considered fragile relationships, 0.36 to 0.50 as moderate, 0.50 to 1.0 as high, and r values 0.90 as extremely high links. (Taylor., 1990).

Regression analysis allows one variable's value to be predicted or estimated. A single predictor variable's impact on the predicted variable is estimated through simple regression. According to the (RajendraNargudkar, 2010) Regression equation's usefulness is assessed depending on:

- The overall Structural Equation Model If this is significant at a 95% confidence level, the model is likely to sound in general. This is indicated on the Structural Equation Model table in the regression result as a p-value of less than 0.05.

- The significance value of an explanatory variable in a model should be considered when determining whether it is relevant or not. If the p-value is less than 0.05, the relevant variable is significant in the model.
- The R² value reveals how much of the variance in the dependent variable is explained by all of the model's independent variables.

CHAPTER-4

Data Analysis

4.1. Introduction

Data from a field survey that was conducted using questionnaires, in-person interviews, and online interviews are included in this chapter. Data is collected between June 2020 and December 2021, and analysis is done according to protocol.

Data was gathered from 748 Internal Auditors who responded after the Pilot Testing. The researcher continues to process and analyse data. According to (Gromme, 1998) Data validation, entry, coding, and editing are a few examples of the actions and technology that prepare gathered data for analysis. Data analysis refers to the procedures and tools used for weighing, tabulating, creating, and analysing data to provide statistical evidence and insight. (Gromme, 1998)

The researcher employed a variety of statistical methods to analyse the data in this chapter using IBM AMOS 26 and IBM SPSS 26. An Excel spreadsheet was used to initially code the data before it was exported to statistical software for additional analysis. The techniques utilized for analysis include reliability analysis, validity analysis, construct correlation, confirmatory factor analysis, structural equation modelling, and regression analysis. The structure of Constructs was separately built based on identified Constructs, utilizing chosen Constructs as a foundation, and its validity and reliability were assessed using confirmatory factor analysis. The relationship between the Combat Money Laundering components, which were developed and confirmed using confirmatory factor analysis and Structural Equation Modelling, was examined using correlation. Basic regression and

Structural equation modelling was used to assess the significance of the structures in combating money laundering.

Investigated were internal auditors' involvement in effective compliance review and attitudes toward preventing and minimizing money laundering based on demographic criteria such as gender, age, education, and banking experience. Throughout the investigation, hypotheses were accepted or rejected with a 95% level of confidence (5% level of significance). How to communicate data analysis, conclusions, and findings is covered in this chapter. The study's findings on the factors that affect money laundering prevention in public and private sector banks are presented. The specific goals of the study are centered on the presentation of the findings. The analysis was descriptive and utilized frequencies, percentages, and mean scores. Multiple regression analysis was used in inferential statistics to evaluate the associations between the variables. Using computer programs like SPSS 24 and AMOS 26, organized data were assessed based on adherence to goals to help explain the study's findings.

The study's objectives were to look at how internal auditors contribute to effective anti-money laundering compliance and how that affects fighting and stopping it from the perspective of bank internal auditors. According to the Study, it is clear from the analysis of the literature that To Check the proactive involvement of Internal Auditors towards Anti-money laundering Compliance review. The study contains internal auditor's involvement from an independent variable, it was measured by the level of IA involvement in AML Governance Structure, AML Governance Processes, AML Governance Management Activities, AML Governance Legislation Practices, AML Governance Risk assessments Duties, AML Governance Actions against Malpractices, Actions against Money Laundering. The study also investigates the proactive involvement of Internal Auditors' effectiveness in AML compliance review and its impact on Combat money laundering.

In the last Phase of the research, the researcher investigates and explores the Internal Auditor's Constraints in Anti-money laundering Compliance and Implementations here with the help of IA perception collecting Data and explores the critical IA constraints and also confirms them.

This will help bank management, policymakers, and regulators consider methods to avoid AML violations, ultimately improving the bank's AML compliance and reshaping plans, policies, internal controls, and other things. As a result, the research that was done to achieve the goals outlined in Chapter 1 of this thesis is discussed in this chapter.

4.2. Response Rate

At a total of more than 350 different bank branches in Gujarat, sets of questionnaires were distributed to internal auditors from various Public and Private Sector banks in each of the four cities of Gujarat. The proportion of responses from internal bank auditors in the public and private sectors is displayed in Table 4.1. By dividing the number of people interviewed by the total number of participants in the sample, one can get the response rate, which measures how many members of the sample are included in the final data set. This includes both those who declined to participate and those who were unable to. From the target population, 800 internal auditors from public and private banks in Gujarat cities were selected as a sample.

TABLE 4. 1 Response Rate

Category	Frequency	Percentage (%)
Responded	748	93.5
Did not respond	52	6.5
Total	800	100.00

More than 350 banks were covered by the sets of questionnaires that were distributed to internal auditors at various public and private sector banks in the Gujarati cities. The percentage of responses from internal bank auditors in both the public and private sectors is shown in Table 4.1. The questionnaire is distributed at several banks serving the public and private sectors. By dividing the number of people interviewed by the total number of participants in the sample, one can get the response rate, which measures how many members of the sample are included in the final data set. This includes both those who declined to participate and those who were unable to. For the target audience, a sample of

800 internal auditors from the state of Gujarat, and both the public and private sector Banks were selected.

The analysis of the responses using various statistical tools namely

1. Demographic characteristics of the data
2. Descriptive statistics
3. Reliability
4. Validity
5. Discriminant Analyse AVE and MSV
6. Correlations
7. Exploratory factor Analysis and Confirmatory factor analysis
8. Multiple regression

4.3. Demographic characteristics of respondents

The findings of the surveys given to respondents are summarized and presented in this section. Understanding the backgrounds of the participants was crucial before deciding on the study's goals. Based on their knowledge and responses, the respondents' information is used in the analysis to classify the various findings.

The sample's distribution and dispersion across location, gender, age groups, educational attainment, employment, and years of experience are facilitated by the socioeconomic profile. The samples' demographic traits are examined in this part and are presented in Table 4.2 below. The percentage of each attribute was taken into account to understand the respondent profile and provide an explanation for the distribution of responses.

As a consequence of the inquiry, the researcher was able to effectively collect responses from 748 Internal Auditors. A questionnaire was distributed to a variety of internal bank auditors working for several banks in Gujarati cities. A quick summary of the several banks of research participants is given in Table 4.3.

The distribution of respondents according to their demographic traits is shown graphically in the figures

TABLE 4. 2 Distribution of Respondents based on Demographic Characteristics

Category	Sub-Category	Frequency	Percent
Gender	Female	230	30.75
	Male	518	69.25
	Total	748	100.00
Age	21-30	100	13.37
	31-40	150	20.05
	41-50	278	37.17
	51-60	220	29.41
	Total	748	100.00
Education	Post Graduate	220	29.41
	CA	160	21.39
	CMA	120	16.04
	CPA	112	14.97
	CS	40	5.35
	ICWA	96	12.83
	Total	748	100.00
Work Experience	<1 YEAR	36	4.81
	1 TO 5 YEARS	22	2.94
	5 TO 10 YEARS	42	5.61
	10 TO15 YEARS	220	29.41
	15 TO 20 YEARS	248	33.16
	20 TO 25 YEARS	180	24.06
	Total	748	100.00

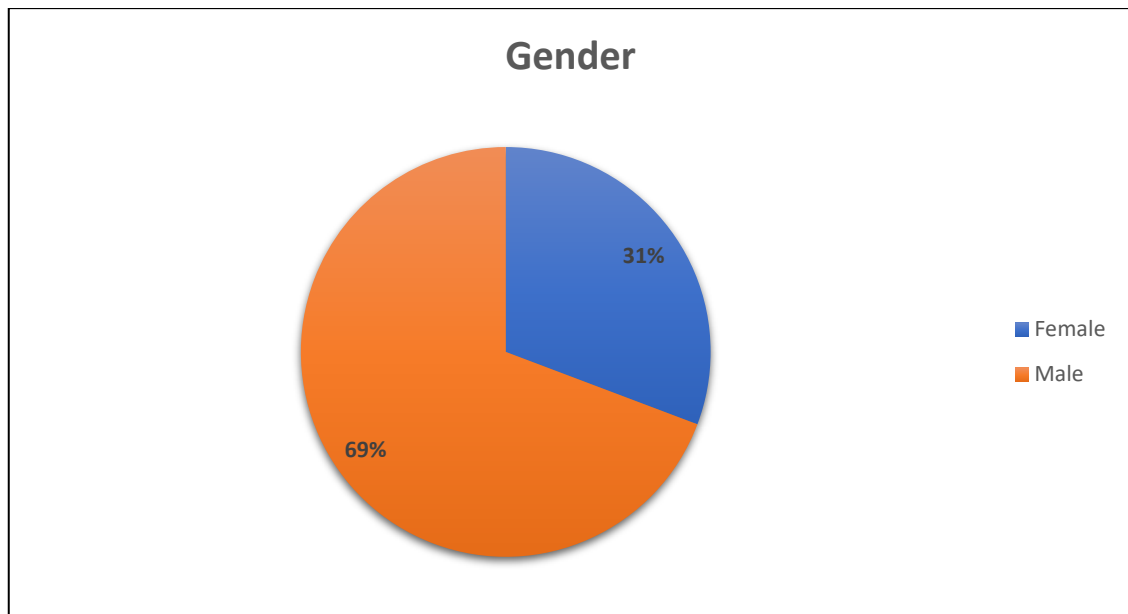


FIGURE 4. 1 Respondents based on Gender

The findings of the surveys given to respondents are summarized and presented in this section. Understanding the backgrounds of the participants was crucial before deciding on the study's goals. Based on their knowledge and responses, the respondents' information is used in the analysis to classify the various findings. The study sought to identify the respondents' gender. The study's focus on gender is crucial since it enables the researcher to get a balanced perspective from both genders. 69 percent of poll respondents were men, while 31 percent were women, according to the statistics. The female response ratio across all sites is not noticeably different. These results were desired for the study since gender is a crucial component to consider while investigating the elements that influence combat money laundering by particular Indian banks.

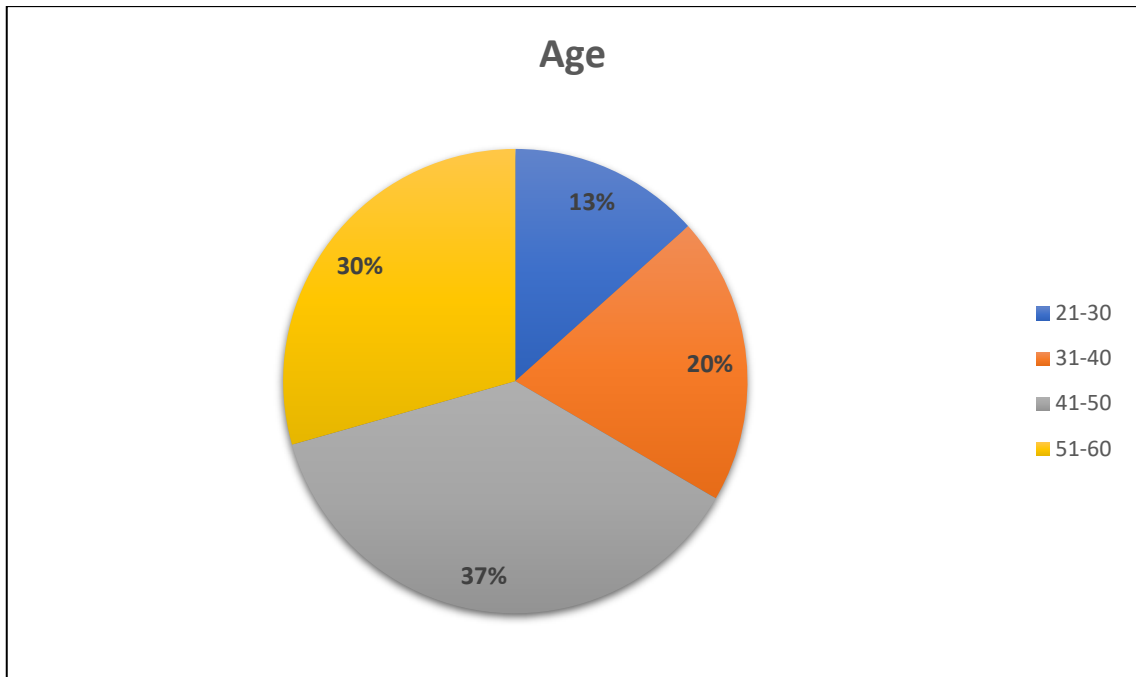


FIGURE 4. 2 Respondents based on Age

Examining the respondents' age distribution was the aim of this study. This was done to find out how respondents were split up into different age groups and, therefore, their viewpoints on the research issue. According to the poll, respondents aged 21 to 30 comprised the smallest portion of the population examined with 13%, followed by respondents aged 51 to 60 with 30%, respondents aged 31 to 40 with 20%, and respondents aged 41 to 50 and above with 37%.

These results demonstrate that both public and private banks in India employ internal auditors of various ages, suggesting that the study's conclusions are probably representative of the situation it examined. The results are shown in Fig. 4.2

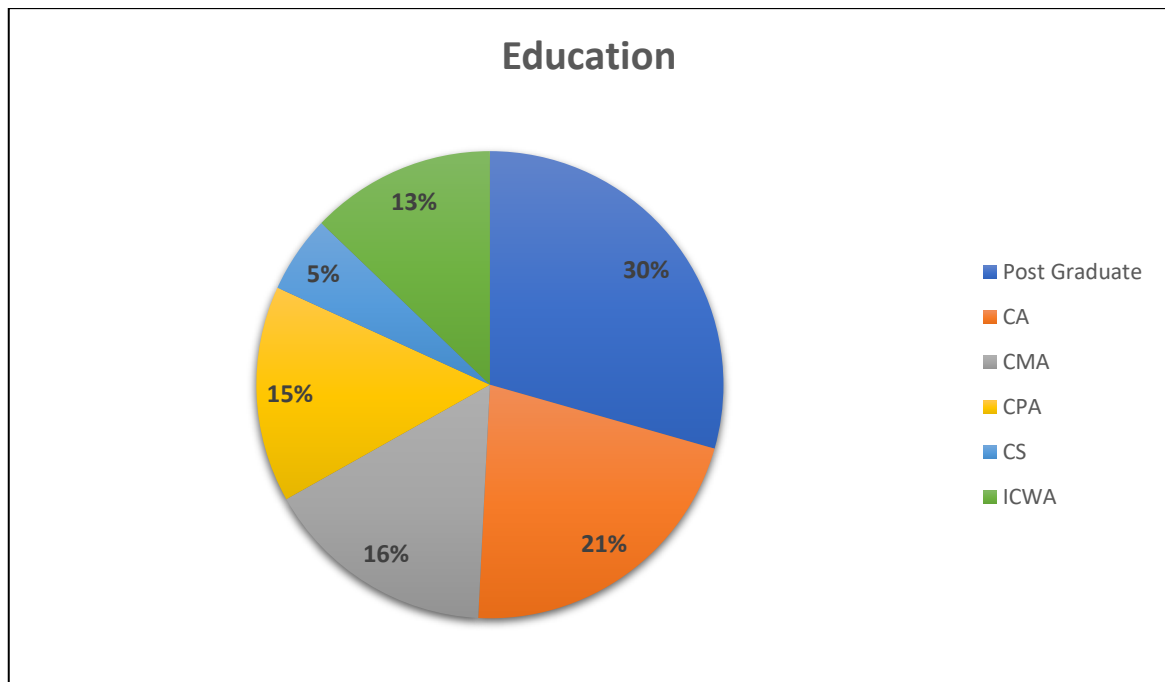


FIGURE 4. 3 Respondents based on Education

Researchers used internal auditors from public and private banks who worked in a variety of workstations and held a variety of academic degrees. The poll, therefore, sought to identify the respondents' strongest academic accomplishments. 30 percent of respondents claimed to have earned a master's degree, while 21 percent claimed to have earned a CA, 5 percent claimed to have earned a CMA, 15 percent claimed to have earned a CPA, and 13 percent claimed to have earned an ICWA. These results suggest that the majority of respondents had at least a bachelor's degree, indicating that they understood the information that this query was looking for.

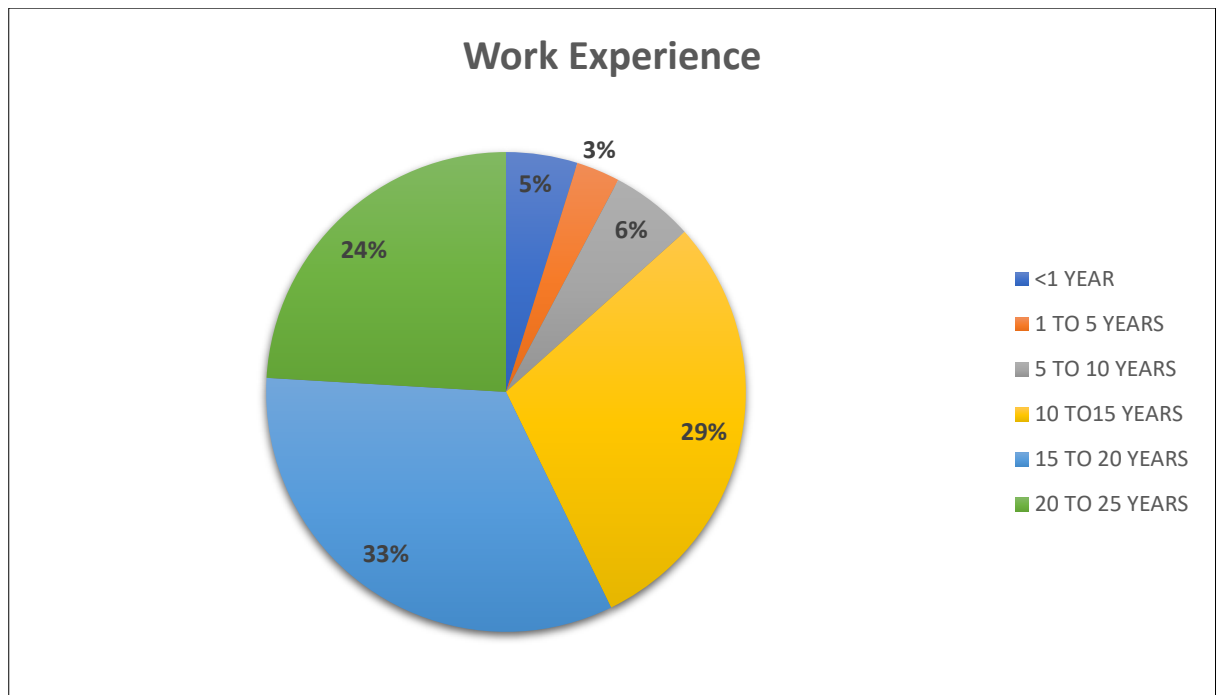


FIGURE 4. 4 Respondents based on Experience

The researcher was especially interested in how long the respondents had worked for India's public and private sector banks. This is important because it assesses the competence of the public and private sector banks in India to develop and maximize performance, as well as the understanding of critical aspects affecting Combat or Curbing Money Laundering Regulations.

According to the study's findings, the vast majority (33 percent) of respondents had worked in banks for between 15 to 20 years, with the remaining 29 percent having worked in banks for 10 to 15 years. (22.75 percent) of respondents had worked consistently in the banks for 20 to 25 years, (24 percent) had worked continuously in Public and private banks.

TABLE 4. 3 Bank Types and Profile of Respondents

Bank Type	Bank Name	Frequency	Percent
Public	State Bank of India	48	16.00%
	Bank of Baroda	45	15.00%
	Canara Bank	21	7.00%
	Punjab National Bank	15	5.00%
	Indian Bank	36	12.00%
	Union Bank of India	30	10.00%
	Bank of India	39	13.00%
	Central Bank of India	18	6.00%
	Bank of Maharashtra	18	6.00%
	UCO Bank	9	3.00%
	Indian Overseas Bank	6	2.00%
	Punjab and Sind Bank	15	5.00%
	Total	300	100.00%
Private	Axis Bank	57	12.72%
	Bandhan Bank	20	4.46%
	Development Credit Bank Ltd.	13	2.90%
	Kotak Mahindra Bank	36	8.04%
	Federal Bank	22	4.91%
	HDFC Bank	78	17.41%
	ICICI Bank	66	14.73%
	IDBI Bank	26	5.80%
	IDFC First Bank	45	10.04%
	IndusInd Bank	35	7.81%
	RBL Bank	27	6.03%
	Yes Bank	23	5.13%
	Total	448	100.00%

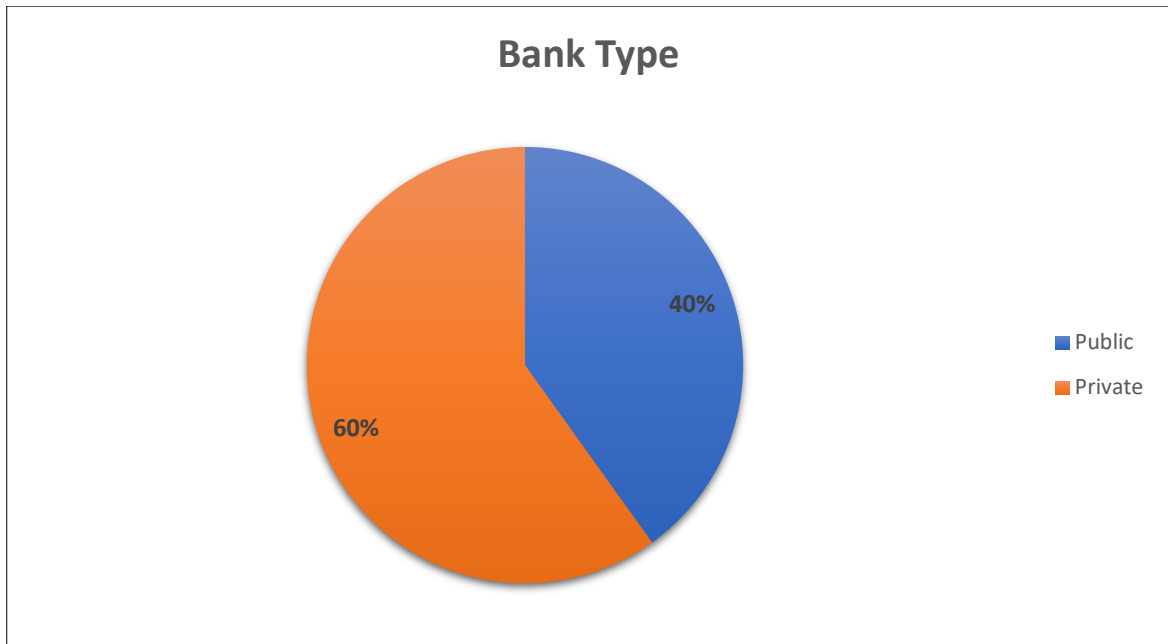


FIGURE 4. 5 Respondents based on Bank Types

Here Majority of Data was collected from India's leading Banks Both the sector Public and Private. The table shows that out of 748 responses, 60% of the Data collected from Private sector banks which include India's top private banks like State Bank of India, Bank of Baroda, Canara Bank, Punjab National Bank, Indian Bank, Union Bank of India, Bank of India, Central Bank of India, Bank of Maharashtra, UCO Bank, Indian Overseas Bank, Punjab and Sind Bank and 40% of the Data collected from public sector banks which include India's top most Private bank like Axis Bank, Bandhan Bank, Development Credit Bank Ltd, Kotak Mahindra Bank, Federal Bank, HDFC Bank, ICICI Bank, IDBI Bank, IDFC First Bank, IndusInd Bank, RBL Bank, Yes Bank.

TABLE 4. 4 Parts of Data Analysis

Part -1 Involvement of Internal Auditor's effectiveness in AML compliance for Combat Money Laundering
Part-2 Internal Auditors Constraints for Effective AML Compliance and Implementation.

Part – 1 Involvement of Internal Auditor's effectiveness in AML compliance for Combat Money Laundering:

Objective 1

To identify the level of involvement of internal Auditors in Anti Money Laundering (AML) Governance Activities and Effective compliance review for Combat Money laundering.

4.4. Descriptive Analysis (item-wise) Components Statistics

Respondents are prompted to describe how they view the Involvement IA effectiveness in AML Compliance Review and Combat Money laundering activities and to investigate IA involvement in AML Governance Structure, IA involvement in AML Governance Processes, IA involvement in AML Governance Management Activities, IA involvement in AML Governance Legislation Practices, IA involvement in AML Governance Risk assessments Duties, IA involvement in AML Governance Actions Against Malpractices, IA involvement in Actions against Money Laundering.

Involvement of Internal Auditors in the Anti-Money Laundering Audit practices for combatting Money Laundering from internal auditors' perception.

TABLE 4. 5 Frequency distribution Analysis (item-wise) variables.

