



Strathmore
UNIVERSITY

Strathmore University
SU+ @ Strathmore
University Library

[Electronic Theses and Dissertations](#)

2019

Assessment of the implementation of anti-money laundering policy: perspectives of corporate bank clients' in Kenya

Farah F. Abdikadir
Strathmore Business School (SBS)
Strathmore University

Follow this and additional works at <https://su-plus.strathmore.edu/handle/11071/6575>

Recommended Citation

Abdikadir, F. F. (2019). *Assessment of the implementation of anti-money laundering policy: perspectives of corporate bank clients' in Kenya* (Thesis, Strathmore University). Retrieved from <http://su-plus.strathmore.edu/handle/11071/6575>

This Thesis - Open Access is brought to you for free and open access by DSpace @Strathmore University. It has been accepted for inclusion in Electronic Theses and Dissertations by an authorized administrator of DSpace @Strathmore University. For more information, please contact librarian@strathmore.edu

**ASSESSMENT OF THE IMPLEMENTATION OF ANTI-MONEY LAUNDERING
POLICY: PERSPECTIVES OF CORPORATE BANK CLIENTS' IN KENYA**

By
FARAH FAIZA ABDIKADIR
090755

SCHOOL OF BUSINESS
STRATHMORE UNIVERSITY
NAIROBI, KENYA

JUNE 2019

DECLARATION

I certify that this work is original and hasn't been submitted and approved for an award of a degree to this or any other university. To the best of my knowledge, this thesis does not contain any material previously published or written by someone else except where due reference is made in the thesis itself.

© No part of this thesis may be reproduced without the written authority of the author and of Strathmore University.

Farah Faiza Abdikadir

8th May 2019

Approval

The thesis of Faiza Abdikadir Farah Was reviewed and approved by the following

Dr. Hellen Otieno

Senior Lecturer, School of Management and Commerce,
Strathmore University

Dr. George Njenga

Dean, School of Management and Commerce
Strathmore University

Professor Ruth Kiraka

Dean, School of Graduate Studies
Strathmore University

ABSTRACT

Benefits of crime have been on the rise through the use of legitimization of a number of transactions by money launderers. To combat money-laundering activities, commercial banks have been given a greater role by Anti- Money Laundering legislations. Clients' have to be screened for money laundering for them to be allowed to open accounts or transact. Most of the interaction between the bank and the clients' from the onboarding stage are therefore guided by the Anti-Money Laundering policies. This study therefore sought to assess the implementation of the anti-money laundering in relation to corporate client perspectives within the commercial banks in Nairobi. The study was guided by three objectives which were: To establish the effects of corporate clients' identification procedures on corporate client perspectives in commercial banks in Nairobi county; To examine the effects of corporate clients' acceptance policy implementation on corporate clients' perspectives among commercial banks in Nairobi county; To determine the effects of transaction monitoring policy implementation on corporate clients' perspectives among commercial banks in Nairobi county. The study utilized cross sectional design. Data was collected from corporate clients' of 20 randomly selected banks out the 42 banks in Nairobi. The study used stratified random sampling technique to select a sample of respondents from the bank clients'. The study used primary data, which was quantitative in nature. The primary data was collected using structured closed-ended questionnaires. After data collection, the filled-in and returned questionnaires were edited for completeness, coded and analyzed using Statistical Package for Social Sciences. The results showed that all the factors, which were corporate client identification, corporate client acceptance and transaction monitoring, were statistically significant in explaining corporate client perspectives among corporate clients' in Nairobi County. Findings of the study may serve as a stepping-stone to researchers to conduct further studies on the same or similar topics. The investment regulators in the country such as the Capital Markets Authority (CMA), Kenya Banker Association (KBA) and Central bank of Kenya may use these study findings to understand the bottom-line impact of bank Anti-Money Laundering regulatory requirements on positive corporate client perspectives. Commercial banks will benefit from the findings and recommendations made by the study as they aim at bettering their client's experience and general outlook. This study was only limited to Nairobi County. Similar studies should be made in other counties and jurisdictions and the findings compared to those of this study.

TABLE OF CONTENTS

| | |
|--|-------------|
| DECLARATION | ii |
| ABSTRACT | iii |
| LIST OF TABLES | viii |
| LIST OF FIGURES | ix |
| LIST OF ABBREVIATION AND ACRONYMS | x |
| AKNOWLEDGEMENTS | xi |
| CHAPTER ONE | 1 |
| INTRODUCTION | 1 |
| 1.1. Background to the Study | 1 |
| 1.1.1. Anti-Money Laundering Policy | 1 |
| 1.1.2. Corporate clients' Perspective | 3 |
| 1.2. An Overview of Commercial Banks in Kenya | 7 |
| 1.3. Problem Statement | 8 |
| 1.4. Research Objectives | 10 |
| 1.5. Research Questions | 10 |
| 1.6. Significance of the Study | 11 |
| 1.7. Scope of the Study | 11 |
| CHAPTER TWO | 12 |
| LITERATURE REVIEW | 12 |
| 2.1. Introduction..... | 12 |
| 2.2. Theoretical Framework | 12 |
| 2.2.1. The Disconfirmation Theory | 12 |
| 2.2.2. Assimilation Theory | 13 |
| 2.2.3 Transparency-Stability Theory | 14 |
| 2.3. Empirical Review..... | 14 |
| 2.3.1. Corporate clients' Identification Procedures and Corporate clients' Perspective | 14 |
| 2.3.2 Corporate clients' Acceptance and Corporate clients' Perspective | 17 |
| 2.3.3 Monitoring of Transactions and Corporate clients' Perspective | 18 |
| 2.4. Research Gap | 20 |

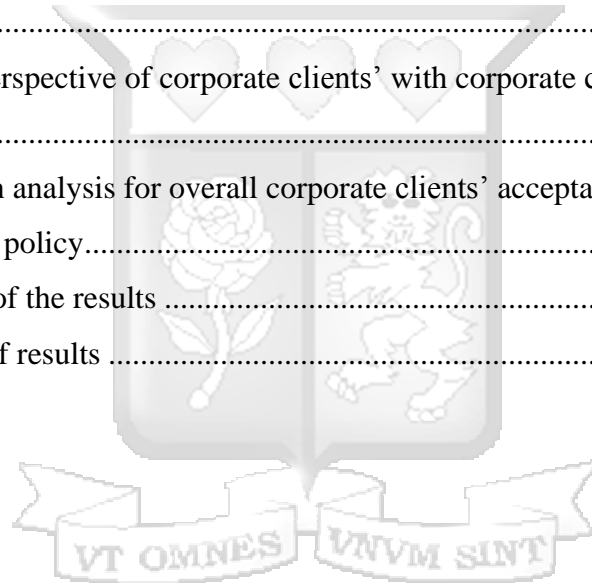
| | |
|---|-----------|
| 2.5. Conceptual Framework..... | 21 |
| Figure 2.1: Conceptual framework | 21 |
| 2.5.1. Operationalization..... | 21 |
| 2.5.2. Anti-Money Laundering Policy Implementation | 22 |
| 2.5.3. Corporate clients' Perspective | 22 |
| 2.5.4. Variable Operationalization | 22 |
| CHAPTER THREE | 24 |
| RESEARCH METHODOLOGY | 24 |
| 3.1. Introduction..... | 24 |
| 3.2. Research Philosophy | 24 |
| 3.3. Research Design..... | 25 |
| 3.4. Population and Sampling | 25 |
| Table 3.1: Sample Size Determination | 26 |
| 3.5. Data Collection | 26 |
| 3.6. Data Analysis..... | 27 |
| 3.6.1. Descriptive Analysis | 27 |
| 3.6.2 Multivariate analysis..... | 27 |
| 3.6.2. Inferential Analysis | 28 |
| 3.7. Research Quality | 28 |
| 3.7.1 Validity | 29 |
| 3.7.2. Reliability..... | 29 |
| Table 3.2: Cronbach's Alpha test..... | 29 |
| 3.7.3 Objectivity..... | 30 |
| 3.8 Ethical Consideration..... | 30 |
| CHAPTER FOUR..... | 31 |
| DATA ANALYSIS, FINDINGS PRESENTATION AND INTERPRETATION..... | 31 |
| 4.1 Introduction..... | 31 |
| 4.2 Response Rate..... | 31 |
| 4.3 Firm Profile..... | 31 |
| 4.4 Anti- Money Laundering Policy | 33 |
| 4.4.1 Corporate clients' Identification Policy | 34 |
| 4.4.2 Corporate clients' Acceptance Policy | 35 |

| | |
|--|-----------|
| Table 4.3: Corporate clients’ Acceptance Policy | 35 |
| 4.4.3 Transaction Monitoring Policy | 36 |
| 4.5 Corporate clients’ perspective with corporate clients’ identification policy..... | 36 |
| 4.6 Corporate clients’ Perspective: Corporate clients’ Acceptance Policy | 37 |
| 4.7 Corporate clients’ Perspective: Transaction Monitoring Policy. | 39 |
| 4.8 Factor Analysis | 40 |
| 4.9 Spearman’s rho Correlation Analysis | 46 |
| 4.10. Regression Analysis..... | 48 |
| 4.10.1 Overall perspective of corporate clients’ with corporate clients’ identification policy implementation | 48 |
| 4.10.2 Overall Perspective of corporate clients’ with Corporate clients’ Acceptance Policy Implementation | 52 |
| 4.10.3 Overall perspective of corporate clients’ with Transaction Monitoring Policy Implementation. | 55 |
| 4.10 Overall Results..... | 59 |
| 4.11 Summary of the Regression models..... | 60 |
| 4.11 Summary of the Regression Models | 63 |
| 4.12 Chapter Summary | 64 |
| CHAPTER FIVE | 65 |
| DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS | 65 |
| 5.1 Introduction..... | 65 |
| 5.2 Discussion of the Findings..... | 65 |
| 5.2.1: The Effect of Corporate clients’ Identification Procedures on Corporate Clients’” Perspective | 65 |
| 5.2.2: The Effect of Corporate clients’ Acceptance and Severance Policy on Corporate Client Perspective | 66 |
| 5.2.3: The Effect of Monitoring of Transactions on Corporate Clients’ Perspective | 67 |
| 5.3 Conclusions..... | 67 |
| 5.4 Recommendations..... | 68 |
| 5.5 Limitations of the Study..... | 68 |
| 5.6 Suggestions for Further Research | 69 |
| REFERENCES | 70 |
| Appendix I: Strathmore University Letter of Introduction..... | 77 |



LIST OF TABLES

| | |
|---|----|
| Table 2.1: Operationalization of the Study | 22 |
| Table 3.1: Sample Size Determination..... | 26 |
| Table 3.2: Cronbach’s Alpha test..... | 29 |
| Table 4.3: Corporate clients’ Acceptance Policy | 35 |
| Table 4.5: Transaction Monitoring Policy | 36 |
| Table 4.7: Corporate clients’ Perspective Acceptance Policy..... | 38 |
| Table 4.8: Corporate clients’ Perspective Transaction Monitoring Policy | 39 |
| Table 4.9: Correlation analysis between corporate clients’ overall perspective with the bank | 46 |
| Table 4.10: Overall perspective of corporate clients’ with Transaction Monitoring Policy Implementation..... | 44 |
| Table 4.11: Overall perspective of corporate clients’ with corporate clients’ identification policy implementation..... | 43 |
| Table 4.12: Correlation analysis for overall corporate clients’ acceptance policy and overall transaction monitoring policy..... | 59 |
| Table 4.13: Summary of the results | 60 |
| Table 4.14 Summary of results | 63 |



LIST OF FIGURES

Figure 2.1: Conceptual framework..... 21



LIST OF ABBREVIATION AND ACRONYMS

| | |
|-------|--------------------------------------|
| AML: | Anti-Money Laundering |
| APG: | Asia/Pacific Group |
| CBK: | Central Bank of Kenya |
| CDD: | Corporate clients' Due Diligence |
| CFT: | Combating Financial Terrorism |
| CMA: | Capital Markets Authority |
| CCPS: | Corporate clients' Perspective Score |
| FATF: | Financial Action Task Force |
| GDP: | Gross Domestic Product |
| KBA: | Kenya Banker Association |
| KPMG: | Klynveld Peat Marwick Goerdeler |
| KYC: | Know Your Corporate clients' |
| ML: | Money Laundering |
| TF: | Terrorist Financing |



AKNOWLEDGEMENTS

My gratitude is to the Almighty God for enabling me to come this far and to Strathmore University for the opportunity to conduct this study.

I would like to thank my supervisor Dr. Hellen Otieno for her continued guidance, insight and expertise.

To my parents, husband and colleagues, thank you for your encouragement, support, and prayers.



CHAPTER ONE

INTRODUCTION

1.1. Background to the Study

Money laundering is largely viewed as the practice of engaging in financial transactions to conceal the identity, source, and or destination of illegitimately acquired money through which the profits of crime are converted into assets, which seem to have a genuine origin (Proceeds of Crime and Anti-Money Laundering Act 2009). Anti-Money Laundering (AML) is the action which prevents, or aims to avert money laundering from occurring. This is however an oversimplification of a complex situation (Barry, 2002). The definition of ‘criminal income’ varies by jurisdiction (some activities are illegal in some countries and not in others) (Blum et al., 2000). Furthermore, the ‘goals’ of AML seem not same under different jurisdictions. The objectives extends to cover deterring and detection of organized crime, in the reduction of drug dealings, to deterring terrorism and to maintaining the reputation of the existing financial service industry (Yeandle, et.al. 2005).

1.1.1. Anti-Money Laundering Policy

Money laundering is an offence that entails making dirty money clean. This often involves movement of dirty money either through the formal/institutional systems to disguise the source, or through informal sectors to be able to derive value through the purchase of goods and services. It’s an offence that has existed since crime started (Kochan, 2005). Kenya has been grappling with the offence and the effects of money laundering just like any other country in the world way before the Proceeds of Crime and Anti Money Laundering Act was passed in 2009. In Kenya, the Proceeds of Crime and Money Laundering Act was enacted in 2009 (the Act) to provide for the offence of money laundering, which had not existed previously and to introduce measures to combat the offence by providing for the identification, tracing, freezing, seizure and confiscation of the proceeds of crime. Due to the dynamic nature of the offence, it is difficult to measure exactly how much money was laundered in Kenya prior to 2009. The fight against money laundering is recognized internationally as a pillar of national security and one of the marks of a strong financial system. Global institutions such as the United Nations and Financial Action Task Force (FATF) continually publish Watch Lists whilst measuring countries’ compliance in the fight against money laundering. A research done by the Global Financial Integrity center found that more than US\$13.5 billion flowed illegally into or out of Kenya from 2002 to 2010 through the miss-invoicing of trade

transactions. This fueled crime and cost the Kenyan government at least US\$3.92 billion in lost tax revenue (Donaldson & Preston, 2013).

Anti-money laundering policies are broad as they entail all activities and efforts aimed at preventing money laundering from taking place. In 1989, G7 countries came together to form Financial Action Task Force (FATF) through financial policies to deter actions financial terrorism in the West. The United States of America in 1970 enhanced the Banking Act to compel banks to report suspicious transactions above \$10,000 to the Department of Treasury. The growth in money laundering claims and other avenues led to the enactment of more stringent measures to ensure financial accountability at corporate and individual levels. The Anti-Money Laundering Policy is mainly defined as strict scrutiny of financial proceeds using the relevant authorities, to ensure the funds are from legitimate sources and for legitimate reasons.

The AML policy is further sub-divided into suspicious transaction reporting, tipping off and know your corporate clients' policies. Reporting institutions such as commercial banks are therefore expected to implement the requirements and guiding principles under each of the above AML policies.

Know your corporate clients' (KYC) policy is a component of the bigger AML policy which is aimed at gathering sufficient information about a corporate clients' to facilitate the construction of a profile of all the corporate clients' in any financial institution (KPMG, 2014). Know Your Corporate clients' (KYC) policy's key objective is the enabling of effectiveness in identification and corporate clients' understanding in order to aid in suspicious activity reports as they arise (FATF, 2013). The belief from KYC is the improper knowledge of the corporate clients' makes it quite difficult in distinguishing between suspicious and normal behavior from them (FATF, 2013a).

KYC policy is made-up of corporate clients' identification, corporate clients' acceptance, and transaction monitoring. Corporate clients' identification is concerned with obtaining all the necessary information required to establish the true identity of a corporate clients' (FATF, 2013a). Corporate clients' acceptance policy guides a reporting institution on the verification of the information obtained and categorizing the corporate clients' in low, medium or high risk profiles. This policy also requires financial institutions to avoid establishing a relationship with individuals that do not present information that is considered crucial in the identification process. Transaction

monitoring policy on the other hand assists the reporting institutions in keeping track of all activities carried out by the different clients'. The account activities are examined and compared to the information the institution has obtained from the corporate clients' in order to facilitate the detection of any activity that is considered out of the ordinary for a particular client (Yeandle, et al. 2005).

Institutions cannot independently obtain all the information required in KYC. Some form of interaction is required when sourcing the relevant information from the respective corporate clients'. The relationship and level of interaction between the financial institutions and their clients' has a significant impact on the effectiveness of the entire AML policy. The accuracy and quality of the information obtained is also influenced by the corporate clients' attitudes and beliefs regarding the process and the institution at large. This study will focus on Corporate clients' identification, corporate clients' acceptance and transaction monitoring policy as these are the AML policies that call for close interaction with the corporate clients' of commercial banks (Dan, 2009).

1.1.2. Corporate clients' Perspective

Corporate clients'' perspective is defined as measures of how services and goods supplied from companies meet or surpass corporate clients'' expectations and needs. Ranguti (2018) indicates that corporate clients'' perspective score (CCPS), Net Promoter Score (NPS) and Corporate clients' Effort Score (CES) used to measure the corporate clients' perspectives regarding products and services. In the case of our study, CES has been adopted to measure the client perspectives with the AML policies existing within the commercial banks within Nairobi County.

Modern management science's philosophy looks at client perspective as a bottom-line standard of performance and a possible indicator of excellence for any business entity. To enhance corporate clients'' orientation on a daily basis, a growing number of companies are increasingly choosing client perspectives as the main indicator for performance. Management of business and marketing teams in these companies are constantly interested in the different they can satisfy and retain corporate clients' in order to generate more profits, enhance the competitiveness of the company and secure a significant market share (Kano, 1984).

Most of the empirical studies conducted in the area of client perspective present a fundamental logic that corporate clients' perspectives should in most cases have positive influence on corporate clients' retention. It is argued in these studies that through increased corporate clients' retention as a result of corporate clients' perspectives, businesses can secure future revenues and significantly cut on cost (Jun and Cai, 2001). The authorities in the area of corporate clients' perspective have defined corporate clients' perspective differently. Corporate clients' perspective according to Oliver (1987) is the final psychological state that is as a result of the disconfirmed expectancy which is related to initial consumer expectation. Corporate clients' perspective has also been described by Pairot (2008) as the capability of an organization to realize the emotional, psychological and business needs of existing and potential corporate clients'. Common among most of the corporate clients' perspective definition is therefore the ability of a business to meet corporate clients' needs and expectations.

