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Assessment of Anti-Money Laundering Practices on Financial Crime Prevention Among Commercial Banks in Kenya

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Abstract

Commercial banks are instrumental to socio-economic development of any Country. In Kenya, the banking sector contributes approximately 5% of Gross Domestic Product. These institutions provide among others; reliable payment system and access to credit to individuals, corporate and government(s). However, they are a target for many economic crimes including money laundering schemes. This study examined the anti-money laundering practices and financial crime prevention among commercial bank in Kenya. The study adopted a descriptive research design. The sampling frame and unit of analysis was the 39 commercial banks in Kenya (CBK, 2023). The unit of response was 117 managers of these 39 commercial banks. Primary data was collected using a close-ended questionnaire for the predictand and the response variable. In order to assess the internal consistency of the instrument, a pre- test was carried out using managers of three Micro Finance Banks in Nairobi, Kenya. Multiple linear regression was used for inferential analysis after testing the data for Gaussian distribution, linearity and autocorrelation and multicollinearity. The study found that 33.1% of the variations in financial crime prevention could be explained by anti-money laundering practices and that they had a statistically significance influence of financial crime prevention. The study recommended that commercial banks review the anti-layering practices and anti-integration practices as they do not appear to support financial crime prevention. These among others will provide a mechanism of enhancing financial crime prevention among commercial bank and hence reduce exposure arising from anti-money laundering practices trends currently experienced in the banking sector in Kenya.

Keywords: ant-layering, ant-integration, ant-placement, predatory, financial crime,

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1. Introduction

1.1. Background of the Study

From a regional perspective, there is consensus among researchers that money laundering is a global problem but the phenomenon remains a relatively understudied in the African region. The current studies (Anarfo, Abor, Osei, & Gyeke-Dako, 2019) have provided insufficient information as to when the practice became known in the region. Interpol (2023) defines financial crime as a wide range of illegal activities that involve the manipulation or misuse of financial systems and institutions for personal gains.

According to Achim & Borlea (2020) financial crime encompasses various fraudulent, illicit, and illegal activities that undermine the integrity of financial systems, disrupt markets, and harm individuals, businesses, and economies.

Money laundering is a concept that has never found an easy description among scholars and its exact conceptualization has been marred with confusion. The challenge scholars find is how to fit money laundering as a criminal activity yet its practices are hidden or not socially perceived as such. However, some researchers (Ofoeda, Agbloyor, Abor & Osei, 2020) have argued that money laundering is a practice where criminals change "dirty" money and other assets into "clean" funds or assets that have no obvious links to their criminal origin. The term laundering according to the research is a technique that connotes washing dirty money so that it appears clean in terms of its origin. Criminals apply this technique to avoid detection by law enforcers. Financial crime has also been precipitated by convenience of monetary transactions on a global scale where illegitimate money has taken advantage of structured transaction systems like the commercial banks. Commercial banks can be involved in financial crime either as victims, perpetrators, or as an instrumentality (Mburu, 2016). As victims, commercial banks can be subject to different types of fraud such as misrepresentation of financial information, embezzlement, cheque and credit card fraud, securities fraud, insurance fraud, and pension fraud.

Money laundering has increased in scope and it is believed to contribute to disruption of the financial system. The practice of money laundering is not only perpetuated by traditional criminals, but is often aided by some crooked personnel in financial institution such as commercial banks. Money laundering activities not only poses an adverse impact on the world economy, but also destabilizes the growth of legitimate businesses in a country (Ofoeda, Agbloyor, Abor & Osei, 2020). As such there is need according to Alshubiri (2017) to suppress money laundering actives by coming up with laws, rules and procedures aimed at deterring the activity. These rules and laws – often referred to as Anti- Money Laundering (AML) assumed greater global prominence in 1989, when, according to Alshubiri (2017) a group of countries and international organizations formed the Financial Action Task Force (FATF). Specifically, the PwC (2022) in a Global Economic Crime and Fraud Survey done in Kenya involving 102 participants the findings showed that 58% of the participants experienced a form of financial crime within the past two years (PwC, 2022). While the rate was down from 62% in 2018, the 58% rate showed a higher financial crime rate in the country compared to the global average of 47%. According to PwC (2022) the most common forms of financial crime in Kenya included fraud, Bribery and corruption, procurement fraud, money laundering and tax evasion.