Factors and variables	Strongly Disagree		Disagree		Neutral		Agree		Strongly agree	
	Count	N %	Count	N %	Count	N %	Count	N %	Count	N %
IA involvement in AML Governance Structure										
The presence of an Audit Committee of the Board of Directors: The IA executive officer is a member of the AML compliance committee and is invited to meetings of the AML committee.	171	22.90%	113	15.10%	1	0.10%	280	37.40%	183	24.50%
Existence of Fraud Monitoring Committee: The IA senior executive officer is a committee member and is invited to committee meetings.	89	11.90%	83	11.10%	7	0.90%	392	52.40%	177	23.70%
The presence of the Credit Approval Committee: The IA executive officer is a member of the AML compliance committee and is invited to meetings of the AML committee.	81	10.80%	77	10.30%	34	4.50%	399	53.30%	157	21.00%
The presence of Risk Policy and Monitoring Committee: An IA senior executive officer is a committee member invited to committee meetings.	100	13.40%	95	12.70%	15	2.00%	375	50.10%	163	21.80%
Existence of Digital Transactions Monitoring Committee: The IA senior executive officer is a member of the committee and is invited to committee sessions.	56	7.50%	274	36.60%	8	1.10%	32	4.30%	378	50.50%
The presence of IT architecture committees: An IA senior executive officer is a committee member who is invited to committee meetings.	14	1.90%	258	34.50%	6	0.80%	34	4.50%	436	58.30%
The presence of Management committee: IA involvement in identification and quantification of money laundering activities	13	1.70%	251	33.60%	18	2.40%	39	5.20%	427	57.10%

A board committee (other than the audit committee) is in charge of overseeing IT-related risks and/or IT-related audit operations.	93	12.40%	299	40.00%	15	2.00%	37	4.90%	304	40.60%
IA involvement in AML Governance Processes										
Ensure your business program is independently reviewed at regular intervals and that findings are actioned.	0	0.00%	0	0.00%	0	0.00%	164	21.90%	584	78.10%
Maintain and regularly update the program.	0	0.00%	0	0.00%	0	0.00%	122	16.30%	626	83.70%
Internal auditors receive banks' Internal Systems, policies, and Procedures Training	0	0.00%	0	0.00%	0	0.00%	120	16.00%	628	84.00%
Keep all documentation for at least seven years where required	0	0.00%	0	0.00%	0	0.00%	169	22.60%	579	77.40%
The audit Committee contributes to the planning of AML internal audits.	0	0.00%	14	1.90%	12	1.60%	182	24.30%	540	72.20%
Overall internal audit planning includes risk assessment.	9	1.20%	30	4.00%	17	2.30%	117	15.60%	575	76.90%
AML governance and control frameworks are utilized in conducting internal audits.	7	0.90%	40	5.30%	15	2.00%	134	17.90%	552	73.80%
IA assesses the process of Information Technology strategic planning (including IT investment planning).	9	1.20%	32	4.30%	14	1.90%	184	24.60%	509	68.00%
IA examines Complete risk-based assessment and profiling of each customer based on their transactions to ensure AML Governance process continuity.	0	0.00%	53	7.10%	17	2.30%	113	15.10%	565	75.50%
IA assesses advanced filtering technologies analytics in the bank that detect money laundering traits and suspected transactions as well as trigger deviation as per risk matrix	35	4.70%	202	27.00%	39	5.20%	173	23.10%	299	40.00%
IA involvement to resolve the trigger risk-based actions by employees or software.	34	4.50%	247	33.00%	45	6.00%	113	15.10%	309	41.30%
IA assesses the allocation of responsibilities for AML practices	36	4.80%	228	30.50%	38	5.10%	171	22.90%	275	36.80%

Descriptive Analysis (item-wise) Components Statistics

IA evaluates initiatives for AML Measures	35	4.70%	242	32.40%	59	7.90%	81	10.80%	331	44.30%
IA involvement in Conducting a periodic assessment of relevant AML/CFT program documentation (for example, KYC/CDD/enhanced due diligence [EDD] policies and procedures and procedures related to identifying, investigating, and reporting suspicious transactions)	499	66.70%	160	21.40%	7	0.90%	77	10.30%	5	0.70%
IA involvement Conducting testing of AML/CFT controls and processes carried out by both first and second lines of defense, such as KYC/CDD/EDD, training, suspicious-activity reporting, record keeping, and retention, among others	630	84.20%	20	2.70%	64	8.60%	25	3.30%	9	1.20%
IA involvement in work verification and periodical auditing of banking activities of branches.	516	69.00%	172	23.00%	3	0.40%	52	7.00%	5	0.70%
IA involvements in Drawing up audit plans based on risk analysis.	274	36.60%	216	28.90%	46	6.10%	199	26.60%	13	1.70%
IA involvement in AML Governance Management Activities										
IA assesses IT-related disaster recovery procedures, testing, and documentation.	285	38.10%	317	42.40%	72	9.60%	74	9.90%	0	0.00%
IA assesses Internal controls.	0	0.00%	92	12.30%	22	2.90%	162	21.70%	472	63.10%
IA involvement in organizing staff training activities.	0	0.00%	120	16.00%	16	2.10%	302	40.40%	310	41.40%
IA involvement to Follow up on any remedial actions arising from independent audit or regulatory findings.	36	4.80%	74	9.90%	16	2.10%	254	34.00%	368	49.20%
Internal audit function employees should be independent and have sufficient authority within the bank to be able to perform their responsibilities with objectivity.	0	0.00%	44	5.90%	56	7.50%	151	20.20%	497	66.40%
Update the program before any new services, products, or delivery channels are introduced.	0	0.00%	0	0.00%	8	1.10%	202	27.00%	538	71.90%

IA Involvement in AML Governance Legislation Practices										
Develop a written AML/CTF program that details CTF program that details the processes and procedures that are in place.	0	0.00%	0	0.00%	8	1.10%	204	27.30%	536	71.70%
You are well informed about the upcoming changes in laws and regulations on money laundering	0	0.00%	13	1.70%	9	1.20%	162	21.70%	564	75.40%
Ensuring companies' compliance with the legislation	0	0.00%	0	0.00%	10	1.30%	153	20.50%	585	78.20%
Discovering intentional misrepresentation of financial information	18	2.40%	116	15.50%	342	45.70%	185	24.70%	87	11.60%
IA assesses AML-related compliance with external requirements (such as laws and regulations) that influence the Implementation of AML Governance.	30	4.00%	86	11.50%	261	34.90%	309	41.30%	62	8.30%
IA involved in developing anti-money laundering guidelines	24	3.20%	104	13.90%	348	46.50%	215	28.70%	57	7.60%
Discovering illegal activities that directly affect the company's accounts	53	7.10%	135	18.00%	308	41.20%	199	26.60%	53	7.10%
Discovering illegal activities without a direct impact on the company's accounts	12	1.60%	78	10.40%	278	37.20%	309	41.30%	71	9.50%
Report detection of illegal activities that directly affect the company's accounts to a supervisory authority	48	6.40%	249	33.30%	334	44.70%	87	11.60%	30	4.00%
Report the detection of illegal activities without a direct impact on the company's accounts to a supervisory authority	49	6.60%	216	28.90%	322	43.00%	124	16.60%	37	4.90%
Discovering money laundering activities perpetrated within a company	99	13.20%	187	25.00%	279	37.30%	145	19.40%	38	5.10%
Report detection of money laundering activities to a supervisory authority	105	14.00%	179	23.90%	320	42.80%	76	10.20%	68	9.10%
Report suspicion of money laundering activities to a supervisory authority	117	15.60%	147	19.70%	230	30.70%	193	25.80%	61	8.20%
Internal audit function employees should have the authority to directly report to the audit committee of	63	8.40%	129	17.20%	251	33.60%	265	35.40%	40	5.30%

Descriptive Analysis (item-wise) Components Statistics

the board of directors or a similar oversight body.										
Report tax offenses to the Income Tax Department (ITD)	24	3.20%	195	26.10%	323	43.20%	180	24.10%	26	3.50%
Reporting intentional misrepresentation of financial information to a supervisory authority	15	2.00%	96	12.80%	307	41.00%	295	39.40%	35	4.70%
IA involvement in AML Governance Risk assessments Duties.										
In identifying and resolving AML risks, the Audit Committee works with the IA senior executive officer or the officer/manager responsible for AML internal audits.	39	5.20%	191	25.50%	315	42.10%	187	25.00%	16	2.10%
The officer manager in charge of AML internal audits engages with the IA senior executive officer of the officer manager in charge of Audits to identify and handle AML Related Risk Assessment.	12	1.60%	48	6.40%	214	28.60%	318	42.50%	156	20.90%
Risk assessment is utilized in the design and execution of particular internal audit parts.	27	3.60%	55	7.40%	163	21.80%	327	43.70%	176	23.50%
IA involvement in Conducting periodic evaluations of the bank's AML/CFT risk assessment	12	1.60%	87	11.60%	185	24.70%	285	38.10%	179	23.90%
Data integrity is assessed by IA.	6	0.80%	27	3.60%	150	20.10%	358	47.90%	207	27.70%
The IA assesses the Privacy process.	9	1.20%	31	4.10%	170	22.70%	334	44.70%	204	27.30%
IA assesses asset management and security.	9	1.20%	40	5.30%	131	17.50%	295	39.40%	273	36.50%
IA has to register suspicious and high-value transactions to the inhouse vigilance department, Risk intelligence and control unit, and CBI	12	1.60%	30	4.00%	85	11.40%	277	37.00%	344	46.00%
IA registering suspicious and high-value transactions and taking steps against customers making such transactions.	18	2.40%	16	2.10%	116	15.50%	278	37.20%	320	42.80%
IA cooperates with FIU and the so-called cooperating units.	12	1.60%	67	9.00%	146	19.50%	274	36.60%	249	33.30%
IA provides information about the registered	3	0.40%	51	6.80%	87	11.60%	267	35.70%	340	45.50%

suspicious and high-value transactions to FIU India.										
IA involvement in AML Governance Actions against Malpractices										
IA Obtaining information on Suspicious transactions and analysis of the realization of the transaction.	77	10.30%	81	10.80%	135	18.00%	218	29.10%	237	31.70%
IA is involved in Carrying out a procedure for transaction suspension or bank account blocking in case of suspicion that a transaction can be related to money laundering or terrorist financing.	54	7.20%	87	11.60%	107	14.30%	209	27.90%	291	38.90%
IA Taking decision against Malpractices.	65	8.70%	109	14.60%	108	14.40%	184	24.60%	282	37.70%
IA Submitting appropriate documentation with supporting suspicion of money laundering data to FIU	12	1.60%	49	6.60%	169	22.60%	304	40.60%	214	28.60%
IA Initiating and carrying out other activities to counteract money laundering.	66	8.80%	105	14.00%	293	39.20%	182	24.30%	102	13.60%
IA arranges training programs for the obligated institution's staff within their responsibilities.	39	5.20%	45	6.00%	163	21.80%	288	38.50%	213	28.50%
IA involvement in Actions against Money Laundering										
IA is involved in detecting money-laundering activities during an audit	174	23.30%	65	8.70%	25	3.30%	236	31.60%	248	33.20%
It is required by your duties to detect money laundering	124	16.60%	104	13.90%	26	3.50%	201	26.90%	293	39.20%
IA involved and should know how to act in the event of detection of money laundering activities during an audit	134	17.90%	97	13.00%	7	0.90%	209	27.90%	301	40.20%
IA is involved and should be aware of the statutory requirements for an auditor in the fight against money laundering.	110	14.70%	99	13.20%	9	1.20%	208	27.80%	322	43.00%
IA is involved in fulfilling the requirements of good customer due diligence in each case	81	10.80%	214	28.60%	139	18.60%	52	7.00%	262	35.00%
The expectations of the audit profession in the fight against money laundering are reasonable	17	2.30%	397	53.10%	129	17.20%	74	9.90%	131	17.50%

Descriptive Analysis (item-wise) Components Statistics

Stay informed about ML/TF risks to your business and industry.	17	2.30%	397	53.10%	129	17.20%	74	9.90%	131	17.50%
Complete a risk assessment before any new services, products, or delivery channels are introduced.	5	0.70%	518	69.30%	36	4.80%	139	18.60%	50	6.70%
Develop and implement appropriate systems and controls to manage and mitigate any identified risks	0	0.00%	0	0.00%	0	0.00%	201	26.90%	547	73.10%
IA Effectiveness in AML Compliance Review										
IA is effective in AML compliance review when IA is skillful.	0	0.00%	0	0.00%	0	0.00%	245	32.80%	503	67.20%
IA is effective in AML compliance review when IA is competent.	0	0.00%	0	0.00%	0	0.00%	165	22.10%	583	77.90%
IA is effective in AML compliance review when IA is independent.	0	0.00%	0	0.00%	0	0.00%	210	28.10%	538	71.90%
IA is effective in AML compliance review when IA is objective.	0	0.00%	13	1.70%	16	2.10%	185	24.70%	534	71.40%
IA is effective in AML compliance review when IA reports directly to the audit committee.	12	1.60%	22	2.90%	20	2.70%	131	17.50%	563	75.30%
IA is effective in AML compliance review when IA meets the expectations of the audit committee.	3	0.40%	41	5.50%	24	3.20%	126	16.80%	554	74.10%
IA is effective in AML compliance review when IA improves the department's performance.	14	1.90%	22	2.90%	15	2.00%	175	23.40%	522	69.80%
IA is effective in AML compliance review when IA improves organizational performance.	0	0.00%	41	5.50%	21	2.80%	125	16.70%	561	75.00%
IA is effective in AML compliance review when IA adopts AML measures	48	6.40%	198	26.50%	98	13.10%	185	24.70%	219	29.30%
IA is effective in AML compliance review when IA adopts the RBA matrix.	47	6.30%	198	26.50%	96	12.80%	190	25.40%	217	29.00%
IA is effective in AML compliance review when IA detects money laundering crimes	48	6.40%	188	25.10%	96	12.80%	190	25.40%	226	30.20%
IA is effective in AML compliance review when IA At Every stage of proper compliance can minimize the state of imbalance	47	6.30%	191	25.50%	96	12.80%	188	25.10%	226	30.20%
Proper implementation by IA influences the	486	65.00%	159	21.30%	16	2.10%	80	10.70%	7	0.90%

prevention of money laundering										
IA's implementation of anti-money laundering practices & and procedures is important for prevention.	335	44.80%	354	47.30%	9	1.20%	40	5.30%	10	1.30%
IAs increase the capacity to diagnose economic financial crimes	507	67.80%	174	23.30%	7	0.90%	53	7.10%	7	0.90%
Combat Money laundering										
Combating money laundering through improving the internal Auditor's effectiveness in AML compliance review	497	66.40%	122	16.30%	29	3.90%	93	12.40%	7	0.90%
Money laundering can be combated by AML compliance activities	520	69.50%	127	17.00%	15	2.00%	86	11.50%	0	0.00%
Money laundering can be combated by AML implementation practices	17	2.30%	76	10.20%	53	7.10%	160	21.40%	442	59.10%
Internal auditor's involvement with AML governance plays a vital role in mitigating Money laundering	22	2.90%	112	15.00%	33	4.40%	278	37.20%	303	40.50%
Internal auditors would take sufficient measures to mitigate Money laundering	33	4.40%	104	13.90%	35	4.70%	215	28.70%	361	48.30%
internal auditors detect engaged corruption practices.	23	3.10%	52	7.00%	118	15.80%	138	18.40%	417	55.70%
Internal auditors improve noncompliance policy	0	0.00%	0	0.00%	21	2.80%	203	27.10%	524	70.10%
Internal auditors detect which activities engaged in financial fraud	0	0.00%	0	0.00%	20	2.70%	204	27.30%	524	70.10%
Internal auditors detect which activities engaged in Money laundering	0	0.00%	14	1.90%	21	2.80%	163	21.80%	550	73.50%
internal auditors identify and rectify misuse of data privacy	0	0.00%	0	0.00%	25	3.30%	154	20.60%	569	76.10%
Internal auditors are authorities who charged with the manipulation of fees and services	19	2.50%	93	12.40%	276	36.90%	241	32.20%	119	15.90%
Effective compliance reduces money laundering crimes.	25	3.30%	86	11.50%	249	33.30%	301	40.20%	87	11.60%
AML practices compliance are important for the prevention of ML	21	2.80%	99	13.20%	311	41.60%	238	31.80%	79	10.60%
Proper adoption of compliance can reduce money laundering crimes and fraud incident	58	7.80%	127	17.00%	283	37.80%	203	27.10%	77	10.30%

Table 4.5 shows what the Internal Auditors think about Anti-Money Laundering Activities. In the table, some statements have negative responses. The overall level of involvement of internal auditors in Audit Practices to combat Money Laundering is positive and good because it is necessary for combatting money laundering in banks.

Here the table shows 748 Internal Auditors' opinions for each variable and Factor which shows out of the 103 variables which variables are most effective for Anti-Money Laundering Audit practices for combat Money Laundering in the selected Banks.

Internal Auditor's Perception towards Anti-Money Laundering Audit practices in the Banks

TABLE 4. 6 Descriptive Statistics for Variables (item-wise)

Factors and variables		
	Mean	SD
IA involvement in AML Governance Structure		
The presence of an Audit Committee of the Board of Directors: The IA executive officer is a member of the AML compliance committee and is invited to meetings of the AML committee.	3.26	1.54
Existence of Fraud Monitoring Committee: The IA senior executive officer is a committee member and is invited to committee meetings.	3.65	1.28
The presence of the Credit Approval Committee: The IA executive officer is a member of the AML compliance committee and is invited to meetings of the AML committee.	3.63	1.23
The presence of Risk Policy and Monitoring Committee: An IA senior executive officer is a committee member invited to committee meetings.	3.54	1.32
Existence of Digital Transactions Monitoring Committee: The IA senior executive officer is a member of the committee and is invited to committee sessions.	3.54	1.56
The presence of IT architecture committees: An IA senior executive officer is a committee member who is invited to committee meetings.	3.83	1.45
The presence of Management committee: IA involvement in identification and quantification of money laundering activities	3.82	1.44
A board committee (other than the audit committee) is in charge of overseeing IT-related risks and/or IT-related audit operations.	3.21	1.59
IA involvement in AML Governance Processes		

Ensure your business program is independently reviewed at regular intervals and that findings are actioned.	4.78	0.41
Maintain and regularly update the program.	4.84	0.37
Internal auditors receive banks' Internal Systems, policies, and Procedures Training	4.84	0.37
Keep all documentation for at least seven years where required	4.77	0.42
The audit Committee contributes to the planning of AML internal audits.	4.67	0.61
Overall internal audit planning includes risk assessment.	4.63	0.82
AML governance and control frameworks are utilized in conducting internal audits.	4.58	0.85
IA assesses the process of Information Technology strategic planning (including IT investment planning).	4.54	0.83
IA examines Complete risk-based assessment and profiling of each customer based on their transactions to ensure AML Governance process continuity.	4.59	0.84
IA assesses advanced filtering technologies analytics in the bank that detect money laundering traits and suspected transactions as well as trigger deviation as per risk matrix	3.67	1.36
IA involvement to resolve the trigger risk-based actions by employees or software.	3.56	1.42
IA assesses the allocation of responsibilities for AML practices	3.56	1.37
IA evaluates initiatives for AML Measures	3.58	1.44
IA involvement in Conducting a periodic assessment of relevant AML/CFT program documentation (for example, KYC/CDD/enhanced due diligence [EDD] policies and procedures and procedures related to identifying, investigating, and reporting suspicious transactions)	1.57	0.98
IA involvement Conducting testing of AML/CFT controls and processes carried out by both first and second lines of defense, such as KYC/CDD/EDD, training, suspicious-activity reporting, record keeping, and retention, among others	1.35	0.86
IA involvement in work verification and periodical auditing of banking activities of branches.	1.47	0.87
IA involvements in Drawing up audit plans based on risk analysis.	2.28	1.25
IA involvement in AML Governance Management Activities		
IA assesses IT-related disaster recovery procedures, testing, and documentation.	1.91	0.93
IA assesses Internal controls.	4.36	1.01
IA involvement in organizing staff training activities.	4.07	1.04
IA involvement to Follow up on any remedial actions arising from independent audit or regulatory findings.	4.13	1.15
Internal audit function employees should be independent and have sufficient authority within the bank to be able to perform their responsibilities with objectivity.	4.47	0.87
Update the program before any new services, products, or delivery channels are introduced.	4.71	0.48
IA Involvement in AML Governance Legislation Practices		

Descriptive Analysis (item-wise) Components Statistics

Develop a written AML/CTF program that details CTF program that details the processes and procedures that are in place.	4.71	0.48
You are well informed about the upcoming changes in laws and regulations on money laundering	4.71	0.58
Ensuring companies' compliance with the legislation	4.77	0.45
Discovering intentional misrepresentation of financial information	3.28	0.94
IA assesses AML-related compliance with external requirements (such as laws and regulations) that influence the Implementation of AML Governance.	3.38	0.93
IA involved in developing anti-money laundering guidelines	3.24	0.9
Discovering illegal activities that directly affect the company's accounts	3.09	1
Discovering illegal activities without a direct impact on the company's accounts	3.47	0.86
Report detection of illegal activities that directly affect the company's accounts to a supervisory authority	2.74	0.89
Report the detection of illegal activities without a direct impact on the company's accounts to a supervisory authority	2.84	0.94
Discovering money laundering activities perpetrated within a company	2.78	1.06
Report detection of money laundering activities to a supervisory authority	2.76	1.1
Report suspicion of money laundering activities to a supervisory authority	2.91	1.18
Internal audit function employees should have the authority to directly report to the audit committee of the board of directors or a similar oversight body.	3.12	1.03
Report tax offenses to the Income Tax Department (ITD)	2.99	0.88
Reporting intentional misrepresentation of financial information to a supervisory authority	3.32	0.83
IA involvement in AML Governance Risk assessments Duties.		
In identifying and resolving AML risks, the Audit Committee works with the IA senior executive officer or the officer/manager responsible for AML internal audits.	2.93	0.89
The officer manager in charge of AML internal audits engages with the IA senior executive officer of the officer manager in charge of Audits to identify and handle AML Related Risk Assessment.	3.75	0.91
Risk assessment is utilized in the design and execution of particular internal audit parts.	3.76	1.01
IA involvement in Conducting periodic evaluations of the bank's AML/CFT risk assessment	3.71	1.01
Data integrity is assessed by IA.	3.98	0.83
The IA assesses the Privacy process.	3.93	0.88
IA assesses asset management and security.	4.05	0.93
IA has to register suspicious and high-value transactions to the in house vigilance department, Risk intelligence and control unit, and CBI	4.22	0.91
IA registering suspicious and high-value transactions and taking steps against customers making such transactions.	4.16	0.93
IA cooperates with FIU and the so-called cooperating units.	3.91	1.01

IA provides information about the registered suspicious and high-value transactions to FIU India.	4.19	0.92
IA involvement in AML Governance Actions against Malpractices		
IA Obtaining information on Suspicious transactions and analysis of the realization of the transaction.	3.61	1.31
IA is involved in Carrying out a procedure for transaction suspension or bank account blocking in case of suspicion that a transaction can be related to money laundering or terrorist financing.	3.8	1.27
IA Taking decision against Malpractices.	3.68	1.34
IA Submitting appropriate documentation with supporting suspicion of money laundering data to FIU	3.88	0.95
IA Initiating and carrying out other activities to counteract money laundering.	3.2	1.12
IA arranges training programs for the obligated institution's staff within their responsibilities.	3.79	1.08
IA involvement in Actions against Money Laundering		
IA is involved in detecting money-laundering activities during an audit	3.43	1.57
It is required by your duties to detect money laundering	3.58	1.52
IA involved and should know how to act in the event of detection of money laundering activities during an audit	3.6	1.54
IA is involved and should be aware of the statutory requirements for an auditor in the fight against money laundering.	3.71	1.49
IA is involved in fulfilling the requirements of good customer due diligence in each case	3.27	1.46
The expectations of the audit profession in the fight against money laundering are reasonable	2.87	1.19
Stay informed about ML/TF risks to your business and industry.	2.87	1.19
Complete a risk assessment before any new services, products, or delivery channels are introduced.	2.61	1.01
Develop and implement appropriate systems and controls to manage and mitigate any identified risks	4.73	0.44
IA Effectiveness in AML Compliance Review		
IA is effective in AML compliance review when IA is skillful.	4.67	0.47
IA is effective in AML compliance review when IA is competent.	4.78	0.41
IA is effective in AML compliance review when IA is independent.	4.72	0.45
IA is effective in AML compliance review when IA is objective.	4.66	0.61
IA is effective in AML compliance review when IA reports directly to the audit committee.	4.62	0.81
IA is effective in AML compliance review when IA meets the expectations of the audit committee.	4.59	0.83
IA is effective in AML compliance review when IA improves the department's performance.	4.56	0.83

IA is effective in AML compliance review when IA improves organizational performance.	4.61	0.79
IA is effective in AML compliance review when IA adopts AML measures	3.44	1.32
IA is effective in AML compliance review when IA adopts the RBA matrix.	3.44	1.32
IA is effective in AML compliance review when IA detects money laundering crimes	3.48	1.32
IA is effective in AML compliance review when IA At Every stage of proper compliance can minimize the state of imbalance	3.47	1.32
Proper implementation by IA influences the prevention of money laundering	1.61	1.02
IA's implementation of anti-money laundering practices & and procedures is important for prevention.	1.71	0.84
IAs increase the capacity to diagnose economic financial crimes	1.5	0.9
Combat Money laundering		
Combating money laundering through improving the internal Auditor's effectiveness in AML compliance review	1.65	1.08
Money laundering can be combated by AML compliance activities	1.55	0.99
Money laundering can be combated by AML implementation practices	4.25	1.1
Internal auditor's involvement with AML governance plays a vital role in mitigating Money laundering	3.97	1.15
Internal auditors would take sufficient measures to mitigate Money laundering	4.03	1.22
Internal auditors detect engaged corruption practices.	4.17	1.12
Internal auditors improve noncompliance policy	4.67	0.53
Internal auditors detect which activities engaged in financial fraud	4.67	0.52
Internal auditors detect which activities engaged in Money laundering	4.67	0.62
internal auditors identify and rectify misuse of data privacy	4.73	0.52
Internal auditors are authorities who charged with the manipulation of fees and services	3.47	0.98
Effective compliance reduces money laundering crimes.	3.45	0.96
AML practices compliance are important for the prevention of ML	3.34	0.93
Proper adoption of compliance can reduce money laundering crimes and fraud incident	3.15	1.07

Table 4.6 displays the mean and standard deviation for all variable scale elements. The majority of the mean scores are presented in multiples of three. The mean value for all statements suggests that the bulk of the statements have a mean value greater than three, indicating respondents' preference for strongly agree and agree, items with a standard deviation smaller than one. The statement Anti-Money Laundering Audit practices for combat Money Laundering shows good internal auditors' Involvement as receives the highest mean score.