Some researchers argue of the existence of differences among consumer levels on perspective in relation to a wide range of services. This is because unlike most products, services are intangible and perishable. Services are also inseparable from their production of services. (Zeithaml et al, 1990). Perspective with services is therefore said to be a perception about the performance of the service and not the utilization of a product (Nicholls et al, 1998).

Parasuraman et al (1988) developed the SERVQUAL model, which gives the dimensions and measures of a quality service that leads to positive corporate clients' perspective. The five distinct service dimensions that this model provides are; tangibility, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988, 1991).

On the banking sector, the levels of corporate clients' perspective and quality of service Polatoglu and Ekin (2001) found in their study that ease of use, security, awareness, availability of the necessary structures and resistance to change are key components of a quality service in banks. Pikkarainen et al. (2006) also found that the service components that lead to corporate clients' perspective are timeliness, ease of use, accuracy and format.

Corporate clients' are what keep the doors of any commercial bank open and financial services are provided in these banks in order to sufficiently meet the needs and expectations of these corporate clients' (Nelson and Graham, 2003). Commercial banks therefore risk losing if they do not meet

their primary business objective which is to meet the varying needs and expectations of their corporate clients’.

Kotler (2000) defined perspective as: “a person’s feelings of pleasure or disappointment resulting from comparing and contrasting perceived performance of a product of a service in relation to his or her expectations. According to Hansemark and Albinsson (2004), “perspective is the overall corporate clients’ attitude towards a service provider, or an emotional reaction to the difference between what corporate clients’ expect and what they end up receiving, regarding the fulfillment of some need, goal or desire.

Perspective may be based on the comparison between the individuals’ expectations and perceived performance (Oliver, 2010). Corporate clients’ perspective is also related to the service offering. With retail banking, the convenience and competitiveness of the provider’s offerings can be expected to affect a corporate clients’ overall perspective and ongoing patronage (Ngai, Heung, Wong and Chan, 2000). In corporate banking there is an ongoing relationship between the service provider and the corporate clients’. Here, corporate clients’ perspective is based on an evaluation of multiple interactions one of them being the AML procedure. For this investigation, perspective is considered as a composite of overall corporate clients’ attitudes towards the service provider that incorporates a number of measures. Three frequently used measures are overall service quality, meeting expectations and corporate clients’ perspective (Hausknecht, 1990; Heskett, 1994; Jones and Sasser, 1995).

Any profit-oriented organization should be concerned with understanding their corporate clients’ needs and expectations in order to increase loyalty and address issues before the existing corporate clients’ consider defecting from the company. The issue of corporate clients’ perspective can better be addressed by looking closely at how the existing structure and policies might cause hindrances to the service provision process (Heinonen, Johnson& Peterson, 2014).

Typically, the corporate banking segment serves a wide range of corporate clients’ from diverse economic sectors ranging from real estate, manufacturing, services industry, tourism, and agriculture among others. In corporate banking, the target clientele is drawn from varying backgrounds ranging from medium sized regional businesses posting few millions in sales, to

complex conglomerates and giant multinationals turning over billions in revenue with footprints across the continents (Heinonen, Johnson & Peterson, 2014).

The bank and corporate client relationship are symbiotic in nature with each active party drawing benefits from the continuous interactions in form of cost reduction, efficiency in service delivery and increased profitability. Throughout the lifecycle of the relationship, the bank endeavors to solve the corporate clients' problems and to satisfy their unique requests through tailor made solutions or specifically designed products. During the interactions the corporate client evaluates the quality of the service delivered and the relationship developed (Zineldin, 1996). The increasing pace of globalization and heightened competition in the banking industry has made the innovation of services for corporate banking vitally important (Huda, Chisty & Rashid, 2007). Corporations look to banks to provide a multitude of financial services. Given their profit-oriented and related goals, what makes corporate clients' satisfied is likely to be different from what makes retail corporate clients' satisfied (Andaleeb et al., 2015). Trust and long-term relationships are interrelated determinants of corporate clients' perspective (Heinonen, Johnson & Peterson, 2014). Banks have to provide a meaningful portfolio of services and continuously update these services to maintain long-run relationships with corporate clients'. Without access to such services, bank switching and use of multiple banks can become quite common among corporate clients.

Corporate banking segment takes care of corporate organizations, institutional bodies such government parastatals, non-governmental organizations and community-based organizations. Commercial banks offer diverse range of products and services to corporate clients and large institutional bodies (Cline, 2000). Loans and other non-funded credit facilities typically rank as the biggest contributors of profits and the most influential determinant of credit risk in corporate banking. Banks advance credit facilities in various forms and to various sectors of the economy including commercial and residential real estate, asset financing to manufacturing companies, transportation and Information Communication Technology firms (Mintzberg et al, 1999; Pearce & Robinson, 2007). Banks also facilitate trade and subsequent flow of payments through trade finance department by providing product and services such as letters of credit, post import finance, pre-shipment finance, documentary collection and processing guarantees among others. Among other key functions banks provide to corporations is risk mitigation and hedging instruments such currency swaps, forwards and options through the treasury department, forex conversion, working

capital and cash management (Yaw, 2011). In addition to the above-mentioned products and services, commercial banks also offer other supplementary services such as asset management and custodial services to their corporate clients' (Cline, 2000; Mintsburg et al, 1999; Pearce & Robinson, 2007)

Commercial banks are legally required to adopt and implement AML policies in their day-to-day operations failure to which they may be subjected to fines, criminal charges and reputational losses which are detrimental to any financial institution. They are also mandated to achieve their business objective of providing their clients' with corporate clients' centric financial services in order to overcome competition and stay competitive in this saturated financial sector.

The incorporation of AML policies has been said to increase operation costs while at the same time making the service provision process slow and complex for the corporate clients' of financial institutions. This research pursues to establish the influence the adoption of AML policies has had on corporate clients' of Kenyan banks more so the commercial banks.

1.2. An Overview of Commercial Banks in Kenya

According to the CBK (2016), there exists a total of 42 banks with legitimate authority to undertake banking activities in Kenya. Commercial banks play a significant in terms of spurring economic prospects within any country. In Kenya, the sector holds assets worth 63% of the GDP (CBK, 2012). Other than the recent closure of three financial institutions within 14 months in the year 2015 (Dubai Bank and Imperial Bank) and April 2016 (Chase Bank), the banking industry in the country has generally experienced a high growth rate employing both acquisition and start-up in their regional expansion strategies. Central Bank data depicts significant industry growth (CBK, 2013).

The three acts of parliament are important for the operation of financial institutions within the Kenyan banking industry; Banking Act and Central Bank of Kenya and the Companies Act. The has grown exponentially over the years since the Central Bank of Kenya put up measures to regulate the banks in order to streamline the activities, particularly after the recent closure of three commercial banks (Central Bank of Kenya, 2016).

All Kenyan banks have now complied with the requirements of the Financial Action Task Force (FATF, 2013a), an inter-governmental body that sets standards and promotes effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. Through the National Task Force on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Kenya banks have been successful in addressing the strategic deficiencies that the FATF's had identified in Kenya's AML/CFT regime, consequently leading to Kenya being removed from FATF's "watch" list under its ongoing global AML/CFT compliance (KPMG, 2014).

1.3. Problem Statement

Benefits of crime have been on the rise through the use of legitimization of a number of transactions by money launderers. On offering solutions to the problem of money laundering, the banks (commercial) are at the center of policy implementation activities, commercial banks have (Dan, 2009). The services offered by the financial services providers have a leeway that allows for 'dirty money' with a possibility of increased cases of AML policies. Technological adoption has also resulted in spurred AML activities, with the enhancement in speed between the actors and policies.

Money laundering is not only an issue in the world's reknown financial markets and offshore centers, but also for emerging markets. For sure, any nation that is integrated into the international financial system is at risk (Olalekan, 2014). The scourge has thus currently been recognized as a great problem that requires great response and has as a result become a top priority of the all financial service industry and authorities in most developing nations, Kenya included (Olalekan, 2014; Kar&Karly, 2011; Tang &Lishan, 2010). To address this problem, Kenya is among the countries whose commercial banks have domesticated the FATF (2013a) requirement by enacting the Proceeds of Crime and Anti-Money Laundering Act, 2009 as elaborated in the foregoing background. The Act directs commercial banks in the country to implement the three key elements of the KYC Policy recommended by FATF (2003), including corporate clients' acceptance and corporate clients' severance policy; corporate clients' identification procedures and monitoring of transactions.

Conflicting findings from studies have presented a knowledge gap which the present study seeks to fill. Nelson and Graham, (2003) in their study found that corporate clients' and the banks could both gain equally from AML policies specifically from the requirements of KYC. They argue that corporate clients' can enhance the security of their transactions and funds through these policies as well as receiving a customized services from studies done during the implementation of the KYC policy. Phillip (2011) however acknowledges that the current AML policies have led to negative perspectives among corporate clients' of financial institutions. He argues that the information attained after engaging with the corporate clients' may not be accurate since most of the corporate clients' do not appreciate the continued monitoring and compliance requirements presented in these policies.

Jensen and Cheong-Ann (2011) argue that commercial banks are concerned about reputational risk and the financial impact of loss of business reputation could exceed the impact of a fine from the regulator. The resulting conservatism, they argue, is evident in the intensive client acceptance practices of many financial institutions. They found in their study that in certain cases, fear of reputational risk and the emphasis of international standards on corporate clients. Due Diligence (CDD) have led institutions to adopt corporate clients' acceptance measures that exceed the statutory requirements. The better the acceptance of the existing policies, the higher the levels of acceptance hence proper business relationships between the bank and the corporate clients.

KPMG (2014) found in its 2014 Global Anti-Money Laundering Survey across financial institutions that despite increased investment in transaction monitoring systems, client perspective has changed to the negative. The finding agrees with LexisNexis and ACAMS (2013) in a survey to examine how the Anti-Money Laundering community is managing their corporate clients' enhanced due diligence and AML risk assessment processes. The single most difficult, industry-wide challenge was lack of readily accessible data. Due to the lack of available data, the majority of respondents (63%) rely on a dialogue between the corporate clients' and a bank employee as the primary method of collecting clients Enhanced Due Diligence data. The study also found that this method is problematic as bank employees are hesitant to ask corporate clients' for this type of information for fear of offending the corporate clients' and lowering corporate clients' perspective levels, as keeping data updated also requires the corporate clients' to repeatedly provide refreshed information.

Due to the knowledge gap that exists, where most of the papers written on this subject lacks monitoring of the successes of existing regulations among the bank clients' in as far as the use of regulatory policies in the fight against money laundering and corporate clients' perspective is rigorously addressed. Secondly, despite of the existence of extensive studies on impacts of AML polices globally, implementation, the numbers of studies are limited on the Kenyan context, therefore there was a need to conduct more empirical studies on the actual impact of the implementation of AML policies on corporate clients' perspective. This study therefore looked at the effect of anti-money laundering policy implementation (corporate clients' acceptance, corporate clients' identification and transaction monitoring) on corporate clients' perspective among corporate clients' of commercial banks in Nairobi County.

1.4. Research Objectives

The general objective of the study was to establish the effects of anti-money laundering policies' implementation on corporate clients' perspective among corporate clients' of commercial banks in Nairobi County.

Specific objectives:

- i. To establish the effect of corporate clients identification procedures on corporate clients' perspective among commercial banks in Kenya.
- ii. To determine the effect of corporate clients' acceptance and severance policy on corporate client perspective among commercial banks in Kenya.
- iii. To determine the effect of monitoring of transactions on corporate client's perspective among commercial banks in Kenya.

1.5. Research Questions

The research sought to answer the following questions

- i. What is the effect of corporate clients' identification procedures on corporate client perspective of commercial banks in Kenya?
- ii. What is the effect of corporate clients' acceptance and severance policy on corporate client perspective of commercial banks in Kenya?
- iii. What is the effect of monitoring of transactions on corporate client perspective in commercial banks in Kenya?

1.6. Significance of the Study

The findings will disrupt the existing scholarly works through addition of more knowledge base through means to improve AML policies through the leveraging of policy directions of the government. This study also provides a basis for new research in money laundering.

The study will be of assistance to the future researchers since it will help them to have information, related to money laundering and help them to conduct more detailed studies to their areas of undertaking. This will generate good results in future studies regarding AML at the global levels.

The investment regulators in the country such as the Capital Markets Authority (CMA), Kenya Banker Association (KBA) and Central bank of Kenya will be able to adopt the findings to understand the effects of bank AML regulatory requirements on corporate clients' perspective. Financial institutions corporate clients' may also benefit from the study findings in that policy recommendations made by the study aim at bettering their perspective when transacting with their banks even as AML policies are implemented.

Through this research, the management of commercial banks in Kenya as well as the various firms in the financial services sector would benefit immensely from the findings. The top management will be informed on how to leverage on these AML regulatory requirements to ensure long-term financial survival of the banks. The results of the study will also assist the employees in the bank to appreciate the importance of perspective and discover why they should at all times provide an exceptional service to the corporate clients' even when doing their due diligence through anti-money laundry.

1.7. Scope of the Study

The targeted corporate clients' of financial institutions in Kenya. It covered corporate clients' of commercial banks in Nairobi. Non- financial measures were used in-order to better understand the effect of Anti-money laundering policy implementation on corporate clients' perspective.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The section is concerned with the evaluation of relevant works. It entails the theoretic, pragmatic works and abstract outline. The theoretical literature focuses on the theories underpinning the study while on the other hand, empirical literature lays emphasis on findings of empirical studies with a bearing on the interrelationship between Anti-Money Laundering policy and corporate clients' perspective among commercial banks. The conceptual framework diagrammatically illustrates the hypothesized relationships between the independent and dependent variables.

2.2. Theoretical Framework

Various theories and models underpin the understanding of the effect of Anti-Money Laundering policy implementation on corporate clients' perspective among commercial banks. Prominent among these theories and of particular relevance to the present study include the Disconfirmation theory, the Assimilation Theory, and the Theory of transparency-stability.

2.2.1. The Disconfirmation Theory

One of the most widely held schools that attempt to explain the perspective formation process is the disconfirmation theory. Oliver (1980) developed the disconfirmation theory. According to Szymanski and Henard (2001), disconfirmation model is the best predictor of corporate clients' perspective. The model states that “perspective emanates from the thought that the specific product or service meets the expectations of the consumers through quenching of their needs”. Proponents of this theory are of the idea that perspective comes from the disparity between the perceived thresholds and the actual limit of service acceptability. Conferring to this theory, corporate clients' come to the service providers with some expectation and by comparing their expectation with the perceived performance of the product they consume, they either confirm or disconfirm their initial expectation, which leads into positive or negative perspectives.

This theory argues that there is a relationship between perspective, the scope and course of the disconfirmation practice, which takes place through the comparison between the actual service performance and the expected performance (Ekinici et al (2004).

Khalifa and Lui (2000) and Bozorgi (2007) have empirically tested expectation disconfirmation model of perspective formation. The two studies both found among other cognitive standards like desire, expectation disconfirmation has stronger impact on corporate clients' perspective. This theory has however been criticized by Ekinici (2004) for its inability to explain performance that exceeds the corporate clients' expectations and standards. The disconfirmation philosophy is convenient as it aids to decipher of overall corporate clients' experiencing from the perspective of perceived performance in corporate clients' service provision versus the expected performance.

2.2.2. Assimilation Theory

Assimilation principle borrows from Festinger's (1957) discord philosophy. Dissonance theory like disconfirmation theory states that, "consumers often create a mental judgement amongst outlooks around the specific merchandise and the seeming produce recital". This argument of customer after-use appraisal was familiarized into the viewpoint works in the form of assimilation theory. Consumers often tend to avoid offer avoidance of dissension through their change in mindset about a product or amenity in order to create lesser expectations from the market segments (Anderson, 1973). This philosophy tends to compliment the disconfirmation theory as it seeks to explain and shed more light on the consumer behavior after consuming the product or receiving a particular service.

Assimilation theory has been found to experience two setbacks. Firstly, it works on the assumption that that there exists a direct link between corporate clients' expectation and perspective but fails to stipulate in what way exactly dissension of an anticipation enhances a change in view regarding a merchandise or amenity. Second, in this theory there exists a belief that consumers inhibit some levels of motivation to inform their choices and anticipations within the market. Proper management of the actual product or service performance can yields a significant levels of perspectives among the consumers. This leads to the analogy that negated perspectives enhance negativity on consumer expectations (Payton et al, 2003).

This theory provided insight on how corporate clients' adopt to the changes in the services provided after been exposed to the requirements of the AML policies that are being implemented by the financial institutions.

2.2.3 Transparency-Stability Theory

Extension of the financial regulations have expanded, outside the public-private jurisdictions (Hancher and Moran 2009). The increase in regulation across the globe to the advent of multi-level governance approach based on specialized discourse involving specialist epistemic communities, broad financial and monetary policies. Banking crises are less likely to occur in countries with greater regulated disclosures and transparency (Tadesse, 2006).

Transparency-stability theory argues that greater disclosure and thus greater transparency facilitates efficient resource allocation by reducing informational asymmetry (Tadesse, 2006). If accounting information is viewed as public good and central banks are funded by the public's conscripted taxpayers (and thus conscripted investors) then it is not unreasonable for central banks to produce extensive disclosures to satisfy the information needs of that public (Watts and Zimmerman, 2006). This however goes against transparency-fragility theory which avers that greater disclosure may indicate widespread problems and challenges in the banking system which in turn leads to negative externalities such as runs on money, corporate clients' negative perspective with financial services and concerns about the financial system's vulnerability. There is now a global acceptance that the struggle against organized crime cannot be won unless some kind of enforcement is put in place. Such enforcement should be found in the contribution of central banks' extensive disclosure practices (Smellie, 2004). However, clients of financial service providers in most cases do not respond positively to the extensive disclosure requirements such as those in AML that have been put in place by the regulator. The theory proved useful in understanding how regulated disclosure through anti-money laundering policy implementation affects the perspective levels of the corporate clients'. This makes it the best on application to understand the effect of the AML policies on corporate clients' perspective within the Commercial banks in Nairobi County.

2.3. Empirical Review

2.3.1. Corporate clients' Identification Procedures and Corporate clients' Perspective

According to FATF (2013a), corporate clients' identification of natural persons is concerned with the obtaining of sufficient identification data to verify the identity of the corporate clients', his address/location, and also his recent photograph. For corporate clients' that are legal persons or entities, the bank should (i) verify the legal status of the legal person/ entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity

is so authorized and identify and verify the identity of that person, (iii) understand the ownership and control structure of the corporate clients' and determine who are the natural persons who ultimately control the legal person.