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1.2 Problem Statement.

Commercial Banks globally play a critical role in facilitating transactions and the movement of funds into the world economy. Prior studies (PwC, 2021) show that as the banks move funds to the world economy, they encounter some risks emanating from possible misuse by criminals. There must be an effective financial crime prevention framework to shield the banks from the infiltration of criminal proceeds (Mochere, 2020). The financial crime prevention framework aims to detect, deter and mitigate various forms of financial crimes to the benefit of the entire economy. The banks; according to Ofoeda et.al., (2020), have been preventing financial crimes through the collection of customer data, monitoring of transactions and reporting any suspicious activities to the relevant authorities such as the financial crime centers, law enforcement agencies and the central bank. There is evidence (Marxen, 2022) to show that even though the banking sector has been a strategic player in the fight against financial crime, the vice has caused a serious threat to the stability and integrity of the sector. According to the studies there are several paybacks of an effective financial crime prevention framework in commercial banks. The prevention mechanism is equally significant in protecting customers and the public from financial losses as well as contributing fundamentally to overall economic growth. Despite the efforts by commercial banks to detect and prevent financial crimes; studies have revealed that such crimes are still prevalent in the country. Studies by Kangethe, (2018) indicate that African countries lose close to $50 billion dollars every year to financial-related crimes. The studies confirm that the amount lost through financial crime can pay off the debt of African economies (IMF, 2018). In the past five years, Kenya has also been losing an average of KES 40 billion every year through illicit financial flows - where governments, local firms and multinationals engage in fraudulent schemes to avoid tax payments (Central Bank, 2018).

A survey by PwC indicated that the rate of financial crime in the country is estimated to be 58%, while the global average remains at 47% (PwC, 2021). Studies by Cusack (2023) have also indicated that commercial banks in Kenya every year incur costs related to financial crime to the tune of 18.37 trillion occasioned by their poor financial crime prevention policies – a situation that has prompted CBK to impose fines on them. These fines are as a result of the banks' failure to report large cash transactions, delays in the reporting of suspicious transactions, improper supporting documents for large transactions, and failure to undertake adequate customer due diligence (Central Bank, 2018). The 2001 case between Charterhouse Bank and CBK is a perfect example of how banks can be used as conduits for illicit money transfers. In this case Charterhouse Bank in Kenya received an international transfer of 30 million dollars from the United States (US) in the account of one of its customers - money believed to have been connected to criminal proceeds (Central Bank, 2018). The foregoing paints a clear picture of how the ideal situation in financial crime prevention contradicts reality. Several approaches by commercial banks as preventive mechanisms have failed the test of time. For instance, the banks have employed strategies such as Know Your Customer (KYC), the establishment of robust internal controls, collaboration with regulatory bodies, partnering with law enforcement agencies and information sharing (Omukaga, 2021). But all these appear not to be bearing very meaningful fruits. This begs the question as to whether commercial banks are always aware of these financial crimes or opt not to report suspicious transactions and whether they collaborate in

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facilitating the crime. To help respond to these concerns, this study aimed to critically examine anti-money laundering practices and how these practices influence financial crime prevention among commercial banks in Kenya.

