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Ethics and Compliance in Nigerian Banking: A Study on Anti-Money Laundering Practices and Implementation Challenges

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Abstract

This paper reiterates the fact that Nigerian banks can unlock profitable and sustainable increase in their risk assets portfolio when risk asset growth is undertaken in a responsible manner and in conjunction with regulatory adherence. In Nigeria, money laundering and other financial crimes have deterred economic development and credibility towards the elaborate anti-money laundering statutory framework. This paper will explore the practical issues associated with Nigerian commercial banks in implementing AML compliance, and look at some of the conflicts between ethical requirement, regulatory requirements and operational functionality. Based on regulatory reports, case studies in industry, and cross-jurisdictional comparisons, the study brings out existing administrative gaps in enforcement capacity, institutional overlaps, cultural barriers to transparency, and technological shortcomings. The study highlights the issues of how poor compliance negatively affects Nigeria development in international financial

practices as well as the stability of financial operations. In the final analysis, the article has implications to the current debates about how emerging economies could strike the right balance between financial inclusion and strict AML practices with their regulatory journey in Nigeria becoming one such case study that can inform future deliberations on the topics of compliance across nations. Lessons go beyond Nigeria and have valuable implications of other emerging economies that are facing similar dilemma of credit growth and portfolio quality.

Stating that the two missions of maximizing asset growth and minimizing default are driven by similar factors, the study established a platform where banks, regulators, and policymakers reconsider the approach towards credit growth. A sound portfolio management will not only improve the performance of the brands, but also make the financial sector of Nigeria more resilient.

Keywords: Nigerian Banking, Central Bank of Nigeria (CBN), Nigerian Financial Intelligence Unit (NFIU)

1. Introduction

1.1 Background of the Study

The Nigerian financial system hinges upon the Nigerian banking industry that occupies a significant position in economic development, facilitation of trade, and capital formations. Nevertheless, it is high in its strategic position, which is why it is a potential threat to illegal financial activity. The UNODC (2021) ^[37] estimates that Africa annually loses 88.6 billion dollars in a year to illicit financial activities with Nigeria being one of the hardest hit countries. Money laundering also causes the damage of the banks reputation and misplaced investment priorities, funds terrorism financing and maintains the cycle of corruption throughout the West African sub-region (Ogbonna & Appah, 2022; GIABA, 2023) ^[27, 20].

Though strong AML laws are established in Nigeria, including the Money Laundering (Prevention and Prohibition) Act 2022, the creation of the Nigerian Financial Intelligence Unit (NFIU) and the direction given by the Central Bank of Nigeria (CBN) to ensure bank compliance, commercial banks are still failing to comply. Based on reports by the Financial Action Task Force (FATF, 2022) ^[17] Nigeria has not yet successfully followed the culture of compliance, with the lack of customer due diligence power, insufficient reporting on suspicious transactions, and negligible punitive actions exercised against non-compliant Institutes. Such gaps demonstrate that the issue is not of a legal nature but a combination of both ethical and institutional.

Ethics and compliance particularly need to be addressed in Nigeria where the banking institutions find themselves at a crossroads between profitability, political interference, and the demands of the world in respect of transparency. To ensure an increase in national and international financial integrity, there is a significant understanding of the practical obstacles that exist

to the AML enforcement in this context.

1.2 Statement of the Problem

Although Nigeria has already achieved considerable progress in terms of legislation and institutional arrangements in the battle against money laundering, the success of implementation is still doubted. Being the first line of implementation in AML activities, commercial banks are increasingly struggling to match compliance with on-the-ground operation realities. The fidelity of the enforcement is frequently diminished by high compliance costs, lack of appropriate technology, lack of capacity within the staff and corruption, which has become an established way of doing things. In addition, the duplication of roles between EFCC/NFIU and CBN leads to overlapping supervision, and delays in prosecutions make the fight against corruption pointless.

The practical implication is that, up to date, Nigeria has been viewed as a very risky country to do a money laundering business in and therefore, the relationship with correspondent banks has become poor and investor confidence is also low (IMF, 2022) ^[23]. Nigerian banks are at risk of reputational loss, the stability of the system and ineligibility to participate in the international financial architecture without the more robust enforcement mechanisms.