Ai (2012) reports that corporate clients' identification means identifying the corporate clients' and verifying his/ her identity by using reliable, independent source documents, data or information. Banks require to gather adequate information required to establish, to their perspective, the identity of each new corporate clients', whether regular or occasional, and the purpose of the intended nature of banking relationship. Kar and Karly (2011) argue in their study that commercial banks must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the corporate clients' in compliance with the extant guidelines in place. Such risk-based approach is considered necessary to avoid disproportionate cost to banks and a burdensome regime for the corporate clients'. The study adds that besides risk perception, the nature of information/documents required would also depend on the type of corporate clients' either individual or corporate. For other types of companies and trusts, more comprehensive information including information on directors, beneficial owners and trust beneficiaries was required. In certain circumstances, for example, where a suspicious matter comes up, it may be essential for a reporting entity to carry out a corporate clients' identification procedure on an existing corporate clients' or to re-verify a corporate clients' that has already been the subject of a corporate clients' identification procedure.

Establishing of a relationship between a bank and its corporate clients is initially attached upon information that the corporate clients' provide and how the staff handling the corporate clients' perceives and goes about ascertaining the validity and reliability of this information (Buzzell& Gale 1987; Bowen &Lawer 2012; Heskett, Jones, Loveman, Sasser& Schlesinger 2014; Zeithaml, Berry & Parasuraman 2006; Chance &Green 2001; Román& Ruiz 2005). Corporate clients' identification procedures enable banks to know and/or understand their corporate clients and their financial dealings better, which in turn help them to manage their risks prudently.

Banks need to acquire adequate information needed to establish, to their perspective the true identity of all their clients (Oyugi&Kibua, 2004; Pearce & Robinson, 2007). Being satisfied means that the bank must be able to satisfy the competent authorities that due diligence was observed

based on the risk profile of the corporate clients in compliance with the extant guidelines in place (Pearce & Robinson, 2007).

A carefully planned and implemented due diligence is necessary for the corporate clients' to be satisfied (Kantabutra & Avery 2006; Oyugi & Kibua, 2004; Builov, 2007). The level of due diligence to be undertaken however depends on a number of factors, including the type of corporate clients. For example, there are different requirements for individuals, corporations, trusts, partnerships, associations, co-operatives and government bodies (Builov, 2007; Oyugi & Kibua, 2004). Corporate clients' identification measures may be applied on a risk sensitive basis depending on the type of corporate clients, business relationship or transaction. For higher risk corporate clients, relationships and transactions enhanced due diligence are required, while reduced or simplified measure may suffice where there are lower risks (Choo, 2010)

In various studies on identification procedures, it was found that corporate clients' characteristic and perspective is first considered before the procedures are set in order for the process to be more effective (Ulrich 1997; Ganesh, Arnold & Reynolds 2000; Farrell, Souchon & Durden 2001). Researchers argue that corporate clients' perspective is of key importance in the services sector since perspective is related to performance (Jakosuo, 2005, Chance & Green 2001). AML procedures such as the corporate clients' identification procedure can have tremendous effect on the relations between the service provider and the client if it is conducted without having the corporate clients' needs in mind (Grönroos 1990; 2009, Jakosuo 2002).

Studies done in the financial sector have looked at corporate clients' perspective as the control variable and found that the procedures these institutions are confined to by regulation affect their perspective (Wolfsberg Group, 2002; Builov, 2007). Subjecting corporate clients' to certain procedures like AML procedure can be either satisfying or dissatisfying but that is based on the experience the corporate clients' goes through (Thanasegaran and Shanmugam, 2007; Adekunle, 1999). The quality AML procedures is said to be based on the corporate clients' experience, that is, what s/he gets (technical quality) and how s/he experiences the service process (functional quality) (Kantabutra & Avery 2006; Little & Dean 2006). Other studies looking at corporate clients' service in relation to the AML process have focused on the quality of interaction, how long the clients must wait for the full execution of the service required and the kind of premises the organization has (Saura, Contrí, Taulet & Velázquez 2005; Little & Dean 2006). Other findings

indicate that the organization's corporate image might have an effect on a corporate clients' willingness to use services. This business image from the corporate clients' perspective in this case is built upon what the corporate clients' experience of the business is (Pralhad and Ramaswamy, 2001; Coulter, 2002; Hanley, 2008).

Phillip (2011) puts forward the argument that corporate clients' find the current anti-money laundering policies cumbersome due to the repetitive information requirement. He notes that there is disconnect between the current AML requirements and the client relationship management in most financial institutions. The finding of Nelson and Graham, (2003) seem to however contract that of Phillip (2011). Their study reveals that corporate clients' identification procedures which are part of the bigger AML policy are beneficial not only to the reporting entities such as the banks but also to the clientele going through the identification process. They argue that the client identification procedures prevent the rightful owner of funds and financial assets from being defrauded by fraudulent persons that may use identity theft as a means of gaining access to those assets.

2.3.2 Corporate clients' Acceptance and Corporate clients' Perspective

The corporate clients' acceptance requirements put in place to ensure that corporate clients' can only be brought on board only after the identification requirements are met and the true identity of the potential clients' have independently been identified (Tang and Lishan, 2010; Stevenson, 2002). These requirements are often expressed in procedures and documents that facilitate a tickbox approach (Tang and Lishan, 2010).

FATF (2013c) classifies corporate clients based on risk levels. The clientele is grouped into high risk, medium risk and low risk categories. High Risk corporate clients' include among others, individuals and entities in watch lists issued by Interpol and other similar international Organizations; individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk; and corporate clients based in high risk countries / jurisdictions or locations. Medium Risk corporate clients include among others, non-bank financial institution; stock brokerage; import / export; gas station; electronics (wholesale); and travel agencies while low risk corporate clients include all the corporate clients who are not high/ medium risk corporate clients and low risk corporate clients (FATF, 2012). Where the financial institution is are not able to comply with the identification and verification requirements, commercial banks are required not

to open the account, commence business relations or perform the transaction, or should terminate the business relationship. In some instances, they might also be required to consider filing a suspicious transactions report under the applicable AML/CFT laws in relation to that corporate clients' (FATF, 2013c).

Tang and Lishan (2010) argue that given the higher risk profile of clients' of private banks, a strict corporate clients' identification and acceptance policy should be implemented. According to Yan et al. (2011) however, as much as the corporate clients' acceptance measures were formulated to prevent criminals who abuse institutions that provide financial services, this approach creates a real danger in which honest corporate clients, who are not able to provide the required verification documentation, may also be refused financial services. The study recommended that it is important that the corporate clients' acceptance policy is not so restrictive that it results in a denial of access by the general public to banking services, especially for people who are financially or socially disadvantaged.

Studies have examined corporate clients' willingness to provide the necessary details and documents as a measure of perspective (Coulter, 2002; Hanley, 2008; Stevenson, 2002). Furthermore, they found that a satisfied corporate clients' will be willing to provide the necessary information required upon request much more easily than a client that doesn't feel satisfied with the services being provided to them (Thanasegaran and Shanmugam, 2007; Stevenson, 2002). Corporate clients' perspective therefore has an impact on the amount and quality of information obtained while conducting KYC procedures.

2.3.3 Monitoring of Transactions and Corporate clients' Perspective

Transaction monitoring on the corporate clients' accounts in terms of risk categorization and suspicious transaction reporting is very essential. Monitoring of transactions is conducted taking into consideration the risk profile of the corporate clients' (Stevenson, 2002). During monitoring of transactions, special attention is paid to large volume transactions and all transactions of unusual patterns, which have no apparent economic or visible lawful purpose (Elliehausen, 1998; Alfon and Andrews, 1999). Monitoring transactions is an essential component in identifying transactions that are potentially suspicious. Monitoring also involves identifying changes to the corporate clients' profile such as changes in transaction patterns, use of new products and the amount of

funds involved, and keeping it updated, which may require the use of new, or additional measures (Kar and Karly, 2011).

Gurung et al. (2010) found in his study that continued monitoring of high-risk accounts by compliance personnel leads to a greater understanding of the corporate clients' "ordinary activities" and it facilitates the updating of identification papers and detection of suspicious transaction patterns. Accordingly, Ai et al. (2010) argue that monitoring is necessary for the detection of unusual, potential suspicious transaction, with any actual suspicion leading to an obligation to report, regardless of any threshold or exception. The study concludes that when serving low income and low risk corporate clients, financial institutions will need to balance their examination of ML/TF risks with their technical expertise and the level/type of information available on corporate clients. This finding therefore indicates that most of the monitoring done by financial institution is directed at clients such as corporate clients which tend to have high account activity due to the numerous transactions that pass through their accounts.

Ai and Jun (2011) put forward the argument that the recommended simplified Corporate clients' Due Diligence (CDD) could be mitigated by closer transaction monitoring and evaluation, acknowledging however that lack of sufficient information due to little data availability could make monitoring meaningless. The study further offers that ongoing monitoring means the checks on different transactions on establishing of whether the transactions are consistent with the bank's knowledge of the corporate clients and the nature and purpose of the banking product and the business relationship. Huge transactions that shows no relationship between corporate clients' earnings and the cash flow should be subject to investigation (Fisher and Harindranath, 2004, Kay, 1999). Management should reassess the corporate clients' risk rating and follow established bank policies and procedures for maintaining or changing corporate clients' risk ratings ((Barrett, 2002).

Finding from studies conducted in this area indicate that clients who found out that their accounts are monitored, were not satisfied as it makes them feel that their privacy has been infringed on and the continued monitoring makes them appear like they are suspects (Willcockset al., 2008; Fisher et al., 2007; Mylonopoulos and Theoharakis, 2001). Positive perspective for corporate clients' can occur if they are aware of the process being carried out on their respective accounts and have reasonable control on process being carried out on their accounts (Bryman, 2006, Fisher et al., 2007).

Transaction monitoring has a role in bringing about corporate clients' perspective as argued by Nelson and Graham, (2003). They argue that continued monitoring is beneficial to the clients as they are able to receive customized service delivered to them through the in-depth procedures carried out during the transaction monitoring. This study suggests that banks and other institutions can utilize the information acquired in the corporate clients' identification and transaction monitoring policies to better understand their client profiles and their financial needs. This will further lead to highly customized services and products based on corporate clients' transaction trends and product preferences. By meeting the corporate clients' needs and expectation through the customizing financial services and products. Financial institutions have a real chance at improving their brand image, corporate clients' perspective and ultimately the financial performance of the institution.

2.4. Research Gap

A review of existing literature notes conflicting findings from the different schools of thought and the various finding from the numerous studies conducted on this subject matter.

Some of the findings indicate that AML policies not only protect the corporate clients' and financial institutions from money laundering and fraudulent activities but also facilitate the provision of highly customized services to the corporate clients. The application of the policies is also based on the information attained from the in-depth corporate clients' identification and monitoring procedures (Nelson and Graham, 2003, Gurung et al., 2010, TangandLishan 2010, Fisher and Harindranath, 2004). The customized services and products obtained because of AML procedures are among the factors attributed to the increase in corporate clients' perspective among financial institutions.

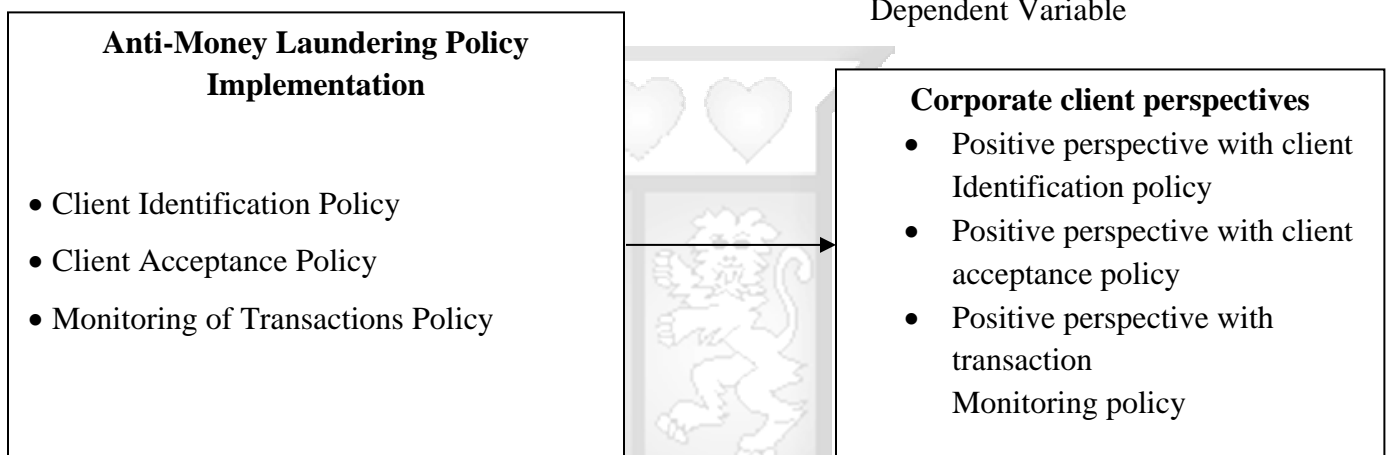
Opposing the above arguments are also the findings of studies that attributed corporate clients' negative perspectives with the intensified AML procedures. From these studies, some of the key corporate clients' concerns arising as a result of the AML procedures that affect perspective are invasion of privacy, denial of service, repetitive and routine AML requirements and delayed services (Willcockset al., 2008; Fisher et al., 2007; Mylonopoulos and Theoharakis, 2001, Yan et al. 2011).

It is against these conflicting empirical findings and schools of thought that the present study was set out to assess the implementation of Anti-Money Laundering policy on corporate clients' perspective among commercial banks in Kenya.

2.5. Conceptual Framework

Figure 2.1: Conceptual framework

Independent Variable



Source: Author (2019)

On the conceptual framework, the Anti-Money Laundering Policy implementation is defined in terms of corporate clients' identification, acceptance and transaction monitoring policies. Each of these policies are charged with the task of reducing the money laundering instances among commercial banks within Nairobi County. Consequently, corporate clients' perspective are defined in terms of positive or negative perspective with; corporate clients' identification policy, corporate clients' acceptance policy and transaction monitoring policies. Each of the policy under the independent variable is assumed to have an effect on its corresponding level of corporate clients' perspective from the figure above.

2.5.1. Operationalization

This sub-section explains how the researcher measured the Anti-Money Laundering Policy Implementation and corporate clients' experience variables.

2.5.2. Anti-Money Laundering Policy Implementation

Shehu, 2010; He, 2010; and Jensen & Cheong-Ann (2011) had successfully used the sub-constructs to measure the three independent variables used as dimensions of Anti-Money Laundering Policy Implementation. For corporate clients' identification procedures, the study assessed client document verification, beneficiary account verification, purpose, and nature of transaction. For corporate clients' acceptance policy, the study assessed Risk level classification, satisfactory verification and records review. For monitoring of transactions, the study used Transactional scrutiny, Originator and beneficiary verification and Risk level mitigation measures

2.5.3. Corporate clients' Perspective

The study measured corporate clients' perspective through the corporate clients' perspective score (CCPS) as previously used by Heiner (2012). A five-point Likert scale was used to measure the different dynamics that affect corporate clients' perspective in relation to AML policy implementation.

2.5.4. Variable Operationalization

This section operationalizes the study variables by identifying how each of the same was measured, alongside the sources of the various measures.

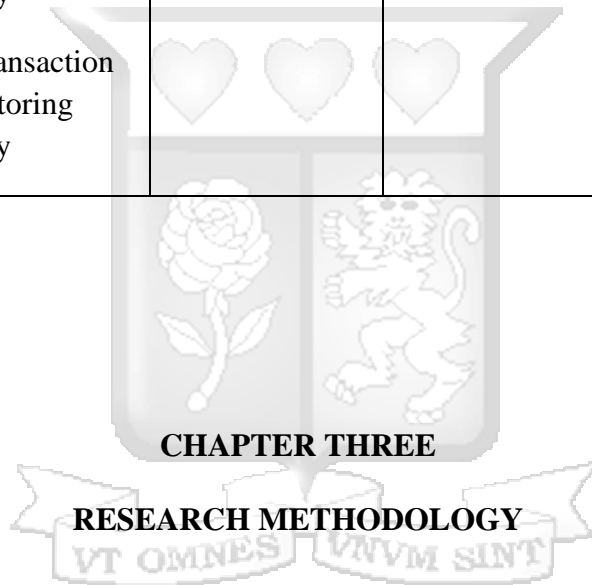
Table 2.1: Operationalization of the Study

| Variable | Constructs | Operational definition | Measurement indicator | Source |
|---|--|--|--|--|
| Independent variable (Anti-Money Laundering Policy Implementation) | Corporate clients' Identification Procedures | Policy aimed at certifying that a prospective corporate clients' is who he/she claims to be and to | Five-point Likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree | Shehu, 2010; He, 2010; Jensen & Cheong-Ann, 2011 |

| | | | | |
|--|--------------------------------------|---|---|--|
| | | ensure that sufficient information is obtained on the nature of the business that the corporate clients' expects to undertake | 4-Agree 5-Strongly agree | |
| | Corporate clients' Acceptance Policy | Requirement that no account is opened in anonymous or fictitious/ benami name(s); in the names of persons with a criminal background and/or having connections with terrorist organizations | Five-point Likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-Strongly agree | Shehu, 2010; He, 2010; Jensen & Cheong-Ann, 2011 |
| | Monitoring of Transactions | The process of sifting through account activities and transactions and matching them against risk profiles | Five-point Likert scale 1-Strongly disagree 2-Disagree 3-Somewhat agree 4-Agree 5-Strongly agree | Kar&Karly, 2011; Jensen & Cheong-Ann, 2011 |

| | | | | |
|---|--|---|---|--------------|
| Dependent variable (Corporate client perspective) | Corporate client perspective with; 1. Corporate clients' identification policy 2. Corporate clients' acceptance policy 3. Transaction monitoring policy | A measure of how service performance meets or surpasses corporate clients' expectations | Five-point Likert scale 1-Very dissatisfied 2-Dissatisfied 3-Somewhat satisfied 4-satisfied 5-Very satisfied | Heiner, 2012 |
|---|--|---|---|--------------|

Source: Author (2019)



3.1. Introduction

The section outlines the actual methods used for data collection and analysis after research. This includes study strategy, objective populace, sample plan, collection of data, procedure and tools applied and analytic strategies adopted.

3.2. Research Philosophy

Research philosophies are defined as concise thoughts on the patterns and strategies in which the collected data are structured, visualized and deeply figured out (Galliers, 1991). On the existing philosophies, positivism is often adopted within sciences due to the objective strategies with the hypothesis testing in connection to the past philosophies. Positivist researchers' plays roles of testing of hypothesis and objective analysis in the evaluation of the original data collected

(Saunders et al., 2009). This research is based on the adoption of the defined philosophy since it was aimed at coming up with philosophies from the social facts using the collected data. The application of positivism is connected with details, certainty and cogency aspects, hence targeted towards the metrics done through quantitative approaches and other empirically methods done statistically (Thorpe & Jackson, 2008; Hatch & Cunliffe, 2006).

3.3. Research Design

The study employed a cross sectional survey design that was aimed at assessing the implementation of Anti-Money Laundering policy on corporate clients' perspective among commercial banks in Nairobi Kenya. A cross sectional strategy proves useful in analyzing connections between different factors as it takes a snapshot of a population at a certain time, allowing conclusions about phenomena across a wide population to be drawn (O'Sullivan, et al., 2009).