1.3. Theoretical Literature

1.3.1 Fraud Diamond Theory (FDT)

The FDT was first proposed by Wolfe and Herman son in the CPA Journal in December 2004. In this theory, an element named capability has been added to the three initial fraud components of the FTT; hence the theory is seen as the extension of the Fraud Triangle Theory. Wolfe and Herman son (2004) argued that although perceived pressure might coexist with an opportunity and a rationalization, it is unlikely for fraud to take place unless the fourth element, that is, capability. In other words, the potential perpetrator must have the skills and ability to commit fraud. Opportunity opens the doorway to fraud, and incentive (pressure) and rationalization lead a person toward the door. On the other hand, capability enables the person to recognize the open doorway as an opportunity and to take advantage of it by walking through it repeatedly.

Capability is the circumstances of having the essential traits or skills and abilities for the person to commit fraud. It is where the fraudster recognizes the particular fraud opportunity and the ability to turn it into reality. Position, intelligence, ego, coercion, deceit, and stress, are the supporting elements of capability. Mackevicius and Giriunas (2013) states that not every person who possesses motivation, opportunities, and realization may commit fraud due to the lack of the capability to carry it out or to conceal it. Similarly, Wilson (2004) discloses that rationalization and capability are all inter-related, and the strength of each element influences the others. A successful fraudster can coerce others to commit or conceal fraud (Rudewicz, 2011). Wolfe and Herman son (2004) state that position and role owned by the employee may perfect his way to breach the organizational trust.

1.3.2. Rational Choice Theory

Rational Choice Theory is a social science theory that suggests individuals make rational decisions by weighing the potential costs and benefits of their actions (Scott, 2000). It assumes that individuals are motivated by self-interest and seek to maximize utility or personal gain (Friedman, 1953). In the context of criminal behavior, including financial crime, rational Choice Theory posits that individuals engage in illegal activities when they perceive the benefits to outweigh the potential costs. According to the theory, several personal factors influence decision- making, including the possible rewards, risks, and available alternatives. The criminals weigh the expected gains against the potential negative consequences, such as legal sanctions, damage to reputation, or loss of trust (Scott, 2000) and decide based on that.

In the case of financial crime, individuals might consider factors such as the potential monetary gains, the likelihood of being caught, the effectiveness of security measures, and the penalties if apprehended. If they believe that the chances of detection are low or the potential rewards outweigh the risks, they may be more inclined to commit financial crimes. From a prevention perspective, the theory suggests that strategies should focus on increasing the perceived risks

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and reducing the potential rewards of engaging in financial crimes. This can be achieved by implementing robust security measures, enhancing detection and surveillance systems, improving regulatory oversight, and ensuring swift and appropriate legal consequences for offenders. Additionally, Rational Choice Theory recognizes that individuals have different levels of knowledge, skills, and opportunities that can influence their decision-making process (Friedman, 1953). Therefore, efforts to prevent financial crimes should also include educational programs, awareness campaigns, and capacity-building initiatives to enhance individuals' understanding of the potential consequences and deterrence mechanisms.

1.4. Empirical Literature

A study done by Gilmour (2017) reports that in the banking sector there are suspicious transactions and majority of the financial institutions have implemented various AML practices such as Customer Due Diligence (CDD), monitoring, and reporting obligations to combat financial crimes. Another study by Shust and Dostov (2020), show that commercial banks conduct CDD by collecting and verifying customer identification documents, establishing the purpose and intended nature of the business relationship, and assessing the risk profile of the client such as the business sector and transaction volume. The study established that banks impose and enhance due diligence measures on high-risk customers, such as more frequent monitoring and additional verification steps based on the risk assessment. Mbwayo (2018) conducted another study on anti–placement strategy whose findings established that commercial banks conduct thorough (CDD) procedures to verify the identity of their customers to reduce laundering opportunities. In yet another study Balakina, D'Andrea, and Masciandaro, (2017) examined the Bank secrecy in offshore centers and capital flows. The study revealed that although majority of the banks in Bahrain have strong compliance in the Gulf Cooperation Council region with the policies and AML procedures, there are weak risk assessment policies that lead to increased financial crimes.