The Standard Deviation is a metric that displays how much the data varies from the Mean, or how much variability there is overall. How far the respondent's responses deviate from the mean is indicated here by the relatively low standard deviation, which suggests that the responses are quite fluctuated.

The table represents the item-by-item descriptive analysis. The findings show the respondent's overall discrepancy for individual statements or variables. The table displays the results of individual variables or statements on a five-point Likert scale, as well as their means and standard deviation.

TABLE 4. 7 Level of Involvement of Internal Auditors in Audit Practices in the Banks

Constructs	Mean	Standard deviation	N of Items	+	-	N
IA involvement in AML Governance Structure	3.56	0.70	8	4.26	2.86	748
IA involvement in AML Governance Processes	4.50	0.37	11	4.87	4.12	748
IA involvement in AML Governance Management Activities	3.94	0.50	6	4.44	3.45	748
IA involvement in AML Governance Legislation Practices.	3.38	0.49	16	3.87	2.89	748
IA involvement in AML Governance Risk assessments Duties.	3.80	0.56	17	4.35	3.24	748
IA involvement in AML Governance Actions against Malpractices	2.30	0.63	6	2.93	1.68	748
IA involvement in AML Governance Actions against Money Laundering	3.41	0.60	9	4.00	2.81	748
IA Effectiveness in AML Compliance Review	3.72	0.43	15	4.16	3.29	748
Combat Money laundering activities	3.70	0.35	14	4.05	3.35	748

Factors in Summary Statistics on the Significant IA Involvement of Anti-Money Laundering Audit Practices in the Banks. Table 4.7 displays the mean and variance values for all constructs. Using SPSS's Visual Beginning tools, compute the mean and standard deviation of each cluster under each aspect.

The numbers 1, 2, 3, 4, and 5 have been used to show different levels of agreement or disagreement. 1 means strongly disagree, 2 means disagree, 3 means neutral, 4 means agree, and 5 means strongly agree. Looking at the table, most of the mean values are close to 3. This means that the majority of the people surveyed have opinions that are somewhere between neutral and agree. The level of involvement is calculated by using SPSS's Visual Binding tool and the total score of each aspect within each category.

The table depicts the descriptive analysis of the construct. The results show the respondent's overall disparity for each Cluster. The table displays individual Construct results in terms of the five-point Likert scale, as well as means and standard deviation. To understand the level of involvement of internal auditors have calculated the mean and standard deviation and the overall result shows that moderate level of involvement of Internal Auditors.

Since the highest mean value occurred by IA involvement in AML Governance Management Activities, 3.94, and the lowest mean value occurred by IA involvement in AML Governance Actions against Malpractices, 2.30, while the highest standard deviation is seen in IA involvement in AML Governance Structure, 0.70, and the lowest standard deviation is seen in Combat Money laundering activities of AML Audit practices in the banks.

Objective 2: To Evaluate Intra-relationships among Individual activities related to anti-money laundering (AML) Governance, Effective compliance review, and Combat Money Laundering.

Here for checking the internal auditor's involvement and the relationship between various factors for Anti-money laundering Compliance review, for Combat Money laundering. To begin with, check the reliability and validity of the quality of respondents and instruments, and then should need to check Confirmatory Factor analysis (CFA) for factor analysis and check the internal relationship between various factors for model fitness.

4.5. Reliability of the factors via using Cronbach's alpha

This shows how reliable the instrument is using Cronbach's alpha. The Cronbach's alpha value indicated that the set of questions in the survey had good consistency when it came to measuring certain aspects. To check how reliable the constructs are, calculated as Cronbach's alpha for each one. It has been discovered that the value of each Cronbach's alpha for each category is above 0.7, which is the minimum acceptable value for Cronbach's alpha. The outcome shows that the constructs created are trustworthy. (Hair J.F, 2006).

The results are shown in Table 4.8, All construct α value is more than and equal to 0.7, indicating good internal consistency. Measures have demonstrated independently a satisfactory α value of all constructs. The alpha value in the constructs is satisfactory.

TABLE 4. 8 Instrument's Reliability Statistics.

Constructs	Cronbach's Alpha	Comment
IA involvement in AML Governance Structure	0.868	Good
IA involvement in AML Governance Processes	0.821	Good
IA involvement in AML Governance Management Activities	0.873	Good
IA involvement in AML Governance Legislation Practices.	0.713	Acceptable
IA involvement in AML Governance Risk assessments Duties.	0.761	Acceptable
IA involvement in AML Governance Actions against Malpractices	0.704	Acceptable
IA involvement in AML Governance Actions against Money Laundering	0.719	Acceptable
IA Effectiveness in AML Compliance Review	0.976	Excellent
Combat Money laundering activities	0.914	Excellent

The reliability table indicates the values of Cronbach's Alpha for Excellent, Good, and acceptable for the research.

The AML Governance Structure's reliability is 0.868, which is regarded as satisfactory.

AML Governance Processes is 0.821, which is regarded as satisfactory.

AML Governance Management Activities is 0.873, which is regarded as satisfactory.

AML Governance Legislation Practices is 0.713, which is regarded as satisfactory.

AML Governance Risk Assessment Duties is 0.761, which is regarded as satisfactory.

AML Governance Actions against Malpractices is 0.704, which is regarded as satisfactory.

AML Governance Actions against Money Laundering is 0.719, which is regarded as satisfactory.

Effectiveness in AML Compliance Review is 0.976, which is regarded as satisfactory.

Combat Money laundering is 0.915, which is regarded as satisfactory.

Here reliability Table 4.8 shows how respondents are repeatable which results in Cronbach's Alpha being acceptable. Which is approved and validated by Internal Auditors. The highest value of Reliability occurred from IA effectiveness in AML Compliance Review which is 0.976 Excellent in nature and the lowest value of reliability occurred from IA involvement in AML Governance Actions against Malpractices which is 0.704 Acceptable. It means the researcher does not violate the assumption of reliability.

4.6. Validity of the Construct: Convergent validity

Convergent validity means factors all questions should be consistent with each variable of one factor. That means Questions of one single factor are strongly related and support each question factor. The validity of the Construct checks whether the questions and Constructs are valid or not.

TABLE 4. 9 Computations of Calculated Validity Analysis

Constructs	CR	AVE	MSV
IA involvement in AML Governance Structure	0.868	0.589	0.351
IA involvement in AML Governance Processes	0.821	0.575	0.219
IA involvement in AML Governance Management Activities	0.873	0.748	0.414
IA involvement in AML Governance Legislation Practices.	0.713	0.643	0.231
IA involvement in AML Governance Risk assessments Duties.	0.761	0.512	0.247
IA involvement in AML Governance Actions against Malpractices	0.704	0.501	0.313
IA involvement in AML Governance Actions against Money Laundering	0.719	0.703	0.233
IA Effectiveness in AML Compliance Review	0.976	0.611	0.244
Combat Money laundering activities	0.914	0.524	0.131

Here table Table.4.9 shows the estimated values for Average Variance Extracted (AVE), Maximum Shared Variance (MSV), and Composite Reliability (CR) for each construct. (Fornell, 1981) The acceptable lowest values of AVE and CR are 0.5 and 0.7, respectively, and each MSV should be less than its corresponding AVE (Urbach, 2010). The complete outcome is displayed in Table 4. 9. The estimated values demonstrate that they are within the allowed limit. So, they make sure that the items are reliable. This confirms again that the things identified are trustworthy. (Gaskin, 2019)

The composite reliability is better than the average variance extracted (AVE) value, indicating that the construct has convergent validity. It also looks like each MSV number is less than the matching AVE value for each build. (Hu, 1999) Discriminant validity evaluates if the average amount of variance extracted (AVE) is larger than the maximum amount of shared variance (MSV). (Hu, 1999).

The validity table demonstrates that the Composite reliability of the AML Governance Structure is 0.868, which is greater than 0.7, and the AVE is 0.589, indicating that the validity is optimal.

The validity table indicates that the values of Composite reliability of IA involvement in AML Governance Processes are 0.821 considered desirable which is more than 0.7 and AVE is 0.575 this data shows validity is acceptable.

The validity table indicates that the values of Composite reliability of AML Governance Management Activities are 0.873 considered desirable which is more than 0.7 and AVE is 0.784 this data shows validity is acceptable.

The validity table indicates that the value of the Composite reliability of AML Governance Legislation Practices is 0.713, which is greater than 0.7, and the AVE is 0.643, indicating that the validity is acceptable.

The validity table indicates that the value of the Composite reliability of AML Governance Risk Assessment Duties is 0.761, which is greater than 0.7, and the AVE is 0.512, indicating that the validity is acceptable.

The validity table indicates that the value of Composite reliability of AML Governance Actions against Malpractices is 0.704, which is greater than 0.7, and the AVE is 0.501, indicating that the validity is acceptable.

The Validity table indicates that the value of Composite reliability of AML Governance Actions against Money Laundering is 0.719 considered desirable which is more than 0.7 and AVE is 0.703 this data shows validity is acceptable.

The validity table indicates that the values of Composite reliability of AML Compliance Review are 0.976 considered desirable which is more than 0.7 and AVE is 0.611 this data shows validity is acceptable.

The validity table indicates that the values of Composite reliability of AML Combat Money laundering are 0.915 considered desirable which is more than 0.7 and AVE is 0.524 this data shows validity is acceptable. Sometimes, when the measurement is new, the AVE value is around 0.5 or lower.

4.7. Validity of the Construct: Discriminant validity

TABLE 4. 10 Discriminant validity AVE and Squared Inter Construct Correlation Matrix

Constructs	AVE	AGS	AGP	AGAM	AGM	AGL	AGR	AML	ACR	CML
AGS	0.589	0.767								
AGP	0.575	0.207***	0.759							
AGAM	0.748	0.015	-0.021	0.865						
AGM	0.643	0.106***	0.497***	-0.018	0.801					
AGL	0.512	0.018	0.046†	0.005	0.037	0.715				
AGR	0.501	0.139***	0.663***	-0.032	0.466***	0.049†	0.707			
AML	0.703	0.362***	0.140***	0.013	0.100***	0.013	0.175***	0.839		
ACR	0.611	0.591***	0.150***	0.007	0.130***	0.005	0.189***	0.240***	0.781	
CML	0.524	0.531***	0.167***	0	0.223***	0.034	0.237***	0.212***	0.574***	0.724

Discriminant validity means that the factors are unique or distinct from one another. It is considered that discriminant validity has been established when each item addressing its construct is highly correlated with that construct and weakly connected with other constructs. (Fornell, 1981) The squared inter-construct correlation matrix is shown in Table 4.10. AVE is shown to be greater than the construct's association with other constructs this confirms the existence of discriminant validity. (Henseler, 2015). The values of AVE are presented diagonally, whereas the values of correlation coefficients are shown off-diagonally. According to Malhotra N. K. and Dash S., AVE is frequently overly rigorous, and trustworthiness may be proved just by using CR. (Malhotra N. K., 2011)

Here in above Table 4.10 shows:

IA involvement in AML Governance Structure Square root is 0.767, which has greater significance than the correlations with other latent components.

IA involvement in AML Governance Processes Square root of is 0.759, which has greater significance than the correlations with other latent components.

IA involvement in AML Governance Management Activities Square root of is 0.865 which has greater significance than the correlations with other latent components.

IA involvement in AML Governance Legislation Practices Square root of is 0.801 which has greater significance than the correlations with other latent components.

IA involvement in AML Governance Risk assessments Duties Square root of is 0.715 which has greater significance than the correlations with other latent components.

IA involvement in AML Governance Actions against Malpractices Square root of is 0.707 which has greater significance than the correlations with other latent components.

IA involvement in AML Governance Actions against Money Laundering Square root of is 0.839 which has greater significance than the correlations with other latent components.

IA effectiveness in AML Compliance Review Square root of is 0.781 which has greater significance than the correlations with other latent components.

Combat Money laundering activities square root is 0.724 which has greater significance than the correlations with other latent components.

TABLE 4. 11 Discriminant validity HETEROTRAIT – MONOTRAIT (HTMT) Validity Analysis

Constructs	AGS	AGP	AGAM	AGM	AGL	AGR	AML	ACR	CML
AGS									
AGP	0.062								
AGAM	0.221	0.052							
AGM	0.155	0.074	0.643						
AGL	0.145	0.069	0.029	0.01					
AGR	0.045	0.01	0.036	0.03	0.063				
AML	0.117	0.066	0.016	0.02	0.127	0.121			
ACR	0.594	0.019	0.155	0.2	0.04	0.01	0.064		
CML	0.524	0.036	0.191	0.26	0.015	0.053	0.034	0.58	

In addition, table 4.11 establishes the Discriminant validity-- HETEROTRAIT - MONOTRAIT (HTMT) Validity Analysis. "HTMT analysis" pertains to the Heterotrait-Monotrait (HTMT) ratio of correlations, a statistical method commonly utilized in psychology and social sciences to assess the discriminant validity of constructs in empirical research. Discriminant validity is an essential evaluation of whether a measurement accurately captures a distinct aspect of a theoretical concept without significant overlap with other constructs. It is a crucial element of construct validity, ensuring that the measures used in research are valid and distinct from one another. Researchers use HTMT analysis to determine discriminant validity by examining the correlation between two constructs (heterotrait correlation) and comparing it to the average correlation between each construct and itself (monotrait correlation). The HTMT ratio, obtained by dividing the heterotrait correlation by the average monotrait correlation, enables researchers to ascertain whether the constructs are distinguishable from each other.

In this study, no value greater than 0.9 represents discriminant validity. The total outcome of the HTMT analysis explains distinct statements that are well in nature. The thresholds for strict and liberal discriminant validity are 0. 850 and 0.900, respectively. (Barclay D.W. and Smith, 1997)

Here, validity indicates how sound the study is, as judged by convergent and discriminant validity values that are greater than the threshold values. As a result of the above examination, the instrument is proven to have strong internal consistency as well as discriminant and convergent validity.

4.8. Confirmatory Factor Analysis

The Confirmatory Factor Analysis process determines whether the hypothesized structure matches the data well, or whether there is a link between the observable variables and their underlying latent, or unobserved, structures. (Child, 1990). In addition, the CFA would guarantee that all items are accurately matched with the right parts of the overarching construct being evaluated. Exploratory Factor Analysis, which extracts the factors from the collection of variables, provides the factor structure. CFA is used to assess how closely the factor structure derived from EFA fits the actual data. (Hair J.F, 2006) States that CFA is used to provide a confirmatory test for Measurement Theory.

A Measurement Theory defines how measured variables reflect the structures involved in a measurement rationally and methodically. CFA employs a variety of fit statistics to determine model fit for the data. A variety of metrics are used to assess model fit. The first is the Chi-Square Test with Degrees of Freedom (<2). In chi-square analysis, according to (Hu, 1999) the degree of divergence between the expected and actual covariance matrices is revealed. A chi-square value close to zero and a chi-square p-value greater than 0.05 indicate that the expected and actual covariance matrices differ only a little, indicating a good fit.

TABLE 4. 12 Model Fit Measures

Measure	Estimate	Threshold	Interpretation
CMIN	7638.940	--	--
DF	1839.000	--	--
CMIN/DF	4.154	Between 1 and 3	Acceptable
CFI	0.913	>0.95	Acceptable

NFI	0.901	>0.95	Acceptable
GFI	0.912	>0.95	Acceptable
AGFI	0.901	>0.95	Acceptable
TLI	0.905	>0.95	Acceptable
IFI	0.913	>0.95	Acceptable
RFI	0.879	>0.95	Not Acceptable
SRMR	0.038	<0.08	Excellent
RMSEA	0.040	<0.06	Excellent
Pclose	1.000	>0.05	Excellent

The model's residuals are linked to the Root Mean Square Error of Approximation (RMSEA). The RMSEA value range is zero to one, with a lower RMSEA value indicating a better model fit. A RMSEA of 0.06 or less shows that the model is well-fitting. (Hu, 1999) (Hu & Bentler, 1999), However, a result of 0.08 or less is typically accepted. (Browne, 1993)

The Comparative Fit Index (CFI) is an incremental fit metric that assesses a proposed model's overall improvement over an independent model with uncorrelated observed variables (Byrne, 2006). (Byrne, 2006). CFI values range between 0 and 1, with higher levels indicating better model fit. A CFI score of 0.90 or higher indicates a good model fit. (Hu, 1999). The CFI number, in this case, is 0.913, indicating an excellent fit.

The Normed Fit Index (NFI) is another common model fit indicator. Larger values imply a better model fit for this indicator, with values greater than 0.90 considered acceptable (Hu & Bentler, 1999). Another metric that produces fit statistics is goodness-of-fit. According to, (Hair J.F, 2006) The NFI value in this case is 0.901, indicating an excellent fit.

GFI values greater than 0.90 are considered satisfactory. The Adjusted Goodness of Fit Index (AGFI), which adjusts for differing degrees of model complexity, is the next important metric. AGFI values are frequently lower than GFI values in terms of model fit. AGFI levels of more than 0.90 are considered acceptable and good. GFI is 0.912 and AGFI is 0.901 in this case, indicating an excellent fit.

Tucker Lewis Index (TLI) is similar to NFI in theory but differs in that it compares the normed chi-square values for the specified model, which takes model complexity into account to some extent. In most circumstances, TLI values greater than 0.90 are considered ideal. The incremental fit index compares the estimated model to a baseline model in which all observable variables are assumed to be uncorrelated. An IFI value of more than 0.90 is considered good, and an RFI (Relative Fit Index) value larger than 0.90 is also considered a good fit for the model. (Bollen, 1986). TLI is 0.905, IFI is 0.913, and RFI is 0.879 in this case, indicating an excellent fit.

Confirmatory factor analysis (CFA) determines if a given collection of components influences responses in the intended manner. CFA is a component of structural equation modelling (SEM), a bigger analytical framework that combines CFA with route analysis/path analysis (regression slopes). A test is run to see how well the hypothesized factor structure fits the data (Newsom S. , 2017).

The fit test tries to identify a non-significant result, suggesting a satisfactory fit to the data. AMOS 26 was used to compute several constructions. It aids in determining whether the model is proper and in order, as well as whether the construct was able to represent the data. Table 4.12 displays the findings of the study's confirmatory factor analysis (using maximum likelihood estimation) and indicates that all fit indices are within their good ranges. As a result, conclude that the Model's relative adequacy is outstanding Model fit is excellent!

(Bentler, 1999) Recommend measures in combination. Based on a cut-off criterion combination of CFI>0.95 and SRMR<0.08. The SRMR value in this case is 0.038, indicating an excellent fit. To further solidify evidence, add the RMSEA<0.06. The RMSEA score in this case is 0.040, indicating an excellent fit. CMIN/DF is the second most important measure, with a cut threshold of >1. Indices based on the Goodness of Fit indicator, such as CFI, GFI, IFI, NFI, AGFI, and so on. Indicators indicate poor fit, such as RMSEA, RMR, and so on. (Gaskin, 2019).

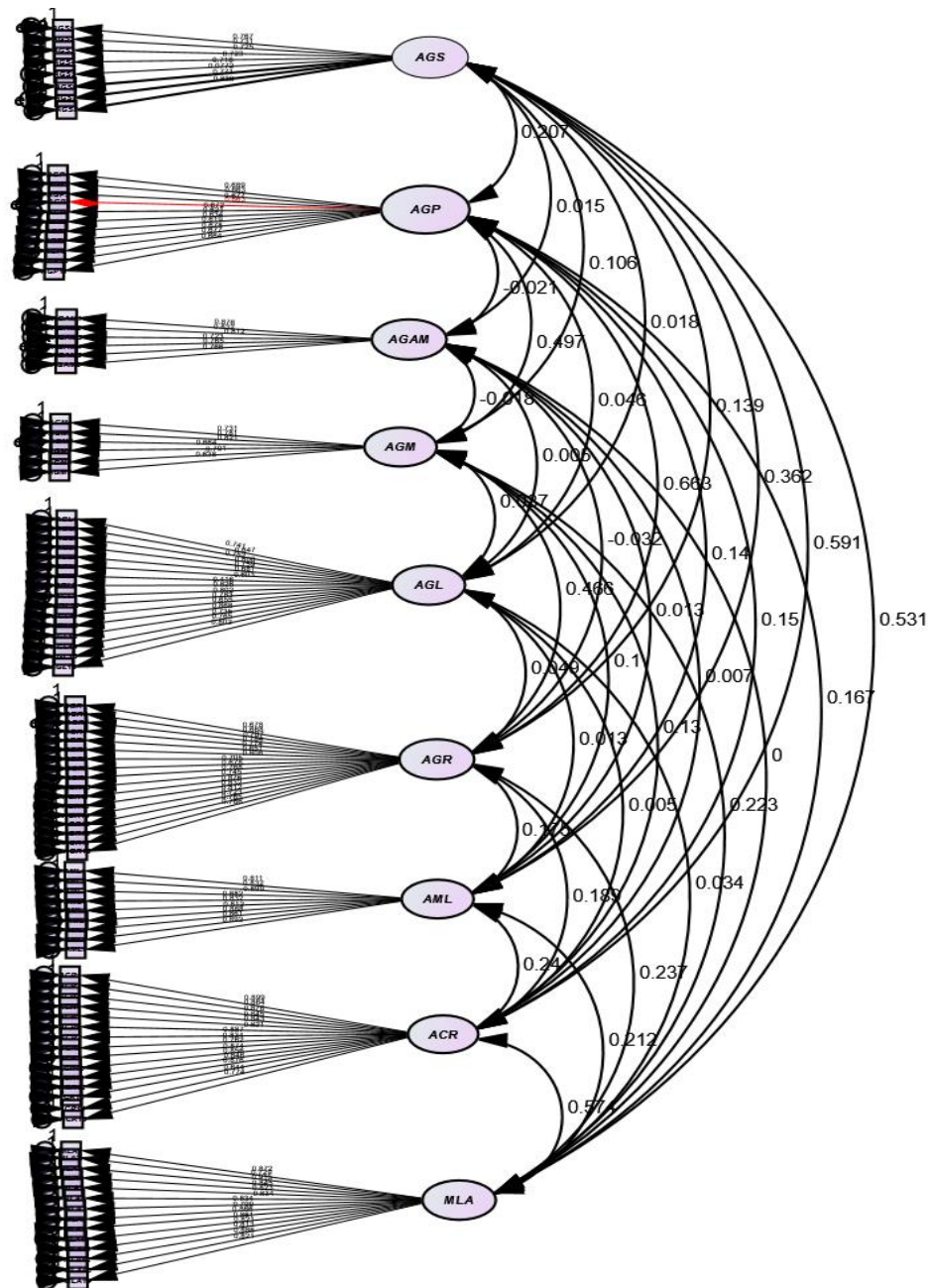


FIGURE 4. 6 Confirmatory factor analysis Model for Measuring Internal Auditor's Involvement in AML Audit Practices in the Bank.

As per the above CFA analysis, which highlighted some factors that are highly correlated to each other which are as follows:

A correlation coefficient of 0.207 strong positive correlations between AML Governance Structure and AML Governance Process has been established.

A correlation coefficient of -0.021 Negative correlations between the AML Governance Process and AML Governance Actions against Malpractices has been established

A correlation coefficient of 0.497 strong positive correlations between AML Governance Management Activities and the AML Governance Process has been established.

A correlation coefficient of 0.139 strong positive correlations between AML Governance Risk Assessments Duties and AML Governance Structure has been established.

A correlation coefficient of 0.663 strong positive correlations between AML Governance Risk Assessments Duties and AML Governance Process has been established.

A correlation coefficient of 0.466 strong positive correlations between AML Governance Risk Assessments Duties. And AML Governance Management Activities have been established.