The study used a statistical analysis such as regression analysis in order to analyze the data obtained. Regression analysis as a statistical tool that provides insight on which of the dependent variables has a relationship with the independent variable and the kind of relationship that might exist.

3.4. Population and Sampling

The target population of this study was the corporate clients' of all the 42 commercial banks Nairobi (Central Bank of Kenya, 2019). Since the total population is not known to the researcher, the study applied both scientific and non-scientific sampling designs. Judgmental and stratified random sampling designs were used in selection of the samples based on the judgment of the researcher as to which subjects best fit the criteria of the study. The study used a sample of 20 out of 42 commercial banks which are strategically located in Nairobi and had the characteristics the researcher was interested in. Since the Banking survey 2015 report classified banks in Kenya into 3 tiers based on their asset base, the researcher used simple random sampling to banks in each tier to select 20 banks. The researcher ensured that their actual representation in the sample size was proportionate to their number in the population. Mugenda (2008) recommends a sample size of 15% in qualitative and mixed design studies. The sample size of 20 out of the 42 commercial banks was used in this study and this accounted for 48% of the total population. Bias elimination was

done through the use of random sampling techniques on the selected strata. The information on the number of banks sampled was obtained from the Central Bank of Kenya website. Table 3.1 provides the details of the large, medium and small tier banks in Kenya. The sampling matrix was as follows:

Table 3.1: Sample Size Determination

| | Tier | Number of banks | Sample Size |
|-------|-------------|------------------------|--------------------|
| 1. | Large | 6 | 3 |
| 2. | Medium | 14 | 7 |
| 3. | Small | 22 | 10 |
| Total | | 42 | 20 |

Source: Author (2019)

The researcher then selected 5 corporate clients' from each of the 20 randomly selected banks which gave a total of 100 respondents. This therefore ensured that there was a fair representation of each bank.

3.5. Data Collection

The study used a questionnaire for data collection. Questionnaires were appropriate for this study since they collect information that is defined as abstract, especially perceptions and personal experience regarding the individual constructs from the study (Gall *et al.*, 2010). The questionnaire was addressed to either the finance managers or directors of the 100 corporate clients' who were the only ones in a position to give the information that the researcher desired.

A pilot study was conducted across five clients' of commercial banks to pre-test the questionnaire prior to the main data collection exercise with a view to check for errors and test the data collection tool for reliability.

The structure of the questionnaire was guided by the research objectives. The questionnaire contained three sections; section one of the questionnaire was concerned with the corporate clients' profile. This section was aimed at providing information that would be useful in understanding the

different corporate clients' profiles. In this first section multiple-choice questions were provided to gauge the respondents' responses.

Sections two and three of the questionnaires were concerned with anti-money laundering policies and corporate clients' perspective respectively. In these two sections the respondents were provided with statements on which they rated their level of agreement or disagreement using a five-point Likert scale.

The questionnaires were administered by the researcher. The collection was done after three weeks.

3.6. Data Analysis

After completion of the collection of the survey information, the tools were collected back, double checked and amended where necessary. The data was later entered in SPSS V23 for the purposes of analysis. After entry, a series of analysis methods were adopted ranging from summaries, factor analysis, correlation and linear modelling.

3.6.1. Descriptive Analysis

Descriptive analysis involves the use summaries through proportions. It also extends to averages and dispersions from the mean values. The reason for conducting descriptive statistics was to reduce, summarize data and analyze items and constructs. This provided insights into the characteristics of the samples (Kothari, 2004). In this study the firm profile data on number of employees, the number of years the organization has been in operations and the sector in which organization operates in was analyzed by use of descriptive data analysis.

3.6.2 Multivariate analysis

Factor analysis will be used for the selection of the client perceptions in line to the AML policies in practice. Principal Component Analysis (PCA) was used as the measure of extraction for the factors of interest on identification policies, acceptance and transaction monitoring policies. The commonalities and the Kaiser Meyer Olkin (KMO) and Bartlett's Test was adopted to measure for the strength of relationships among the variables. KMO above 0.5 was approved as good in estimation of the client perceptions on the AML policies in practice. The commonalities were also

used to clear out the less relevant factors used for the assessment of AML policies, with a measure below 0.5 left out.

3.6.2. Inferential Analysis

Inferential analysis was conducted to ascertain the effect of Anti-Money Laundering Policy Implementation on corporate clients' perspective among commercial banks in Kenya. Linear Multiple Regression and correlation analysis were used to weigh the strength of the relationships between the specified variables. The Linear models were developed on AML policies with the view that: the response variable followed the bell-shaped distribution with no extremity on the variable values. The regression models inhibits basic assumption that the resulting value of dependent variable follows a straight-line function of each independent variable, holding the other variables constant.

The linear model between the predictor and the response variable were developed to check for conciseness on the estimates, with the aid of coefficients for the sake of interpretations (Fisher, 2010). The aims one, two and three of the study was therefore analyzed using the regression model below.

The regression analysis took the following model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

Y= Corporate clients' perspective

α = Constant

$\beta_1 - \beta_4$ = Beta coefficients

X_1 = Corporate clients' Identification Policy

X_2 = Corporate clients' Acceptance Policy

X_3 = Transaction Monitoring Policy

ϵ = Error term

3.7. Research Quality

In this study the researcher confirmed research quality by ensuring its validity and reliability (Wang et al., 2015). The validity was measured by the extent the data was obtained accurately

reflecting the theoretical concepts. Cronbach alpha was adopted to test for the internal consistency and reliability on the items involved in the study.

3.7.1 Validity

Validity is the extent to which differences found with a measuring tool reflect true differences among respondents being tested (Copper and Schindler, 2003). It is quite important as it provides a picture of the truthfulness between the measures and results realized. Validity can be measured by the extent the data obtained accurately reflects the theoretical or conceptual concepts; that is if the measurements gotten are consistent with the expectations based on already existing information from other empirical studies.

In this study, content validity was attained by the use of two measurement scales that cover all the relevant theoretical aspects of the concepts being studied. These scales were arrived at after a thorough review of literature and studies that had utilized and validated them previously (Shehu, 2010; He, 2010; Jensen & Cheong-Ann, 2011; Heiner, 2012).

3.7.2. Reliability

Reliability refers to the accuracy and precision of a measurement procedure (Copper and Schindler 2003). The author states that reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error (Copper and Schindler 2003). Errors likely to affect reliability include fatigue in respondents, bias from the interviewer and inaccuracy of the instrument in use, inaccuracy in scoring by the researcher and finally, unexplained errors whose source cannot be determined.

Cronbach alpha, was used to test for reliability of the instrument before adoption. The higher the score, the more reliable the generated scale is. Nunnally (1978) has indicated 0.7 to be an acceptable reliability. This study had a reliability score above 0.7 from all the items.

Table 3.2: Cronbach's Alpha test

| |
|-----------------------------|
| Reliability Analysis |
|-----------------------------|

| Variable | Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|------------------|--|------------|
| Corporate clients' Identification Policy | 0.856 | 0.889 | 5 |
| Corporate clients' Acceptance Policy | 0.749 | 0.796 | 5 |
| Monitoring of Transactions | 0.856 | 0.904 | 5 |
| Perspective with Corporate clients' Identification Policy | 0.719 | 0.775 | 5 |
| Perspective with Acceptance Policy | 0.850 | 0.894 | 9 |
| Perspective with Transaction Monitoring Policy | 0.869 | 0.899 | 5 |

Source: Author (2019)

3.7.3 Objectivity

Objectivity in the study was guaranteed through self-administration of the data collection instruments which were administered through the method involving dropping and later coming for the collection of the duly complete questionnaires. Plaintiffs were directed before the data collection exercise to respond as honestly as possible to the best of their knowledge.

3.8 Ethical Consideration

The researcher conformed to the principle of voluntary consent where only willing respondents participated in the study. The researcher sought consent from the respondents before engaging them in the data collection process. Informed consent of the respondents was based on the

information that this study was being conducted for academic purpose only, and that the identity of the respondents will remain confidential. The respondents were also informed that their participation was voluntary and free from all forms of coercion. To avoid plagiarism, all work borrowed from other scholars was acknowledged.



CHAPTER FOUR

DATA ANALYSIS, FINDINGS PRESENTATION AND INTERPRETATION

4.1 Introduction

The section displays outcomes from research divided under the following subheadings: response rate, respondents' profile, descriptive statistics, correlation analysis, linear multiple regression and finally a summary.

4.2 Response Rate

Questionnaires (n=100) were made available to the corporate clients' of commercial banks within Nairobi County. These questionnaires were given to finance directors of the respective firms since they alone would have the information the researcher sought. Out of the 100, only 60 responded, indicating a 60% response rate. This figure was considered statistically significant for the study to continue with the analysis.

4.3 Firm Profile

The unit of analysis for this study was the corporate clients. To profile the corporate client, the study used legal ownership of the company, area of operation, number of employees, whether or not the corporate client operated in more than one location, number of years the corporate client had been in operation, number of bank accounts that the corporate client had, number of commercial banks used by the corporate client and length of time the corporate client had banked with their current bank to adequately profile the corporate client. In table 4.1 below, all the 60

units were taken into account without any missing value. The frequency and the percentages are indicated in the tables. In table 4.1 below 31.7% of the business ownership was Partnership, 43.3% of the firms being in the Commercial & Services Industry and 68.3% of the firms have between 1 to 9 workers. From table 4.1 below 50% of them had operated between 6-10 years and 78.3% owned less than or equal to 2 banks account which they do bank with. The finds in table 4.1 also indicate that 43% of the firms have banked with their current bank for a period of 6-10 years. This is a positive response and consistent as most of them had been in operation between 6-10 years.

Table 4.1: Firm Profile

| Statement | Options | Frequency | Percentage |
|---|-----------------------|------------------|-------------------|
| Legal Ownership of the Company | Partnership | 19 | 31.7 |
| | Sole Proprietorship | 18 | 30.0 |
| | Limited Liability Co. | 16 | 26.7 |
| | Corporation | 7 | 11.7 |
| In which industry does your company operate | Commercial & services | 26 | 43.3 |
| | Construction | 8 | 13.3 |
| | Investment | 8 | 13.3 |
| | Agriculture | 6 | 10.0 |
| | Automobile | 5 | 8.3 |
| | Banking | 4 | 6.7 |
| | Telecommunication | 2 | 3.3 |
| | Energy and petroleum | 1 | 1.7 |
| | Insurance | 0 | 0.0 |
| Number of Employees in the Company | Between 1-9 | 41 | 68.3 |
| | Between 9-49 | 15 | 25.0 |

| | | | |
|--|-------------------|----|------|
| | Between 50-100 | 4 | 6.7 |
| | Over 100 | 0 | 0.0 |
| Does the company operate in more than one location | Yes | 35 | 58.3 |
| | No | 25 | 41.7 |
| Number of Years Company has been in Operation | 6-10 years | 30 | 50.0 |
| | Less than 5 years | 20 | 33.3 |
| | 11-15 years | 7 | 11.7 |
| | Above 15 years | 3 | 5.0 |
| | | | |
| Number of Bank Accounts the company has | 1-2 | 47 | 78.3 |
| | 3-5 | 10 | 16.7 |
| | More than 5 | 3 | 5.0 |
| Do you bank with more than one commercial bank | Yes | 42 | 70.0 |
| | No | 18 | 30.0 |
| If more than One Bank, how many, | 2-3 | 34 | 56.7 |
| | 4-5 | 7 | 11.7 |
| | More than 5 | 3 | 5.0 |
| How long have you banked with your current bank | 6-10 years | 26 | 43.3 |
| | Less than 5 years | 22 | 36.7 |
| | 11-15 years | 6 | 10.0 |
| | Above 15 years | 6 | 10.0 |

Source: Author (2019)

4.4 Anti- Money Laundering Policy

The study sought to assess the effect of anti-money laundering policy implementation on corporate clients' perspective among corporate clients' in Nairobi County. The pertinent measures of anti-money laundering policy implementation are corporate clients' identification policy, corporate clients' acceptance and transaction monitoring policies. Therefore, this study's first objective was

to investigate corporate clients' identification policy implementation. The results were first analyzed using descriptive statistics where frequency, percentage, mean and standard deviation was computed to give an adequate description of the level of agreement with the statements pertaining to corporate clients' identification policy.

4.4.1 Corporate clients' Identification Policy

The respondents were asked to express their degree of agreement with the following ten items in relation to banking sector identification procedures and activities. In table 4.2 below, the frequency scores as well as the percentages of the responses for each item were as shown. The overall mean score was 3.970 and standard deviation was 0.709. The findings indicate that banks do adopt corporate clients' identification policies and clients' are expected to meet the requirements of this policy.

Table 4.2: Corporate clients' Identification Policy

| | N | | Mean | Std. Deviation | Median | Minimum | Maximum |
|--|-------|---------|-------------|----------------|--------|---------|---------|
| | Valid | Missing | | | | | |
| Our Banks Requires us to Provide Certificate of Incorporation | 60 | 0 | 4.40 | .669 | 4.00 | 1 | 5 |
| As A Rep of Organization, I am Requested to Provide Letter of Identification | 60 | 0 | 4.47 | .503 | 4.00 | 4 | 5 |
| Banks Requires Frequently Detailed Description of Our Business | 60 | 0 | 4.42 | .591 | 4.00 | 3 | 5 |
| Banks Obtains Information on the Purpose and Intended Nature of the Business | 60 | 0 | 4.38 | .524 | 4.00 | 3 | 5 |
| Banks Require us to Produce Tax Compliance Certificate | 60 | 0 | 4.22 | .613 | 4.00 | 2 | 5 |
| Banks Require us Provide Identification Documents of Shareholders | 60 | 0 | 4.20 | .777 | 4.00 | 1 | 5 |
| Banks Requires Us Provide Physical Addresses of Company | 60 | 0 | 4.08 | .787 | 4.00 | 1 | 5 |
| Banks Collects Information in Relation to Amount of Transaction | 60 | 0 | 3.75 | .773 | 4.00 | 2 | 5 |
| Bank Carries Out Corporate clients' Identification Procedure Frequent | 60 | 0 | 3.47 | .769 | 3.00 | 2 | 5 |
| Overall mean | | | 3.97 | 0.709 | | | |

Source: Author (2019)

4.4.2 Corporate clients' Acceptance Policy

The second measure pertinent to anti money laundering policy was corporate clients' acceptance policy. The corporate clients' were asked to express their level of agreement with 4 questions pertaining to corporate clients' acceptance. On the corporate clients' acceptance policy, the corporate clients' having no establishments of banking relationships with the current bank until verification of identity had the highest average (M=4.32, SD=0.624). Bankers requiring additional identification from initial identification came second (M=3.68, SD=0.873). Banks applying transactions the same face-to-face procedures similar to the non-face to face transactions came third (M=3.23, SD=0.945). The business activities influencing whether bank accepts corporates was the least (M=2.92, SD=0.869). The analysis showed that corporate clients' having no established relationships with corporate clients' in the current bank was the most dominant with influence of business activities on whether banks accept corporations the least on averages.

The overall mean values were used as indicators of their level of agreement with the statements. As shown in table 4.3 below, the overall mean score was 3.538 and standard deviation was 0.828. This measure indicates that the bank adopt the corporate clients' acceptance policies. The extent in which clients' are exposed to these policies is however less compared to corporate clients' acceptance policy since most of the verification is carried by the bank officials themselves.

Table 4.3: Corporate clients' Acceptance Policy

| | N | | Mean | Std. Deviation | Median | Minimum | Maximum |
|--|-------|---------|--------------|----------------|--------|---------|---------|
| | Valid | Missing | | | | | |
| Company did not establish a banking Relationship with Current Bank Until Identity Was Verified | 60 | 0 | 4.32 | .624 | 4.00 | 2 | 5 |
| Bank Require Additional Identification from The Initial Identification | 60 | 0 | 3.68 | .873 | 4.00 | 1 | 5 |
| Bank Applies Transaction the Same for Face to Face Just Like Those of Non-Face Transaction | 60 | 0 | 3.23 | .945 | 3.00 | 1 | 5 |
| Business Activities Influence Whether Bank Accepts us as Their Corporate | 60 | 0 | 2.92 | .869 | 3.00 | 1 | 5 |
| Overall mean | | | 3.538 | 0.828 | | | |

Source: Author (2019)

4.4.3 Transaction Monitoring Policy

The third pillar of the anti-money laundering policy being implemented by Kenyan banks is transaction-monitoring policy. As such, the study sought to measure the level of agreement by corporate clients' with the policy using a set of 6 questions. In on the display below, the frequency scores as well as the percentages of the responses for each are shown. The overall mean score was 3.897 and standard deviation was 0.671. The analysis also gives a similar picture from the corporate clients' acceptance and corporate clients' identification policies regarding AML policies in practice since all their averages above are 2.5. The findings indicate that most respondents agree to the existence of transaction monitoring policies within their respective commercial banks.

Table 4.4: Transaction Monitoring Policy

| | N | | Mean | Std. Deviation | Median | Minimum | Maximum |
|--|-------|---------|--------------|----------------|--------|---------|---------|
| | Valid | Missing | | | | | |
| Bank Scrutinizes Consistency of Information Given | 60 | 0 | 4.35 | .515 | 4.00 | 3 | 5 |
| Bank's Monitoring is a necessary Component of our Banking Relationship | 60 | 0 | 4.13 | .812 | 4.00 | 2 | 5 |
| Bank has Limit of Amount Transacted Per Single Transaction | 60 | 0 | 3.90 | .656 | 4.00 | 2 | 5 |
| Banks Require Additional Infor for any Transaction Inconsistence with usual Trends | 60 | 0 | 3.75 | .751 | 4.00 | 3 | 5 |
| Bank has Ever Rejected to Process Transaction Involved Considered of High Risk | 60 | 0 | 3.72 | .640 | 4.00 | 2 | 5 |
| Bank Does not Process Transaction Considered of High Risk | 60 | 0 | 3.53 | .650 | 4.00 | 2 | 5 |
| Overall mean | | | 3.897 | 0.671 | | | |

Source: Author (2019)

4.5 Corporate clients' perspective with corporate clients' identification policy

The study sought to measure the effect of anti-money laundering policy implementation on corporate clients' perspective with the corporate client as the unit of analysis. The first independent variable that affected the dependent variable (corporate clients' perspective) was the implementation of corporate clients' identification policy. The respondents were given a set of 9 questions and they were to express their level of agreeableness on a 5-point Likert scale with 1

being very dissatisfied, 2 satisfied, 3 somewhat satisfied, 4 satisfied and 5 very satisfied. The results were first analyzed using descriptive statistics where frequency, percentage, mean and standard deviation was computed to give an adequate description of the level of agreement with the statements pertaining to the effect of corporate clients' identification policy implementation on corporate clients' perspective. The overall perspective was given to indicate the overall level of perspective. The overall mean score was 3.120 and standard deviation was 0.790. The results indicate that most respondents somewhat agreed with the statements on their perspective with corporate clients' identification policy.