Huang (2015) investigated the effectiveness of US anti-money laundering regulations in the HSBC. The study found that HSBC comprehensively and strictly enforces AML regulations based on US AML and FATF. The study also indicated that major of AML regulations in the USA are covered under the Bank Secrecy Act, USA Patriot Act and the Office of Foreign Assets Control. In Bahrain, Lokanan and Nasimi (2020) assessed the effectiveness of Anti-Money Laundering policies and procedures within the Banking Sector. The study established that banks in Bahrain comply with international AML procedures in combating money laundering by raising Red Flags. However, the study revealed that although the majority of the banks in Bahrain have strong compliance in Gulf Cooperation Council region with the policies and AML procedures, AML regulatory technology was lacking.

Jakobi (2018) carried out a study titled "Governing illicit finance in transnational security spaces: the FATF and anti-money laundering". That established a huge amount of dirty money was generated and used illegally by State actors. Evidence from the study showed that the employees in the banking sector were poorly trained to detect illegal transactions perpetrated by the state actors. In Ethiopia, Sileshi (2022) investigated the effectiveness of anti-money laundering countermeasures by commercial banks and financial intelligence center. The study

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showed that commercial banks do not communicate the AML policies and neither do they use external auditors for their accounts. There is evidence from the above studies that there is a lack of technology to improve AML/CFT activities indicating susceptibility of the commercial bank systems to money laundering. In Kenya, Mochere (2020) in a study to evaluate the enforcement procedures of anti-money laundering in the banking sector in Kenya revealed that the majority of the banking institutions hardly report transactions that appear to be suspicious to the FRC. According to the study, keeping financial transaction records as part of their anti-money laundering preventive measures was lacking. The study indicated that while commercial banks in Kenya have complied with AML laws such as the e Anti-Corruption and Economics Crime Act, the Banking Act, and the Central Bank Act, money laundering is still prevalent due to poor implementation of the laws.

Baader and Krcmar (2018) carried out a study under the heading "Reducing false positives in fraud detection: Combining the red flag approach with process mining" The study found that the anonymity of virtual currency transactions and lack of regulatory oversight were prominent catalysts for financial crime in the commercial banks. On the contrary, Cowdock, B. (2017), in investigating how commercial banks are used to launder corrupt wealth in the UK, the finding of the study established that their policies for curbing fraud transactions are deliberately compromised by the state. Aurasu and Aspalella (2018), in their titled "Forfeiture of Criminal Proceeds under Anti-Money Laundering laws: A Comparative Analysis between Malaysia and United Kingdom (UK)" found evidence that contradicts the common notion that many developed countries are compliant with international standards of preventing financial crimes. The above study indicated that most of the developed economies lack a strong tax policy that would discourage cases of financial crimes. On the other hand, Barone et al. (2018) analyzed the effect of macro-economic cycles on illicit capital and money-laundering activities to determine whether business cycles can influence trends and activities in illegal markets and money laundering. They found that during different economic cycles, the capacity of illegal capital that the market can sustain varies.

1.5 Conceptual Framework of the Study

The study's conceptualization of the relationship between anti-money laundering practices and financial crime prevention is presented in the Figure 1.