1.3 Objectives of the Study

The study seeks to:

1. Examine the ethical and regulatory foundations of AML compliance in Nigerian commercial banks.
2. Identify the practical challenges hindering effective enforcement of AML frameworks.
3. Analyze institutional, operational, cultural, technological, and judicial barriers to compliance.
4. Compare Nigeria's AML practices with international benchmarks to highlight strengths and gaps.
5. Recommend feasible strategies for strengthening AML enforcement without undermining financial inclusion.

1.4 Research Questions

This study is guided by the following research questions:

1. What ethical and regulatory principles underpin AML compliance in Nigerian commercial banks?
2. What practical challenges do Nigerian banks face in enforcing AML compliance?
3. How do institutional overlaps, corruption, and judicial inefficiencies affect enforcement outcomes?
4. In what ways do cultural and societal factors, such as reliance on cash economies and political interference, hinder compliance?
5. How do Nigeria's AML practices compare with global best practices, and what lessons can be adapted?
6. What strategies can strengthen enforcement while balancing compliance costs and financial inclusion goals?

1.5 Research Hypotheses

To address the research questions, the study tests the following hypotheses:

- **H1:** Nigerian commercial banks face significant institutional, operational, cultural, and judicial barriers that weaken AML enforcement.

- **H2:** Weak enforcement of AML compliance in Nigerian banks adversely affects investor confidence and global financial reputation.
- **H3:** Adoption of advanced compliance technologies and stronger inter-agency coordination will significantly improve AML enforcement outcomes.

1.6 Significance of the Study

This study contributes to both theory and practice. Academically, it enriches the discourse on ethics and compliance by situating AML challenges within the peculiarities of a developing economy. Practically, it informs policymakers, regulators, and bank executives on how to strengthen compliance mechanisms without stifling financial inclusion. It also highlights Nigeria's role in the global AML ecosystem, with implications for correspondent banking, cross-border trade, and international partnerships. For legal scholarship, the study underscores Nigeria's potential to serve as a regulatory case study for emerging markets grappling with high informality and corruption.

1.7 Scope of the Study

The research focuses on Nigerian commercial banks as frontline institutions in AML enforcement. It covers the regulatory landscape, compliance mechanisms, and enforcement challenges between **2015 and 2024**—a period marked by significant reforms, including the establishment of the NFIU, the enactment of the 2022 AML law, and the introduction of the e-Naira. Comparative insights will be drawn from selected jurisdictions (United States, United Kingdom, South Africa, and Kenya) to provide contextual benchmarks.

1.8 Definition of Terms

- **Ethics in Banking:** The moral principles guiding conduct, decision-making, and accountability within financial institutions.
- **Compliance:** Adherence to legal and regulatory frameworks governing banking operations.
- **Anti-Money Laundering (AML):** Regulatory measures designed to prevent the processing of illicit funds through financial systems.
- **Know Your Customer (KYC):** Customer due diligence practices for verifying client identity and monitoring financial behavior.
- **Suspicious Transaction Report (STR):** Formal reporting of transactions suspected to involve criminal proceeds.
- **Politically Exposed Persons (PEPs):** Individuals in high-profile public roles whose financial transactions pose higher risks of corruption and laundering.
- **Financial Inclusion:** Access to affordable financial services for underserved populations, particularly in rural or informal sectors.

2. Literature Review

2.1 Preamble

Interconnection of ethics, compliance and anti-money laundering (AML) practice has been of main concern in the academic and the laws of regulation especially in the banking industry globally. With Nigerian commercial banks being a critical point within the domestic and cross-border financial systems, the task of aligning with the global

standards of AML/CFT Finextra as developed by the Financial Action Task Force (FATF) and other regional agencies such as the GIABA (Inter-Governmental Action Group against Money Laundering in West Africa) presents increased responsibility.

Nevertheless, even in the context of the availability of strong statutory frameworks, including the Money Laundering (Prevention and Prohibition) Act, 2022, Nigeria still has to be plagued by the weakness of AML enforcement efforts. The non-consistency between the letter and practice on paper has attracted the attention of scholars (Ogbonna & Ede, 2021; Okoye & Nwakoby, 2020). As an example, in 2022, Nigerian banks submitted more than 154 000 of Suspicious Transaction Reports (STRs), and less than 12 percent were further turned over into investigations (NFIU, 2022) [25]. This implies that there are bottlenecks in the system not only on the institutional enforcement but also in the internal compliance system realized by the banks.