Table 4.5: Corporate clients' Perspective: Identification policy

| | N | | Mean | Std. Deviation | Median | Minimum | Maximum |
|--|-------|---------|--------------|----------------|--------|---------|---------|
| | Valid | Missing | | | | | |
| Satisfied with Amount of Information Banks Collects | 59 | 1 | 4.03 | .890 | 4 | 1 | 5 |
| I am Satisfied with the Amount of Time Bank Takes to Complete Identification Process | 60 | 0 | 2.83 | 1.342 | 3 | 1 | 5 |
| Satisfied with Frequency of Corporate clients' Identification Process Carried out by our Banks | 59 | 1 | 3.37 | 1.113 | 3 | 1 | 5 |
| Satisfied with Number of Identification Documents Required | 60 | 0 | 2.45 | 1.268 | 2 | 1 | 5 |
| Satisfied with Competency of Staff Carrying Identification | 60 | 0 | 4.10 | .656 | 4 | 2 | 5 |
| Satisfied with Confidentiality | 58 | 2 | 4.33 | .574 | 4 | 3 | 5 |
| Satisfied by Effort Required from Us | 60 | 0 | 3.18 | .676 | 3 | 2 | 5 |
| Satisfied with Consistency of Identification Process | 60 | 0 | 3.35 | .685 | 3 | 2 | 5 |
| Overall Perspective of Corporate clients' | 60 | 0 | 3.58 | .696 | 4 | 2 | 5 |
| Overall mean | | | 3.120 | 0.790 | | | |

Source: Author (2019)

4.6 Corporate clients' Perspective: Corporate clients' Acceptance Policy

The second variable that affected the dependent variable (corporate clients' perspective) was the implementation of corporate clients' acceptance policy. The respondents were given a set of 4 questions and they were to express their level of agreeableness on a 5-point Likert scale with 1 being very dissatisfied, 2 satisfied, 3 somewhat satisfied, 4 satisfied and 5 very satisfied. The results were first analyzed using descriptive statistics where frequency, percentage, mean and

standard deviation was computed to give an adequate description of the level of agreement with the statements pertaining to the effect of corporate clients' acceptance policy implementation on corporate clients' perspective. As shown in the table below, the overall mean score was 2.910 and standard deviation was 0.633. The findings present the approval of corporate clients' acceptance policies by the bank clients', in relation to AML policies in existence. However, the approval on perspective was quite low as compared to the transaction monitoring policies and corporate clients' identification policies.

Table 4.6: Corporate clients' Perspective: Acceptance Policy

| | N | | Mean | Std. Deviation | Median | Minimum | Maximum |
|---|-------|---------|--------------|----------------|--------|---------|---------|
| | Valid | Missing | | | | | |
| Banks Timely Communication | 60 | 0 | 4.13 | .596 | 4.00 | 3 | 5 |
| Overall Acceptance with Corporate clients' Acceptance | 60 | 0 | 3.73 | .686 | 4.00 | 2 | 5 |
| Satisfied with Consistency of the Requirements of Corporate clients' Acceptance | 60 | 0 | 3.40 | .942 | 3.50 | 1 | 5 |
| Satisfied with Taken to Process Corporate clients' Request to Bank with Them | 60 | 0 | 3.28 | .940 | 3.00 | 1 | 5 |
| Overall mean | | | 2.910 | 0.633 | | | |

Source: Author (2019)



4.7 Corporate clients' Perspective: Transaction Monitoring Policy.

The third variable that affected the dependent variable (corporate clients' perspective) was the implementation of transaction monitoring policy. The respondents were given a set of 6 questions and they were to express their level of agreeableness on a 5-point Likert scale with 1 being very dissatisfied, 2 satisfied, 3 somewhat satisfied, 4 satisfied and 5 very satisfied. The results were first analyzed based on summaries with proportions, averages and spread used to give an adequate description of the level of agreement with the statements pertaining to the effect of corporate clients' acceptance policy implementation on corporate clients' perspective. The overall mean score was 3.750 and standard deviation was 0.474. The findings show that most of the clients' approved the existing transaction monitoring policies on AML, since the average is more than 2.5. This paints a picture of corporate clients' perspective with the existing transaction monitoring policies in use.

Table 4.7: Corporate clients' Perspective Transaction Monitoring Policy

| | N | | Mean | Median | Std. Deviation | Minimum | Maximum |
|--|-----------|----------|-------------|-------------|----------------|----------|----------|
| | Valid | Missing | | | | | |
| Satisfied with Declaration on Source of Wealth | 60 | 0 | 3.98 | 4.00 | .676 | 3 | 5 |
| Satisfied with Infor Provided by Bank on Transaction Exceeding 10000 USD | 60 | 0 | 3.72 | 4.00 | .904 | 2 | 5 |
| Satisfied with Transaction Declaration Purpose | 60 | 0 | 3.68 | 4.00 | .676 | 2 | 5 |
| Satisfied with Consistency of Information While Carrying Out Transaction | 60 | 0 | 3.60 | 4.00 | .848 | 2 | 5 |
| Satisfied with Approach During Transaction | 60 | 0 | 3.58 | 4.00 | .619 | 2 | 5 |
| Satisfied Overall Transaction | 60 | 0 | 3.75 | 4.00 | 0.474 | 3 | 5 |

Source: Author (2019)

From the descriptive analysis, the level of perspective was highest when measured with overall corporate clients' perspective with the highest mean and standard deviations as (Mean = 3.75, SD = 0.696). This implies that there is high consistency in the data provided since both the standards deviations are in the margins of the context.

4.8 Factor Analysis

Corporate client identification policies

Table 4.8: Communalities of corporate client identification policies

| Communalities | | |
|--|---------|------------|
| | Initial | Extraction |
| Our Banks Requires us to Provide Certificate of Incorporation | 1.000 | .668 |
| As A Rep of Organization I am Requested to Provide Letter of Identification | 1.000 | .638 |
| Banks Require us to Produce Tax Compliance Certificate | 1.000 | .763 |
| Banks Require us Provide Identification Documents of Share holders | 1.000 | .797 |
| Banks Requires Us Provide Physical Addresses of Company | 1.000 | .731 |
| Banks Require Residential Address of Share Holders and Directors | 1.000 | .809 |
| Banks Requires Frequently Detailed Description of Our Business | 1.000 | .643 |
| Banks Obtains Information on the Purpose and Intended Nature of the Business | 1.000 | .508 |
| Bank Carries Out Customer Identification Procedure Frequent | 1.000 | .575 |
| Banks Collects Information in Relation to Amount of Transaction | 1.000 | .566 |

Extraction Method: Principal Component Analysis.

From the PCA, 80.9% of banks requiring residential address of shareholders and directors and 50.8% of the banks obtaining information on purpose and intension of the business were accounted for. These metrics proved evidence of all the corporate identification policies quite reasonable for analysis in relationship to the client perspectives from the commercial banks since the extraction statistics greater than 0.5.

Table 4.9: KMO and Bartlett’s test for client identification policies

| KMO and Bartlett's Test | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .554 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 127.582 |
| | Df | 45 |
| | Sig. | .000 |

On the sampling adequacy of the client identification policies, KMO proved satisfactory (KMO=0.554) since it was above 0.5. This makes it possible for further analysis for the client perspectives. The tests for correlation matrix being identity was rejected at 5% level of significance on the Bartlett’s Test of sphericity less than 0.05 ($\chi(45) = 127.582, p = 0.000$). This indicates that the correlation matrix for the client identification policies not an identity matrix hence approval for further analysis.

Corporate client acceptance policies

Table 2.10: Communalities for client acceptance policies

| Communalities | | |
|--|---------|------------|
| | Initial | Extraction |
| Company did not establish a banking Relationship With Current Bank Until Identity Was Verified | 1.000 | .779 |
| Bank Applies Transaction the Same for Face to Face Just Like Those of Non-Face Transaction | 1.000 | .745 |
| Bank Require Additional Identification From The Initial Identification | 1.000 | .341 |
| Business Activities Influence Whether Bank Accepts us as Their Corporate | 1.000 | .865 |

Extraction Method: Principal Component Analysis.

On the PCA, 86.5% on business activities influencing whether banks accept the corporate clients and 34.1% on banks require additional information for initial identification were accounted for. Since banks require additional information for initial identification was less than 50%, it must be omitted to enhance further analysis.

Table 4.11: KMO and Bartlett’s Test for acceptance policies

| KMO and Bartlett's Test | | |
|--|--------------------|--------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .378 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 24.945 |
| | Df | 6 |
| | Sig. | .000 |

On the sampling adequacy of the client identification policies, KMO proved less satisfactory (KMO=0.378 since it was less 0.5. This makes it impossible for further analysis for the client perspectives. The tests for correlation matrix being identity was rejected at 5% level of significance on the Bartlett’s Test of sphericity less than 0.05 ($\chi(6) = 24.945, p = 0.000$). This indicates that the correlation matrix for the client acceptance policies not an identity matrix hence approval for further analysis.

Transaction Monitoring Policies

Table 4.12: Communalities of Transaction Monitoring Policies

| | Communalities | |
|---|---------------|------------|
| | Initial | Extraction |
| Bank Scrutinizes Consistency of Information Given | 1.000 | .650 |
| Banks Require Additional Information for any Transaction Inconsistent with usual Trends | 1.000 | .744 |
| Bank has Ever Rejected to Process Transaction Involved Considered of High Risk | 1.000 | .722 |
| Bank Does not Process Transaction Considered of High Risk | 1.000 | .773 |
| Bank has Limit of Amount Transacted Per Single Transaction | 1.000 | .128 |
| Bank's Monitoring is a necessary Component of our Banking Relationship | 1.000 | .682 |

Extraction Method: Principal Component Analysis.

On the PCA, 77.3% of bank does not process transaction considered of higher risk and 12.8% of banks had a limit of amount per transaction were accounted for. This leads to the need for the omission of banks had a limit of amount per transaction for better reliable results above 50%.

Table 4.13: KMO and Bartlett’s Test for transaction monitoring policies

| KMO and Bartlett's Test | | |
|--|--------------------|--------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .593 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 76.569 |
| | df | 15 |
| | Sig. | .000 |

On the sampling adequacy of the client identification policies, KMO proved satisfactory (KMO=0.593 since it was more 0.5. This makes it possible for further analysis for the client perspectives. The tests for correlation matrix being identity was rejected at 5% level of significance on the Bartlett’s Test of sphericity less than 0.05 ($\chi(15) = 76.569, p = 0.000$). This indicates that the correlation matrix for the transaction monitoring policies not an identity matrix hence approval for further analysis.

Client perceive on client identification policies

Table 4.14: Communalities of client perspective on client identification policies

| | Communalities | |
|--|---------------|------------|
| | Initial | Extraction |
| Satisfied with Amount of Information Banks Collects | 1.000 | .714 |
| I am Satisfied with the Amount of Time Bank Takes to Complete Identification Process | 1.000 | .639 |
| Satisfied with Frequency of Customer Identification Process Carried out by our Banks | 1.000 | .855 |
| Satisfied with Number of Identification Documents Required | 1.000 | .733 |
| Satisfied with Competency of Staff Carrying Identification | 1.000 | .752 |
| Satisfied With Confidentiality | 1.000 | .669 |

| | | |
|--|-------|------|
| Satisfied By Effort Required from Us | 1.000 | .602 |
| Satisfied With Consistency of Identification Process | 1.000 | .580 |
| Overall Satisfaction of Customers | 1.000 | .816 |

Extraction Method: Principal Component Analysis.

On the PCA, 85.5% of perception on frequency on of client identification carried by the banks and 58% of perception on consistency on identification process were accounted for. This indicated that all these factors portrayed differences on client perspectives regarding the identification measures in place.

Table 4.15: KMO and Bartlett’s Test for client identification policies

| | | |
|--|--------------------|--------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .554 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 91.548 |
| | Df | 36 |
| | Sig. | .000 |

On the sampling adequacy of the perspectives on client identification policies, KMO proved satisfactory (KMO=0.554 since it was more 0.5. This makes it possible for further analysis for the client perspectives on identification policies. The tests for correlation matrix being identity was rejected at 5% level of significance on the Bartlett’s Test of sphericity less than 0.05 ($\chi(36) = 91.548, p = 0.000$). This indicates that the correlation matrix for the perspectives on client identification policies not an identity matrix hence approval for further analysis.

Client perception on client acceptance policies

Table 4.16: Communalities for client perception on client acceptance policies

| | Communalities | |
|---|---------------|------------|
| | Initial | Extraction |
| Satisfied With Taken to Process Customers Request to Bank with Them | 1.000 | .543 |
| Satisfied With Consistency of the Requirements of Customer Acceptance | 1.000 | .746 |

| | | |
|---|-------|------|
| Banks Timely Communication | 1.000 | .800 |
| Overall Acceptance With Customer Acceptance | 1.000 | .610 |

Extraction Method: Principal Component Analysis.

On the PCA, 80.0% of banks timely communication and 54.3% of perspective on time taken to process customers request were accounted for. This shows all the factors on client acceptance policies required for further analysis.

Table 4.17: KMO and Bartlett’s Test for client acceptance policies

| | | |
|--|--------------------|--------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .467 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 17.612 |
| | Df | 6 |
| | Sig. | .007 |

On the sampling adequacy of the perspectives on client identification policies, KMO proved less satisfactory (KMO=0.467 since it was less than 0.5. This makes it impossible for further analysis for the client perspectives on acceptance policies. The tests for correlation matrix being identity was rejected at 5% level of significance on the Bartlett’s Test of sphericity less than 0.05 ($\chi(6) = 17.612, p = 0.000$). This indicates that the correlation matrix for the perspectives on client acceptance policies not an identity matrix hence approval for further analysis.

Client perceptive on transaction monitoring policies

Table 4.18: Communalities of client perspective on transaction on transaction monitoring policies

| | Communalities | |
|--|---------------|------------|
| | Initial | Extraction |
| Satisfied With Declaration on Source of Wealth | 1.000 | .556 |
| Satisfied With Transaction Declaration Purpose | 1.000 | .618 |
| Satisfied With Approach During Transaction | 1.000 | .576 |
| Satisfied With Consistency of Information While Carrying Out Transaction | 1.000 | .545 |
| Satisfied with Information Provided by Bank on Transaction Exceeding 10000 USD | 1.000 | .761 |

Extraction Method: Principal Component Analysis.

On the PCA, 76.1% of perception on consistency with information provided by banks on transactions above 1000 USD and 50.5% of perception on overall transactions were accounted for. This makes it certain for use in terms of analyzing the customer preferences within the cause of the analysis.

Table 4.19: KMO and Bartlett's Test for client transaction monitoring policies

| KMO and Bartlett's Test | | |
|--|--------------------|--------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .571 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 75.445 |
| | df | 15 |
| | Sig. | .000 |

On the sampling adequacy of the perspectives on transaction monitoring policies, KMO proved satisfactory (KMO=0.571 since it was more 0.5. This makes it possible for further analysis for the client perspectives on transaction monitoring policies. The tests for correlation matrix being identity was rejected at 5% level of significance on the Bartlett's Test of sphericity less than 0.05 ($\chi(15) = 75.445, p = 0.000$). This indicates that the correlation matrix for the perspectives on transaction monitoring policies not an identity matrix hence approval for further analysis.

From the factor analysis, client identification, approval and transaction monitoring policies proved reliable in relation to their perspectives from the corporate clients. This calls for in-depth analysis using appropriate models.

4.9 Spearman's rho Correlation Analysis

Spearman rank order correlation (rs) was used. Correlation analysis between corporate clients' overall perspective with the bank and the five variables measuring banking conditions was done to measure the strength of association between the two variables. The outcomes are as presented below.

Table 4.20: Correlation analysis between corporate clients’ overall perspective with the bank

| | | CIP | CAP | MIP | SCIP | SCAP | SMIP | B | C |
|--|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| CIP | Correlation Coefficient | 1.000 | .194 | .551** | .223 | .137 | .162 | .587** | .186 |
| | Sig. (2-tailed) | . | .137 | .000 | .087 | .296 | .215 | .000 | .154 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| CAP | Correlation Coefficient | .194 | 1.000 | .355** | -.015 | .222 | .055 | .411** | .095 |
| | Sig. (2-tailed) | .137 | . | .005 | .908 | .089 | .677 | .001 | .468 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| MIP | Correlation Coefficient | .551** | .355** | 1.000 | -.064 | .014 | .085 | .960** | -.162 |
| | Sig. (2-tailed) | .000 | .005 | . | .626 | .913 | .521 | .000 | .218 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| SCIP | Correlation Coefficient | .223 | -.015 | -.064 | 1.000 | .088 | -.016 | -.041 | .579** |
| | Sig. (2-tailed) | .087 | .908 | .626 | . | .504 | .906 | .753 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| SCAP | Correlation Coefficient | .137 | .222 | .014 | .088 | 1.000 | -.132 | .073 | .483** |
| | Sig. (2-tailed) | .296 | .089 | .913 | .504 | . | .314 | .577 | .000 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| SMIP | Correlation Coefficient | .162 | .055 | .085 | -.016 | -.132 | 1.000 | .096 | .416** |
| | Sig. (2-tailed) | .215 | .677 | .521 | .906 | .314 | . | .467 | .001 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| B | Correlation Coefficient | .587** | .411** | .960** | -.041 | .073 | .096 | 1.000 | -.103 |
| | Sig. (2-tailed) | .000 | .001 | .000 | .753 | .577 | .467 | . | .434 |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| C | Correlation Coefficient | .186 | .095 | -.162 | .579** | .483** | .416** | -.103 | 1.000 |
| | Sig. (2-tailed) | .154 | .468 | .218 | .000 | .000 | .001 | .434 | . |
| | N | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | | | | | |

CIP depicts Corporate clients’ Identification Policy, CAP represents Corporate clients’ Acceptance Policy, MTP represents Monitoring of Transactions Policy, SCIP represents Perspective with Corporate clients’ Identification Policy, SCAP represents Perspective with Corporate clients’ Acceptance Policy and SMTP represents Perspective with Monitoring of Transactions Policy. B represents an average figure of the combined Anti-Money Laundering Policy Implementation and C represents an average figure for the Level of Corporate clients’ Perspective. Spearman’s correlation coefficient (r_s) ranges from -1 to 1. 00- .19 shows very weak relationship, .20-.39 shows weak relationship, .40-.59 shows moderate relationship, .60-.79 shows strong relationship and .80 -1.0 shows very strong relationship (Yue, Pillon & Cavadias, 2002).

The findings above depicts that there was a very weak relationship between Anti-Money Laundering Policy Implementation and Level of Corporate clients' Perspective. The relationship was negative but not statistically significant at 1% significance level ($r_s = 0.186$, p value = $0.154 > 0.01$).