A correlation coefficient of 0.362 strong positive correlations between AML Governance Actions against Money Laundering and AML Governance Structure has been established.

A correlation coefficient of 0.141 strong positive correlations between AML Governance Actions against Money Laundering and AML Governance Processes has been established.

A correlation coefficient of 0.175 strong positive correlations between AML Governance Actions against Money Laundering and AML Governance Risk Assessments Duties has been established.

A correlation coefficient of 0.189 strong positive correlations between AML Governance Actions against Money Laundering and AML Governance Risk Assessments Duties has been established.

A correlation coefficient of 0.591 strong positive correlations between effective AML Compliance Review and AML Governance Structure has been established.

A correlation coefficient of 0.151 strong positive correlations between AML Compliance Review and AML Governance Processes has been established.

A correlation coefficient of 0.531 strong positive correlations between Combat Money laundering activities and AML Governance Structure has been established.

A correlation coefficient of 0.167 strong positive correlations between Combat Money laundering activities and AML Governance Processes has been established.

A correlation coefficient of 0.223 strong positive correlations between Combat Money laundering activities and AML Governance Management Activities has been established.

A correlation coefficient of 0.237 strong positive correlations between Combat Money laundering activities and AML Governance Risk Assessment Duties has been established.

A correlation coefficient of 0.212 strong positive correlations between Combat Money laundering activities and AML Governance Actions against Money Laundering has been established.

A correlation coefficient of 0.574 strong positive correlations Combat Money laundering activities and effectiveness in AML Compliance Review has been established.

TABLE 4. 13 Standardized Regression Weights and Factor Loading

Explained construct to variable	Standardized Regression Weights/Loading factor
AGS1<--AGS	0.767
AGS2<--AGS	0.731
AGS3<--AGS	0.725
AGS4<--AGS	0.723
AGS5<--AGS	0.716
AGS6<--AGS	0.772
AGS7<--AGS	0.711
AGS8<--AGS	0.839
AGP1<--AGP	0.689
AGP2<--AGP	0.663
AGP3<--AGP	0.677
AGP4<--AGP	0.663
AGP5<--AGP	0.672
AGP6<--AGP	0.621
AGP7<--AGP	0.634
AGP8<--AGP	0.619
AGP9<--AGP	0.678
AGP10<--AGP	0.677
AGP11<--AGP	0.664
AGP12<--AGP	0.645
AGP13<--AGP	0.623
AGP14<--AGP	0.741
AGP15<--AGP	0.672
AGP16<--AGP	0.502
AGP17<--AGP	0.717
AGM1<--AGM	0.731

AGM2<--AGM	0.781
AGM3<--AGM	0.821
AGM4<--AGM	0.664
AGM5<--AGM	0.79
AGM6<--AGM	0.638
AGL1<--AGL	0.74
AGL2<--AGL	0.647
AGL3<--AGL	0.752
AGL4<--AGL	0.808
AGL5<--AGL	0.759
AGL6<--AGL	0.68
AGL7<--AGL	0.603
AGL8<--AGL	0.416
AGL9<--AGL	0.826
AGL10<--AGL	0.902
AGL11<--AGL	0.783
AGL12<--AGL	0.655
AGL13<--AGL	0.868
AGL14<--AGL	0.735
AGL15<--AGL	0.765
AGL16<--AGL	0.802
AGR1<--AGR	0.678
AGR2<--AGR	0.668
AGR3<--AGR	0.787
AGR4<--AGR	0.784
AGR5<--AGR	0.774
AGR6<--AGR	0.65
AGR7<--AGR	0.808
AGR8<--AGR	0.705
AGR9<--AGR	0.678
AGR10<--AGR	0.768
AGR11<--AGR	0.745
AGAM1<--AGAM	0.876
AGAM2<--AGAM	0.832
AGAM3<--AGAM	0.812
AGAM4<--AGAM	0.723
AGAM5<--AGAM	0.765
AGAM6<--AGAM	0.766
AML1<--AML	0.911
AML2<--AML	0.932
AML3<--AML	0.899
AML4<--AML	0.882
AML5<--AML	0.832
AML6<--AML	0.812
AML7<--AML	0.888
AML8<--AML	0.861
AML9<--AML	0.892
ACR1<--ACR	0.799
ACR2<--ACR	0.864
ACR3<--ACR	0.876

ACR4<--ACR	0.945
ACR5<--ACR	0.93
ACR6<--ACR	0.821
ACR7<--ACR	0.687
ACR8<--ACR	0.834
ACR9<--ACR	0.762
ACR10<--ACR	0.674
ACR11<--ACR	0.956
ACR12<--ACR	0.946
ACR13<--ACR	0.876
ACR14<--ACR	0.644
ACR15<--ACR	0.774
CML1<--CML	0.872
CML2<--CML	0.729
CML3<--CML	0.915
CML4<--CML	0.845
CML5<--CML	0.823
CML6<--CML	0.834
CML7<--CML	0.834
CML8<--CML	0.799
CML9<--CML	0.866
CML10<--CML	0.861
CML11<--CML	0.82
CML12<--CML	0.813
CML13<--CML	0.886
CML14<--CML	0.821

Significance of Correlations:

† $p < 0.100$, * $p < 0.050$, ** $p < 0.010$, *** $p < 0.001$

4.9. Standardize estimates /Factor loading and Constructs Correlation

To determine whether each questionnaire (item) can explain its own construct, the researchers must determine the loading factor (LF) / Standardized estimates of each item in relation to its construct. The minimum allowable LF or Standardized estimation value is 0.5; values greater than 0.5 are permitted. (Borroso et al., 2010)

The confirmatory factor analysis Standardize estimate /Factor loading values explained in Table 4.13, as per the table result majority of variable Factor loading values are more than 0.5 and values can support their factor or cluster.

Table 4.10 examines the inter-correlation and positive and negative correlations between all of these components. Table 4.12 The model fit is derived from comparing the correlations

(technically, the covariances) among the items to the correlations expected by the model being tested. Mathematically, certain one-factor models imply certain correlations with other factor models. Some factors have a close relation and positive relation to each construct. Some factors have shown a negative relation. Fig/ 4.6 and CFA Test Model and Construct internal correlation result. It is observed that all the factors have strong internal consistency and they are internally connected to each other. All factors were not facing multi-collinearity. In confirmatory factor analysis (CFA) Construct correlation is the most important and basic step to verify construct individual correlation or connection with other constructs. It shows whether constructs are highly related to each other or not. Before checking the impact of independent factors on dependent factors it is compulsory to check the correlation of factors and construct.

Fig. 4.6 demonstrates that there is a high correlation between each construct, and the correlation data prove the theory and corroborate the conceptual model theory and aspect. The first-order Confirmatory Factor Analysis (CFA) is a non-recursive model in which all measures are admissible and factor loading values support the first-order model.

Objective 3: To Confirm the Role of Mediating Effect of Effective compliance review in relation to Anti Money Laundering (AML) Governance activities to Combat Money Laundering.

4.10. Model Testing using Structural Equation Modelling (SEM)

Model Testing Using Structural Equation Model is divided into two sections:

1. **Modelling Fitness Assessment:** The model will be tested by taking the goodness of fit of the data into account.
2. **Testing Hypotheses:** Hypothesis testing is based on the model's many routes. The hypothesis will be tested by taking into account the standardized regression weights gauges of the model's various routes.

SEM calculates the strength of the association between the latent variables. The application of AMOS 26 was used to compute various parameters. It aids in determining whether the structure is right and in order, as well as whether the structure is capable of representing the data. Table 4.14 displays the model fit findings. According to the table, all fit indices are within their permitted ranges. As a result, the study was able to determine the relative adequacy of the model fit.

TABLE 4. 14 Model Fit Measures

Measure	Estimate	Threshold	Interpretation
CMIN	156.708	--	--
DF	43	--	--
CMIN/DF	3.644	Between 1 and 3	Acceptable
CFI	0.984	>0.95	Excellent
GFI	0.992	>0.95	Excellent
AGFI	0.942	>0.95	Acceptable
NFI	0.911	>0.95	Acceptable
IFI	0.985	>0.95	Excellent
RFI	0.899	>0.95	Acceptable
TLI	0.978	>0.95	Excellent
SRMR	0.004	<0.08	Excellent
RMSEA	0.030	<0.06	Excellent
Pclose	0.841	>0.05	Excellent

Lower RMSEA and SRMR values represent better fit and higher values represent worse fit. Which is known as the Badness of Fit. Recommended value < 0.05. Here the value of RMSEA is 0.030 and SRMR is 0.004 both values are well below the recommended limit which indicates a good fit.

Lower goodness of Fit numbers indicates a poor fit, whereas higher values indicate a better fit. Values 1.0 indicates perfect model fit or Good Fit. GFI and AGFI are part of the standardized fit index recommended value for good fit above 0.90. Here the value of GFI is 0.992 and AGFI is 0.942 above the recommended level this indicates an excellent match. NFI, RFI, TLI & CFI are part of Incremental Fit Indices Here the value of NFI is 0.992, RFI is 0.899, TLI is 0.978 & CFI is 0.984 are above the recommended level Except for RFI values which suggest excellent fit.

Paths, hypotheses, t -values, and p -values are all included in the comprehensive results. The model is depicted in Fig. 4.7 of SEM Model fit after validation using standard statistical methods. It is the tested model. In regression analysis, SEM can employ factors (or "latent variables") to predict or be predicted by other variables, with the advantage of calculating and reducing measurement error from correlation and regression estimations. (Newsom S. , 2017).

The Developed structural equation model evaluates the role of Effective compliance review between AML governance activities (AML Governance Structure, AML Governance Processes, AML Governance Management Activities, AML Governance Legislation Practices, AML Governance Risk assessments Duties, AML Governance Actions against Malpractices, and AML Governance Actions against Money Laundering,) and Combat Money Laundering.

Ponder hypothesized but, after approval, it shows that our presumptions based on the writing survey have been negated and a few variables have not been upheld, a few are supported. Ponders of writing made a difference for us to hypothesize on the premise that IA effectiveness in AML Compliance review emphatically effect on combats money laundering activities (Kim, 2013).

After validation, these presumptions pertaining to the Objective were verified to be correct. Fig. 4.7 and Table 4.15 show several independent components. IA involvement in AML Governance Structure, AML Governance Management Activities, AML Governance Legislation Practices, AML Governance Risk Assessment Duties, AML Governance Actions against Malpractices, and AML Governance against Money Laundering are all positively related to the effectiveness of AML Compliance Review, while AML Governance Processes are negatively related. It is also being explored whether the effectiveness of IA in AML Compliance Review has a good impact on combat money laundering operations.

The help of 7 involvement factors derived from the literature review and past study which confirm that the involvement of internal auditor in Anti-Money laundering Governance impacts the effectiveness of Anti Money Laundering Compliance and also seen a positive impact on Anti-Money Laundering compliance in Combat Money Laundering.

To understand the involvement of internal auditors and effective compliance Among Internal Auditors by using structural equation modelling, a kind of statistically approved model. The result shows Model fit which means all measures are very much effective.

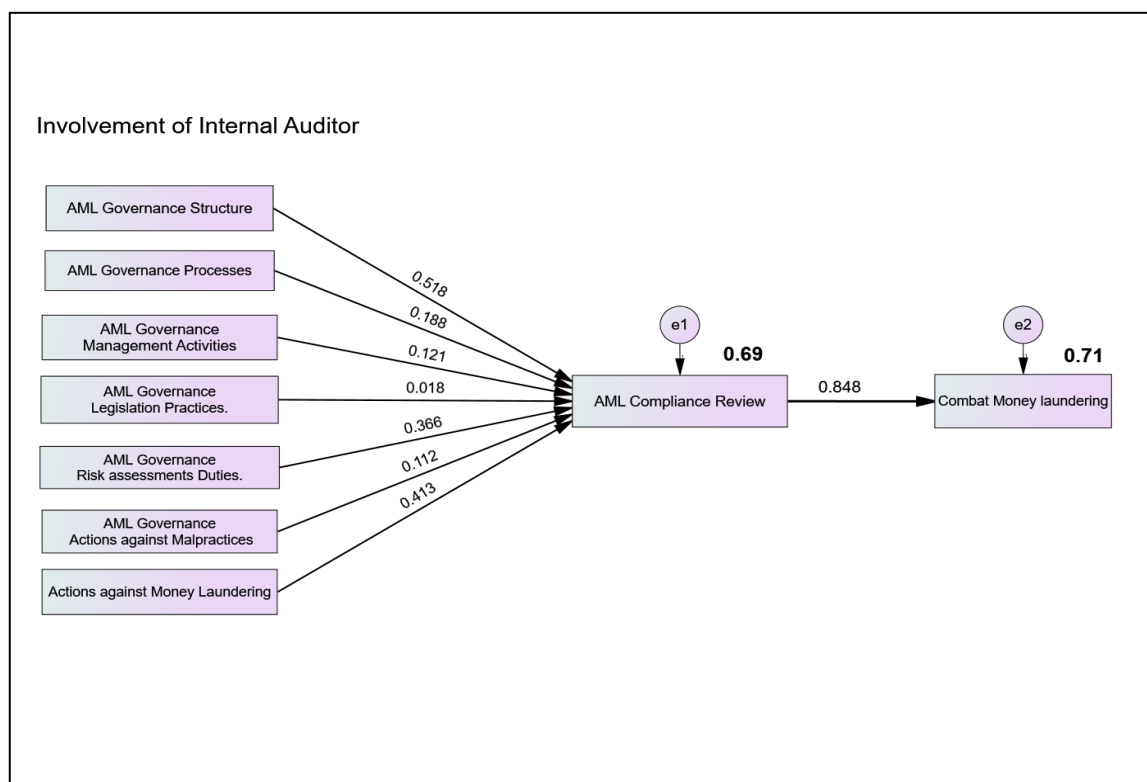


FIGURE 4.7 Structural Equation Model for Effective AML Compliance Review and Combat Money Laundering

TABLE 4. 15 Regression Path Analysis Detail Result

Path	Hypothesis	Estimate	S.E.	C.R.	P	Standardized
AGS →ACR	H1	0.271	0.043	6.239	***	0.518
AGP →ACR	H2	0.107	0.017	6.344	ns	0.188
AGM -->ACR	H3	0.139	0.024	5.677	**	0.121
AGL -->ACR	H4	0.142	0.015	9.375	***	0.018
AGR -->ACR	H5	0.216	0.012	18.258	***	0.365
AGAM -->ACR	H6	0.453	0.02	22.117	**	0.112
AML -->ACR	H7	0.51	0.023	21.933	***	0.413
ACR -->CML	H8	0.657	0.02	33.514	***	0.848

Significance of Correlations: † p < 0.100, * p < 0.050, ** p < 0.010, *** p < 0.001

4.11. Discussions of the Regression Analysis Result

The use of regression analysis enables the comprehension and approximation of the correlations among variables. Understanding the difference between the dependent variable's value and the independent variable, even if other independent variables remain constant, is possible. Additionally, the study requires understanding the most significant factor among the nine factors that have a separate impact. Study creating a new model that has never been used before, to make sure the model is accurate and determine how much each predictor contributes to the overall explanation of the data. This information is available in Fig. 4.7 and Table 4. 15

IA involvement in AML Governance Actions against Malpractices

H0: There is a negative significant Impact of IA involvement in AML Governance Actions against Malpractices related to the effectiveness of AML Compliance Review.

H6: There is a positive significant Impact of IA involvement in AML Governance Actions against Malpractices related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Actions against Malpractices is emphatically but less related to the effectiveness of AML Compliance review since the way coefficient (β -value) is found to be satisfactory (0.112) and includes a noteworthiness level ($p < 0.010$). The outcome is supported The Null Hypothesis was rejected.

IA involvement in AML Governance Actions against Money Laundering

H0: There is a negative significant Impact of IA involvement in AML Governance Actions against Money Laundering related to the effectiveness of AML Compliance Review.

H7: There is a positive significant Impact of IA involvement in AML Governance Actions against Money Laundering related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance activities against Money Laundering is emphatically related to the effectiveness of AML Compliance review since the way coefficient (β -value) is found to be worthy (0.413) and includes an importance level ($p < 0.001$). The outcome is supported The Null Hypothesis was rejected.

IA Involvement in AML Governance Legislation Practices

H0: There is a negative significant Impact of IA involvement in AML Governance Legislation Practices related to the effectiveness of AML Compliance Review.

H4: There is a positive significant Impact of IA involvement in AML Governance Legislation Practices related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Legislation Practices is emphatically related to the effectiveness of AML Compliance review since the way coefficient (β -value) is found to be worthy (0.018) and incorporates a significance level (0.001). The outcome is supported The Null Hypothesis was rejected.

IA involvement in AML Governance Processes

H0: There is a negative significant Impact of IA involvement in AML Governance Processes related to the effectiveness of AML Compliance Review.

H2: There is a positive significant Impact of IA involvement in AML Governance Processes related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Processes is negatively related to the effectiveness of AML Compliance review since the way coefficient (β -value) is found to be worthy (0.188) and includes an importance level (NS). The outcome is supported The Null Hypothesis was accepted.

IA involvement in AML Governance Risk assessments Duties

H0: There is a negative significant Impact of IA involvement in AML Governance Risk assessments Duties are related to the effectiveness of AML Compliance Review.

H5: There is a positive significant Impact of IA involvement in AML Governance Risk assessments Duties are related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Risk assessment Duties is emphatically related to the effectiveness of AML Compliance review since the way coefficient (β -value) is found to be

satisfactory (0.365) and encompasses a significance level ($p < 0.001$). The outcome is supported. The Null Hypothesis was rejected.

IA involvement in AML Governance Management Activities

H0: There is a negative significant Impact of IA involvement in AML Governance Management Activities related to the effectiveness of AML Compliance Review.

H3: There is a positive significant Impact of IA involvement in AML Governance Management Activities related to the effectiveness of AML Compliance Review.

IA involvement in AML Governance Management Activities is emphatically but less related to the effectiveness of AML Compliance review since the way coefficient (β -value) is found to be worthy (0.121) and incorporates a significance level ($p < 0.010$). The outcome is supported. The Null Hypothesis was rejected.

IA involvement in AML Governance Structure

H0: There is a negative significant Impact of IA involvement in AML Governance Structure related to the effectiveness of AML Compliance Review.

H1: There is a positive significant Impact of IA involvement in AML Governance Structure related to the effectiveness of AML Compliance Review.

IA involvement in particular AML Governance Structure is emphatically related to the effectiveness of AML Compliance Review since the way coefficient (β -value) is found to be worthy (0.518) and contains a significance level ($p < 0.001$). The outcome is supported. The Null Hypothesis was rejected.

IA Effectiveness in AML Compliance Review

H0: There is a negative significant Influence of IA effectiveness in AML Compliance Review impact on Combat Money Laundering.

H8: There is a positive significant Influence of IA effectiveness in AML Compliance Review impact on Combat Money Laundering.

IA effectiveness in AML Compliance Review emphatically affects Combat Money laundering exercises since the way coefficient (β -value) is found to be worthy (0.848) and encompasses a noteworthiness level ($p < 0.001$). The outcome is supported The Null Hypothesis was rejected.

TABLE 4. 16 Squared Multiple Correlations: Estimate R^2 value and Hypothesis Testing Summary

Hypothesis		R^2 value	Remarks
	IA Effectiveness in AML Compliance Review	0.69	
IA involvement in the AML Governance Structure is positively related to the effectiveness of the AML Compliance Review			Supported
IA involvement in AML Governance Processes is positively related to the effectiveness of AML Compliance Review			Not Supported
IA involvement in AML Governance Management Activities is positively related to the effectiveness of AML Compliance Review			Supported
IA involvement in AML Governance Legislation Practices is positively related to the effectiveness of AML Compliance Review			Supported
IA involvement in AML Governance Risk assessment Duties is positively related to the effectiveness of AML Compliance Review			Supported
IA involvement in AML Governance Actions against Malpractices is positively related to the effectiveness of AML Compliance Review			Supported
IA involvement in AML Governance Actions against Money Laundering is positively related to the effectiveness of AML Compliance Review			Supported
	Combat Money laundering activities	0.71	
IA effectiveness in AML Compliance Review has a positive impact on Combat Money laundering activities			Supported

The range of R^2 values is between 0 to 1 or 0% to 100%. The R^2 value of less than 20% shows low support from 20% to 50% shows medium support and from 50% and above shows greater support. R-squared measures the percentage of the variation of the dependent variable that can be explained by the independent variables included in the model.

However, a high R-squared number should not be construed as an indication of a successful model fit. A high R-squared value may indicate over fitting, in which the model matches the data noise rather than the underlying correlations. As a result, other aspects such as the model's complexity, the importance of individual predictors, and the model's theoretical soundness must be taken into account. Researchers utilize R-squared to assess the overall fit of their regression models and to compare different models in terms of their ability to explain the variance in the data. However, it's essential to note that R-squared alone does not provide information about the causal relationships or the validity of the model's assumptions. Therefore, it is commonly used in conjunction with other diagnostic tools and statistical tests to derive meaningful conclusions from the analysis.

As per the proposed theoretical model, Table 4.16 has a high explanatory power of 71%. The model suggests that IA effectiveness in AML Compliance Review has a favourable influence on combat money laundering activities. It is simply stated that IA efficacy in AML Compliance Review has a 71 percent impact on combat money laundering operations

Another critical issue to consider in the early stages of research is the independent impact of multiple involvement-related factors on the effectiveness of AML compliance assessment. In this case, the total effect of IA involvement in AML Governance Structure, Processes, Management Activities, Legislation Practices, Risk Assessment Duties, Actions against Malpractices, and AML Governance Actions against Money Laundering. The effectiveness of AML Compliance Review is denoted as 69 percent.

In the banking sector, Internal auditors' Involvement is an independent factor's almost positive impact on the effectiveness of AML Compliance Review is most important because, of these factors, Internal Auditors can Combat Money Laundering.

Part-2 Internal Auditors Constraints for Effective AML Compliance and Implementation:

Objective 4: To Identify and Confirm the Major Constraints of Internal Auditors in Anti Money Laundering Compliance review and Implementation from the perspective of Internal Auditors.