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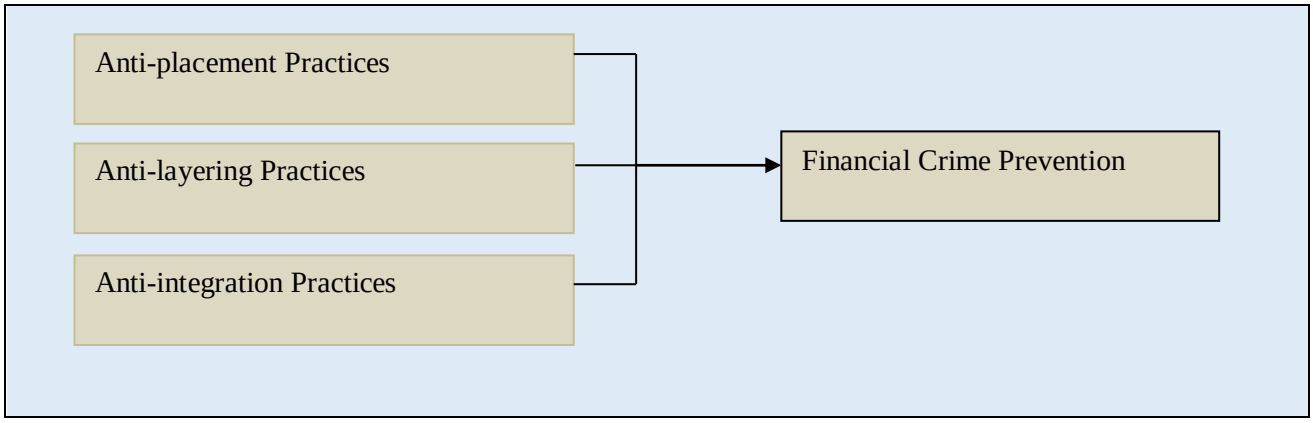

Figure 1: Conceptual Framework for Anti-Money Laundering Practices and Financial Crime Prevention

1.6 General Objective

The general objective of the study was to analyze the impacts of anti-money laundering practices on financial crime prevention among commercial banks in Kenya.

1.7 Study Hypothesis

This study tested the hypothesis that $H_0$1: Anti-money laundering practices (anti-placement practices, anti-layering practices, anti-integration practices) do not have a statistically significantly influence on financial crime prevention among commercial banks in Kenya.

1.8 Research Gaps

The current study is carried out at a time when financial crime prevention is a sharp challenge in an emerging economy and also when money laundering remains a challenge. The focus is on assessment of the factors that commercial banks need to focus on to reduce the effects of the money laundering on the banking sector. The approach has integrated the contextual, conceptual or methodological gaps cited in previous studies.

2.0 METHOD

2.1. Research Design

This study adopted a descriptive research design Koshy (2010); Mertens (2010); Sekaran & Bougie (2010). The unit of response was the head office risk managers, branch operations manager and internal auditors. The unit of analysis was the thirty-nine (39) licensed commercial banks as at December 31, 2023. One hundred and seventeen (117) respondents were therefore included in the study. A census approach was taken since the population was regarded as small (Bryman, 2012).

A close-ended Likert scaled questionnaire was used in the collecting primary data. The questionnaire assumed the equivalences of strongly disagree (1) on one side of the scale, followed by disagree (2), neutral (3), agree (4) and strongly agree (5) on the other side of the

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scale (Charandrakandan, Venkatapirabu, Sekar & Anandakumar 2011). The study utilized the Statistical Package for Social Sciences (SPSS) version 26 in data analysis process. SPSS was preferred owing to its systematic capabilities on a wide range of statistical analyses and presentations (Porter & Gujarat, 2009).

2.2 Internal Consistency of Instrumentation

The tool was assessed using Cronbach Alpha Coefficient. Cooper and Scheduler (2011) and Bonett and Wright (2015) affirmed that dependability, consistency, stability of a tool is critical before its application in data collection. They noted that Cronbach Alpha Coefficient is among the most widely used tool to assess the instrument for internal consistency.

Table 1: Internal Consistency Test Results

Variable	Number of Items	Cronbach Alpha Coefficient
Ant placement practices	8	0.855
Ant layering Practices	8	0.764
Ant integration Practices	8	0.818
Financial Crime Prevention	3	0.846

The results of internal consistency test are presented in Table 1. The results in this Table show that reliability of the three regressors and the regressand as .855, .764, .818 and .846 respectively. These levels of construct measure are well above threshold set by Zikmund, Babin, Carr & Griffin (2010), Bryman (2012), Cooper & Schindler (2011), and Koshy (2010).