SCIP had a statistically significant positive relationship with CIP ($r_s = 0.223$, p value = $0.087 < 0.1$) but the other two independent variables were not statistically significant. SCAP had a positive relationship with all the independent variables but only CAP was statistically significant ($r_s = 0.222$, p value = $0.089 < 0.01$). SMTP had also a positive relationship with all independent variables and it was statistically significant. The correlation analysis depicts the existence of transaction monitoring policies, corporate clients' acceptance and corporate clients' identification policies showing a positive effect on corporate clients' perspective. An improvement in the three policies within the study enhance betterment in terms of AML policy management.

4.10. Regression Analysis

Multiple regression was done to further explain the relationship between overall perspective of corporate clients' to the banking sector as below each of the four variables of bank performance individually. Five multiple regressions were done on SPSS software and the results were as follows:

4.10.1 Overall perspective of corporate clients' with corporate clients' identification policy implementation

Table 4.21: Overall perspective of corporate clients' with corporate clients' identification policy implementation

| |
|--|
| |
|--|

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .433 ^a | .187 | .159 | .638 |
| 2 | .472 ^b | .222 | .166 | .636 |

a. Predictors: (Constant), Perspective on Consistency of Identification Process, Satisfied with Effort Required from Us

b. Predictors: (Constant), perspective on Consistency of Identification Process, Perspective on Effort Required from Us, Perspective on Competency of Staff Carrying Identification, Perspective on Confidentiality



ANOVA^c

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1 | Regression | 5.349 | 2 | 2.675 | 6.562 | .003 ^a |
| | Residual | 23.234 | 57 | .408 | | |
| | Total | 28.583 | 59 | | | |
| 2 | Regression | 6.355 | 4 | 1.589 | 3.931 | .007 ^b |
| | Residual | 22.228 | 55 | .404 | | |
| | Total | 28.583 | 59 | | | |

a. Predictors: (Constant), Perspective on Consistency of Identification Process, Satisfied with Effort Required from Us

b. Predictors: (Constant), perspective on Consistency of Identification Process, Perspective on Effort Required from Us, Perspective on Competency of Staff Carrying Identification, Perspective on Confidentiality

c. Dependent Variable: Overall Perspective of Corporate clients'

Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|------------|---------------------------|---|------|
| | B | Std. Error | Beta | | |
| | | | | | |

| | | | | | | | |
|---|--|-------|-------|-------|-------|------|----|
| 1 | (Constant) | 1.767 | .557 | | 3.171 | .002 | |
| | Perspective on Effort Required from Us | .416 | .125 | .399 | 3.335 | .002 | |
| | Perspective on Consistency of Identification Process | .149 | .122 | .147 | 1.227 | .225 | |
| 2 | (Constant) | .698 | 1.137 | | .614 | .542 | -1 |
| | Perspective on Effort Required from Us | .426 | .125 | .409 | 3.407 | .001 | |
| | Perspective on Consistency of Identification Process | .209 | .129 | .205 | 1.618 | .111 | |
| | Perspective on Confidentiality | .245 | .157 | .200 | 1.564 | .123 | |
| | Perspective on Competency of Staff Carrying Identification | -.054 | .130 | -.051 | -.417 | .679 | |

a. Dependent Variable: Overall Perspective of Corporate clients'

Source: Author (2019)

From the model, the corporate clients' perspective was the dependent variable whereas the rest were the independent variables. The Beta (B) values were the coefficients used in coming up with the regression model. Therefore, the regression model equation was as follows:

$$\hat{Y}_i = 1.767 + 0.416M_{1,1} + 0.149M_{1,2} + 0.426M_{1,3} + 0.209M_{1,4} + 0.245M_{1,5} - 0.054M_{1,6}$$

\hat{Y}_i = is the overall response of the corporate clients' on bank perspective from the corporate clients' identification policy.

From the regression model, 18.7% of the regression between overall perspective on the effort required from corporate clients' by the bank on corporate clients' perspective, consistency of identification process on corporate clients' perspective, confidentiality on corporate clients' perspective and competency of staff carrying identification on corporate clients' perspective is explained by the model (R-square=0.187). This presents a weak form of prediction between the predictors and the response variables.

On the model adequacy, the regression between overall perspectives with the corporate clients' identification policy implementation was statistically adequate at 5% level of significant. The outcome is defined by the p-value of the F-statistic less than 0.05 ($F(4,55) = 3.931, p = 0.007$).

On the model parameters, the intercept had a positive effect on overall corporate clients' perspective ($M = 1.762$). This indicates that when the other factors have no observations from bank identification policy, the corporate clients' perspective score was 1.762. The parameter proved statistically significant at 5% level of significance hence required by the model in predicting overall corporate clients' perspective levels ($t = 3.171, p = 0.002$).

The effort required from the corporate clients' by the banks indicated a positive effect on bank corporate clients' perspectives ($M_{1,1} = 0.416$). This shows that an increase in the effort required from the corporate clients' by a unit increase the corporate clients' perspective levels by 0.416. The parameter proved statistically significant at 5% level of significance hence required by the model ($t = 3.335, p = 0.002$).

The effort of consistency of identification process had a positive effect on corporate clients' perspective on bank corporate clients' perspectives ($M_{1,2} = 0.149$). This shows that an increase in the effort of consistency of identification process by a unit increase the corporate clients' perspective levels by 0.149. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t = 1.227, p = 0.225$).

Confidentiality had a positive effect on bank corporate clients' perspective levels ($M_{1,3} = 0.416$). This shows that an increase in the confidentiality by a unit increase the corporate clients' perspectives by 0.416. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t = 1.564, p = 0.123$).

Competency of staff carrying identification had a negative effect on bank corporate clients' perspectives ($M_{1,4} = -0.054$). This shows that an increase in the competency of staff by a unit decrease the corporate clients' perspectives by 0.054. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t = -0.417, p = 0.679$).

On the analysis, the findings indicated that perspective with the effort required from clients (corporate clients' identification method) led to increased levels of positive perspective felt by the

clients'. This indicates that corporate clients' identification policies had differences based on the policies used by the individual banks within Nairobi County, to influence the levels of corporate clients' perspective from the AML policies.

4.10.2 Overall Perspective of corporate clients' with Corporate clients' Acceptance Policy Implementation

Table 4.22: Overall Perspective of corporate clients' with Corporate clients' Acceptance Policy Implementation

| Model Summary | | | | | |
|----------------------|-------------------|----------|-------------------|----------------------------|--|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | |
| 1 | .331 ^a | .110 | .062 | .664 | |

a. Predictors: (Constant), Perspective on Time Taken to Process Corporate clients' Request to Bank with Them, Banks Timely Communication, Perspective on Consistency of the Requirements of Corporate clients' Acceptance

| ANOVA^b | | | | | | |
|--------------------------|------------|----------------|----|-------------|-------|-------------------|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 3.039 | 3 | 1.013 | 2.297 | .087 ^a |
| | Residual | 24.694 | 56 | .441 | | |
| | Total | 27.733 | 59 | | | |

a. Predictors: (Constant), Perspective on Time Taken to Process Corporate clients' Request to Bank with Them, Banks Timely Communication, Perspective on Consistency of the Requirements of Corporate clients' Acceptance

b. Dependent Variable: Overall Perspective with Corporate clients' Acceptance

| Coefficients | | | | | | |
|--------------|--|-----------------------------|------------|---------------------------|-------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.872 | .848 | | 2.208 | .031 |
| | Banks Timely Communication | .199 | .157 | .173 | 1.267 | .211 |
| | Perspective on Consistency of the Requirements of Corporate clients' Acceptance | .185 | .101 | .254 | 1.832 | .072 |
| | Perspectives on time Taken to Process Corporate clients' Request to Bank with Them | .124 | .094 | .171 | 1.320 | .192 |

a. Dependent Variable: Overall Perspective with Corporate clients' Acceptance



Source: Author (2019)

In the model, the overall corporate clients' perspective with corporate clients' acceptance policy implementation was tested as the dependent variable whereas the rest are the independent variables. The Beta (B) values were the coefficients used in coming up with the regression model. Therefore, the regression model equation was as follows;

$$\hat{Y}_i = 1.872 + 0.199M_{1,1} + 0.185M_{1,2} + 0.124M_{1,3}$$

\hat{Y}_i = is the overall Perspective of the corporate clients'.

From the regression model, 11.1% of the regression between Overall Perspective of corporate clients' and Corporate clients' Acceptance Policy Implementation is explained by the model ($R\text{-square}=0.111$). This presents a weak form of prediction between the predictors and the response variables.

On the model adequacy, the regression between overall perspectives with the corporate clients' Acceptance policy implementation was statistically adequate at 10% level of significant. The evidence is defined by the p-value of the F-statistic less than 0.1 ($F(3,56)=2.297, p=0.087$).

On the model parameters, the intercept had a positive effect on overall corporate clients' perspective ($M=1.872$). This indicates when the acceptance policy implementation has no observations, the value of overall perspective at 1.872. The parameter proved statistically significant at 5% level of significance hence required by the model in predicting overall corporate clients' perspective levels ($t=2.208, p=0.031$).

Banks Timely Communication had a positive effect on bank corporate clients' perspective levels ($M_{1,1}=0.199$). This illustrates than an increase in Banks Timely Communication by a unit increase the corporate clients' perspectives by 0.199. The parameter proved statistically insignificant at 5% level of significance hence required by the model ($t=1.267, p=0.211$).

Perspective with Consistency of the Requirements of Corporate clients' Acceptance had a positive effect on corporate clients' perspective on bank corporate clients' perspectives ($M_{1,2}=0.185$). This shows than an increase in the consistency of the requirements by a unit increase the corporate clients' perspectives by 0.185. The parameter proved statistically significant at 10% level of significance hence desired by the model ($t=1.832, p=0.072$).

Satisfied with Taken to Process Corporate clients' Request to Banks had a positive effect on bank corporate clients' perspective levels ($M_{1,3}=0.124$). This shows than an increase in the time taken to process requests by a unit increase the corporate clients' perspectives by 0.124. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t=1.320, p=0.192$).

The results of the analysis indicate that Perspective with Taken to Process Corporate clients' Request to Banks, Perspective with Consistency of the Requirements of Corporate clients' Acceptance and Banks Timely Communication demonstrated a positive influence on perspective


levels. This implies that an improvement in the three measures on corporate clients' acceptance policies yield better positive results on corporate clients' perspective.

4.10.3 Overall perspective of corporate clients' with Transaction Monitoring Policy Implementation.

Table 4.23: Overall perspective of corporate clients' with Transaction Monitoring Policy Implementation

| Model Summary | | | | | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | |
| | | | | | R Square Change | F Change | df1 | df2 |
| 1 | .658 ^a | .433 | .380 | .373 | .433 | 8.237 | 5 | 54 |

a. Predictors: (Constant), Perspectives on Declaration on Source of Wealth, Perspectives on Consistency of Information While Carrying Out Transaction, Perspectives on Transaction Declaration Purpose, Perspectives on Approach During Transaction, perspectives on Infor Provided by Bank on Transaction Exceeding 10000 USD



| ANOVA ^b | | | | | | |
|--------------------|------------|----------------|----|-------------|-------|-------------------|
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 5.733 | 5 | 1.147 | 8.237 | .000 ^a |
| | Residual | 7.517 | 54 | .139 | | |
| | Total | 13.250 | 59 | | | |

a. Predictors: (Constant), Perspectives on Declaration on Source of Wealth, Perspectives on Consistency of Information While Carrying Out Transaction, Perspectives on Transaction Declaration Purpose, Perspectives on Approach During Transaction, perspectives on Infor Provided by Bank on Transaction Exceeding 10000 USD

b. Dependent Variable: Perspectives on Overall Transaction

| Coefficients | | | | | | |
|--------------|---|-----------------------------|------------|---------------------------|--------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.595 | .435 | | 5.961 | .000 |
| | Perspectives on Infor Provided by Bank on Transaction Exceeding 10000 USD | .377 | .068 | .719 | 5.518 | .000 |
| | Perspectives on Consistency of Information While Carrying Out Transaction | .096 | .060 | .172 | 1.604 | .115 |
| | Perspectives on Approach During Transaction | .029 | .087 | .038 | .335 | .739 |
| | Perspectives on Transaction Declaration Purpose | -.117 | .084 | -.167 | -1.398 | .168 |
| | Perspectives on Declaration on Source of Wealth | -.066 | .086 | -.095 | -.768 | .446 |

a. Dependent Variable: Perspectives on Overall Transaction

Source: Author (2019)

In the model the overall corporate clients' perspective on transaction monitoring policy activities was tested as the dependent variable whereas the rest are the independent variables. The Beta (B) values were the coefficients used in coming up with the regression model. Therefore, the regression model equation was as follows:

$$\hat{Y}_i = 2.595 + 0.377M_{1,1} + 0.096M_{1,2} + 0.029M_{1,3} - 0.117M_{1,4} - 0.066M_{1,5}$$

\hat{Y}_i = is the overall response of the corporate clients' on bank perspective on transaction policy.

From the regression model, 43.3% of the regression between Overall Perspective of corporate clients' and Perspective on Transaction policy is explained by the model (R-square=0.433). This presents a moderate form of prediction between the conjecturers and the response variables.

On the model adequacy, the regression between overall perspectives with the Perspective on Transaction policy was statistically adequate at 5% level of significant. The evidence is defined by the p-value of the F-statistic less than 0.05 (F (5,54) =8.237, p=0.000).

On the model parameters, the intercept had a positive effect on overall corporate clients' perspective (M=2.595). This indicates when the Perspective on Transaction policy has no observations, the value of overall perspective at 2.595. The parameter proved statistically significant at 5% level of significance hence required by the model in predicting overall corporate clients' perspective levels (t=5.961, p=0.000).

Satisfied with Information Provided by Bank on Transaction Exceeding 10000 USD had a positive effect on bank corporate clients' perspectives (M_{1,1}=0.377). This illustrates than an increase in Perspective on Information Provided by Bank on Transaction Exceeding 10000 USD by a unit increase the corporate clients' perspectives by 0.377. The parameter proved statistically significant at 5% level of significance hence required by the model (t=5.518, p=0.000).

Perspective on Consistency of Information While Carrying Out Transaction had a positive effect on corporate clients' perspective on bank corporate clients' perspectives (M_{1,2}=0.096). This shows than an increase in the corporate clients' Perspective based on the Consistency of Information While Carrying Out Transactions by a unit increased the corporate clients' perspective levels by 0.096. The parameter proved statistically insignificant at 10% level of significance hence desired by the model (t=1.604, p=0.115).

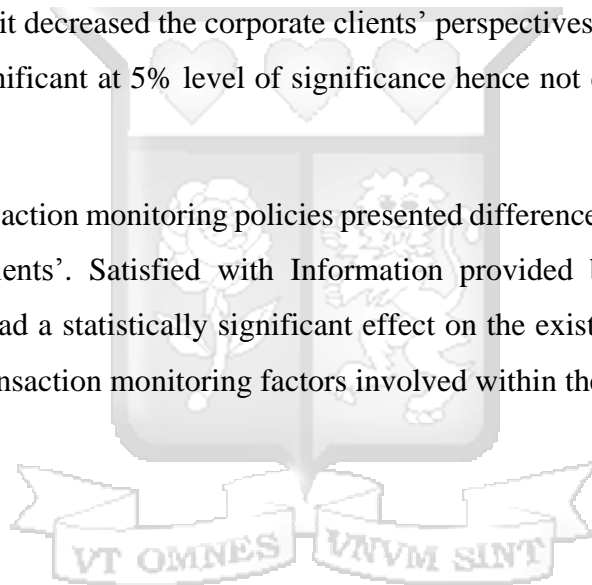
Perspective on Approach During Transaction had a positive effect on bank corporate clients' perspectives (M_{1,3}=0.029). This confirms than an increase in Perspective with Approach displayed During Transactions by a unit increase the corporate clients' perspectives by 0.029. The parameter

proved statistically insignificant at 5% level of significance hence not desired by the model ($t=0.335$, $p=0.739$).

Perspective on Transaction Declaration Purpose had a negative effect on bank corporate clients' perspectives ($M_{1,4}=-0.117$). This confirms that an increase in Perspective with Transaction Declaration Purpose by a unit decreased the corporate clients' perspectives by 0.117. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t=-1.398$, $p=0.168$).

Perspective on Declaration on Source of Wealth had a negative effect on corporate clients' perspectives ($M_{1,5}=-0.066$). This confirms that an increase in Perspective with Declaration on Source of Wealth by a unit decreased the corporate clients' perspectives by 0.066. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t=-0.768$, $p=0.446$).

From the results, the transaction monitoring policies presented differences in the perspective levels among the corporate clients'. Satisfied with Information provided by Bank on Transaction Exceeding 10000 USD had a statistically significant effect on the existing client perspectives as compared to the other transaction monitoring factors involved within the study.



4.10 Overall Results

Here the researcher made a cross tabulation as well as cross reference the overall results obtained through running a regression over the overall corporate clients' identification policy, overall corporate clients' acceptance policy and overall transaction monitoring policy.

Table 4.24: Correlation analysis for overall corporate clients' acceptance policy and overall transaction monitoring policy

| Correlations | | | | |
|--|---------------------|---|---|---|
| | | Overall Perspective of Corporate clients | Overall Perception on Corporate clients' Acceptance Policies | Perception on Overall Transaction Monitoring Policies |
| Overall Perspective of Corporate clients | Pearson Correlation | 1 | -.059 | .141 |
| | Sig. (2-tailed) | | .653 | .281 |
| | N | 60 | 60 | 60 |
| Overall Perception on Corporate clients' Acceptance Policies | Pearson Correlation | -.059 | 1 | -.156 |
| | Sig. (2-tailed) | .653 | | .232 |
| | N | 60 | 60 | 60 |
| Perception on Overall Transaction Monitoring Policies | Pearson Correlation | .141 | -.156 | 1 |
| | Sig. (2-tailed) | .281 | .232 | |
| | N | 60 | 60 | 60 |

From the correlation analysis, overall perspective with corporate clients' acceptance had a weak negative relationship with the overall perspective levels of the corporate clients ($r_s = -0.059$). The relationship also displayed as statistically trivial significance ($p = 0.653$). Satisfied with overall Transaction had a frail constructive association with the overall perspective of corporate clients ($r_s = 0.141$). It also implicated statistically insignificant form of relationship between them ($p = 0.141$). Based on the results, an improvement in overall acceptance results in positive perception among the clients. Furthermore, perspective with the transaction monitoring policies lead to an improved perspective on overall, among the corporate clients from the banks.

4.11 Summary of the Regression models

From the four regression Table 4.13 presents a summary of the significant and in significant variables in the models regressed. The first column represents the independent variables used in the model and the second row represents the dependent variables used.