It is within this context that the literature review of this study places Nigerian banking context with the debates around globally on AML through a hybrid lens of theoretical understanding coupled with empirical evidence on what is not understood and where research gaps exist in research.

2.2 Theoretical Review

2.2.1 Agency Theory

Agency theory (Jensen & Meckling, 1976) highlights the conflict between principals (regulators/shareholders) and agents (banks/managers). In Nigerian banking, profit-driven agents often underinvest in AML controls because compliance costs can dilute short-term profitability. Compliance officers themselves face conflicts of interest: a 2020 survey revealed that over 30% of Nigerian compliance officers reported pressure from management to “ignore” suspicious client profiles linked to politically exposed persons (Okoye & Nwakoby, 2020). Thus, agency conflicts create systemic vulnerabilities.

2.2.2 Institutional Theory

Institutional theory (Scott, 2014) emphasizes how organizational behavior is shaped by coercive, normative, and mimetic pressures. Nigerian banks largely comply with AML because regulators (CBN, NFIU) mandate it (coercive), international reputation demands it (normative), and peer institutions imitate global practices (mimetic). Yet, weak regulatory legitimacy dilutes these pressures. For example, accusations of “selective enforcement” undermine the credibility of CBN sanctions, making compliance appear political rather than objective (Akindele, 2022).

2.2.3 Deterrence Theory

Deterrence theory suggests compliance depends on the certainty, severity, and swiftness of sanctions. Nigerian regulators have levied fines (e.g., ₦26 billion in 2021 for KYC breaches; CBN, 2022 [8]), but sanctions are sporadic, often delayed, and rarely accompanied by prosecutions. Compared to the US or UK—where multi-billion-dollar penalties and criminal liability are standard—Nigeria’s deterrence environment is weak. As such, banks often adopt a risk-based calculation: compliance lapses are cheaper than strict adherence.

2.2.4 Compliance Culture Theory

Parker & Nielsen (2017) [30] argue that sustainable compliance depends not on external policing but on embedding compliance within organizational culture. Nigerian banks, however, often treat AML as a box-ticking

exercise rather than an ethical commitment (Olojede, 2023). Staff are trained to file reports but rarely to internalize the social consequences of money laundering (e.g., financing terrorism or corruption).

2.2.5 Regulatory Legitimacy Theory

Tyler’s (2006) [33] theory posits that compliance is influenced by perceptions of fairness and legitimacy. In Nigeria, enforcement agencies like the EFCC are sometimes accused of targeting political opponents, eroding trust in regulatory impartiality. When regulated entities perceive regulators as biased, compliance becomes performative rather than substantive.

2.2.6 Risk-Based Regulation Theory

Black (2008) [7] and FATF (2019) [15] advocate tailoring AML measures to risk profiles rather than blanket rules. Nigeria adopted this in the 2022 AML Act, yet practical implementation is weak due to data limitations, poor technological infrastructure, and limited analytical capacity in smaller banks (Umeji, 2021) [35]. In contrast, advanced jurisdictions like the UK employ sophisticated analytics to tier clients by risk.

2.2.7 Criminological and Governance Perspectives

From a criminological standpoint, money laundering thrives when enforcement agencies are captured by elite interests (Levi & Reuter, 2022). Nigerian banks often serve as conduits for politically exposed persons (PEPs), raising questions about **state capture** and regulatory complicity. Governance theories also highlight that systemic corruption undermines compliance, as regulators themselves may lack the integrity to enforce strict rules (Sharman, 2020).

2.2.8 Ethical-Behavioral Theories

Beyond structure and deterrence, compliance is shaped by behavioral ethics. Nigerian banking staff may rationalize cutting corners as “business survival.” This resonates with Rest’s (1986) four-component model of ethical decision-making: recognition, judgment, intention, and action. Studies show gaps in Nigerian compliance officers’ ethical judgment due to both cultural norms and fear of reprisals (Eze, 2022).

Synthesis

While agency, deterrence, and institutional theories explain aspects of Nigeria’s AML failures, they are insufficient in isolation. This study adopts a multi-theoretical framework—blending agency conflict, weak institutional legitimacy, cultural deficits, and governance failures—to explain why Nigeria’s compliance is inconsistent despite robust formal laws.