2.3 Data Analysis and Presentation of Results

Data analysis for the study was carried out systematically, step by step; data coding, data entry and then data analysis. The twenty-seven (27) parameters' mean and standard deviation were generated for preliminary evaluation. This was followed by test of regression assumptions and finally inferential analysis. Hypothesis testing was done using Linear Regression (LR) model. Model R-Square, ANOVA statistics (F Statistic and associated p-value) and regression coefficients (Beta and associated p-value) were extracted. The equation used in this study was in the form; Y/Financial Crime Prevention = $\alpha + \beta_1 + \beta_{2+} \beta_3$ €; where Financial Crime Prevention (FCP) is (regressand) and $\beta_{1's}$ are regression coefficients (regressor). This model is supported by Montgomery, Peck, & Vining, 2001; Garson, 2012; Argyrous, 2011).

3.0 Results and Discussion

3.1 Response Rate

Table 2: Response Rate

Questionnaires Distributed	Questionnaires Received	% Response
117	**107**	**91.5**

A total of 117 questionnaires were distributed. One hundred and seven (107) questionnaires were totally filled and returned giving a composite response rate of 91.5%. This was deemed as an

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adequate response rate good for this study; an indicator that the results are generalizable and inferences could be drawn from the analysis. The response rate was attributed to anonymity and self-administration of the instrument. (Charandrakandan, Venkatapirabu, Sekar & Anandakumar, 2011). This study relied on opinion, beliefs and perception of the respondents based on their lived experience and interaction with the subject matter of interest, that anti-money laundering and financial crime. While face validity and content validity test was tested, the measurement scale has inherent limitations owing to the measurement scale which was a five point Likert scaled ordinal scale.

3.2 Test of Regression Assumptions

Structural Equation Modelling (SEM) experts Shevlin and Miles (2010) cite that before regression analysis is carried out, some statistical assumptions about the distribution of the dependent variable and the inherent characteristics of the variables in general should be evaluated. The assumptions are basically on the response variable distribution and that of the residual's distribution.

3.2.1 Test of Normality for Financial Crime Prevention

Normality was assessed using Quartile -Quartile plot (Q-Q plot). The same is presented in Figure 2.

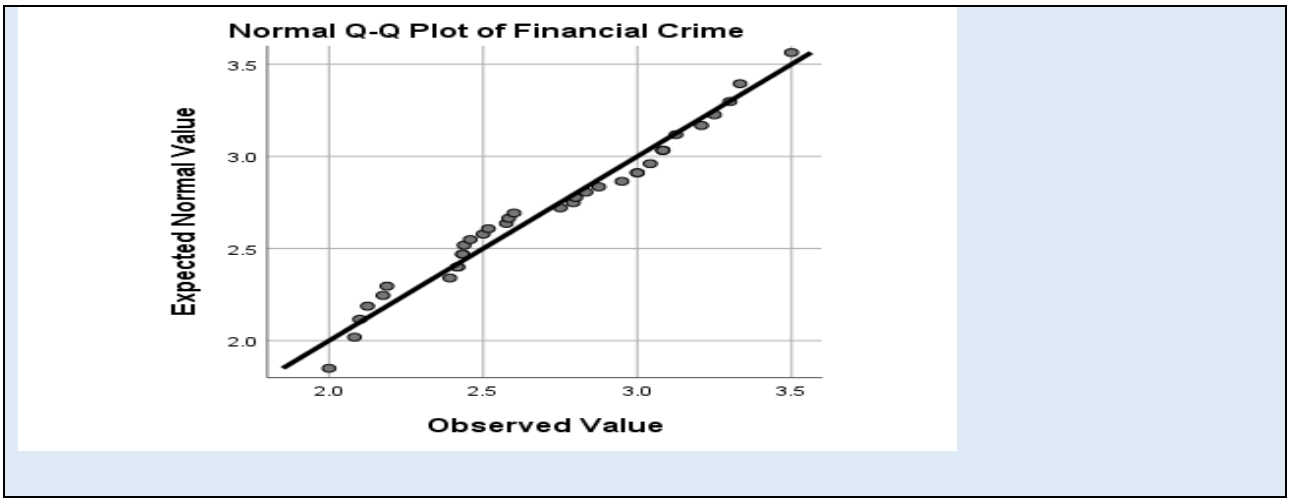

Figure 2: Normal Q-Q Plot for Financial Crime

Figure 2. Shows that the Quartile –Quartile plots are cumulatively spread on the diagonal line from point (2, 2) to the point (+3.5, +3.5). This is a confirmation that the distribution did not have any outliers and that the data for the dependent variables was normally distributed.