Table 4.25: Summary of the results

| Model Summary | | | | | |
|----------------------|-------------------|----------|-------------------|----------------------------|--|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | |
| 1 | .355 ^a | .126 | .079 | .668 | |

a. Predictors: (Constant), Overall Perspective on Corporate clients' Acceptance, Perspective on Overall Transaction, Perspective on Amount of Information Banks Collects

| Coefficients | | | | | | |
|---------------------|---|-----------------------------|------------|---------------------------|-------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.311 | 1.115 | | 1.176 | .245 |
| | Perspective on Amount of Information Banks Collects | .264 | .102 | .338 | 2.590 | .012 |
| | Perspective on Overall Transaction | .265 | .188 | .180 | 1.413 | .163 |
| | Overall Perspective on with Corporate clients' Acceptance | .056 | .134 | .055 | .420 | .676 |

a. Dependent Variable: Overall Perspective of Corporate clients'

ANOVA^b

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1 | Regression | 3.604 | 3 | 1.201 | 2.693 | .055 ^a |
| | Residual | 24.979 | 56 | .446 | | |
| | Total | 28.583 | 59 | | | |

a. Predictors: (Constant), Overall Perspective on Corporate clients' Acceptance, Perspective on Overall Transaction, Perspective on Amount of Information Banks Collects

b. Dependent Variable: Overall Perspective of Corporate clients'

Source: Author (2019)

In the model the overall corporate clients' perspective on transaction monitoring policy activities, identification policies and acceptance policies were presented in the form of the equation;

$$\hat{Y}_i = 1.311 + 0.264M_{1,1} + 0.265M_{1,2} + 0.056M_{1,3}$$

\hat{Y}_i = is the overall response of the corporate clients' on bank perspective

From the regression model, 12.6% of the regression between Overall Perspective of corporate clients', Perspective on Acceptance policy, Perspective on Identification policy and Perspective on Transaction policy is explained by the model (R-square=0.126). The explanation presents a weak sense of predictability on overall corporate clients' perspective levels.

On the model adequacy, the regression between Overall Perspective of corporate clients', Perspective on Acceptance policy, Perspective on Identification policy and Perspective on Transaction policy adequate at 10% level of significant. The evidence is defined by the p-value of the F-statistic less than 0.1 (F3,56) =2.693, p=0.055).

On the model parameters, the intercept had a positive effect on overall corporate clients' perspective ($M=1.311$). This indicates when the Perspective on Acceptance policy, Perspective on Identification policy and Perspective on Transaction policy has no observations, the value of overall perspective at 1.311. The parameter proved statistically insignificant at 5% level of significance hence not required by the model in predicting overall corporate clients' perspectives ($t=1.176$, $p=0.245$).

Perception on Amount of Information Banks Collects (Identification Policy) had a positive effect on corporate clients' perspectives ($M_{1,1}=0.264$). This confirms than an increase in identification policy by a unit increase the corporate clients' perspective levels by 0.264. The parameter proved statistically significant at 5% level of significance hence desired by the model ($t=-0.2590$, $p=0.012$).

Perception on Overall Transaction (Transaction monitoring policy) had a positive effect on corporate clients' perspectives ($M_{1,2}=0.265$). This illustrates than an improvement in Transaction monitoring policy by a unit decreased the corporate clients' perspective levels by 0.265. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t=1.413$, $p=0.163$).

Overall Acceptance with Corporate clients' Acceptance (Acceptance policy) had a positive effect on corporate clients' perspective levels ($M_{1,3}=0.056$). This confirms than an improvement in Acceptance policy by a unit increase the corporate clients' perspectives by 0.056. The parameter proved statistically insignificant at 5% level of significance hence not desired by the model ($t=0.420$, $p=0.676$).

Based on the overall analysis, the information a bank collects from corporate clients' directly affects a corporate clients' overall perspective, followed by overall transaction monitoring policy whereas corporate clients' acceptance has the least effect on overall corporate clients' perspective among corporate clients' in Nairobi County.

4.11 Summary of the Regression Models

From the four regression Table 4.8.5 presents a summary of the significant and in significant variables in the models regressed. The first column represents the independent variables used in the model and the second row represents the dependent variables used. The results show that on perspective status of the corporate clients' identification and identification policy proved statistically significant as opposed to clients' acceptance and transaction monitoring policies. On perspective on acceptance policies, identification proved statistically significant as compared to corporate clients' acceptance and transaction monitoring policies. Perspective with the transaction monitoring policies indicated none of the factors significant. On the combined model, the overall perspective levels from the corporate clients received a significant impact from corporate clients' identification policies as corporate client acceptance and transaction monitoring having no significant impact. The general results indicate greater importance of corporate clients' identification polices as widely used by the banks to tackle problems arising from money laundering claims and corporate clients' perspective as shown in table 4.14.

Table 4.26 Summary of results

| Model | Level of Corporate clients' Perspective | | | |
|---|---|-----------------|-----------------|-----------------|
| | SCIP | SCAP | SMTTP | Combined |
| Corporate clients' Identification Policy | Significant | Significant | Not significant | Significant |
| Corporate clients' Acceptance Policy | Not significant | Not significant | Not significant | Not significant |
| Monitoring of Transactions Policy | Not significant | Not significant | Not significant | insignificant |

4.12 Chapter Summary

According to the results of the analysis, the three policies namely identification, acceptance and the monetary transaction showed different effects on the levels of corporate clients' perspective.

First, the corporate clients' identification policy displayed a positive effect on the overall corporate clients' perspective levels. This implied that an improvement in the forms of identification utilized by the bankers greatly influence the corporate clients' the overall perspective levels within the banks in Nairobi County. The measure proved statistically significant in relation to its effect on the overall corporate clients' perspective scores.

Secondly, the corporate clients' transaction monitoring policies used by the bankers illustrated a positive effect on the overall corporate clients' perspective levels. Similar to the corporate clients' identification policies, an improvement in the forms of transaction monitoring policies adopted by the banks lead to an improvement in both corporate clients' perspective on the transaction monitoring policies and the corporate clients' overall perspective levels alike. However, the corporate clients' transaction monitoring policies showed an insignificant relationship with the overall corporate clients' perspective levels.

Lastly, the corporate clients' acceptance policies also indicated a positive effect on the overall corporate clients' perspective measures. Comparable to both corporate clients' transaction monitoring policies and corporate clients' identification policies, an improvement in corporate clients' acceptance policies lead to enhanced perspective levels among the clients'. However, the measure proved statistically insignificant in relation to the overall perspective levels from the banks.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This episode offers hasty to the study verdicts in terms of the study objectives. The effects of Anti-Money Laundering policies on corporate clients' perspective from the different commercial banks in Nairobi are vividly discussed. The section also comprises of deductions, limitations, commendations and areas of future studies in relation to the AML policies.

5.2 Discussion of the Findings

This section of the chapter covers an insightful discussion of the study findings, in relation to the objectives of the study. It is divided into three objectives; identification, acceptance and transaction monitoring policies as debated below;

5.2.1: The Effect of Corporate clients' Identification Procedures on Corporate Clients'' Perspective

On the analysis, the corporate clients' identification procedures on AML showed a positive effect on the corporate clients' perspectives. In respect to these set of observations, an improvement on the corporate clients' identification procedures such as documentation measures lead to improvement in the levels of corporate clients' perspective in relation to the AML policies. The analysis also stipulated the statistical significance aspect of the influence of the identification practices on clients' perspective. The outcome of this analysis paves way for continued and improvement in identification measures, to foster the AML measures for monetary policy protection between the banks and the clients'.

The study concurred with Ai (2012), that identified corporate clients' identification a reliable approach towards AML management, as it also had a positive relationship with the corporate clients' perspective levels. The connection between this study and the AML study within Nairobi County banks indicates the need to obtain sufficient information necessary to establish, to their perspective, the identity of each new corporate client, whether regular or occasional, and the purpose of the intended nature of banking relationship.

Furthermore, the effects of identification on corporate clients' perspective proved similar to Kar and Karly (2011), with the possibility to satisfy the needs of the clients' through due diligence and

management of risks emanating from the existing Anti-Money Laundering mechanism. The findings from our study portray a positive connect between proper identification of the clients, with the view of improving service provisions, guarding against Anti-Money Laundering problems to the banks and the country (Kenya).

In connection to the existing authors, the corporate clients' identification policies present a better outcome especially within the commercial banks in Nairobi County on AML policies. Most of the existing findings done in other areas proved to connect with the exact needs of this study, hence filling the AML policy gaps within Nairobi.

5.2.2: The Effect of Corporate clients' Acceptance and Severance Policy on Corporate Client Perspective

The corporate clients' acceptance policies had a positive effect on the corporate clients' perspectives in regards to the Anti-Money Laundering policies provisions by the commercial banks. This indicates that betterment in the acceptance policies lead to improved corporate clients' perspective metrics. However, there exists a statistical insignificant form of perspective among the corporate clients served by the banks.

This study outcome proved similar to Tang and Lishan (2010) and Stephenson (2002) that argued that the acceptance policies had significant effects on corporate clients' perspective. The similarities may be tied to the fact that cross-sectional study design was employed by these two studies, having similar outcomes in relation to the two studies. Furthermore, they also echoed similarity in the positive relationship between the acceptance and the perspectives.

On the contrary, Stephenson (2002) had differences in terms of the factors involved in the analysis of the corporate clients' acceptance policies, as compared to this study. His study was pegged on descriptive and longitudinal designs, having factor analysis used to weigh the different factors causing statistical disparities within the findings. In this analysis, the findings prove important based on the cross-section design on corporate clients' acceptance policies on AML for use by the existing commercial banks within Nairobi.

5.2.3: The Effect of Monitoring of Transactions on Corporate Clients' Perspective

Transaction monitoring within the commercial banks presented a positive effect on the corporate clients' perspectives. This also indicates that improvements on the policies on transaction monitoring such as amounts of withdrawal among other measures linked to improved perspective levels among clients. As opposed to corporate clients' acceptance and identification policies, transaction monitoring shows an insignificant relationship with the corporate clients' perspectives from the commercial banks.

In relation to Agarwal, J.D. & Agarwal (2005), transaction monitoring plays a key role in improving the corporate clients' perspectives, hence improving corporate clients' perspectives. The measure is used to reduce chances of risks and suspicion in transactions undertaken by the clients' within the banks. However, the study proves different on statistical significance, since the relationship was significant as opposed to the results of our study. The difference connected with nature of the study designs used as this study used cross-sectional design, limited on numbers as compared to the compared study that adopted longitudinal studies, having greater coverages.

5.3 Conclusions

According to the study outcomes, the AML policies; identification policies, acceptance policies and monitoring transaction policies had a positive effect on corporate clients' perspective. The findings differed in statistical significance, with identification policies and acceptance policies proved significant as compared to the monitoring transaction policies.

Acceptance and identification policies actualized by the commercial banks within Nairobi clearly indicated a positive impact on corporate clients' perspective levels. The outcomes of these studies proved similar to other scholars' findings Tang and Lishan (2010), and Kar and Karly (2011), in terms of the magnitude and direction of the relationship realized from the study results.

The unabated truth from the findings shows similarities with past studies such as Stevenson (2002), that clearly illustrated a positive impact of transaction monitoring on corporate clients' perspective within the commercial banks. The observation clearly illustrated the importance of monitoring transactions of both the individual and corporate transactions realized.

The study led to the realization of the study objectives, since corporate clients' identification, acceptance and transaction-monitoring policies show a positive effect on the corporate clients' perspectives. The analogy depicts the need for continued improvement of the policies in regards to the changes in corporate clients' expectations within the banks. The policy improvement done not to scare them away but instead, reduce instances of money laundering and corporate clients' perspectives improved.

5.4 Recommendations

The recommendations from the commercial banks within Nairobi County susceptible to Money laundering challenges from the policies and their effects on corporate clients' are shown within the study. First, the need for the commercial banks to adjust on their identification policies to meet the needs of the clients' is clearly presented. More is required in terms of the policy from the bank management, with more stringent policies developed by the Central Bank to help demystify the situation.

Secondly, the study has clearly shown that the identification policies, acceptance policies and monitoring transaction policies show a positive impact on corporate clients' perspectives. This calls for continued adoption of the trio, to help in managing Money-laundering claims faced occasionally by the commercial banks within Nairobi County and the country (Kenya) at large.

Lastly, this study backed to existing writings on the effects of AML policies on corporate clients' perspectives within commercial banks. This leads to the need for further studies within the whole county through all the other 46 counties, in trying to understand the different county outcomes, for national account on AML policies.

5.5 Limitations of the Study

Despite of the different facets tackled by the research; the study comes with some limitations. First, the study was majorly confined to the identification, acceptance and transaction monitoring policies. This obviously led to the exclusion of some of the important factors influencing corporate clients' perspective in solving the money-laundering stalemate in Kenya.

Secondly, since the study was conducted within Commercial Banks in Nairobi County, the findings may prove less reliable in the other 46 counties. There is expectation of variances in terms

of the three policies analysis (identification, acceptance and transaction monitoring policies) across the different counties. This limitation is associated with the cross-sectional design of the study, hence the need for inter-county analysis of the existing Anti-Money Laundering (ALM) policies in action by the different Commercial Banks.

5.6 Suggestions for Further Research

This study opens up for extensive studies on the effects of Anti-Money laundering (ALM) policies on corporate clients' perspective among banks in the other 46 counties of Kenya. This immediate recommendation will enhance a bigger picture on the policy impacts on the immediate corporate clients' based on identification, acceptance and transaction monitoring.

Furthermore, there is need to re-evaluate other factors beyond the identification, acceptance and transaction monitoring such as government policies on AML on corporate clients' perspectives. The varied approaches on governmental policy framework regarding AML presents an interesting insight, with the need to decipher their effects on corporate clients' perspective regarding financial services offered within the different banking institutions in the country.

Lastly, the study also recommends longitudinal studies, in addition to the cross-sectional studies to investigate the effects of the AML policies on corporate clients' perspective. The three policies (identification, acceptance and transaction monitoring) expected to experience periodic changes, hence the need for constant studies on the same, to make the banks on course in respect to meeting corporate clients' perspective levels and promote their bank businesses.

REFERENCES

- Agarwal, J.D. & Agarwal, Aman. (2005). International Money Laundering in the banking
- Ai, L., & Jun, T. (2011) Risk-Based Approach for Designing Enterprise-Wide AML Information
- Ai, L., (2012). Rule-Based but Risk-Oriented Approach for Combating Money Laundering in Chinese Financial Sectors. *Journal of Money Laundering Control*, 15(2) 89-123.
- Ai, L., Broome, J. & Hao, Y. (2010). Carrying out a Risk-Based Approach to AML in China: Partial or Full Implementation? *Journal of Money Laundering Control*, 13(4) 394–404.
- Ai, Lishan, and Jun Tang, Risk-Based Approach for Designing Enterprise-Wide AML Information System Solution (2011) 18(3) *Journal of Financial Crime* 268–76.
- Anderson, Eugene W., & Sullivan, Mary W. (1993). “The Antecedents and Consequences of Corporate clients’ Perspective for Firms,” *Marketing Science* Spring, Pp. 129.
- Arussy, L. (2015). *Passionate & Profitable: Why Corporate clients’ Strategies Fail and 10 Steps to Do Them Right* Hobokenm, New Jersey. John Wiley & Sons, Inc.
- Avina, J. (2011). Public-Private Partnerships in the Fight against Crime: An Emerging Frontier in Corporate Social Responsibility. *Journal of Financial Crime*, 18(3), Pp.282.
- Bagenda, *Profiling Money Laundering in Eastern and Southern Africa, Combating Money Laundering in the SADC Sub-Region: The Case of Tanzania*, Published in Monograph No 90, December 2003.
- Barrett, R. (1997). Confronting Tax Havens, the Offshore Phenomenon, and Money Laundering, *International Tax Journal*, Vol. 23 No.2, pp.12-42.
- Barry, E., (2002). An Eve on Russia. *Monthly Review*, Ernst & Young. Moscow.
- Barry, R. (2006). "Protecting the Financial System from Abuse, Challenges to Banks in Implementing AML/CFT standards", *Journal of Money Laundering Control*, Vol. 9 (1) pp. 48 – 61.

- Bate, P. and Robert, G. (2007). Toward More User-centric OD: Lessons from the Field of Experience-based Design and a Case Study. *The Journal of Applied Behavioral Science*, 41(1), 41-66.
- Beekarry, N. (2011). The International Anti-Money Laundering and Combating the Financing of Terrorism Regulatory Strategy: A Critical Analysis of Compliance Determinants in International Law. *Northwestern Journal of International Law & Business*, 31(1), P.137.
- Berry, L.L. and Carbone, L.P. (2007). Build Loyalty through Experience Management and Quality Progress, 40(9), 26-32.
- Bester, H., De Koker, L., Hawthorne, R. (2014). *Access to Financial Services in South Africa: A Brief Case Study of the Effect of the Implementation of the Financial Action Task Force Recommendations*, Genesis Analytics (pty) Ltd, Johannesburg, Genesis (a study prepared for FinMark Trust) par 6.1.
- Blum, A. J., Levi, M., Naylor, T. R., & Williams, P. (2000). *Financial Havens, Banking Secrecy and Money Laundering*. United Nations Office for Drug Control and Crime Prevention.
- Blum, J. A., Michael L. R., Naylor, T and Phil, W. (1998). Financial havens, banking secrecy and money laundering. A study prepared on behalf of the United Nations under the auspices of the Global Programme against Money Laundering, Office for Drug Control and Crime Prevention; Vienna, Austria. (Available at: <http://www.cf.ac.uk/socsi/whoswho/levi-laundering.pdf>)
- Bozorgi, M. (2007). Measuring Service Quality in the Airline Using SERVQUAL model, Masters Thesis, AALTU-PB-07046-SE.
- Bradley, L. & Steward, K. (2012). A Delphi study of the drivers and inhibitors of Internet banking. *International Journal of Bank Marketing*, 20(6), 250-260.
- Caleb M. F. (2013), *The role of the banking sector in combating money Laundering*. A paper presented by Dr. Caleb M Fundanga, Governor of the Bank of Zambia, at a seminar organized by the C and N Centre for Advanced International Studies, Lusaka, Zambia, 23 January 2003.

- Carbone, L.P. and Haeckel, S.H. (1994). *Engineering corporate clients' experience*. *Marketing Management*, 3(3), 8-19.
- Central Bank of Kenya Act, (2011). Chapter 461 *Bank Supervision*, January 2011.
- Central Bank of Kenya. (2012). Central Bank of Kenya Act Chapter 491 of the laws of Kenya. National Council for Law Reporting.
- Central Bank of Kenya. *Central Bank of Kenya: Commercial Banks & Mortgage Finance Institutions*. Retrieved 20th September 2016.
- Chatain, P-L., Zerzan, A., Noor, W., Dannaoui, N. and De Koker, L. (2011). *Protecting Mobile Money Against Financial Crime: Global Policy Challenges and Solutions*, The World Bank, Washington, DC, Retrieved from www.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/03/10/000333037_20110310000727/Rendered/PDF/600600PUB0ID181Mobile09780821386699.pdf.
- Choo, K. R. (2010). Challenges in Dealing with Politically Exposed Persons. *Trends & Issues in Crime and Criminal Justice*, 2 (386), 23-34.
- Cline G. (2000). *Bank Regulation; The Case of Missing Model: Policy Research Paper Crime and The Use of International Asset Sharing to promote International Cooperation*.
- Dixon M., Freeman K. Y & Toman, N. (2013). *Stop Trying to Delight Your Corporate clients', USA*. Harvard Business Review.
- Edvardsson B., Gustafsson, A. and Enquist, B. (2007). Success Factors in New Service Development and Value Creation Through Services. *Advances in Services Innovations*, Pp 165-183.
- FATF (2002-2006) Financial Action Task Force on *Money Laundering, the Mutual Evaluation Reports on Anti-Money Laundering and Combating the Financing of Terrorism of Australia and United States of America* (May 2006) published on the FATF website: www.fatf-gafi.org .