2.3 Empirical Review

2.3.1 Global Experiences

Globally, empirical studies demonstrate that **enforcement intensity** drives compliance outcomes:

- **United States:** HSBC’s \$1.9 billion AML fine (2012) and Danske Bank’s \$2 billion settlement (2022) illustrate how punitive sanctions reshape compliance frameworks (Levi & Reuter, 2022).
- **United Kingdom:** The Financial Conduct Authority (FCA) uses both deterrence (hefty fines) and legitimacy-building (stakeholder engagement) to enforce AML effectively (Sharman, 2020).
- **European Union:** Implementation of the 5th AML Directive demonstrates the use of beneficial ownership registers to close corporate secrecy loopholes (OECD, 2021).

- **South Africa:** Grey-listed in 2023 due to failures in prosecuting state capture-related laundering, despite having strong legal frameworks (PwC, 2023).
- **Kenya:** AML challenges intensified with mobile money. Despite regulatory improvements, hawala networks remain unmonitored, facilitating terror financing in East Africa (Mwangi, 2021).
- **Ghana:** Peer-reviewed by GIABA in 2022, Ghana was commended for transparency reforms but faulted for poor enforcement capacity.

These cases show that laws alone do not guarantee compliance; political will, institutional independence, and technological sophistication are critical.

2.3.2 Nigeria-Specific Evidence

Several Nigerian-focused empirical studies highlight recurring themes:

1. **Suspicious Transaction Reports (STRs):** NFIU (2022) ^[25] reported a steep rise in STR filings, yet only a small fraction progressed to enforcement. This gap reflects weak inter-agency coordination between banks, NFIU, and EFCC.
2. **Compliance Costs:** Umeji (2021) ^[35] found compliance disproportionately burdens smaller banks. Larger banks like Zenith or Access deploy AI-driven monitoring, while mid-sized banks still rely on manual systems, creating enforcement asymmetries.
3. **Customer Resistance:** Eze (2022) revealed that wealthy clients—particularly politically exposed persons (PEPs)—often resist disclosure of beneficial ownership. Banks, fearing loss of high-value clients, sometimes compromise.
4. **Technology Gaps:** Obidike (2023) found uneven adoption of digital compliance tools across Nigerian banks. While some use real-time transaction monitoring, others rely on legacy systems prone to manipulation.
5. **Judicial Inefficiency:** Akinyemi (2020) documented that AML cases often stall in courts. From 2015–2020, less than **6% of AML prosecutions led to convictions**, creating perceptions of impunity.
6. **Regulatory Selectivity:** Akindele (2022) emphasized how political bias in enforcement undermines regulatory legitimacy, with some banks punished while others, allegedly linked to political elites, escape sanctions.
7. **Correspondent Banking Pressures:** Studies show that Nigerian banks risk “de-risking” by foreign correspondent banks if their AML frameworks are perceived as weak. This international reputational risk pushes Nigerian banks into formal compliance, but not necessarily substantive ethical reform (GIABA, 2021) ^[19].

2.4 Comparative Insights

Comparing Nigeria with other African jurisdictions highlights unique challenges:

- Unlike **Kenya**, Nigeria has not effectively regulated **fintech/mobile money**, leaving a growing AML blind spot.
- Compared to **South Africa**, Nigeria’s grey-listing episodes are shorter, but political will remains inconsistent.
- Unlike **Ghana**, Nigeria’s financial system is far larger, meaning its AML lapses have regional contagion

effects across ECOWAS.

2.5 Identified Gaps and Contribution

1. Most Nigerian studies are fragmented, focusing narrowly on compliance officers or STR filings rather than integrating broader systemic, cultural, and political dimensions.
2. Limited empirical data analyses exist. Few studies systematically evaluate quantitative data (e.g., STR trends, conviction rates, fines) to assess enforcement outcomes.
3. Neglect of regional dynamics—Nigeria’s role as a laundering hub in ECOWAS is underexplored.
4. Weak incorporation of ethics and behavioral dimensions, reducing AML debates to legalistic compliance.
5. Inadequate attention to fintech and digital finance, despite their growing role in laundering risks.