4.12. Descriptive Analysis (item-wise) components Statistics

Here with the perception of Internal Auditors, a researcher has to Explore and confirm some Internal Auditor's Constraints in Anti-money laundering Compliance and Implementations below table shows a Descriptive analysis of independent variables and checks the range of data and Internal Auditor's Constraints in Anti-money laundering Compliance and Implementations. And also made a cluster according to multiple questions or variable

Internal Auditors' Perception on Constraints of Anti-Money Laundering Compliance Reviews and Implementations

TABLE 4. 17 Descriptive Analysis (item wise) variables

Variables	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Customers are hesitant to provide the documentation required by KYC.	12	1.60%	49	6.60%	170	22.70%	304	40.60%	213	28.50%
Customers frequently either do not respond or offer inaccurate information for facts such	66	8.80%	105	14.00%	292	39.00%	183	24.50%	102	13.60%

as annual income, the estimated amount in the account, asset details, and so on.										
Customers believe that AML standards jeopardize their privacy and confidentiality.	39	5.20%	45	6.00%	162	21.70%	289	38.60%	213	28.50%
There is a loss of prospective customers (i.e., new account openers) because of KYC requirements.	0	0.00%	0	0.00%	8	1.10%	203	27.10%	537	71.80%
Some customers have closed their accounts because of reporting of customer transactions.	0	0.00%	13	1.70%	9	1.20%	161	21.50%	565	75.50%
AML measures Compliance are obstacles	0	0.00%	0	0.00%	10	1.30%	153	20.50%	585	78.20%

Descriptive Analysis (item-wise) components Statistics:

to the conduct of business.										
AML compliance is still a battle between business interests on one hand and implementation of the AML law on the other hand.	0	0.00%	0	0.00%	8	1.10%	202	27.00%	538	71.90%
There is no method in place to check the legitimacy of the client's KYC information.	9	1.20%	40	5.30%	132	17.60%	295	39.40%	272	36.40%
KYC processes are ineffective in determining the real beneficial owner.	12	1.60%	30	4.00%	85	11.40%	277	37.00%	344	46.00%
KYC processes are unable to reveal the relationship between politically exposed individuals (PEPs) and	18	2.40%	16	2.10%	117	15.60%	278	37.20%	319	42.60%

their family members, colleagues, or subordinates.										
In the event of consumers who use the bank's services in more than one nation, the country's customer privacy regulations prohibit the exchange of customer information, making the compilation of consolidated KYC difficult.	12	1.60%	67	9.00%	147	19.70%	274	36.60%	248	33.20%
The methods for preventing, detecting, and reporting suspicious transactions are hazy and perplexing.	3	0.40%	51	6.80%	87	11.60%	268	35.80%	339	45.30%
It is difficult to detect a suspicious transaction in time.	6	0.80%	27	3.60%	151	20.20%	358	47.90%	206	27.50%
There is no regular training on	17	2.30%	397	53.10%	129	17.20%	74	9.90%	131	17.50%

Descriptive Analysis (item-wise) components Statistics:

AML Measures.										
AML measures training is insufficient.	17	2.30%	397	53.10%	129	17.20%	74	9.90%	131	17.50%
There is inadequate funding to carry out AML actions.	0	0.00%	0	0.00%	0	0.00%	244	32.60%	504	67.40%
Staff shortages are hurting AML compliance.	0	0.00%	0	0.00%	0	0.00%	165	22.10%	583	77.90%
AML software is currently inadequate at raising alarms on odd/unusual transactions.	0	0.00%	0	0.00%	0	0.00%	211	28.20%	537	71.80%
There is either no or insufficient feedback on the effectiveness of banks' AML safeguards.	285	38.10%	317	42.40%	72	9.60%	74	9.90%	0	0.00%
There is either no or inadequate feedback on the submitted reports.	630	84.20%	20	2.70%	64	8.60%	25	3.30%	9	1.20%

There is no systematic sharing of information among banks regarding offenders (wrongdoers).	275	36.80%	215	28.70%	46	6.10%	199	26.60%	13	1.70%
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The respondents were asked whether Customers are hesitant to provide the documentation required by KYC. According to the frequency study, 22.70 % of the respondents are “Neutral” and overall, 40.60% of the respondents “agree”

The respondents were asked whether Customers frequently either do not respond or offer inaccurate information for facts such as annual income, the estimated amount in the account, asset details, and so on. According to the frequency, study 38.9% of the respondents are “Neutral” about the statement and 14.00% of the respondents “disagree”. Overall, 24.50% of the respondents “agree”

The respondents were asked whether Customers believe that AML standards jeopardize their privacy and confidentiality. According to the frequency study, 21.70 % of the respondents are “Neutral” about the statement and 38.60 % of the respondents “agree”

The respondents were asked whether there is a loss of prospective customers (i.e., new account openers) because of KYC requirements. According to the frequency study, 27.10 % of the respondents “Agree” about the statement and 71.80 % of the respondents “strongly agree”

The respondents were asked whether some customers have closed their accounts because of reporting of customer transactions. According to the frequency study, 21.50 % of the respondents “Agree” about the statement and 75.50% of the respondents “strongly agree”

The respondents were asked whether AML measures Compliance are obstacles to the conduct of business. According to the frequency study, 20.50 % of the respondents “Agree” about the statement and 78.20% of the respondents “strongly agree”

The respondents were asked whether AML compliance review is still a battle between business interests on one hand and implementation of the AML law on the other hand. According to the frequency study, 27.00 % of the respondents “Agree” about the statement and 71.90% of the respondents “strongly agree”

The respondents were asked whether there is no method in place to check the legitimacy of the client's KYC information. According to the frequency, study 39.40 % of the respondents “Agree” about the statement and 36.40% of the respondents “strongly agree”

The respondents were asked whether KYC processes are ineffective in determining the real beneficial owner. According to the frequency study, 37.00 % of the respondents “Agree” about the statement and 46.00 % of the respondents “strongly agree”

The respondents were asked whether KYC processes are unable to reveal the relationship between politically exposed individuals (PEPs) and their family members, colleagues, or subordinates. According to the frequency study, 37.00 % of the respondents “Agree” about the statement and 42.60 % of the respondents “strongly agree”

The respondents were asked whether, in the event of consumers who use the bank's services in more than one nation, the country's customer privacy regulations prohibit the exchange of customer information, making the compilation of consolidated KYC difficult. According to the frequency study, 36.60 % of the respondents “Agree” about the statement and 32.20 % of the respondents “strongly agree”

The respondents were asked whether the methods for preventing, detecting, and reporting suspicious transactions are hazy and perplexing. According to the frequency study, 35.80 % of the respondents “Agree” about the statement and 45.30% of the respondents “strongly agree”

The respondents were asked whether it is difficult to detect a suspicious transaction in time. According to the frequency study, 47.90 % of the respondents “Agree” about the statement and 27.50% of the respondents “strongly agree”

The respondents were asked whether there is no regular training on AML Measures. According to the frequency study, overall 53.10 % of the respondents “Disagree”

The respondents were asked whether AML measures training is insufficient. According to the frequency study, overall 53.10 % of the respondents “Disagree”

The respondents were asked whether there is inadequate funding to carry out AML actions. According to the frequency study, 32.60% of the respondents “Agree” about the statement and 67.40% of the respondents “strongly agree”

The respondents were asked whether Staff shortages are hurting AML compliance. According to the frequency, study 21.10 % of the respondents “Agree” about the statement and 77.90 % of the respondents “strongly agree”

The respondents were asked whether AML software is currently inadequate at raising alarms on odd/unusual transactions. According to the frequency study, 22.20 % of the respondents “Agree” about the statement and 71.80 % of the respondents “strongly agree”

The respondents were asked whether There is either no or insufficient feedback on the effectiveness of banks' AML safeguards. According to the frequency study, 38.10 % of the respondents “Disagree” about the statement, and 42.40 % of the respondents “strongly disagree”

The respondents were asked whether There was either no or inadequate feedback on the submitted reports. According to the frequency study, overall 84.20 % of the respondents “strongly disagree”

The respondents were asked whether there is no systematic sharing of information among banks regarding offenders (wrongdoers). According to the frequency study, 36.80 % of the respondents “strongly Disagree” about the statement and 26.60 % of the respondents “agree”.

Internal Auditor's perception towards Internal Auditors Constraints in Anti-money laundering Compliance and Implementations.

TABLE 4. 18 Descriptive Statistics for Variables (item wise)

Variables	Mean	SD
Customers are hesitant to provide the documentation required by KYC.	3.88	0.95
Customers frequently either do not respond or offer inaccurate information for facts such as annual income, the estimated amount in the account, asset details, and so on.	3.2	1.12
Customers believe that AML standards jeopardize their privacy and confidentiality.	3.79	1.08
There is a loss of prospective customers (i.e., new account openers) because of KYC requirements.	4.71	0.48
Some customers have closed their accounts because of reporting of customer transactions.	4.71	0.58
AML measures Compliance are obstacles to the conduct of business.	4.77	0.45
AML compliance is still a battle between business interests on one hand and implementation of the AML law on the other hand.	4.71	0.48
There is no method in place to check the legitimacy of the client's KYC information.	4.04	0.93
KYC processes are ineffective in determining the real beneficial owner.	4.22	0.91
KYC processes are unable to reveal the relationship between politically exposed individuals (PEPs) and their family members, colleagues, or subordinates.	4.16	0.93
In the event of consumers who use the bank's services in more than one nation, the country's customer privacy regulations prohibit the exchange of customer information, making the compilation of consolidated KYC difficult.	3.91	1.01
The methods for preventing, detecting, and reporting suspicious transactions are hazy and perplexing.	4.19	0.92
It is difficult to detect a suspicious transaction in time.	3.98	0.83
There is no regular training on AML Measures.	2.87	1.19
AML measures training is insufficient.	2.87	1.19
There is inadequate funding to carry out AML actions.	4.67	0.47
Staff shortages are hurting AML compliance.	4.78	0.41
AML software is currently inadequate at raising alarms on odd/unusual transactions.	4.72	0.45
There is either no or insufficient feedback on the effectiveness of banks' AML safeguards.	1.91	0.93
There is either no or inadequate feedback on the submitted reports.	1.35	0.86
There is no systematic sharing of information among banks regarding offenders (wrongdoers).	2.28	1.25

To identify major constraints of Internal Auditors in Anti-money laundering Compliance and Implementations. From the perspective of internal Auditors. The table deals with the graphic statistics. Which deals with the average values of the respondents' conclusion and standard deviation demonstrates variance among the supposition of the respondents. The analyst has collected 748 opinions from the respondents from the different cities of Gujarat. A Likert scale with 1 stands for strongly disagree, 2 stands for disagree, 3 stands for neutral, 4 stands for agree and 5 stands for strongly agree has been utilized.

Based on the data in the preceding table, the mean values are close to 3.5, indicating that the majority of respondents' opinions fall somewhere between neutral and agree. Since the maximum mean value happened by Staff shortages are hurting AML compliance. i.e., 4.78, and the lowest mean value occurred in There is either no or inadequate feedback on the submitted reports. i.e., 1.35 while the greatest standard deviation can be seen in There is no systematic sharing of information among banks regarding offenders (wrongdoers). i.e., 1.25, and the lowest standard deviation is seen in Staff shortages are hurting AML compliance. i.e., 0.41.

4.13. Exploratory Factor Analysis

One of the most important goals of the research is to identify the main internal auditor restrictions in anti-money laundering compliance and implementation. Pattern Matrix analysis (PMA) was initially performed on all variables. Defines PMA as a process for locating and studying the interactions between a large numbers of items, as well as explaining the variables that fall under common dimensions or factors (Hair, 2010). It is done to ascertain:

- To identify variables that are highly related to one another.
- To divide objects and groupings into smaller sets of factors.
- To evaluate the precision of the preceding classification.

The factor loadings decide how many factors must be considered. Factor loadings of less than 0.50 were deleted since they accounted for less than 25% of the variation. Factors with

cross-loading and those with factor loading more than 0.5 are also considered. Factor loadings greater than 0.50 are considered practical.

TABLE 4. 19 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.762
Bartlett's Test of Sphericity	Approx. Chi-Square	7749.949
	Df	210
	Sig.	0.000

Kaiser-Meyer-Olkin - Sampling Measure To evaluate whether factor analysis is acceptable, utilize the adequacy index. Additionally, it contrasts the observed correlation coefficient's magnitude with the partial correlation coefficient's magnitude. High KMO values (often between 0.5 and 1.0) signify good and sufficient data sufficiency for factor analysis.

In this case, the KMO values in Table No. 4.19 are 0.762, indicating that there is no mistake in 76.2% of the sample and that the data is suitable and adequate for factor analysis. The Chi-Square value of Bartlett's Test in this study is 7749.949, the DF is 210, and the significance is 0.000. This shows a substantially stronger association between the factors. Furthermore, a significance value of 0.00 for Bartlett's Test of Sphericity indicates that the variables are related. This shows that factor analysis is appropriate and reasonable.

TABLE 4. 20 Computation of Total Variance Explained

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	4.097	19.511	19.511	4.097	19.511	19.511	3.859
2	3.034	14.448	33.959	3.034	14.448	33.959	2.750
3	2.016	9.599	43.558	2.016	9.599	43.558	2.361
4	1.753	8.347	51.905	1.753	8.347	51.905	2.471
5	1.481	7.052	58.957	1.481	7.052	58.957	1.940
6	1.418	6.750	65.708	1.418	6.750	65.708	1.777

7	.781	3.717	69.425				
8	.747	3.556	72.981				
9	.655	3.120	76.102				
10	.601	2.863	78.965				
11	.581	2.767	81.732				
12	.531	2.528	84.260				
13	.517	2.463	86.724				
14	.493	2.349	89.073				
15	.454	2.162	91.235				
16	.403	1.920	93.155				
17	.362	1.723	94.878				
18	.349	1.662	96.540				
19	.316	1.506	98.046				
20	.301	1.432	99.478				
21	.110	.522	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							

Total Variance Explanation Table 4.20 breaks down 21 original variables into six elements. SPSS 24 retains only six components with Eigen values larger than one. According to Table 4.20, the 21 parameters related to internal auditor limitations explained 65.70% of the variance. More analysis was performed because this was equal to the 60% cutoff value.

As seen from the above table, factor 1 is responsible for 19.51% variability, factor 2 accounts for 33.95% variability, factor 3 accounts for 43.55% variability, factor 4 accounts for 51.90% variability, factor 5 accounts for 58.95% variability, factor 6 is responsible for 65.70 % variability. It means that a total of 65.70% of variations can be explained in all variables.

TABLE 4. 21 Computation of Communalities

Variables	Initial	Extraction
ICA1	1.000	.573
ICA2	1.000	.679
ICA3	1.000	.756
MCBI1	1.000	.570
MCBI2	1.000	.703
MCBI3	1.000	.657
MCBI4	1.000	.637
OIC1	1.000	.570

OIC2	1.000	.607
OIC3	1.000	.671
OIC4	1.000	.597
OIC6	1.000	.613
OIC7	1.000	.473
IT1	1.000	.937
IT2	1.000	.939
IB1	1.000	.499
IB2	1.000	.615
IB3	1.000	.631
IE1	1.000	.749
IE2	1.000	.628
IE3	1.000	.697

The fraction of each variable's variance explained by the factors is explained by communities. The standard deviation is 0.939. Table 4.21 shows the other variance for each variable. Variables with a variance of less than 0.473 will be eliminated from the final factor analysis. Variables with large values are well represented in the common factor space, but variables with small values are not.

The community values for all 21 of the Internal Auditor's Constraints are more than 0.5, indicating that the data collection is eligible for further examination. Matrix of Component Correlation As a result, Table 4.21 describes the most important Constraints of Internal Auditors in Anti-Money Laundering Compliance and Implementation. According to exploratory factor analysis, internal auditors' constraints in anti-money laundering compliance and implementation are:

- Inadequate Budget
- Inadequate Customer assistance
- Inadequate Training
- Implementation Concerns
- Market Competition
- Insufficient information exchange

TABLE 4. 22 Pattern Matrix from Exploratory Factor Analysis

Pattern Matrix						
Variables	Component					
	1	2	3	4	5	6
OIC3	.826					
OIC6	.788					
OIC2	.783					
OIC4	.782					
OIC7	.695					
OIC1	.694					
MCBI2		.849				
MCBI1		.781				
MCBI3		.767				
MCBI4		.746				
IE3			.856			
IE1			.794			
IE2			.785			
ICA2				.861		
ICA3				.858		
ICA1				.672		
IT2					.968	
IT1					.966	
IB3						.796
IB2						.785
IB1						.689

Extraction Method: Principal Component Analysis.

Rotation Method: Promax with Kaiser Normalization

The Pattern Matrix Table 4.22 displays the item's link to the factor as well as the item's participation in each factor. The item's membership in a factor is established by determining the item's highest loading in that factor. The loading values range from 0 to 1. A value close to one indicated the greatest factor loading. Another critical issue is that the negative sign of the factor is ignored when calculating factor membership. In general, a factor loading greater than 0.5 is recommended, nonetheless, according to Hair (2006), For a sample size of 748, a factor loading of 0.40 is acceptable. Given the poll's 748 respondents, a factor loading of 0.40 is deemed satisfactory.

TABLE 4. 23 Perception of Internal Auditor's Constraints in Anti-money Laundering Compliance and Implementations

Constructs	Mean	Standard deviation	N of Items	+	-	N
Inadequate Budget	4.72	0.35	3	5.07	4.37	748
Inadequate Customer assistance	3.62	0.85	3	4.47	2.77	748
Inadequate Training	2.37	1.19	2	3.56	1.19	748
Implementation Concerns	4.08	0.71	6	4.79	3.38	748
Market Competition	4.72	0.40	4	5.12	4.33	748
Insufficient information exchange	1.84	0.83	3	2.67	1.01	748

The mean and standard deviation have been determined to better understand the major constraints that are facing internal auditors. The overall result of Table 4.23 reveals that inadequate budgets, Market Competition, and a few Implementation Concerns are the major constraints facing internal auditors. Since the greatest mean value was caused by an Inadequate Budget and Market Competition. i.e., 4.72 insufficient information exchange resulted in the lowest value of the mean. i.e., 1.84. While Inadequate Customer Assistance and Inadequate Training have the largest standard deviations of 0.85 and 1.19, respectively, Inadequate Budget has the lowest standard deviation of 0.41.

4.14. Reliability of the factors via using Cronbach's alpha

Cronbach's alpha is a statistical method used to show how reliable a tool or instrument is. The Cronbach's alpha value showed that the answers to the questions in the different categories were consistent with each other (above 0.70) and checked how reliable each construct was by using Cronbach's alpha.

Table 4.24 displays the results. The alpha value of all constructs is greater than or equal to 0.7, suggesting high internal consistency. Measures have independently demonstrated that all constructs have a reasonable α value. The alpha value in the constructions is acceptable. All constructions' overall reliability is good, excellent, and suitable for research. (Hair J.F, 2006)

TABLE 4. 24 Instrument's Reliability Statistics

Constructs	Cronbach's Alpha	Comment
Inadequate Budget	.629	Acceptable
Inadequate Customer assistance	.736	Acceptable
Inadequate Training	.940	Excellent
Implementation Concerns	.857	Good
Market Competition	.795	Acceptable
Insufficient information exchange	.750	Acceptable

4.15. Validity of the Construct: Convergent validity

Convergent validity requires that all questions be consistent with each variable of a single component. That is, questions on a single factor are closely related and support each other.

TABLE 4. 25 Convergent and Discriminant Validity Analysis

Construct	CR	AVE	MSV	MaxR(H)	OIC	MCBI	IT	IE	ICA	IB
OIC	0.858	0.503	0.205	0.864	0.709					
MCBI	0.798	0.502	0.225	0.819	0.064†	0.709				
IT	0.947	0.899	0.011	1.061	0.054	0.021	0.948			
IE	0.767	0.532	0.225	0.856	-0.059	-0.474***	0.104**	0.729		
ICA	0.752	0.51	0.205	0.812	0.452***	0.018	0.005	-0.037	0.714	
IB	0.64	0.375	0.009	0.655	0.081†	-0.041	-0.058	0.092*	0.011	0.613

Table 4.25 displays the average variance extracted (AVE), composite reliability (CR), and maximum shared variance (MSV) of each development. (Fornell, 1981). Satisfactory most reduced values of AVE and CR are 0.5 and 0.7, separately, and each MSV ought to be less than its comparing AVE. (Urbach, 2010) The squared inter-component correlation matrix is also shown in Table 4.25. The average variance extracted (AVE) value is greater than the construct's correlation with other constructs, and the composite reliability is greater than the AVE value, (Barclay D.W. and Smith, 1997) confirming the construct's convergent validity. (Hu, 1999)

The complete result appears in Table 4.25 The values so assessed appear that they are inside the passable constraint. Consequently, they affirm the reliability of things. It reconfirms the reliability of the builds so distinguished. (Gaskin, 2019). It shows that values of AVE run from 0.375 to 0.899 and CR values extend from 0.640 to 0.947. It too shows that each esteem of MSV is less than the comparing esteem of AVE relating to each construct. In some cases, AVE esteem is related to 0.5 or less, the circumstance happens when the estimation is unused. If it is seen that each thing concerning its construct is strongly related to that construct and weakly related to other constructs, it is said that the discriminant validity has been built up. (Fornell, 1981). The values of AVE appear in inclining positions and the values of relationship coefficients are appeared in off-diagonal positions Malhotra N. K. and Dash S. argue that AVE is regular as well strict, and reliability can be built up through CR alone.

4.16. Validity of the Construct: Discriminant validity

TABLE 4. 26 HTMT Analysis

Constructs	OIC	MCBI	IT	IE	ICA	IB
OIC						
MCBI	0.074					
IT	0.051	0.036				
IE	0.062	0.408	0.119			
ICA	0.494	0.018	0.011	0.038		
IB	0.089	0.054	0.073	0.101	0.003	

Discriminant validity implies components are diverse from each other. Discriminant validity too known as HTMT investigation. Which speaks to no esteem is more prominent than 0.9 (Hu, 1999) Thresholds are 0.850 for strict and 0.900 for magnanimous discriminant validity.

In this study, no value greater than 0.9 represents discriminant validity. The total outcome of the HTMT analysis explains distinct statements that are well in nature. Thus, from the over-investigation, the instrument appeared to have great inside consistency, and great discriminant and convergent validity. (Malhotra N. K., 2011) (Henseler, 2015)

4.17. Confirmatory Factor Analysis

The Confirmatory Factor Analysis method surveys on the off chance that the hypothesized structure fits the information well, or whether an interface exists between the discernible variables and their basic latent, or imperceptibly, structures (Child, 1990). The CFA would moreover guarantee that all things are accurately coordinated with the fitting angles inside the by and large build being evaluated. The calculated structure is given by Exploratory Factor Investigation, which isolates the components from the collection of factors. CFA is utilized to decide how well the factor structure obtained through EFA resembles genuine information. Hair (2006) claims that CFA is utilized to allow a confirmatory test of the Estimation Hypothesis. An Estimation Hypothesis portrays how measured variables consistently and systematically express the developments included in an estimation.

TABLE 4. 27 CFA Model Fit Analysis

Measures	Estimate	Threshold	Interpretation
CMIN	575.64	--	--
DF	174	--	--
CMIN/DF	3.308	Between 1 and 3	Acceptable
CFI	0.947	>0.95	Acceptable
NFI	0.926	>0.95	Acceptable
TLI	0.936	>0.95	Acceptable
IFI	0.947	>0.95	Acceptable
RFI	0.911	>0.95	Not Acceptable
SRMR	0.040	<0.08	Excellent
RMSEA	0.048	<0.06	Excellent
PClose	0.761	>0.05	Excellent

Numerous diverse fit measurements are utilized in CFA to decide the model fit for the information. Model Fit is assessed employing an assortment of markers. The Chi-Square Test with Degrees of Freedom (<2) is the primary. The chi-square test, concurring with Hu and Bentler (1999), uncovers the degree of distinction between the anticipated and genuine covariance frameworks. A chi-square esteem closest to zero and a chi-square p-value bigger than 0.05 propose that the expected and genuine covariance frameworks vary negligibly, demonstrating a good fit.

The residuals within the demonstration are associated with the Root Mean Square Error of Approximation (RMSEA). The run of RMSEA values is zero to one, with a lower RMSEA

esteem recommending superior show fit. An RMSEA esteem of 0.06 or less shows a great model fit. (Hu & Bentler, 1999), however, an esteem of 0.08 or less is commonly respected as satisfactory. (Browne & Cudeck, 1993). Here esteem of SRMR is 0.040 and RMSEA is 0.048 which demonstrates the great fit.

The Comparative Fit Index (CFI) is an incremental fit list that assesses the general advancement of a proposed demonstration over an autonomy show with uncorrelated watched variables (Byrne, 2006). CFI values change from 0 to 1, with higher numbers proposing a way better model fit. A CFI score of 0.90 or over shows a worthy model fit (Hu & Bentler, 1999). Here esteem of CFI is 0.947 which demonstrates the great fit.

Another commonplace model fit pointer is the Normed Fit List (NFI). Bigger values demonstrate a way better fit for this pointer and values more noteworthy than 0.90 are respected and worthy. (Hu & Bentler, 1999). Goodness-of-fit is another metric that yields fit measurements, concurring with Hair (2006).

Here esteem of NFI is 0.926 which demonstrates the great fit. GFI levels more prominent than 0.90 are respected as palatable. Another key degree is the Balanced Goodness of Fit List (AGFI), which accounts for shifting degrees of demonstrated complexity. In terms of model fit, AGFI values are frequently lower than GFI values. AGFI levels of more than 0.90 are respected as palatable and great.

Tucker Lewis Record (TLI) is hypothetically comparative to NFI but varies in that it could be a comparison of the normed chi-square values for the given model, which demonstrates complexity into thought to a few degrees. TLI scores more noteworthy than 0.90 are respected and alluring in most cases. The incremental fit record measures how well the evaluated model fits in comparison to a standard model in which all perceptible factors are considered to be uncorrelated. The IFI esteem of more than 0.90 is considered great, and the RFI, or Relative Fit List, esteem more noteworthy than 0.90 is moreover considered a great fit for the show (Bollen, 1986). Here esteem of TLI is 0.936, IFI is 0.947 and RFI is 0.911 which demonstrates the great fit.

Confirmatory factor analysis (CFA) decides in case a given collection of components impacts reactions within the intended manner. Confirmatory factor analysis (CFA) could be

a component of structural equation modeling (SEM), a greater expository system that combines Confirmatory factor analysis (CFA) with course analysis/path investigation (relapse slants). A test is run to see how well the conjectured calculated structure fits the information. (Newsom, 2017).

The fit test tries to distinguish a non-significant result, proposing a palatable fit to the information. AMOS 26 was utilized to compute a few developments. It helps in deciding whether the demonstration is legitimate and arranged, as well as whether the builder was able to speak to the information. Table 4.27 shows the discoveries of the study's confirmatory factor analysis ("utilizing maximum likelihood estimation") and shows that all fit records are inside their great ranges. As a result, the Ponder concludes that the Model's relative ampleness is exceptional "Model fit is excellent"!

(Bentler, 1999)Suggest combinations of measures. On the premise the Cut of criteria combination of $CFI > 0.95$ and $SRMR < 0.08$. To assist set, and proving, include the $RMSEA < 0.06$. the other most critical Degree is $CMIN/DF$ and their cut of criteria is > 1 . Demonstrate fit Lists on the premise of Goodness of fit markers like CFI, GFI, IFI, NFI, AGFI, etc. Disagreeableness of fit pointers like RMSEA, RMR, etc. (Gaskin, 2019).