FATF (2012), *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – The FATF Recommendations*, FATF, Paris, retrieved from www.fatf-gafi.org/recommendations.

FATF (2013a), *FATF Guidance National Money Laundering and Terrorist Financing Risk Assessment*, FATF, Paris, retrieved from www.fatfgafi.org/topics/methodsandtrends/documents/nationalmoneylaundryingandterroristfinancingriskassessment.html.

FATF (2013b), *FATF Methodology for assessing with the FATF Recommendations and the effectiveness of AML/CFT systems*, FATF, Paris retrieved from

FATF (2013c), *FATF Guidance: Politically Exposed Persons (Recommendations 12 and 22)*, FATF, Paris www.fatfgafi.org/topics/fatfrecommendations/documents/peps-r12-r22.html.

FATF (2013d), *Revised Guidance on AML/CFT and Financial Inclusion*, FATF, Paris. Retrieved from www.fatfgafi.org/topics/financialinclusion/documents/revisedguidanceonamlcftandfinancialinclusion.html.

Fishbein, M., & Ajzen, I. (1980). *Understanding attitudes and predicting social behavior*. Englewood Cliffs, NJ: Prentice-Hall

Government of Kenya, (2012). *The Proceeds of Crime and Anti-Money Laundering Act, 2009*.

Gurung, J., Marcell, W. Asha, R. (2010). AMLCTF Compliance and SMEs in Australia: A Case Study of the Prepaid Card Industry. *Journal of Money Laundering Control*, 13(3), Pp184.

Hancher, L., Moran, L. (1989). Organizing regulatory space, in Hancher, L., Moran, *Control: Boston: McGraw-Hill Irwin*.

He, P. (2010). A Typological Study on Money Laundering' 13 (1) *Journal of Money Laundering Control* 15.

Helgesson, K. S. (2011). Public-Private Partners against Crime: Governance, Surveillance and the Limits of Corporate Accountability. *Surveillance & Society*, 8(4) Pp471.

<https://www.centralbank.go.ke>

- Hutter, B. (2005). *The attractions of risk-based regulation: accounting for the emergence of risk ideas in regulation*, London School of Economics and Political Science, Economic & Social Research Council Centre for Analysis of Risk and Regulation, London, Discussion Paper No. 33.
- Jensen, N. & Cheong-Ann, P. (2011). Implementation of the FATF 409 Recommendations: A Prospective from Developing Countries. *Journal of Money Laundering Control*, 14(2), Pp110.
- Johnson G. & Scholes K. (2004). *Exploring Corporate strategy*, 6th Ed; New Delhi. Prentice- Hall.
- Juma C. & Clark N. (1995). *Policy Research in Sub-Sahara Africa; An Exploration: Journal of Public Administration and Development*, Vol 15. No 1: Nairobi.
- Kar, D. & Karly, C. (2011). Illicit Financial Flows from Developing Countries: 2000-2009. *Global Financial Integrity*, 16 (3), Pp 78-100.
- Khalifa M. & V. Liu. (2002). Perspective with Internet-Based Services: The Role of Expectations and Desires. *Journal of Electronic Commerce*, 7(2), pp 31-35.
- Kochan, N. (2005). The Washing Machine, How Money Laundering is; and the Terrorist sector, *Journal of Accounting & Public Policy*, Vol. 25 pp.32-70.
- KPMG,2014 KPMG. 2014 Global Anti-Money Laundering Survey Report.
- Kumar, R. (2011). *Research Methodology: A step by Step Guide for Beginners*. London: Sage.
- LexisNexis Risk Solutions & ACAMS. (2013). Anti-Money Laundering Risk Assessment and Corporate clients' Due Diligence Survey Report.
- Morgan J. S. (2003), *Dirty names, Dangerous Money: Alleged Unilateralism in US Policy on Money Laundering*, *Journal of International Law*, Vol. 21 No. 3, Pp 771-803.
- Mugenda, A. (2008). *Social Science Research*. Nairobi: Applied.

- Nelson M. Graham, (2003), "Know your corporate clients': Good for compliance, great for client service", *Journal of Investment Compliance*, Vol. 4 pp. 58 – 61.
- Njagi, L. W. (2009) Effectiveness of Know Your Corporate clients' (KYC) Policies Adopted By Commercial Banks in Kenya in Reducing Money Laundering and Fraud Incidences. Unpublished MBA project. University of Nairobi.
- Olalekan C.K (2014), Money Laundering: A Threat to Sustainable Democracy in Nigeria. *Journal of Economics and Sustainable Development*, Vol.5, No.2, pp88.
- Oliver, R. L. (1980). A Cognitive Model of the Antecedents and Consequence of Corporate clients' Perspective. *Journal of Marketing Research*, 17, November, pp 460- 469.
- Oyugi L. & Kibua T. (2004). *Policy Research and Policy Analysis and Practice in Kenya*: Nairobi. Ipar.
- Pearce J.A. & Robinson R. B. (2007). *Strategic Management; Formulation, Implementation .Capitalism, Culture and Economic Regulation*, OUP, Oxford, pp.271-4.
- Prince M. Bagenda, *Profiling Money Laundering in Eastern and Southern Africa, Combating Money Laundering in the SADC Sub-Region: The Case of Tanzania*, Published in Monograph No 90, December 2003.
- PWC (2013). Know Your Corporate clients': Quick Reference Guide: *Understanding global KYC differences*, January 2013, PWC.
- Rangkuti, F. (2018). *Measuring Corporate clients' Perspective Teknik Mengukur Strat. Meningkatkan Kep. Plg.* Gramedia Pustaka Utama.
- Reichheld, F. (2014). *The Ultimate Question: Driving Good Profits and True Growth*. Boston, Massachusetts. Harvard Business School Press.
- Samah, A. (2007), Money Laundering from Islamic Perspective: *Journal of Money Laundering control*, Vol. 10 No. 4, pp 406 – 411.
- Sector. *Finance India*, 18 (2), Pp 204-9.

- Shehu, A. Y. (2010). Promoting Financial Sector Stability through an Effective AML/CFT Regime, *Journal of Money Laundering Control*, Vol. 13 No. 2 pp.139-154.
- Smellie, A. (2004). Prosecutorial Challenges in Freezing and Forfeiting Proceeds of Transnational M. (Eds),. *Capitalism, Culture and Economic Regulation*, OUP, Oxford, pp.271-4.
- Sturman, K. (2002) *The African Union Plan on Terrorism: Joining The Global War or Leading an African Battle?* Pp.104.
- System Solution *Journal of Financial Crime*, 18(3), Pp. 268.
- Tadesse, S. (2006). Economic Value of Regulated Disclosure: Evidence from the Banking: *Journal of Money Laundering Control*, Vol. 8 (2), pp.104.
- Tang, J. & Lishan, A. (2010). Combating Money Laundering in Transition Countries: the Inherent Limitations and Practical Issues. *Journal of Money Laundering Control*, '13(3), Pp215.
- Vaithilingam, S. (2007) *Factors Affecting Money Laundering: Lesson for Developing Countries* *Journal of Money Laundering Control* Volume 10, No. 3, pp. 352 – 366.
- Vjtzburg H, Quinn J. & Ghoshal S. (1999). *The strategy process*: Revised Ed: Hampshire.
- Voss, C. and Zomerdijk, L. (2007). Innovation in experiential services: an empirical view. *Innovation in Services*, DTI, Pp 97-134.
- Watts, R., Zimmerman, J. (2006). *Positive Accounting Theory*, Prentice-Hall, Engle wood Cliffs.
- www.fatgafi.org/media/fatf/documents/methodology/FATF%20Methodology%2pdf.
- Yan, L., Lishan, A. & Jun, T. (2011). Risk-Based AML Regulation on Internet Payment Services in China. *Journal of Money Laundering Control*, 14(1), Pp93.
- Yeandle, M., Mainelli, M, Berendt, A. and Healy, B. (2005). *Anti-money Laundering Requirements: Costs, Benefits and Perceptions*, City Research Series, no. 6, London: Corporation of London.

Appendix I: Strathmore University Letter of Introduction



2nd May, 2017

TO WHOM IT MAY CONCERN

Farah Faiza Abdikadir -90755

Ms Farah Faiza Abdikadir is a postgraduate student in our Master of Commerce (MCom) programme. In partial fulfilment of the MCom degree, students are required to carry out a research project and write a thesis on a contemporary subject within their field of specialisation. Among other activities, the project involves data collection and analysis.

Farah is requesting to gather information to be used in her research. The information she will obtain from your organization will be used for this academic purpose only and will be kept confidential. The results of the survey will be in summary form and will not disclose any individual, company name or company information in any way.

The research study is entitled **"Effects of Anti-Money Laundering Policy Implementation on Customer Satisfaction Among Corporate Clients of Commercial Banks in Nairobi."**

We hope that your organization can assist by providing information to the above named student.

Yours faithfully,



Josphat Manani
MCOM Coordinator
School of Management and Commerce

Appendix II: Questionnaire

The information provided will only be for the purpose of this study. Read carefully and give appropriate answers by ticking or filling the blank spaces. The information will be treated as confidential.

Please indicate your answer with a tick (√).

PART A: RESPONDENTS' PROFILE

1. How long have you banked with your current bank?

Less than 5 Years

6 – 10 Years

11 – 15 Years

Above 15 Years

2. In which industry does your company operate?

Agriculture

Banking

Commercial and Services

Construction

Automobile

Energy and Petroleum

Insurance

Investment

Telecommunication

3. How many employees are in your company?

Less than 10 employees

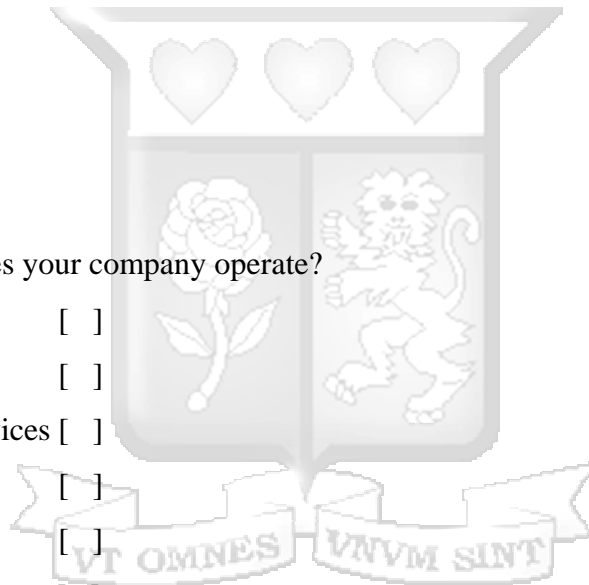
10-25

25-50

Above 50

4. Does your company operate in more than one location?

Yes



No []

5. How many bank accounts does your company have?

1-2 []

3-5 []

More than 5 bank accounts []

6. Do you bank with more than one commercial bank?

Yes []

No []

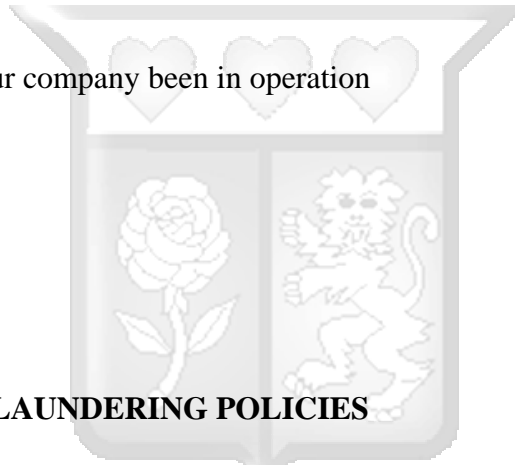
7. How many years has your company been in operation

Less than 5 Years []

6 – 10 Years []

11 – 15 Years []

Above 15 Years []



PART B: ANTI-MONEY LAUNDERING POLICIES

1. The following sets of questions are pertinent to corporate clients' identification, corporate clients' acceptance and transaction monitoring policies contained in Anti-money laundering policy implemented by commercial banks in Nairobi. Using the scale: 1= Strongly Disagree; 2= Disagree; 3=Some what agree; 4 = Agree; 5= Strongly Agree, indicate the extent to which your organization has experienced the following:

| STATEMENT | | SCALE | | | | | | |
|-----------|--------------------|---|---|---|---|---|--|--|
| | | 1 | 2 | 3 | 4 | 5 | | |
| 1. | Corporate clients' | Our bank requires us to provide a certificate of incorporation during corporate clients' identification process | | | | | | |

| | | | | | | |
|------------------------------|---|--|--|--|--|--|
| identification Policy | As a representatives acting on behalf the organization I am requested to provide an introduction letter that identifies me. | | | | | |
| | Our bank requires us to present a tax compliance certificate during the corporate clients' identification stage | | | | | |
| | The bank requires us to provide identification documents of shareholders/beneficial owner of the company in order to fully identify our organization and its shareholders | | | | | |
| | The bank requires us to provide physical addresses of our company during the identification process | | | | | |
| | The bank requires us to provide residential address of the shareholders and directors | | | | | |
| | Our bank requires us to frequently provide a detailed description of the business activities of our company | | | | | |
| | Our bank obtains information on the purpose and intended nature of the business relationship with them | | | | | |
| | Our bank carries out corporate clients' identification procedures on frequent basis | | | | | |
| | The extent and nature of the information sought by our bank is in relation to the amount involved in each transaction. | | | | | |
| Any other (please specify) | | | | | | |

| | | | | | | | |
|-----------|---|---|--|--|--|--|--|
| 2. | Corporate clients' Acceptance Policy | 1. Our company did not establish a banking relationship with our current bank until our identity was verified | | | | | |
| | | 2. Our bank applies equally effective corporate clients' acceptance procedures for non-face to face transactions similar to those available for face-to-face transactions | | | | | |
| | | 3. Our bank often requires us to provide additional documents after the initial identification process has been completed | | | | | |
| | | 4. Our business activities and regions of operation have an influence on whether our bank accepts us as their corporate client | | | | | |
| | | Any other (please specify) | | | | | |
| 3. | Transaction Monitoring Policy | 1. Our bank scrutinizes our transactions to ensure that they are consistent with the information we provide to them with | | | | | |
| | | 2. Our bank requires us to provide us additional information for all transactions that are not consistent with our usual transaction trends | | | | | |
| | | 3. Our bank has ever rejected to process our transactions that involved individuals that are considered to have high risk profiles | | | | | |
| | | 4. Our bank does not process transactions that are linked with countries that are considered high risk by Central Bank of Kenya | | | | | |
| | | 5. Our bank has a limit on the amount of money we can withdraw from our account in a single transaction | | | | | |

| | | | | | | | |
|--|--|---|--|--|--|--|--|
| | | 6. Our bank's transaction monitoring is a necessary component of our banking relationship | | | | | |
| | | Any other (please specify) | | | | | |

PART C: CORPORATE CLIENTS' PERSPECTIVE

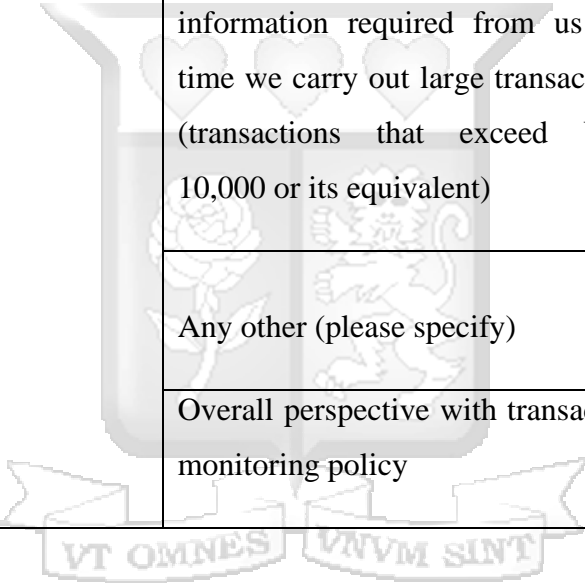
The following sets of questions are pertinent to determining corporate clients' perspective with regards to corporate clients' identification, corporate clients' acceptance and transaction monitoring policies among commercial banks in Nairobi. Using the scale: 1= Very dissatisfied; 2= Dissatisfied; 3=Some what satisfied; 4 = Satisfied; 5= Very satisfied, indicate the extent to which your organization has experienced the following:

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| Corporate clients' identification policy | 1.I am satisfied with the amount of information required from our organization by our commercial bank during the identification process | | | | | |
| | 2.I am satisfied with the time our commercial bank takes to complete the identification process | | | | | |
| | 3.I am satisfied with the frequency of the corporate clients' identification process carried out by our bank | | | | | |

| | | | | | | |
|--|---|--|--|--|--|--|
| | 4. I am satisfied with the number of identification documents sought by our bank during the identification process. | | | | | |
| | 5. I am satisfied with the competency of the staff carrying out identification procedures. | | | | | |
| | 6.I am satisfied with our bank’s ability to keep the information provided during the identification process confidential | | | | | |
| | 7.I am satisfied with the amount of effort required from us by our bank during the identification process | | | | | |
| | 8.I am satisfied with the consistency of the requirements of the corporate clients’ identification process of our commercial bank | | | | | |
| | Any other (please specify) | | | | | |
| | Overall perspective with corporate clients’ identification policy | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| Corporate clients' acceptance policy | 1. I am satisfied with the time taken by our bank to process our request to bank with them. | | | | | |
| | 2. I am satisfied with the consistency of the requirements of the corporate clients' acceptance policy of our commercial bank. | | | | | |
| | 3. I am satisfied with our bank's timely communication to us regarding any changes in their corporate clients' acceptance policy. | | | | | |
| | Any other (please specify) | | | | | |
| | Overall perspective with corporate clients' acceptance policy | | | | | |
| Transaction Monitoring Policy | 1. I am satisfied with the requirement on declaration of the source of income during each transaction as required by our commercial bank | | | | | |
| | 2. I am satisfied with our banks requirement of us to declare the purpose of carrying any transaction | | | | | |
| | 3. I am satisfied with the approach our bank uses while gathering | | | | | |

| | | | | | | |
|--|---|--|--|--|--|--|
| | information from us during the time of transactions. | | | | | |
| | 4.I am satisfied with the consistency of the information required from us while carrying out transactions at our commercial bank | | | | | |
| | 5.I am satisfied with the ability of our bank to provide us with full information regarding the extra information required from us any time we carry out large transactions (transactions that exceed USD 10,000 or its equivalent) | | | | | |
| | Any other (please specify) | | | | | |
| | Overall perspective with transaction monitoring policy | | | | | |



The end.

Thank you for your time and co-operation