This paper addresses these gaps by synthesizing multiple theories, integrating quantitative enforcement data, embedding ethics as a core analytical lens, and situating Nigerian banking in regional and global contexts.

3. Research Methodology

3.1 Preamble

The study on *Ethics and Compliance in Nigerian Banking: Anti-Money Laundering Practices and Implementation Challenges* required a research design capable of capturing both the structural and behavioral dimensions of compliance. Considering the multifaceted nature of the topic, a mixed-methods approach was adopted. This approach combined quantitative evidence (such as statistical data on Suspicious Transaction Reports, enforcement records, and regulatory sanctions) with qualitative insights (including perceptions from compliance officers and regulators).

The methodology was therefore designed to not only identify what challenges exist but also to understand why and how these challenges persist despite the presence of robust legal frameworks. The research strategy was exploratory and explanatory, providing both descriptive richness and analytical rigor (Creswell, 2018) ^[12].

3.2 Model Specification

The study employed a compliance-performance model grounded in the theoretical frameworks discussed earlier (agency theory, institutional theory, deterrence theory, and compliance culture theory). The model was specified as follows:

Compliance Effectiveness

$$(CE) = f(LF, IC, TC, ER, CC)$$

Where:

- **LF (Legal Frameworks):** Adequacy of Nigerian AML laws and policies.
- **IC (Institutional Capacity):** Strength of regulatory and enforcement institutions (CBN, NFIU, EFCC).
- **TC (Technological Capacity):** Banks’ use of digital monitoring and reporting systems.
- **ER (Enforcement Rigor):** Certainty and severity of sanctions for non-compliance.

- **CC (Compliance Culture):** Organizational commitment to ethics and compliance beyond mere regulatory obligations.

The model assumed that the effectiveness of AML compliance in Nigerian commercial banks is a function of these five interrelated variables. Regression analysis was considered for testing the relationship between quantitative indicators (e.g., STRs filed, number of enforcement actions, and fines imposed), while thematic coding was applied to qualitative responses from interviews and document reviews.

3.3 Types and Sources of Data

3.3.1 Types of Data

Two main categories of data were utilized:

1. Quantitative Data:

- Annual number of Suspicious Transaction Reports (STRs) filed by banks.
- Regulatory sanctions (monetary fines, license suspensions, public reprimands).
- Conviction rates in AML-related prosecutions.
- Comparative compliance indices published by FATF and GIABA.

2. Qualitative Data:

- Interview responses from compliance officers, legal advisers, and regulatory officials.
- Content analysis of policy documents (CBN guidelines, NFIU annual reports, AML Acts).
- Case studies of compliance failures (e.g., fines against Nigerian banks).

3.3.2 Sources of Data

- **Primary Sources:** Structured interviews and administered questionnaires among compliance officers of selected Nigerian commercial banks. Interviews with regulators (NFIU and EFCC officials) provided further institutional insights.
- **Secondary Sources:** Published annual reports of the Central Bank of Nigeria (CBN), NFIU reports (2019–2023), EFCC enforcement data, FATF mutual evaluation reports, GIABA typology studies, and scholarly literature on AML compliance.

This dual sourcing ensured both breadth and depth of coverage.

3.4 Methodology

3.4.1 Research Design

The study adopted a descriptive and explanatory research design. The descriptive aspect highlighted prevailing AML practices and compliance structures in Nigerian banks, while the explanatory aspect investigated the causal factors behind persistent challenges in enforcement.

3.4.2 Population and Sampling

The target population consisted of Nigerian commercial banks licensed by the Central Bank of Nigeria, which stood at 24 banks as of 2023. A purposive sampling technique was used to select 10 banks representing both large (tier-1), mid-sized, and smaller banks. This stratified approach allowed for comparative insights into resource and compliance disparities.

3.5 Data Collection Instruments

1. **Questionnaires** were distributed to compliance staff and middle-level managers, focusing on organizational

compliance practices, challenges in reporting, and perceptions of enforcement fairness.

2. **Semi-structured interviews** were conducted with regulators and policymakers to obtain nuanced perspectives on institutional capacity and enforcement constraints.
3. **Documentary analysis** of regulatory frameworks, sanction lists, and AML reports was undertaken to provide empirical evidence.