3.2.2 Test of Autocorrelation

This test of autocorrelation was done for each of the stimulus variables using the Durbin-Watson test (*d)* statistics. The results of the independence test are presented as shown in Table 3 below. The statistic for each of the variables ranges between a (*d*) 1.948 in the case of anti-Placement

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Practices and (*d) 2.480* for the ant-layering practices. The resultant Durbin Watson (*d)* statistics are within the statistic range of 1.5 and 2.5 for no-autocorrelation observations. As such, these results imply that there was no autocorrelation among these study variables therefore the data was suitable for linear regression analysis. Porter & Gujarat 2009)

Table 3: Coefficients of Durbin Watson (d) statistics Test

Predictor Variable	**Durbin-Watson (*d*)Statistic**
Ant Placement Practices	1.948
Ant Layering Practices	2.480
Ant Integration Practices	2.171

3.2.3 Test of Linearity

These results of correlation analysis between each of the regressors and the depended variables showed that all the generated correlation coefficients of the study variables ranged between a high of r =.487* (p-value of .000) in the case of the anti-layering Practices, followed by r= .467* (p-value of .000) for the case of Anti-placement Practices and a correlation coefficient (r) of .329* (p-value of .000) for the case of anti-integration practices. Finally, the results show that all the correlations coefficients were significant at 95% degree of confidence. These results indicate that linear regression model was appropriate for testing hypothesis in this study. (Shevlin & Miles 2011).

3.2.4 Test of Multicollinearity

These results of correlation analysis between the three (3) predictors showed that all the generated correlation coefficients among them ranged between r =.331 for the anti-integration practices and anti-placement practices and a high of .577 in the case of anti-layering and anti-integration practices. A such no pair of predictor had a correlation coefficient (r) above 0.7 These results indicate that there assumption of no multicollinearity among the predictors of a multiple linear model was met. (Shevlin & Miles 2011).

3.3 Inferential Results

In order to examine the influence of anti-money laundering practices on financial crime prevention among commercial banks in Kenya, the following null hypothesis was tested by the study.

$H_0$1: Anti-money laundering practices do not have a statistically significantly influence on financial crime prevention among commercial banks in Kenya.

To test this, the null hypothesis, ($H_0$1) weighted scores of each of the regressors were regressed against weighted measures of financial crime prevention. Model summary, ANOVA and regression model coefficients output were generated and the results presented in Table 4 below.

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Table 4: Regression Output

Anti-money laundering Practices Model	R	R^2	Sums of Squares	F Stat	Beta (β)	t	Sig
Model Fitness	0.575[a]	0.331					
ANOVA							
Regression			1.903	5.282			0. 005[b]
Residual			3.843				
Total Coefficients			5.746				
Constant					.819	1.577	.125
Anti-placement Practices					.254	2.086	.045
Anti-layering Practices					.375	1.940	.051
Anti-integration Practices					.021	.092	.928

Table 4, shows that the R was 0.575. This implies that the three (3) predictors had a moderate correlation with financial crime prevention in commercial banks in Kenya. In addition, the R-Square was 0.331. This implies that anti-money laundering practices accounted for approximately 33.17% of the variations in financial crime prevention among commercial banks in Kenya. The model in Table 4 was further examined for its significance in anti-money laundering practices in predicting financial crime prevention using ANOVA.