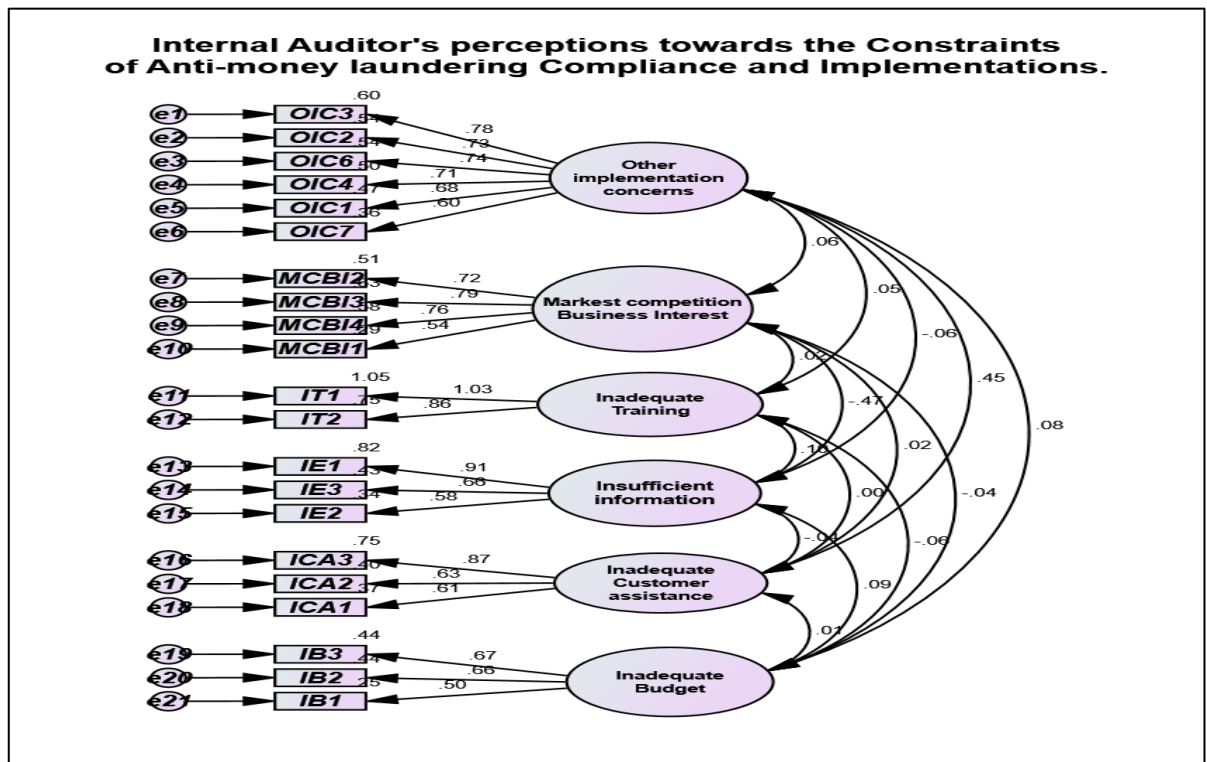


FIGURE 4. 8 Confirmatory Factor Analysis Model for Measuring Internal Auditor's Constraints in AML Compliance Review and Implementation

TABLE 4. 28 Standardized Regression Weights

Explained construct to variable	Estimate
OIC3<---OIC	0.777
OIC2<---OIC	0.735
OIC6<---OIC	0.736
OIC4<---OIC	0.711
OIC1<---OIC	0.683
OIC7<---OIC	0.602
MCBI2<---MCBI	0.717
MCBI3<---MCBI	0.793
MCBI4<---MCBI	0.762
MCBI1<---MCBI	0.535
IT1<---IT	1.026
IT2<---IT	0.864
IE1<---IE	0.908
IE3<---IE	0.656
IE2<---IE	0.584
ICA3<---ICA	0.868
ICA2<---ICA	0.634
ICA1<---ICA	0.612
IB3<---IB	0.665
IB2<---IB	<u>0.66</u>
IB1<---IB	0.498

4.18. Standardize estimates /Factor loading & Constructs Correlation

To evaluate if each questionnaire can clarify its possess build, the Study ought to discover the loading factor (LF) /Standardized estimates of each thing concerning its claim build. The least reasonable esteem of LF or Standardize estimate is 0.5, More than the 0.5 value is

acceptable (Borroso et al., 2010) as per the table result majority of variable Factor loading values are more than 0.5 and values can support their individual factor or cluster.

Fig. 4.8 clarifies the confirmatory factor analysis and additionally checks the inter-correlation between all such factors and the positive and negative relationships between each factor. The model fit is inferred from comparing the relationships (in fact, the covariances) among the things to the relationships anticipated by the model being tried Numerically, certain one-factor models infer certain relationships with other figure models. A few factors have a near connection and positive connection to each build. A few factors have appeared negative connection. Fig. 4.8 and CFA Test Model and Build inside relationship result. It is watched that all the components have solid inside consistency and are inside associated with each other.

In conformity factor analysis (CFA) Building a relationship is the foremost critical and essential step to confirm and build individual relationships or associations with other constructs. It appears whether constructs are profoundly related to each other or not. Before checking the effect of free components on subordinate components it is obligatory to check the relationship of components and construct. Here Fig. 4.8 shows there's a solid relationship between each build and the result of the relationship demonstrates the hypothesis and affirms the conceptual hypothesis and perspective.

CHAPTER-5

Discussions Of Findings

This chapter depicts the investigative method and sets the stage for the examination. This chapter's discoveries are displayed within the setting of the study's four inquiry-about goals. The conclusions are based on the factual investigation drained in the preceding data investigation chapter.

Discoveries are separated into two portions.

Part -1 Involvement of Internal Auditor's effectiveness in AML compliance review for Combat Money Laundering

Part-2 Internal Auditors Constraints for Effective AML Compliance Review and Implementation

Findings of research objective 1

Objective 1: To identify the level of involvement of internal Auditors in Anti Money Laundering (AML) Governance Activities and Effective compliance review for Combat Money laundering.

5.1. Findings from the Descriptive Analysis

A clear investigation is to distinguish the level of association of internal auditors in several components related to anti-money laundering Administration Exercises as well as a Compliance review for combat Money laundering within the Bank.

The respondents gave their opinion about the Involvement of IA involvement in AML Governance Different Activities like AML Governance Structure, AML Governance

Processes, AML Governance Management Activities, AML Governance Legislation Practices, AML Governance Risk assessments Duties, AML Governance Actions against Malpractices, AML Governance Actions against Money Laundering on effectiveness in AML Compliance Review and Combat Money laundering.

To understand the level of involvement of internal auditors have calculated the mean and standard deviation and the overall result shows that moderate level of involvement. The result summarizes with the assistance of components Statistics & and the descriptive investigation of the respondent's reactions. With the help of mean values, the result reveals the overall involvement of the Internal Auditors in the Anti-Money Laundering Governance Activities are Bing observed high involvement. The involvement of internal auditors in Anti-Money Laundering Governance Activities like AML Governance Actions against Malpractices, AML Governance Legislation Practices, and AML Governance Actions against Money Laundering and AML Governance Structure activities are Bing observed low in the first objective of the research. Here Majority of factors with low standard deviation reflect the respondent's closed opinion towards each statement.

The result only shows how much extent internal auditors are involved and connect with the all-in-house bank AML governance situations and effectiveness in compliance activities.

Findings of Research Objective 2

Objective 2: To Evaluate Intra-relationships amongst Individual activities related to anti-money laundering (AML) Governance, Effective compliance review, and Combat Money Laundering.

Based on the Writing Survey, factors were recognized to set up the survey to affirm the proactive involvement of Internal Auditors in Anti-money laundering Compliance review. The scale was purified through pilot examination and after that figure structure was affirmed through the confirmatory factor analysis. A total of seven components were extricated from past research. The figure structure is created by the bank's internal auditors utilizing their recognition or viewpoint. Which is exceptionally much unique in nature.

5.2. Construct reliability outcomes

Reliability could be a degree of the degree to which a thing, framework, or handle can be depended upon to do what it is assumed to do and how respondents are reputable in nature. Here Reliability may be a degree of the consistency and constancy of Internal Auditors. It portrays how reliably internal Auditors perform in different conditions and contexts over time. Reliability of this think about detailed agreeing to the SPSS 24.

Here reliability is high from 0.7 which appears Cronbach's Alpha is worthy in nature. Which is affirmed and approved by Internal Auditors. It implies analysts do not abuse the presumption of reliability.

The most noteworthy esteem of Reliability happened by IA effectiveness in the AML Compliance review which is 0.976 Amazing and the most reduced esteem of reliability happened from IA involvement in AML Governance Activities against Malpractices which is 0.704.

5.3. Validity outcomes

Factors validity refers to evaluating how valid different factors are in predicting certain outcomes. In this research internal auditor's opinions for the involvement of AML compliance review use factor analysis—a statistical technique that helps identify stable patterns in data—to measure key characteristics that account for such decisions By taking internal auditors' opinion on their proactive involvement it's assessing each factor's contribution to explaining these outcomes, researchers can determine which of those factors most significantly drive particular decision-making processes.

Validity means how sound the research is which is measured by convergent and discriminant validity values that are above the threshold values. HTMT analysis also proves discriminant validity the overall result explains different statements are well in nature.

According to AMOS 26, the validity of this study was reported. The values of CR appear to range from 0.704 to 0.976, while the values of AVE appear to range from 0.501 to 0.748. It also looks like each MSV number is less than the matching AVE value for each build. The AVE values are depicted diagonally, but the correlation coefficient values are given off-

diagonally. When AVE is proven to be stronger than the construct's relationship with other constructs, discriminant validity is confirmed. Heseler (2015).

HTMT values of each construct i.e., IA involvement in AML Governance Structure, Processes, Management Activities, Legislation Practices, Risk assessment Duties, Actions against Malpractices, AML Governance Actions against Money Laundering, Effectiveness in AML Compliance Review, Combat Money laundering Activities are less than 0.85 that appears that analyst has not damaged gumption of multi-co-linearity. In this study, no value greater than 0.9 represents discriminant validity. The total outcome of the HTMT analysis explains distinct statements that are well in nature.

5.4. Confirmatory Factor Analysis Outcomes

Confirmatory modelling of structural equations using a maximum likelihood estimation approach was used to assess the nine latent variables that were evaluated. The measurement model exhibited a good fit for the model. First-order Confirmatory Factor analysis (CFA) is a non-recursive model. Which is a Model fit, hence all the Measures values are above the threshold values. The results of the measures are acceptable. All the factor loading values support the first-order model.

Research Outcomes on Construct Correlation

A few tests can be performed to decide whether the model is satisfactorily expressed and considered. The result illustrates the degree to which a free variable's behavior is overstated by its interaction and relationship with other autonomous factors. Agreeing to Inquire about variables not confronting multi-co-linearity issues. A direct and positive relationship has been found between the components.

TABLE 5. 1 Construct Correlation

	AGS	AGP	AGAM	AGM	AGL	AGR	AML	ACR	CML
AGS	1								
AGP	0.207	1							
AGAM	0.015	-0.021	1						
AGM	0.106	0.497	-0.018	1					
AGL	0.018	0.046†	0.005	0.037	1				
AGR	0.139	0.663	-0.032	0.466	0.049†	1			
AML	0.362	0.141	0.013	0.1	0.013	0.175	1		
ACR	0.591	0.151	0.007	0.13	0.005	0.189	0.24	1	
CML	0.531	0.167	0	0.223	0.034	0.237	0.212	0.574	1

According to the correlation table extracted from the CFA analysis above. Which identified certain closely connected characteristics, which are as follows:

Strong positive connections with a correlation coefficient of 0.207 between the AML Governance Structure and AML Governance Process have been established.

Relationship coefficient of -0.021 Negative correlation between the AML Governance Process and AML Governance Actions against Malpractices has been established

Strong positive correlations with a Correlation coefficient of 0.497 between AML Governance Management Activities and AML Governance Process have been established.

Strong positive correlations with a Correlation coefficient of 0.139 between AML Governance Risk Assessment Duties and AML Governance Structure have been established.

Strong positive correlations with a Correlation coefficient of 0.663 between AML Governance Risk Assessment Duties and AML Governance Process have been established.

A strong positive correlation with a Correlation coefficient of 0.466 between AML Governance Risk Assessments Duties and AML Governance Management Activities has been established.

Strong positive correlations with a Correlation coefficient of 0.362 between AML Governance Actions against Money Laundering and AML Governance Structure have been established.

Strong positive correlations with a Correlation coefficient of 0.141 between AML Governance Actions against Money Laundering and AML Governance Processes have been established.

Strong positive correlations with a Correlation coefficient of 0.175 between AML Governance Actions against Money Laundering and AML Governance Risk Assessments Duties have been established.

Strong positive correlations with a Correlation coefficient of 0.591 between effective AML Compliance Review and AML Governance Structure have been established.

Strong positive correlations with a Correlation coefficient of 0.151 between effective AML Compliance Review and AML Governance Processes have been established.

Strong positive correlations with a Correlation coefficient of 0.189 between AML Governance Actions against Money Laundering and AML Governance Risk Assessments Duties have been established.

Strong positive correlations with a Correlation coefficient of 0.531 between Combat Money laundering activities and AML Governance Structure have been established.

Strong positive correlations with a Correlation coefficient of 0.167 between Money laundering activities and AML Governance Processes have been established.

Strong positive correlations with a Correlation coefficient of 0.223 between Combat Money laundering activities and AML Governance Management Activities have been established.

Strong positive correlations with a Correlation coefficient of 0.237 between Combat Money laundering activities and AML Governance Risk assessment Duties have been established.

Strong positive correlations with a Correlation coefficient of 0.212 between Combat Money laundering activities and AML Governance Actions against Money Laundering have been established.

Strong positive correlations with a Correlation coefficient of 0.574 between Combat Money laundering activities and effectiveness in AML Compliance Review have been established.

Findings of research objective 3

Objective 3: To Confirm the Role of Mediating Effect of Effective compliance review in relation to Anti Money Laundering (AML) Governance activities to Combat Money Laundering.

5.5. Outcomes from the Structural Equation Model

The help of 7 involvement factors derived from the literature review and past study which confirm that the involvement of internal auditor in Anti-Money laundering Governance impacts the effectiveness of Anti Money Laundering Compliance and also has a positive impact on Anti-Money Laundering compliance in Combat Money Laundering.

To understand the involvement of internal auditors and effective compliance Among Auditors by using structural equation modeling, a kind of statistically approved model. The result shows Model fit which means all measures are very much effective.

Add up to nine components inferred and the factors for all banks are closely resembling. Concept and Model which is exceptionally much unique in nature. The factor structure created by supposition and affirm inquire about demonstrate proposed within the conceptual system. With the assistance of Internal Auditors involvement in Anti Money Laundering Governance activities for Effective Compliance and Combat money laundering.

Out of the nine components, two components are the most imperative and for this investigation, both the components are most critical. Which built a clear picture of this research. These two components IA effectiveness in AML Compliance Review and Combat Money laundering activities are dependent factors and the rest of the factors are independent factors and they individually support effective AML Compliance Review.

Here with the help of regression analysis by structural equation modelling, the Study identifies an extreme level of internal auditor's involvement in all seven AML governance activities to support effective AML compliance review for Combat money laundering.

Step-wise structural equation analysis findings are as conduct:

In order to study the impact of all seven factors identified i.e., AML governance Structure, AML governance Process, Management activities, Legislation practices, Risk assessment Duties, Actions on malpractices, and Actions against ML related to effective AML Compliance review and effective compliance review the direct effect on Combat money laundering.

AML Governance Structure was recognized as the single Factor influencing the Successful AML Compliance review with the most noteworthy escalated. The factor has been seen Almost 51.8% influence on effective compliance review. The result shows that the involvement of Internal Auditors in the AML Governance Structure has a significant influence on the effective compliance review.

AML Actions against ML were recognized as the single Factor influencing the Successful AML Compliance review with the second noteworthy escalation. The factor has been seen as nearly Almost 41.3% influence on effective compliance review. The result shows that the involvement of Internal Auditors in AML Governance Actions against ML has a significant influence on the effective compliance review.

AML Governance Risk Assessment Duties was recognized as the single Factor influencing the Successful AML Compliance review with the third noteworthy escalated. The factor has been seen as having nearly 36.5% influence on effective compliance review. The result shows that the involvement of Internal Auditors in AML Governance Risk Assessment Duties has a significant influence on the effective compliance review.

AML Governance Management activities were recognized as the single Factor influencing the Successful AML Compliance review with the most reduced escalated. The factor has been seen nearly 12.1% influence on effective compliance review. The result shows the involvement of Internal Auditors in AML Governance Management activities has a significant influence on the effective compliance review.

AML Governance Actions on malpractices were recognized as the single Factor influencing the Successful AML Compliance review with the reduced escalated. The factor has been seen nearly 11.2% influence on effective compliance review. The result shows the involvement of Internal Auditors in AML governance Actions on malpractices have a significant influence on the effective compliance review.

AML Governance Legislation practices were recognized as the single Factor influencing the Successful AML Compliance review with Nil intensity. The factor has been seen as nearly 01% influence on effective compliance review. The result shows that the involvement of Internal Auditors in AML Governance Legislation practices has a significant influence on the effective compliance review.

AML Governance Process was recognized as the single Factor influencing the Successful AML Compliance review with the most reduced Negative escalated. The factor has been seen nearly 18.8% influence on effective compliance review. The result shows nearly the involvement of Internal Auditors in the AML Governance Process has a significant influence on the effective compliance review.

The total Involvement of IA in AML governance is positively 69 percent related to the effectiveness of AML compliance review.

The study sought to investigate the Role of internal auditors in Anti-money laundering compliance reviews to combat money laundering in commercial banks.

The study found that effective compliance review plays a mediating role in relation to AML Governance activities to combat Money laundering. The result assesses the role of effective compliance review between AML Governance Individual Activities and combat money Laundering.

The high explanatory power of this proposed theoretical model is 71 percent. According to the model, it's suggested that IA effectiveness in AML Compliance examination positively impacts Combat Money laundering activities. It's simply explained that IA effectiveness in AML Compliance review impact on Combat money laundering 71 percent.

A study finds that 71 % total capacity to combat ML, by increasing the IAs' effectiveness in AML compliance review

As delineated within the figure, the created figure structure affirms the investigated factors proposed within the conceptual framework. The Model is made to get Part of the Internal Auditor's involvement.

Internal Auditor's involvement in AML Governance Structure for effective Compliance review:

Internal auditors had a moderate involvement in AML Governance Structure activities, although they were extremely supportive of AML compliance reviews.

Factor contains 8 variables and it shows internal auditors play an important role in an organization's Anti-Money Laundering (AML) governance structure. They are responsible for providing independent assurance and consulting services to the board and senior management on the effectiveness of the organization's AML compliance program and controls. Internal auditors can assess the effectiveness of the AML risk assessment process, review the adequacy of AML policies and procedures, test the accuracy and completeness of customer due diligence processes, and evaluate the monitoring and reporting of suspicious activity. Internal auditors can also help the organization identify and address potential weaknesses in the organization's AML compliance program. Furthermore, they can guide how to improve the AML controls and processes and ensure that the organization remains compliant with applicable laws and regulations. Moreover, it has also been found out that Internal Auditors and executive officers are members of the AML compliance committee and invited to meetings of the AML committee and do multiple activities like Fraud Monitoring, Risk Monitoring, Existence of Digital Transaction Monitoring, Data Innovation related dangers and review operations.

Internal Auditor's involvement in AML Governance Processes for effective Compliance review:

Internal auditors were heavily involved in AML Governance Processes activities, despite providing negative support for effective AML compliance review.

The Factor has 11 variables that interpret internal auditors can help financial institutions comply with the anti-money laundering (AML) constitution by auditing and evaluating their AML governance processes. Internal auditors should consider not only the institution's AML risk management framework but also the effectiveness of its AML compliance program. They can help identify areas of AML risk, assure the completeness and accuracy of the institution's risk assessments, assess the effectiveness of internal controls, review for compliance with regulatory requirements, and provide ongoing oversight and assurance around the design and implementation of the institution's AML processes. Internal auditors should also periodically review and test the effectiveness of the process by comparing and reconciling the institution's risk assessments and AML systems with actual results. Internal Auditors independently review all operational activities at regular intervals and that findings are actioned, They Maintain and regularly update the program and Provide Internal System, policies, and Procedures Training, Keep all documentation for at least seven years where required for risk assessment, AML governance conducting internal audits in regular intervals, Examines Complete risk-based assessment and profiling of each customer base on their transactions to assure AML Governance process continuity with the help of Advance filtering technologies analytics in bank that detect money laundering traits and suspected transactions as well as trigger deviation as per risk matrix. Internal auditors play a big role in resolving the trigger risk-based actions by employees or software.

Internal Auditor's involvement in AML Governance Management Activities for effective Compliance review:

Internal auditors were heavily involved in AML Governance Management activities, although providing minimal assistance with AML compliance review.

The factor contains 6 variables that highlight the fact that internal auditors play an important role in the governance of Anti-Money). They can review the policies and processes for compliance with regulatory requirements, assess the adequacy of controls, and review the timeliness and effectiveness of management's response to identified deficiencies. The internal auditor should also review the performance of the AML program, including its monitoring, reporting, and investigation processes. Finally, the internal auditor should verify that the AML program is adequately resourced and effective. Internal auditors are responsible for helping to ensure that Anti-Money Laundering (AML) compliance and

governance management efforts are maintained within an organization. They do this by evaluating the adequacy and effectiveness of the organization's AML control systems and procedures, providing recommendations for necessary improvements, and validating the execution of corrective action plans. Internal auditors can play an important role in AML compliance management activities by assessing the adequacy of the processes within existing frameworks, examining the completeness of records, validating the segregation of duties, and assessing the effectiveness of the risk-based approach. They should also review and audit outsourcing arrangements and evaluate the compliance of third-party service providers. Internal auditors should also review the organization's AML policies, processes, and procedures to ensure their adequacy and effectiveness and to ensure that they remain in line with rules and regulations. Additionally, internal auditors can help ensure the integrity of customer data by validating the accuracy and reliability of customer data held in the system, to identify potential discrepancies. In addition to their role in the governance and management of AML activities, internal auditors may also be requested to participate in the development of new internal control systems and initiatives. This can enable the organization to ensure compliance with external regulatory advice and maintain best practices. Finally, internal auditors can provide ongoing assessments of risk exposures, attesting to the effectiveness of AML control systems.

Internal Auditor's involvement in AML Governance Legislation Practices for effective Compliance review:

Internal auditors were moderately involved in AML Governance Legislation Practices, although they were less supportive of effective AML Compliance Review.

The factor contains 16 variables. This Factor depicts the fact that an internal auditor should be an active participant in AML governance and legislative practices. Specifically, internal auditors should assist management in implementing a comprehensive AML program that meets regulatory requirements, making sure policies are compliant with the relevant laws and regulations, and auditing the adequacy of risk assessment processes. They must also evaluate the integrity of transaction monitoring systems, executive management's oversight, sanctions screening, and AML data integrity, and perform periodic reviews of AML control processes. Internal auditors also play a vital role in analyzing complex AML cases and providing advice to senior management and line management on Combat risks associated

with money laundering and terrorist financing. Additionally, internal auditors should periodically review the performance of internal and external AML teams to ensure effective functioning. According to results Internal Auditors involved in developing anti-money laundering guidelines have supervisory authority. Internal Auditor Discovering or reporting illegal activities that directly or indirectly affect the company's accounts and Report detection and suspicion of money laundering activities as a supervisory authority.

Internal Auditor's involvement in AML Governance Risk assessments Duties for effective Compliance review:

Internal auditors were heavily involved in AML Governance Risk Assessment Duties, but they were only medium supportive of effective AML compliance reviews.

Factor contains 17 variables and the individual statements show the perception of Internal Auditor's involvement in AML Governance Risk Assessments Duties. The Factor itself shows the impactful and prime duties of internal auditors. According to internal auditors, prospective risk assessment and risk detection are prime duties. Research result shows internal auditors testing the effectiveness of the design and implementation of controls to Combat AML risks and evaluating the AML compliance program and processes with risk management. Monitoring compliance with laws, regulations, and internal policies concerning AML. Examining AML processes, policies, and procedures about their work and reporting on any identified gaps. Assessing and validating customer risk profiles and conducting reviews of customer account activity. Assisting in analyzing and interpreting suspicious activity reports. Verifying compliance with applicable reporting thresholds. Investigating and reporting compliance violations. Recommending remedial action to address any deficiencies. Participating in periodic Compliance Reviews. Assessing the adequacy of internal control processes and making recommendations for improvements.

Internal Auditor's involvement in AML Governance Actions against Malpractices for effective Compliance review:

Internal auditors had little involvement in AML Governance Actions against Malpractices, although they were less supportive of effective AML compliance reviews.

Factors contain 6 variables. Internal auditors play an important role in AML governance Actions against malpractices and fraud. Auditors need to evaluate the effectiveness of the AML procedures and controls, assess the adequacy of the compliance program, and ensure that the organization is compliant with applicable laws and regulations. Auditors should also review the risk management system to identify any weaknesses or gaps that may lead to money laundering, terrorist financing, or other financial crimes. They should also review customer due diligence processes and internal controls to ensure that they are effective. Furthermore, they should review the customer identification program to ensure that customer information is accurate and complete. Finally, auditors should review the process for monitoring suspicious transactions and investigate any suspicious activity that is identified. If suspicious activity is found, auditors should ensure that appropriate corrective actions are taken and that the compliance program is updated to address any weaknesses identified.

Internal Auditor's involvement in AML Governance Actions against Money Laundering for effective Compliance review:

Internal auditors played a moderate role in AML Governance Actions against Money Laundering, although they were moderately supportive to effective AML Compliance Review.