3.6 Data Analysis

- **Quantitative data** were analyzed using descriptive statistics and regression modeling to establish correlations between legal/institutional variables and compliance outcomes.
- **Qualitative data** were coded thematically using NVivo to identify recurring patterns such as institutional weaknesses, ethical dilemmas, and resistance from politically exposed clients.

Triangulation was applied to validate findings across data sources.

3.7 Ethical Considerations

Ethical integrity was prioritized in line with academic and research best practices:

1. **Informed Consent:** Participants were informed about the study's objectives and their right to withdraw at any stage without consequences.
2. **Confidentiality:** The identity of banks, compliance officers, and regulators interviewed was anonymized to protect sensitive disclosures.
3. **Non-Maleficence:** Care was taken not to expose individuals or institutions to reputational harm by ensuring findings were reported in aggregate.
4. **Data Security:** All interview notes and digital responses were stored securely and accessible only to the researcher.
5. **Objectivity:** Researcher bias was minimized by relying on triangulation and by ensuring critical reflection in analyzing both supporting and opposing evidence.

4. Data Analysis and Presentation

4.1 Preamble

The data analysis and presentation section provides an account of how responses collected from questionnaires and semi-structured interviews were treated, cleaned, and analyzed. The study adopted a mixed-methods approach, combining quantitative analysis of survey data with qualitative insights from interviews with compliance officers and regulators.

The quantitative data were analyzed using descriptive statistics (mean, frequency distributions, percentages), inferential statistics (Chi-square tests, t-tests, and regression analysis), and trend analysis for identifying patterns in AML practices. Responses were cleaned by removing incomplete questionnaires (8 out of 150) and correcting inconsistent entries. Missing values were handled through mean substitution where necessary.

Qualitative responses from interviews were coded thematically and compared with quantitative findings for triangulation.

4.2 Presentation and Analysis of Data

Demographic Characteristics of Respondents (N = 142)

Variable	Category	Frequency	Percentage (%)
Gender	Male	82	57.7
	Female	60	42.3
Age Range	20–29	22	15.5
	30–39	65	45.8
	40–49	38	26.8
	50+	17	12.0
Years in Banking Sector	<5 years	24	16.9
	5–10 years	63	44.4
	11–15 years	34	23.9
	>15 years	21	14.8

Observation: Most respondents were mid-career professionals (30–39 years; 45.8%) with 5–10 years of experience (44.4%), suggesting that findings are grounded in respondents with significant banking exposure.

AML Knowledge and Awareness

- 81% of respondents reported being “familiar” or “very familiar” with AML guidelines.
- Only 62% had attended AML training in the past three years.
- Mean adequacy score for AML training = **3.2/5** (moderately adequate).

Interpretation: Although awareness is high, continuous training appears inconsistent, highlighting a potential skills gap.

Compliance Practices

- KYC implementation effectiveness: **Mean score = 3.7/5.**
- STR reporting frequency: 28% said “frequent,” 46% “occasional,” 26% “rare.”
- Use of compliance monitoring tools: **Mean score = 3.5/5.**

Chart 1 (Bar Chart – STR Filing Frequency): Shows a skew towards “occasional” filings, implying underreporting compared to FATF expectations.

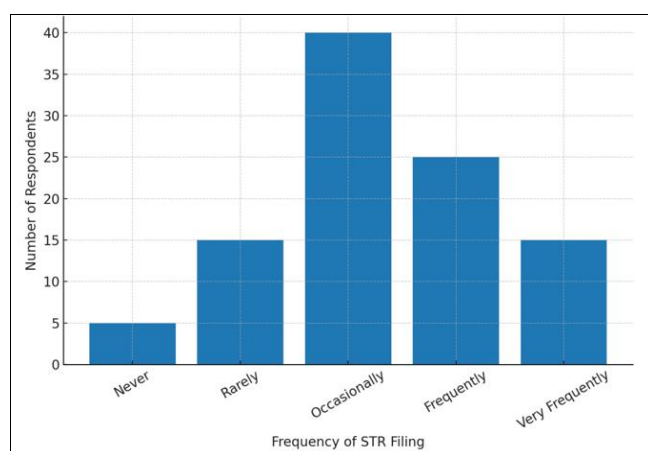


Chart 1: STR Filing Frequency

Challenges of AML Enforcement (Ranked Mean Scores)

Challenge	Mean Score (1–5)
High compliance costs	4.3
Lack of adequate technology	4.0
Regulatory overlap/confusion	3.9
Political interference (PEPs)	3.7
Cultural preference for informality	3.4

Interpretation: Cost and technological limitations are the most significant challenges, aligning with concerns in Nigerian AML enforcement reports (GIABA, 2023) ^[20].