Table 4 show that F statistic of 5.282 and the associated p-value of 0.005< .05. This implies that the predictors have statistically significant influence on financial crime prevention among commercial banks in Kenya at a 95% confidence level. Based on these results the Null hypothesis ($H_0$1) that stated: *Anti-money laundering practices do not have a statistically significantly influence on financial crime prevention among commercial banks in Kenya* was rejected and instead confirmed that indeed anti-money laundering practices have a statistically significant influence on financial crime prevention in commercial banks in Kenya. Regression coefficients of the three predictors and financial crime prevention were also presented in Table.
The results in Table 4 shows that anti-placement practices, anti-layering practices and ant-integration practices had a beta coefficient of .254, .375 and .021 with associated p values of 0.045, .051 and .928 respectively. This implies that anti-placement practices and anti-layering practices are good predictors of the financial crime prevention among commercial banks in Kenya but anti-integration practices are not. The resultant model for the study on anti-money laundering practices and financial crime prevention among commercial banks in Keya will be in the form;

FCP = .819 + 0.254 (Anti-placement Practices) + .375 (Anti-layering Practices) ……Model 1

The finding of the study implies that if mechanisms are initiated at the initial state of committing financial crime by adopting Anti-placement Practices, it will go along with detecting fraudulent transaction at an early stage. Various studies by Nanima (2021) and Van Schoor (2012), shows that the entire process of money laundering appears to be linear and progressive in an economy. Omukaga (2021), noted that financial crime prevention in commercial banks in Kenya involves a

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comprehensive process that aims to detect, deter, and mitigate various forms of illegal activities, such as money laundering, fraud, terrorist financing, and corruption. He opined that the process begins with the establishment of robust internal controls and policies that comply with relevant laws and regulations. According to Omukaga, these procedures involve the collection of customer data, monitoring of transactions, and reporting any suspicious activities to the relevant authorities, such as the Financial Reporting Centre (FRC) and the Central Bank of Kenya (CBK). The findings of this study point that enhancement of certain money laundering controls has a string bearing on prevention of financial crimes.

With a view to prevent financial crime Omukaga (2021), noted that Banks implement sophisticated fraud detection, anti-money laundering (AML) and know-your-customer (KYC) procedures to verify the identity of customers and assess the legitimacy of their financial transactions. Marxen (2022) opined that by implementing robust AML and KYC procedures, banks can identify and mitigate potential risks, reducing the likelihood of customers falling victim to scams or financial fraud. Gibson & Lewis (2014), noted that Banks engage in monitoring and testing which involves evaluating financial crime structures and procedures to confirm that they are effective and modifying systems to tackle changing exterior and interior threats, investigation and remediation which involves assessing actual or alleged financial crime incidents, responding to regulatory issues, remediating what has occurred and taking measures to prevent re-occurrence.

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4.0 Conclusions and Recommendations

4.1 Conclusions

The ANOVA statistics for anti-money laundering practices and financial crime prevention had an associated p-value of p=.000 < p-value of .05. Based on these findings, the associated study objective null hypothesis was rejected. This study therefore concludes that indeed, at 5% level of significance, there is a positive and statistically significant relationship between anti-money laundering practices and financial crime prevention among commercial banks in Kenya. In addition, the study concluded that in terms of fraud diamond theory (FDT) and rational choice theory, money laundering is a deliberate activity and is accelerated by absence of anti-counter practices, in this case the Anti-Money Laundering Practices (AMP). Absence of effective anti-placement controls and anti-layering practices and anti-integration practices could contribute to the rising rate of financial crimes among commercial banks in Kenya.

4.2 Recommendations

Based on this study setting, its findings and conclusion(s), the study recommend that commercial banks should progressively identify, analyze and actively consider the existing anti-money laundering practices and profile in the trends in the financial crimes within the banks. Further to this, the banks should enhance controls on anti-integration practices as they do not seem to support the elaborate strategy and approach to countering anti-money laundering in the Commercial banks in Kenya.

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