The factor is analyzed by 9 items. Internal auditors can play an important role in helping organizations combat money laundering. They can do this by assessing the effectiveness of the organization's anti-money laundering (AML) policies and procedures, ensuring that they are correctly implemented and enforced across the organization. Internal auditors can also help identify any weaknesses in the organization's systems and processes that could be exploited by money launderers. Additionally, they can assess the effectiveness of customer due diligence procedures, review internal controls to ensure that transactions are properly recorded and monitored, and ensure that any suspicious transactions are reported to the appropriate authorities. Internal auditors play an important role in the fight against money laundering by helping organizations comply with anti-money laundering regulations. They can do this by performing a variety of activities, such as: Reviewing and assessing the organization's anti-money laundering policies and procedures. Monitoring and testing the organization's compliance with anti-money laundering legislation. Recommending sanctions or disciplinary action for employees who violate anti-money laundering rules.

Reporting any suspected money laundering activities to the appropriate authorities. Working with senior management to develop and implement anti-money laundering initiatives and programs.

Internal Auditor's Involvement Effectiveness in AML Compliance Review for Combat Money Laundering:

Internal auditors were heavily involved in the effectiveness of AML Compliance Review while being extremely influential in Combat Money laundering.

The factor Internal Auditors' effectiveness in AML Compliance Review is one of the main factors and is an important factor for Money laundering detection. Internal auditors can be effective in AML compliance evaluations if they use a thorough review procedure. This process should include comprehensive policy and procedure evaluations, risk assessments, customer due diligence, transaction monitoring, and other relevant tasks. Auditors should also ensure that the reviews are carried out in conformity with applicable laws and regulations and that any issues that are detected are resolved as soon as possible. Internal auditors should also guarantee that the evaluations are completed consistently and that any results are properly documented and reported to top management. Finally, internal auditors should make improvement recommendations as required to guarantee that the AML compliance programs are effective and under applicable laws and regulations. Internal auditors can detect and recommend corrective action for any weaknesses in the organization's AML compliance program. Internal auditors should conduct periodic assessments of the organization's AML compliance program, as required by applicable laws and regulations. The audit scope should include a review of the organization's AML policies, procedures, and systems; an evaluation of the AML risk assessment process; an evaluation of the organization's AML compliance program; and a review of the organization's AML compliance monitoring and testing procedures. Internal auditors should assess the organization's AML policies and procedures during the audit to ensure they are adequate and being followed. They should also evaluate the performance of the organization's AML risk assessment procedure and ensure that it is carried out on a regular basis.

Internal Auditor's involvement in Combat Money laundering activities:

Internal auditors were heavily involved in Combat Money laundering activities.

Internal auditors can play a critical role in helping organizations Combat their exposure to money laundering activities. Here are some key areas in which internal auditors can contribute Internal auditors can help organizations design and implement a risk-based approach to money laundering activities. This involves identifying areas of risk and developing processes to address them. Internal auditors can evaluate the organization's compliance with anti-money laundering regulations. This includes assessing the effectiveness of the organization's policies, procedures, and controls related to money laundering activities. Internal auditors can use data analytics and other tools to identify potential money laundering activities. They can also review documents and other evidence to detect any suspicious activity. Internal auditors can help the organization create a culture of compliance by providing training and awareness on money laundering activities. This can help ensure that employees understand their role in Combat the organization's exposure to money laundering activities. Internal auditors can ensure that any suspicious activity is reported to the appropriate authorities

(AML governance Structure, Management activities, Legislation practices, Risk assessment Duties, Actions on malpractices, and Actions against ML) demonstrated to be essentially emphatically positively related to IA effectiveness

Besides, the overpowering larger part of respondents recognized that IA involvement in AML governance structure, Risk assessment Duties, and Actions against ML are broader than IA involvement in AML governance processes, the expressive comes about recommends that there's an opportunity for advance enhancement concerning the managing the banking IA involvement.

Based on the over comes about, respondents distinguished that IA commitment to the organizational execution is the foremost vital component in IA effectiveness in AML compliance review. The results also indicate that IA's Involvement in AML governance had a major influence on the IA's effectiveness in conducting AML compliance reviews in the banking sector in India.

Findings of Research Objective 4

Objective 4: To Identify and Confirm the Major Constraints of Internal Auditors in Anti Money Laundering Compliance review and Implementation from the perspective of Internal Auditors.

Based on the Composing Overview, variables were recognized to set up the study for measuring the Internal Auditor's Constraints in Anti-money laundering Compliance and Implementations. The scale was decontaminated through reliability examination and after that exploratory Factor examination was performed to extricate the components and create the calculated structure. Factor structure was affirmed through the confirmatory factor analysis.

For both the Public Segment Banks and Private Sector Banks, add up to six Factors extricated from 21 variables as Internal Auditor's Constraints in Anti-money laundering Compliance and Implementations. The figure structure was created for all the banks' internal auditors and affirms inquiries about the Survey Model proposed within the conceptual system.

5.6. The outcome from Exploratory Factor Analysis

Internal auditors provided input, but it either doesn't work or they see some restrictions in AML Compliance. They provide their unique, independent opinions on each particular statement, and factor structures are created by their opinions. The factor structure identifies the six primary restraints constraints that internal auditors must overcome.

Based on Exploratory Factor analysis the research found 6 major Internal Auditor's Constraints in Anti-money laundering Compliance and Implementation which are as follows:

1. Inadequate Budget
2. Inadequate Customer assistance
3. Inadequate Training
4. Implementation Concerns
5. Market Competition
6. Insufficient information exchange

The primary conclusion of the research is how the factors cause challenges in AML compliance review and Implementation.

Factor one contains 3 items that reveal that inadequate budget is a major constraint for internal auditors for AML compliance review. With limited funds, auditors may lack the resources to adequately monitor and investigate suspicious activity. With limited resources, auditors may not be able to hire the necessary personnel or purchase the necessary technology and software to monitor, detect, and report suspicious activity. Additionally, inadequate funds may mean there are fewer personnel available to conduct regular audits, investigate suspicious activity, or develop policies and procedures to prevent money laundering.

Factor two contains three things that reveal that inadequate customer assistance can be a major constraint for internal auditors in AML compliance review. The lack of customer assistance can lead to incorrect or incomplete customer information, which can lead to inadequate customer due diligence and monitoring. This can result in incomplete or inaccurate reports and may lead to non-compliance with AML regulations. Additionally, inadequate customer assistance can lead to delays in detecting suspicious transactions and reports, which can lead to an increased risk of money laundering. To ensure proper AML compliance, internal auditors must have access to adequate customer assistance to obtain the necessary information to perform their duties.

Factor three has two things that reveal that inadequate training is a major constraint for internal auditors in AML compliance review and money laundering prevention. If internal auditors are not adequately trained in AML compliance review and money laundering prevention, they may not be able to properly evaluate the effectiveness of the organization's AML program. Without adequate training in the detection and prevention of money laundering, internal auditors may not have the skills necessary to properly assess the risks associated with money laundering activities. Furthermore, without proper training, internal auditors may not recognize signs of money laundering and may not be able to initiate corrective action if needed. As such, internal auditors need to be adequately trained in AML compliance review and money laundering prevention to ensure that the organization's anti-money laundering program is effective and compliant.

The fourth Factor has contained six things that reveal that 1. Lack of sufficient AML expertise: Internal auditors may lack the necessary AML expertise and knowledge to adequately audit and monitor the organization's AML compliance review and money laundering prevention program. 2. Limited access to data: Internal auditors may not have access to all the data and information necessary to conduct a complete and thorough audit. 3. Data privacy and security: Internal auditors must also ensure that all data is kept secure and that any privacy laws and regulations are followed. 4. Difficulty in detecting fraud: Internal auditors may have difficulty in detecting money laundering or other financial crimes due to the highly complex and sophisticated nature of money laundering schemes. 5. Language barriers: Internal auditors may not have sufficient knowledge or understanding of the language used in AML compliance review and money laundering prevention programs. 6. Cultural differences: Internal auditors may not have the cultural understanding to adequately interpret AML compliance review and money laundering prevention programs in different countries and cultures. 7. Inadequate training: Internal auditors may not have been provided with adequate training on AML compliance review and money laundering prevention, making it difficult to effectively audit and monitor the organization's program.

The fifth factor Market Competition contains four items which conclude the things that, Internal auditors must adhere to the competition and business interests of their organization when performing AML compliance review and money laundering prevention. This means that internal auditors must be aware of any potential conflicts between the interests of their organization and those of its competitors. They must also be aware of any potential business opportunities that may exist, and the potential risks associated with them. Furthermore, internal auditors must ensure that any actions taken to address money laundering risks are consistent with the organization's business objectives. This can often be a challenging task, requiring careful analysis and risk management. Auditors must also consider the impact of their decisions on the overall compliance environment and ensure they adhere to all relevant laws and regulations.

The sixth factor reveals that the insufficient feedback and exchange of information between internal auditors and other compliance personnel in AML compliance review and money laundering prevention can be a major constraint. This constraint can lead to ineffective audit processes and can result in missed opportunities to identify and address non-compliance

issues. Internal auditors may not be aware of the detailed requirements and processes of AML compliance review and money laundering prevention and may lack the necessary skills and resources to evaluate the effectiveness of such processes. Without the right knowledge, skills, and resources, internal auditors may not be able to identify and address potential issues promptly. In addition, they may not be able to provide meaningful feedback and information exchange with other compliance personnel who are more knowledgeable in AML compliance review and money laundering prevention. In order to effectively address this constraint, internal auditors must have access to relevant AML compliance review and money laundering prevention information and resources. Additionally, regular training and communication should be provided to ensure that internal auditors have the necessary skills and knowledge to properly evaluate the effectiveness of the AML compliance review and money laundering prevention processes. Furthermore, internal auditors should engage in meaningful dialogue with other compliance personnel to ensure that all parties are aware of any issues or concerns that may arise.

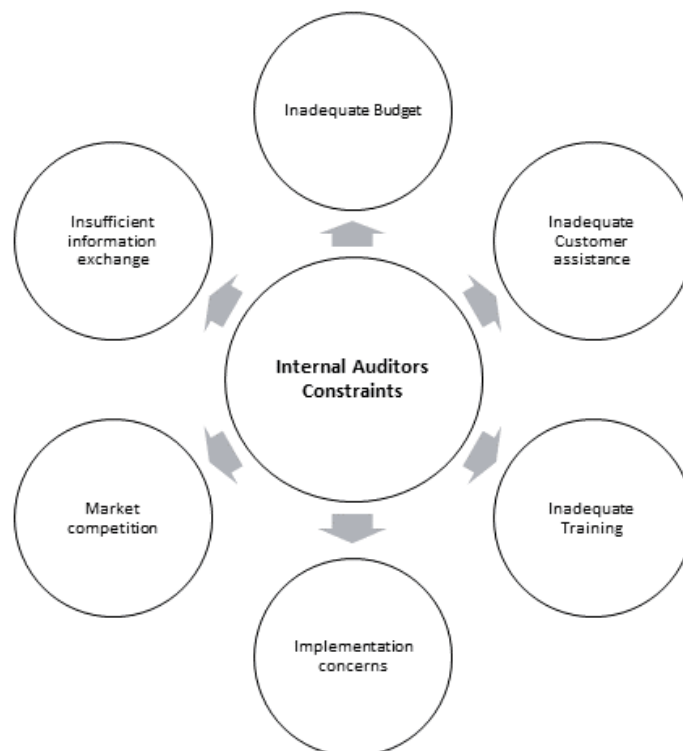


FIGURE 5. 1 Internal Auditors Constraints

5.7. Outcomes of Descriptive Analysis for IA Constraints

To understand the major constraints of internal Auditors in AML perpetration from the internal auditor's perspective have calculated the mean and standard deviation. The mean and standard deviation have been determined to understand the major constraints that are facing internal auditors. The overall result reveals that shy budgets, request competition, and many other perpetration concerns are the major constraints facing internal auditors.

Since the loftiest value of mean passed by Inadequate Budget and Market Competition. i. e, 4.72, and the smallest value of mean passed in inadequate feedback and information exchange. i.e. 1.84 while the loftiest standard divagation is seen in Inadequate client backing and Inadequate Training i.e.,0.85 and 1.19, and the smallest standard deviation is seen in Inadequate Budget. i.e.,0.41. The result shows some of the major constraints that were faced by internal Auditors in practical AML compliance reviews and executions in the banks.

5.8. Outcomes of Reliability and Validity Test for IA Constraints

Reliability analysis of all the linked constructs shows how responses are unremarkable. The result of Cronbach's Alpha of all the constructs is above the threshold value of 0.7 which is respectable.

Validity analysis means how sound the exploration is. Which is measured by Convergent and discriminant validity. The values are above the threshold values. HTMT analysis also proves discriminant validity the overall result explains different factors are well in nature.

It shows that values of AVE run from 0.375 to 0.899 and CR values extend from 0.640 to 0.947. It too shows that each esteem of MSV is less than the comparing esteem of AVE relating to each construct

AVE is shown to be greater than the construct's association with other constructs this confirms the existence of discriminant validity. (Henseler, 2015). The values of AVE are presented diagonally, whereas the values of correlation coefficients are shown off-diagonally.

In this study, no value greater than 0.85 represents discriminant validity. The total outcome of the HTMT analysis explains distinct statements that are well in nature

5.9. Outcomes of Confirmatory Factor Analysis for IA Constraints

First- order Confirmatory Factor analysis (CFA) is a non-recursive model. Which is a Model fit, hence all the Measures values are above the threshold values. The results of the measures are respectable. All the factor loading values support the first-order model.

TABLE 5. 2 Correlation between Internal auditor's constraints

	OIC	MCBI	IT	IE	ICA	IB
OIC	1					
MCBI	0.064	1				
IT	0.054	0.021	1			
IE	-0.059	-0.474	0.104	1		
ICA	0.452	0.018	0.005	-0.037	1	
IB	0.081	-0.041	-0.058	0.092	0.011	1

This research objective was satisfied through Pearson Correlation between the factors of IA constraints like 1. Inadequate Budget 2. Inadequate Customer assistance 3. Inadequate Training 4. Implementation Concerns 5. Market Competition

The correlation table depicts that factors aren't facing multi-co-linearity problems. Overall Moderate correlation has been set up between each factor. Inadequate client backing and Implementation Concerns lead to advanced satisfaction as compared to the other constraints. Out of the six factors related to internal auditor's constraints, only one connection is nearly related to each other.

TABLE 5. 3 Consistency and stability mapping between objectives

Objective 1	Objective 2	Objective 3	Objective 4
Internal auditors had a moderate involvement in the AML Governance Structure.	The first-order confirmatory factor analysis, the non-recursive model reveals that there is a connection between unobserved, structures. The confirmatory factor analysis process determines that the intra-relationships amongst Individual activities related to anti-money laundering (AML) Governance, Effective Compliance Review, and Combat Money Laundering match well. It occurs naturally. The study's goal shows that the components do not have multi-co-linearity issues and created observed factors CFA model is fit.	Although IA involvement in the AML Governance Structure was extremely supportive of AML compliance reviews.	Objective 1 indicates a clear indication of substantial and moderate engagement from internal auditors. By objective 2, the factors under consideration do not exhibit excessive co-linearity due to certain Internal Auditor's limitations. This is the reason why objective 3 portrays instances where the degree of internal auditors' involvement in AML governance activities alternates between high, minimal, and moderate support for effective compliance reviews. Additionally, their level of contribution can significantly impact the efficiency of compliance reviews. Objective 4 underscores significant challenges faced by internal auditors during practical AML compliance reviews and implementation within banks. These challenges encompass insufficient budget allocation, Market Competition, and business interests, implementation concerns, and inadequate customer support. However, the challenges mentioned do not exhibit multi-co-linearity issues among them.
Internal auditors were heavily involved in AML Governance Processes.		Despite IA involvement in AML Governance Process providing negative support for AML Compliance Review.	
Internal auditors were heavily involved in AML Governance Management activities.		Although IA Involvement in AML Governance Management activities provides minimal assistance with AML compliance review.	
Internal auditors were moderately involved in AML Governance Legislation.		Although IA involvement in Governance Legislation Activities was less supportive of AML Compliance Review.	
Internal auditors were heavily involved in AML Governance Risk assessments.		However, IA involvement in AML Governance Risk Assessment Activities was only medium supportive of AML compliance reviews.	
Internal auditors had little involvement in AML Governance Actions against Malpractices.		Although IA involvement in AML Governance Actions against Malpractices was less supportive of AML compliance reviews.	
Internal auditors played a moderate role in AML Governance actions against Money Laundering.		Although IA involvement in AML Governance actions against Money Laundering was moderately supportive of AML compliance review.	
Internal auditors were heavily involved in the effectiveness of AML Compliance Review.		While IA involvement in the effectiveness of AML Compliance Review is extremely influential in Combat Money laundering.	
Internal auditors were heavily involved in Combat Money laundering activities.		With the help of strong Effective Compliance Review successfully combat money laundering in banks.	

CHAPTER-6

Conclusion, Implications and Future Directions

This research endeavour aims to investigate the proactive involvement and perceptions of internal auditors regarding their involvement in the Anti-Money Laundering (AML) Compliance Review, aiming to contribute to the fight against money laundering. Additionally, the research endeavours to pinpoint the challenges faced by internal auditors when conducting AML compliance reviews within the domain of commercial banks. Within this concluding section, a comprehensive summary of the research is provided, followed by an exploration of the study's implications and proposed recommendations. Limitations are acknowledged, and possible directions for future research are outlined as well.

6.1. Conclusion

India has made significant improvements in adhering to Anti-Money Laundering (AML) rules following the enactment of the Prevention of Money Laundering (PML) Act. However, while progress has been made, the desired outcomes have not been fully realized, indicating the need to address existing challenges within the system to achieve the goals of the AML regime effectively. To accomplish this, unwavering commitment and collaboration from various stakeholders, including the government, regulators, and the Financial Intelligence Unit (FIU), and their active involvement and cooperation are essential to ensure a positive impact of AML measures in India.

Within the banking sector, a notable transformation has taken place. Internal auditors have assumed a pivotal role in various AML governance activities, playing a crucial part in formulating policies, participating in decision-making processes, and exercising authority in banking operations. Their active participation in AML governance activities significantly influences their effectiveness in conducting AML compliance reviews in the banking sector.

Several key areas of their involvement have been identified as major contributors to combat money laundering. First and foremost, their role in establishing robust AML structures within financial institutions ensures that the necessary frameworks are in place to detect and prevent money laundering activities effectively. By adhering to legislative practices, they ensure that the institutions are compliant with the relevant AML laws and regulations, thereby minimizing the risk of money laundering activities.

Furthermore, internal auditors' active engagement in conducting risk assessments related to money laundering is vital. By identifying potential vulnerabilities and weaknesses in the system, they can recommend measures to strengthen the AML mechanisms. Another crucial aspect of their involvement is taking appropriate actions against money laundering activities. By promptly reporting suspicious transactions and cooperating with law enforcement agencies, they contribute to mitigating the risks associated with money laundering effectively.

Research studies have highlighted that certain mediating factors significantly influence the effectiveness of internal auditors in AML Compliance Review. These factors have a great influence on combatting money laundering. Identifying and understanding these factors can help internal auditors to further enhance their effectiveness in AML compliance reviews.

To combat money laundering more effectively, a theoretical model has been proposed, which emphasizes the pivotal role of internal auditors. The model concludes that internal auditors can play a key role in combatting money laundering by improving the effectiveness of AML compliance reviews. Implementing this model can contribute to the advancement of AML systems within Banks.

Despite the positive prospects, the research also identifies some challenges and constraints faced by internal auditors in implementing AML compliance measures. These include Inadequate Budget, Inadequate Customer assistance, Inadequate Training, Implementation Concerns, and Market Competition. Insufficient feedback, and information exchange. Addressing these limitations and adopting the recommendations proposed in the thesis can further enhance the development of AML systems in the Bank.

According to the internal auditors' opinion, their involvement in Anti-Money Laundering (AML) governance is highly significant in management activities and risk assessment. However, when it comes to effective Compliance reviews, their impact is gradually seen as very low and maximum, respectively. Additionally, the internal auditors' participation in AML governance is moderate in two activities: legal practices and special actions against money laundering. But again, its impact on effective compliance review is gradually perceived as very low and maximum, respectively. Furthermore, the internal auditor's participation in AML governance activities against malpractices is very limited, resulting in a very low impact on effective Compliance Review.

The internal auditor's involvement in the AML governance process is very high and its impact on effective compliance review is nil. When asked why there is a low and maximum impact of AML governance activities on effective compliance implementation, internal auditors stated that they face some challenges such as Inadequate Budget, Implementation Concerns, Market Competition, and Inadequate Customer assistance which is why even though there is a high and moderate level of their involvement, it does not work out.

However, encouragingly, the research indicates that a moderate level of involvement by internal auditors in the AML governance structure has a highly positive effect on AML Compliance Review. Moreover, a high level of involvement in effective Compliance Review significantly influences the fight against money laundering. The internal auditors' perception suggests that sufficient training and adequate information exchange play a crucial role in achieving a high impact in combatting money laundering.

In conclusion, India has shown significant progress in improving AML regulations since the implementation of the PML Act. However, to achieve the desired outcomes and effectively combat money laundering, it is imperative to address the challenges within the system. The active involvement and commitment of various stakeholders, particularly internal auditors, play a pivotal role in achieving this goal. By implementing the theoretical model and overcoming the identified constraints, the development of AML systems in Banks can be advanced, leading to a more robust and effective AML regime in banks.

6.2. Implications of Study

Based on the Findings of the internal auditor's involvement in AML Activities, the Consequences of Unfavourable Findings on Banks:

First of all, internal auditors in the AML Governance structure have exhibited a moderate level of involvement it seems the internal auditors are very less Involvement in the Board of Director's committee and IT-related committees.

Internal auditors were moderately involved in AML Governance Legislation Practices, which seems to lack Involvement in Report detection of illegal activities, discovering money laundering activities, suspicious detection, and tax offenses intentional misrepresentation.

Internal auditors played a moderate role in AML Governance Actions against Money Laundering, it seems less fight against money laundering, and a lack of support to detect fraud and risk assessment. Internal auditors had little involvement in AML Governance Actions against Malpractices, it seems less involvement in carrying out other activities to counteract money laundering.

It impacts the reputation and image of the banks. Also, it harms the integrity of the bank. Sometimes internal auditors' reluctant behaviour and lack of seriousness banks to face huge losses. The lack of involvement of internal auditors creates a way to carry out the laundering process. The lack of involvement from internal auditors in Anti-Money Laundering (AML) initiatives can result in detrimental consequences for a bank. This absence could elevate the likelihood of money laundering and financial crimes, potentially leading to violations of regulatory standards, harm to the bank's reputation, and operational inefficiencies. Additionally, the deficiency in internal auditor engagement might compromise internal controls, impede effective risk management, and cause the bank to lose its competitive edge as compliant competitors gain prominence. Furthermore, the absence of their impartial viewpoint restricts managerial oversight and the quality of decision-making.

Based on the Findings of the Internal Auditor's Involvement in AML Governance for effectiveness in AML Compliance review, Consequences of Unfavourable Findings on Banks:

AML Governance Management activities, Legislation Practices, and Actions against Malpractices although providing minimal assistance with AML compliance review. AML Governance Actions against Money Laundering and Risk assessment although they were moderately supportive of AML Compliance Review.

The limited involvement of internal auditors in Anti-Money Laundering (AML) governance activities can lead to detrimental outcomes for banking practices. This deficiency can result in an incomplete and inaccurate AML Compliance Review, leaving critical risk areas unaddressed. Moreover, the lack of holistic oversight due to minimal engagement can create gaps in identifying and mitigating potential AML risks, thereby exposing the bank to regulatory penalties and reputational harm. This limited impact also hampers the bank's ability to capitalize on opportunities for AML program enhancement, weakens the risk management culture, and impedes the fostering of an adaptable approach to emerging AML risks and regulatory changes.

Furthermore, the disjointed approach could blur lines of accountability, leading to confusion about compliance responsibilities and fostering an environment where AML compliance reviews may take a back seat. This regulatory non-compliance can trigger legal ramifications, financial losses, and harm to the bank's reputation. Additionally, the absence of internal auditors' active engagement in AML governance activities diminishes their exposure to valuable insights and knowledge regarding evolving AML best practices and regulatory trends.

Neglecting Anti-Money Laundering (AML) Compliance Review within a banking institution can result in severe implications for its operations. AML compliance review is crucial for preventing money laundering and terrorist financing. If internal auditors divert their focus from AML, regulatory non-compliance becomes a significant risk, leading to potential fines and reputational damage due to failure to meet regulatory standards. Financial and legal consequences follow suit, with the bank facing the possibility of legal actions and financial losses due to fines, legal fees, and asset forfeitures. The bank's reputation could

suffer, causing customer distrust and potential attrition. Moreover, operational risk increases as inadequate AML compliance could disrupt the bank's day-to-day operations, increase complexity in transactions, and necessitate additional resources for investigating suspicious activities. Correspondent banking relationships might also erode, hampering international transactions, and key partnerships could be lost, hindering growth opportunities. Overall, the lack of focus on AML compliance weakens the bank's risk management framework and makes it more vulnerable to financial crimes, potentially leading to fraudulent activities.