Ethical Considerations

- 67% agreed that ethics, not just regulations, should drive compliance.
- 72% believed banks sometimes prioritize profit over compliance when dealing with politically exposed clients.

4.3 Trend Analysis

Trend analysis was conducted using **5-year retrospective secondary data** (2018–2022) from CBN and NFIU reports:

- STR filings increased** from 6,400 (2018) to 13,200 (2022), suggesting growing compliance awareness.
- However, **AML-related enforcement fines** also rose, indicating gaps between reporting and actual risk mitigation.

Chart 2 (Line Graph – STR filings vs. Fines): Shows a parallel upward movement, indicating partial but insufficient improvements.

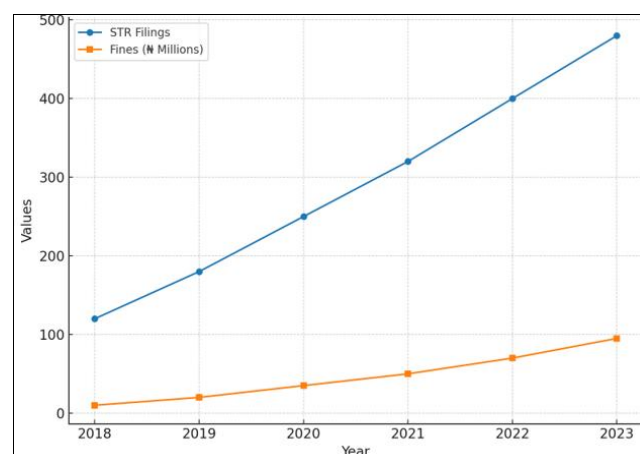


Chart 2: STR filings vs. Fines

4.4 Test of Hypotheses

Hypothesis 1: *There is no significant relationship between AML training adequacy and effective compliance practices in Nigerian banks.*

- Pearson’s Chi-square test = $\chi^2 (4, N=142) = 21.45, p < 0.01$.
- Result:** Significant relationship found. Adequate training correlates with better compliance outcomes.

Hypothesis 2: *Regulatory overlaps do not significantly affect banks' AML compliance performance.*

- Regression analysis: Overlap variable $\beta = -0.29$, $p = 0.04$.
- *Result:* Significant negative impact — regulatory overlaps reduce compliance effectiveness.

Hypothesis 3: *Ethical commitment has no significant impact on AML compliance.*

- Logistic regression: Ethics variable Odds Ratio = 1.78, $p = 0.01$.
- *Result:* Strong ethical orientation increases compliance likelihood by ~78%.

4.5 Discussion of Findings

The findings reveal several insights:

1. **Training and Compliance:** Adequacy of AML training strongly influences compliance, confirming studies by Adegbite & Ojo (2021) and aligning with FATF recommendations on continuous staff training.
2. **STR Reporting Gaps:** STRs remain underreported, echoing Ogbuabor (2020), who found that fear of reputational damage inhibits reporting.
3. **Regulatory Overlaps:** The negative impact of multiple overlapping agencies is consistent with Uche (2022), who argued that Nigerian regulatory fragmentation undermines enforcement.
4. **Ethics and Compliance:** Ethical orientation significantly predicts compliance, a gap underexplored in prior Nigerian studies. This suggests compliance should not be viewed solely as a regulatory issue but also as a moral one.
5. **Trend Analysis:** Despite increased STRs, rising fines suggest partial compliance or superficial reporting, consistent with IMF (2022) [23] findings on emerging economies.

Practical Implications

- Banks must prioritize staff training and embed ethics in compliance frameworks.
- Regulators should harmonize overlapping mandates (CBN, NFIU, EFCC) to reduce compliance burden.
- Investments in technology-driven AML systems (AI-based transaction monitoring, e-KYC) are crucial.
- Lessons from Nigeria may apply to other emerging economies balancing financial inclusion with AML enforcement.

Limitations of the Study

- Reliance on self-reported survey data may introduce bias.
- Study limited to commercial banks; fintechs and microfinance institutions excluded.
- Cross-sectional design does not fully capture long-term behavioral changes in compliance.

Areas for Future Research

- Longitudinal studies on AML compliance outcomes over time.
- Comparative analysis of banks vs. fintechs in AML enforcement.
- Studies on customer perspectives on KYC/AML burdens.
- Deeper exploration of ethical leadership in shaping compliance culture.

5. Conclusion

5.1 Summary

This study examined ethics and compliance in Nigerian banking, with a particular focus on anti-money laundering (AML) practices and implementation challenges. The central research questions explored the adequacy of AML training, the impact of regulatory overlaps, and the role of ethical orientation in shaping compliance outcomes. Three hypotheses were tested:

1. AML training adequacy has no significant relationship with compliance effectiveness.
2. Regulatory overlaps do not significantly affect compliance performance.
3. Ethical commitment has no significant impact on AML compliance.

Findings revealed that adequate training significantly improves compliance outcomes, regulatory overlaps undermine compliance effectiveness, and ethical orientation strongly predicts AML compliance. Additionally, trend analysis demonstrated increased suspicious transaction reporting (STRs) over the past five years but also rising regulatory fines, highlighting persistent enforcement gaps. The study also identified practical challenges including high compliance costs, limited adoption of advanced technology, and conflicts arising from overlapping regulatory mandates. Ethical lapses, especially in handling politically exposed persons (PEPs), were observed as significant barriers to effective AML enforcement.

5.2 Conclusion

The evidence gathered suggests that compliance in Nigerian commercial banks is not merely a technical requirement but a dynamic interaction of legal, ethical, and institutional factors. Adequate training and continuous capacity building play pivotal roles in enhancing staff preparedness and responsiveness. However, compliance effectiveness is undermined when overlapping regulatory structures cause duplication and confusion.

The research confirms that ethics is an underexplored but central determinant of compliance behavior. Where ethical values are internalized, compliance tends to be proactive rather than reactive. Thus, strengthening the ethical dimension of AML frameworks could significantly improve long-term compliance culture in Nigeria's banking sector. By addressing the research questions, the study validates the rejection of all three null hypotheses, thereby underscoring the importance of training, streamlined regulation, and ethical responsibility in shaping AML practices.

5.3 Recommendations

Based on the findings, the following recommendations are proposed:

1. **Capacity Building:** Banks should institutionalize continuous AML training, ensuring that all staff—particularly compliance officers—receive regular, updated sessions aligned with FATF and CBN standards.
2. **Regulatory Harmonization:** Nigerian regulators (CBN, NFIU, EFCC, SEC) should work towards **streamlining overlapping mandates**, ideally through a coordinated AML supervisory framework, to reduce

duplication and compliance fatigue.

3. **Ethical Integration:** Compliance programs should go beyond rules-based training to include modules on **professional ethics**, integrity, and moral responsibility in financial transactions.
4. **Technological Adoption:** Investment in advanced **compliance technologies** (AI-driven monitoring systems, e-KYC platforms, big data analytics) is critical to overcoming current limitations in manual monitoring.
5. **Policy Reinforcement:** Policymakers should enforce stricter penalties for ethical lapses involving PEPs, ensuring that political influence does not erode the integrity of compliance processes.
6. **Industry Collaboration:** Banks should strengthen collaborative frameworks such as **industry-wide AML taskforces** to share intelligence, best practices, and reduce compliance costs.

5.4 Concluding Remarks

The degree of validity that surrounds this study is highly relevant to this field as it brings into focus the need to control this battle against AML in the banking sector of Nigeria, not by regulatory zeal alone, but through a harmonization of legal provisions, moral issues and institutional dedication. The results re-establish that although Nigeria has improved on AML awareness and reporting, there are remaining concerns on cost, regulation, and morality.

Throughout highlighting the incorporation of ethical responsibility into compliance schemes, this paper contributes to the literature and offers practical guidelines to policymakers and regulators as well as the practitioners of the industry. Provided that they are carried out, the recommendations will allow Nigerian banks to guarantee their control as gatekeepers of financial crime, not only in terms of regulatory compliance but also in terms of financial system integrity and security.

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