Ineffective practices in Anti-Money Laundering (AML) Compliance Review can lead to detrimental impacts on banking operational activities. Despite aiming to combat money laundering, such practices can result in misallocated resources, including staff time and technology investments, diverting attention from essential operational functions. This inefficiency can cause delays and disruptions in regular banking operations due to the misidentification of suspicious transactions or the oversight of actual illicit activities. Consequently, customer experiences may suffer as frustrations arise from transaction delays and excessive scrutiny, potentially driving customers away and undermining the bank's reputation. Moreover, the opportunity cost of investing resources in ineffective AML compliance reviews can hinder innovation, product development, and operational efficiency. Regulatory consequences may follow, as banks could face legal repercussions and financial penalties if their compliance programs are deemed inadequate. Ultimately, these negative impacts can weaken the bank's market position and overall financial resilience,

Based on the Findings of AML Implementation with key Bottlenecks of internal auditors, the Consequences of Unfavourable Findings on Banks:

Inadequate Budget: The foremost concern arises from staff shortages, as the limited budget restricts the hiring and retention of qualified professionals, burdening the existing team with excessive workloads. This strained workforce is then less equipped to effectively monitor and detect suspicious activities within financial transactions. Moreover, the insufficient budget hampers the enhancement of AML software, resulting in a lack of advanced algorithms that can accurately flag unusual or irregular transactions, thereby undermining the system's ability to proactively detect potential money laundering risks.

AML operations require sophisticated technology, trained personnel, and continuous monitoring systems. An inadequate budget might lead to a lack of resources for implementing robust AML systems. Without sufficient funds, the bank might not be able to invest in advanced AML tools, leaving them vulnerable to newer, more sophisticated money laundering techniques.

Implementation Concerns : One challenge arises when dealing with customers who utilize the bank's services across multiple countries. Stringent customer privacy regulations in some nations restrict the sharing of customer data, complicating the process of creating a comprehensive Know Your Customer (KYC) profile. Furthermore, the complexity of cross-border operations makes timely detection of suspicious transactions arduous, impeding the internal auditors' ability to effectively identify and respond to potential money laundering activities.

These unspecified constraints could encompass factors like technical limitations, regulatory hurdles, or integration challenges. Any implementation constraint could lead to incomplete or improperly integrated AML systems, reducing the bank's ability to effectively monitor transactions and identify suspicious activities.

Market Competition: The drive to stay ahead in the market and prioritize business profitability can lead to a perception that AML measures pose hindrances to seamless business operations. This contention arises due to the potential slowdown of transaction processes and the need for additional documentation, which might contradict the swift and effortless customer experience that businesses aspire to deliver. Consequently, internal auditors face the intricate task of harmonizing compliance mandates with the pressures of a competitive market, often requiring them to convincingly underscore the criticality of AML measures in contrast to immediate business concerns.

Intense competition in the banking industry can lead to a focus on profits over compliance. To attract customers and gain a competitive edge, some banks might bypass or overlook stringent AML procedures, risking exposure to money laundering activities.

Inadequate Customer assistance: Customers' reluctance to provide the necessary documentation for KYC (Know Your Customer) procedures presents a significant challenge,

impeding auditors from constructing thorough and accurate customer profiles. Furthermore, customers express apprehension about AML standards potentially compromising their privacy and confidentiality, adding another layer of complexity. These concerns not only slow down the KYC process but also create hurdles for internal auditors, who must navigate regulatory compliance while upholding customer confidence. Effectively resolving these issues necessitates adept communication and educational efforts to bridge the gap between customer reservations and the imperative of AML compliance review.

AML Audit practices involve due diligence on customers' financial activities to identify potential risks. Inadequate customer assistance, such as poorly trained staff or ineffective customer support systems, can result in missed opportunities to gather crucial information about customers' transactions, sources of income, and potential red flags.

6.3 Recommendations

Based on the above research and findings, the study presents several recommendations aimed at enhancing compliance effectiveness to combat money laundering.

For Internal Auditors

- Facilitate strong communication and updates between the internal audit team and AML governance structure and encourage active participation of internal auditors in AML committee meetings. Ensure internal auditors grasp the organization's AML roles and responsibilities. Internal auditors should be involved in drafting, reviewing, and improving AML policies, procedures, and processes. Provide tailored training to internal auditors on AML processes to bolster their assessment abilities also internal auditors should pinpoint process gaps and suggest enhancements.
- Internal auditors should be involved in tracking and reporting AML performance metrics. Collaborate with internal audit for AML-focused audits, aligning them with management activities. They should Foster a feedback loop between AML management and internal auditors to share insights.
- Ensure that internal auditors stay informed about developing AML regulations by conducting regular training sessions. Utilize internal auditors to evaluate the

organization's adherence to emerging AML laws. Foster a culture where internal auditors are prompted to suggest policy modifications to align with new legal obligations.

- Train internal auditors in understanding the organization's risk assessment methods. Assign them in evaluating the efficiency of risk assessment processes and controls as well as validating the alignment of risk assessments with AML strategies. Collaborate with internal audit to establish protocols for investigating and reporting malpractices. Include internal auditors in post-incident reviews and root cause analyses to enhance prevention strategies. Facilitate knowledge exchange between AML and internal audit on identified malpractices.
- Internal auditors should be trained to recognize potential money laundering indicators. Develop procedures for internal auditors to escalate suspicious activities to AML authorities with open communication channels for internal auditors to report money laundering concerns. Provide access to relevant compliance resources and documentation. Encourage internal auditors to offer suggestions for improving compliance processes.
- Engage internal auditors in assessing AML controls against money laundering. Facilitate collaborative efforts among AML, internal audit, and relevant departments. Recognize and commend internal auditors who contribute to identifying and preventing money laundering activities. Promoting collaboration, training, and clear communication between AML and internal audit is crucial to bolstering their participation in AML governance activities and ensuring a robust AML program.

Recommendations for Banks

- Banks should establish a culture of compliance starting from top management. Senior leaders should actively demonstrate their commitment to AML compliance review by setting the tone for ethical behaviour and risk management. Regular communication and reinforcement of the importance of AML compliance review will help ensure that employees at all levels understand their responsibilities. Conducting a comprehensive risk assessment is a foundational step in effective AML governance.
- Banks should identify and assess the specific risks they face, taking into account their customer base, products, services, and geographical locations. Risk assessments should be conducted periodically to reflect changes in the bank's operations and the evolving AML landscape.
- AML regulations and techniques to combat money laundering are continuously evolving. Banks should provide regular training to Internal Auditors and Employees at all levels to keep them informed about the latest AML developments, typologies, and best practices. Increased awareness ensures that Internal Auditors and employees can promptly recognize and report suspicious activities.
- Utilizing advanced technologies can process vast amounts of data, identify anomalies, and improve the accuracy of transaction monitoring. Implementing robust software solutions can streamline compliance efforts and reduce manual errors. These technologies can process vast amounts of data, identify anomalies, and improve the accuracy of transaction monitoring. Implementing robust software solutions can streamline compliance efforts and reduce manual errors. Conduct regular independent audits of the AML program to identify vulnerabilities and assess its overall effectiveness. Address any deficiencies or weaknesses identified during audits promptly.
- Banks should establish mechanisms to continuously monitor and evaluate the effectiveness of their AML compliance program. This includes assessing the

outcomes of suspicious activity reports, analysing trends in transaction monitoring, and adjusting processes based on lessons learned.

- To counter risks, it is imperative for banks to proactively engage internal auditors in AML activities. This encompasses regular audits of AML processes, controls, and adherence to compliance standards, the cultivation of a culture of attentiveness, and the assurance that AML endeavours align with stipulated regulatory prerequisites. Through such measures, banks can mitigate risks, enhance the efficiency of their AML measures, and uphold their reputation and competitiveness in the financial sector.
- To eliminate constraints in AML implementation, Banks can start by justifying increased budget allocation through meticulous cost-benefit analyses that emphasize the financial risks of AML non-compliance. Leveraging cost-effective technology solutions can further optimize resource utilization. Prioritizing customer assistance involves creating engaging training programs for customer-facing teams that underscore AML's importance and foster effective communication between auditors and customer service personnel.
- For effective training, organizations can craft dynamic learning modules with real-world scenarios and regularly update content to align with changing regulations. Establishing cross-functional implementation teams with diverse expertise enables the identification and mitigation of potential challenges, enhancing overall implementation success. To address concerns around Market Competition and business interests, organizations should articulate the positive correlation between robust AML measures and long-term growth, engaging stakeholders for mutual understanding. Lastly, facilitating consistent feedback exchange through regular meetings, workshops, and technology platforms encourages auditors' input and promotes a culture of continuous improvement. Integrating these strategies can pave the way for a more effective and streamlined AML implementation process.

For Policy Maker

- The government should continue to enhance and update the Prevention of Money Laundering Act (PMLA) and related regulations to address emerging risks and challenges. Ensure that AML regulations are in line with international standards and address India-specific vulnerabilities. Mandate strict Know Your Customer (KYC) procedures for banks, requiring thorough identification and verification of customers' identities, source of funds, and beneficial ownership. Implement robust procedures for identifying Politically Exposed Persons (PEPs) and high-risk customers.
- Enhance banks' transaction monitoring systems to effectively detect suspicious patterns and transactions. Ensure timely reporting of suspicious transactions to the Financial Intelligence Unit-India (FIU-IND) and other relevant authorities. Encourage the adoption of advanced technologies such as AI and machine learning to improve the accuracy and efficiency of transaction monitoring and risk assessment. Facilitate collaboration between banks and technology providers to develop innovative AML solutions. Develop specialized training programs for bank employees to raise awareness about money laundering risks, red flags, and reporting requirements. Organize regular workshops and seminars to keep the banking industry updated on evolving AML trends.
- Foster closer cooperation between banks and regulators, ensuring open channels for communication and information sharing regarding emerging threats and best practices. Leverage India's Aadhaar system and digital identity infrastructure to strengthen customer identification and verification processes, enhancing the accuracy of customer data. Establish specialized units within law enforcement agencies to focus exclusively on investigating and prosecuting money laundering cases. Form dedicated task forces to address specific challenges related to money laundering, such as cyber-enabled financial crimes. Create mechanisms that allow for the sharing of AML-related data between relevant government agencies and financial institutions while ensuring data privacy and security. Utilize data analysis to identify trends and emerging risks more effectively.

- Conduct regular assessments of the effectiveness of AML measures within the banking sector and make necessary adjustments based on the findings. By implementing proper AML Governance and Effective compliance Mechanisms government and policymakers can create a robust framework to combat money laundering effectively in the banking industry, thereby safeguarding the integrity of India's financial system.

6.4. Limitations of the Study

The study has several limitations. To start, the research has concentrated exclusively on bank branches situated in four regions of Gujarat: namely, Ahmedabad, Surat, Rajkot, and Baroda, which are located in the western part of India. The target population for this study consists of the internal auditors employed within these bank branches. As a result, the conclusions drawn from this study cannot be applied universally to the entire country of India. This research was to explore the influence of Internal Auditor (IA) involvement in Anti-Money Laundering (AML) governance on the effectiveness of IA in AML compliance reviews. However, this involvement should be expanded beyond AML governance to encompass other facets of corporate governance. Moreover, the assessment of AML governance was limited to only seven factors. These indicators could be expanded in future research endeavors. Also, this research sample was affected by the number of qualified respondents imposing a great limitation on the study.

The individuals approached to participate in the study might have been hesitant to provide information due to concerns that the gathered data could be exploited to intimidate them or portray them and their respective banks negatively. To address this issue, the researcher reassured the participants that the information they shared would remain confidential and solely be used for academic purposes. To enhance the comprehensiveness of the analysis, the study could have included a broader array of institutions from across the country. Given the extensive nature of Anti-Money Laundering (AML) Governance activities, it wasn't feasible to cover every aspect. Nevertheless, the study delved into the best Audit practices adopted by banks, focusing on a majority of the key AML Governance activities.

6.5. Scope for Future Research

This study offers insights into the primary factors linked to the engagement of internal auditors' ineffective AML Compliance reviews, which require attention to combat money laundering activities. It is proposed that upcoming researchers should expand their sample pool to encompass participants from various regions across India. This would allow for an examination of both employee and customer perspectives on AML Governance Activities. Additionally, this current research has the potential for extension to validate its findings within AML Governance Activities of different institutions, including Foreign Banks, insurance companies, NBFCs (Non-Banking Financial Companies), Fintech firms, Mutual Fund Companies, designated non-financial businesses and professions (DNFBPs).

Furthermore, AML researchers could undertake a comparison of AML Audit practices in the banks of Gujarat with the recommendations outlined by FATF (Financial Action Task Force) and evaluate their adherence to these international guidelines. There is also a scope for future research to uncover additional factors influencing the involvement of internal auditors in AML governance. Moreover, a comparative study spanning various regions in India could be conducted to contrast the extent of IA involvement in AML Audit practices. Prospective research endeavours should delve into the determinants impacting the fight against money laundering.

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List of Publication

- I. Kavisha Mineshkumar Shah and Dr. Richa Pandit, OCTOBER 2021, Anti-Money Laundering Regulations' Efforts And Banking Operations Of India, The Journal Of Oriental Research Madras (Printed Only), ISSN : 0022-3301, Vol. XCII, No. 01, OCTOBER 2021,pg 75 to 80.(UGC Care Listed).
- II. Kavisha Mineshkumar Shah and Dr. Richa Pandit, August 2022 Money Laundering Risk in India: Perspectives of India's Commercial Bank Compliance Auditors and National Housing Bank Compliance Officer, International Journal of Research Publication and Reviews, ISSN 2582-7421, Vol 3, no 8, pp 1854-1859, August 2022.
DOI : <https://ijrpr.com/uploads/V3ISSUE8/IJRPR6642.pdf>
- III. Kavisha Mineshkumar Shah and Dr. Richa Pandit Emergence of Anti-Money Laundering and Indian Banks' Efforts against Economical Crime Money Laundering in India, Journal of Production, Operations Management and Economics, ISSN: 2799-1008 Vol : 02 , No. 05 , Aug-Sept 2022.
DOI: <https://doi.org/10.55529/jpome.25.24.34>.
- IV. Kavisha Mineshkumar Shah and Dr. Richa Pandit, Exploring and Confirming Factors to Support Anti-money Laundering Practices in the Indian Banking Sector, CPJ Global Review Volume XV, JULY 2023. (UGC Care Listed).

Appendix A - QUESTIONNAIRE

I. Brief Profile

Please tick (☐) the appropriate Options.

1. Gender	
Female	<input type="checkbox"/>
Male	<input type="checkbox"/>
2. Age	
21-30	<input type="checkbox"/>
31-40	<input type="checkbox"/>
41-50	<input type="checkbox"/>
51-60	<input type="checkbox"/>
3. Education	
Post Graduate	<input type="checkbox"/>
CA	<input type="checkbox"/>
CMA	<input type="checkbox"/>
CPA	<input type="checkbox"/>
CS	<input type="checkbox"/>
ICWA	<input type="checkbox"/>
4. Work Experience	
<1 YEAR	<input type="checkbox"/>
1 to 5 years	<input type="checkbox"/>
5 to 10 years	<input type="checkbox"/>
10 to 15 years	<input type="checkbox"/>
15 to 20 years	<input type="checkbox"/>
20 to 25 years	<input type="checkbox"/>
5. Bank Type	
Public	<input type="checkbox"/>
Private	<input type="checkbox"/>
6. Bank Name	

II. Proactive involvement of Internal Auditors towards Anti-money laundering Compliance review: perception of Internal Auditors

Please tick (☐) the appropriate column against the following statements.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
IA involvement in AML Governance Structure					
The presence of an Audit Committee of the Board of Directors: The IA executive officer is a member of the AML compliance committee and is invited to meetings of the AML committee.					
Existence of Fraud Monitoring Committee: The IA senior executive officer is a committee member and is invited to committee meetings.					
The presence of the Credit Approval Committee: The IA executive officer is a member of the AML compliance committee and is invited to meetings of the AML committee.					
The presence of Risk Policy and Monitoring Committee: An IA senior executive officer is a committee member invited to committee meetings.					
Existence of Digital Transactions Monitoring Committee: The IA senior executive officer is a member of the committee and is invited to committee sessions.					
The presence of IT architecture committees: An IA senior executive officer is a committee member who is invited to committee meetings.					
The presence of Management committee: IA involvement in identification and quantification of money laundering activities					
A board committee (other than the audit committee) is in charge of overseeing IT-related risks and/or IT-related audit operations.					
IA involvement in AML Governance Processes					
Ensure your business program is independently reviewed at regular intervals and that findings are actioned.					
Maintain and regularly update the program.					
Internal auditors receive banks Internal System, policies, and Procedures Training					
Keep all documentation for at least seven years where required					
The audit Committee contributes to the planning of AML internal audits.					
Overall internal audit planning includes risk assessment.					
AML governance and control frameworks are utilized in conducting internal audits.					
IA assesses the process of Information Technology strategic planning (including IT investment planning).					
IA examines Complete risk-based assessment and profiling of each customer base on their transactions to assure AML Governance process continuity.					

IA assesses advanced filtering technologies analytics in the bank that detect money laundering traits and suspected transactions as well as trigger deviation as per risk matrix					
IA involvement to resolve the trigger risk-based actions by employees or software.					
IA assesses the allocation of responsibilities for AML practices					
IA evaluates initiatives for AML Measures					
IA involvement in Conducting a periodic assessment of relevant AML/CFT program documentation (for example, KYC/CDD/enhanced due diligence [EDD] policies and procedures and procedures related to identifying, investigating, and reporting suspicious transactions)					
IA involvement Conducting testing of AML/CFT controls and processes carried out by both first and second lines of defense, such as KYC/CDD/EDD, training, suspicious-activity reporting, record keeping, and retention, among others					
IA involvement in work verification and periodical auditing of banking activities of branches.					
IA involvements in Drawing up audit plans based on risk analysis.					
IA involvement in AML Governance Management Activities					
IA assesses IT-related disaster recovery procedures, testing, and documentation.					
IA assesses Internal controls.					
IA involvement in organizing staff training activities.					
IA involvement to Follow up on any remedial actions arising from independent audit or regulatory findings.					
Internal audit function employees should be independent and have sufficient authority within the bank to be able to perform their responsibilities with objectivity.					
Update the program before any new services, products or delivery channels are introduced.					
IA involvement in AML Governance Legislation Practices					
Develop a written AML/CTF program that details the CTF program that details the processes and procedures that are in place.					
You are well informed about the upcoming changes in laws and regulations on money laundering					
Ensuring companies' compliance with the legislation					
Discovering intentional misrepresentation of financial information					
IA assesses AML-related compliance with external requirements (such as laws and regulations) that influence the Implementation of AML Governance.					

IA involved to develop anti-money laundering guidelines					
Discovering illegal activities that directly affect the company's accounts					
Discovering illegal activities without a direct impact on the company's accounts					
Report detection of illegal activities that directly affect the company's accounts to a supervisory authority					
Report the detection of illegal activities without a direct impact on the company's accounts to a supervisory authority					
Discovering money laundering activities perpetrated within a company					
Report detection of money laundering activities to a supervisory authority					
Report suspicion of money laundering activities to a supervisory authority					
Internal audit function employees should have the authority to direct report to the audit committee of the board of directors or a similar oversight body.					
Report tax offenses to Income Tax Department (ITD)					
Reporting intentional misrepresentation of financial information to a supervisory authority					
IA involvement in AML Governance Risk assessments Duties.					
In identifying and resolving AML risks, the Audit Committee works with the IA senior executive officer or the officer/manager responsible for AML internal audits.					
The officer manager in charge of AML internal audits engages with the IA senior executive officer of the officer manager in charge of Audits to identify and handle AML Related Risk Assessment.					
Risk assessment is utilized in the design and execution of particular internal audit parts.					
IA involvement in Conducting periodic evaluations of the bank's AML/CFT risk assessment					
Data integrity is assessed by IA.					
The IA assesses the Privacy process.					
IA assesses asset management and security.					
IA has to register suspicious and high-value transactions to the inhouse vigilance department, Risk intelligence and control unit, and CBI					
IA registering suspicious and high-value transactions and taking steps against customers making such transactions.					
IA cooperates with FIU and the so-called cooperating units.					

IA provides information about the registered suspicious and high-value transactions to FIU India.					
IA involvement in AML Governance Actions against Malpractices					
IA Obtaining information on Suspicious transactions and analysis of the realization of the transaction.					
IA is involved in Carrying out a procedure for transaction suspension or bank account blocking in case of suspicion that a transaction can be related to money laundering or terrorist financing.					
IA Taking decision against Malpractices.					
IA Submitting appropriate documentation with supporting suspicion of money laundering data to FIU					
IA Initiating and carrying out other activities to counteract money laundering.					
IA arrange training programs for the obligated institution's staff within their responsibilities.					
IA involvement in Actions against Money Laundering					
IA involves in detecting money-laundering activities during an audit					
It is required by your duties to detect money laundering					
IA involved and should know how to act in the event of detection of money laundering activities during an audit					
IA is involved and should be aware of the statutory requirements for an auditor in the fight against money laundering.					
IA involves in fulfilling the requirements of good customer due diligence in each case					
The expectations of the audit profession in the fight against money laundering are reasonable					
Stay informed about ML/TF risks to your business and industry.					
Complete a risk assessment before any new services, products, or delivery channels are introduced.					
Develop and implement appropriate systems and controls to manage and mitigate any identified risks					
IA Effectiveness in AML Compliance Review					
IA is effective in AML compliance review when IA is skillful.					
IA is effective in AML compliance review when IA is competent.					
IA is effective in AML compliance review when IA is independent.					
IA is effective in AML compliance review when IA is objective.					

IA is effective in AML compliance review when IA reports directly to the audit committee.					
IA is effective in AML compliance review when IA meets the expectations of the audit committee.					
IA is effective in AML compliance review when IA improves the department's performance.					
IA is effective in AML compliance review when IA improves organizational performance.					
IA is effective in AML compliance review when IA adopts AML measures					
IA is effective in AML compliance review when IA adopts the RBA matrix.					
IA is effective in AML compliance review when IA detects money laundering crimes					
IA is effective in AML compliance review when IA At Each and every stage proper compliance can be minimizing the state of imbalance					
Proper implementation by IA influences the prevention of money laundering					
IA's implementation of anti-money laundering practices & procedures is important for prevention.					
IAs increase the capacity to diagnose economic financial crimes					
Combat Money laundering					
Combating money laundering through improving the internal Auditor's effectiveness in AML compliance review					
Money laundering can be combated by AML compliance activities					
Money laundering can be combated by AML implementation practices					
Internal auditor's involvement with AML governance plays a vital role in mitigating Money laundering					
Internal auditors would take sufficient measures for mitigating Money laundering					
internal auditors detect engaged corruption practices.					
Internal auditors improve noncompliance policy					
Internal auditors detect which activities engaged in financial fraud					
Internal auditors detect which activities engaged in Money laundering					
internal auditors identify and rectify misused of data privacy					
Internal auditors are authorities who charged with the manipulation of fees and services					

Effective compliance reduces money laundering crimes.					
AML practices compliance are important for the prevention of ML					
Proper adoption of compliance can reduce money laundering crimes and fraud incident					

III. Internal Auditors Constraints in Anti-Money Laundering Compliance and Implementations.

Please tick (☐) the appropriate column against the following statements.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Inadequate Budget:					
There is inadequate funding to carry out AML actions.					
Staff shortages are hurting AML compliance.					
AML software is currently inadequate at raising alarms on odd/unusual transactions.					
Inadequate Customer assistance:					
Customers are hesitant to provide the documentation required by KYC.					
Customers frequently either do not respond or offer inaccurate information for facts such as annual income, the estimated amount in the account, asset details, and so on.					
Customers believe that AML standards jeopardize their privacy and confidentiality.					
Inadequate Training:					
There is no regular training on AML Measures.					
AML measures training is insufficient.					
Other implementation concerns:					
There is no method in place to check the legitimacy of the client's KYC information.					
KYC processes are ineffective in determining the real beneficial owner.					
KYC processes are unable to reveal the relationship between politically exposed individuals (PEPs) and their family members, colleagues, or subordinates.					
In the event of consumers who use the bank's services in more than one nation, the country's customer privacy regulations prohibit the exchange of customer information, making the compilation of consolidated KYC difficult.					
The methods for preventing, detecting, and reporting suspicious transactions are hazy and perplexing.					
It is difficult to detect a suspicious transaction in time.					
Market competition /Business Interest:					
There is a loss of prospective customers (i.e., new account openers) because of KYC requirements.					
Some customers have closed their accounts because of reporting of customer transactions.					
AML measures Compliance are obstacles to the conduct of business.					

AML compliance is still a battle between business interests on one hand and implementation of the AML law on the other hand.					
Insufficient feedback and information exchange:					
There is either no or insufficient feedback on the effectiveness of banks' AML safeguards.					
There is either no or inadequate feedback on the submitted reports.					
There is no systematic sharing of information among banks regarding offenders (wrongdoers).					