

ANALYSIS OF GLOBALISATION IN SHAPING ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING STRATEGIES IN SRI LANKA'S BANKING SECTOR

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Abstract

This study focuses on the relationship between the anti-money laundering (AML) and counter-terrorism financing (CTF) measures and the minimisation of Money Laundering (ML) and Terrorism financing (TF) risks in licensed commercial banks (LCBs) in Sri Lanka. Perceiving the increasing risk of illicit financial flows to financial stability, particularly with the emerging economies in mind, the research covers a crucial gap in empirical research on the influence of globalisation on AML/CTF effectiveness. With a positivist, quantitative, cross-sectional design, data were collected using structured questionnaires using purposive and snowball sampling of AML/CTF professionals in Sri Lankan LCBs. The outcomes reveal that there is a strong desire for internal commitment to AML/CTF compliance on the part of the banking professionals and a mostly favourable attitude of practitioners to the existing frameworks. Nevertheless, difficulties are still present in handling the complexities brought about by cross-border financial activity. Importantly, Transaction Monitoring Systems (TMS) and Training and Awareness (TA) turned out to be statistically significant predictors of the ML/TF risk reduction. In addition, globalisation showed a rather small but consistent moderating effect, especially amplifying the effects of TMS and TA. The results emphasise the need to invest in strategic monitoring systems, which are up to global standards, and continuous training of staff. Moreover, attention should be focused on compliance with procedure to risk-based approaches (RBA), enhanced due diligence (EDD), and regulatory compliance (RC), result-oriented application. All in all, the study is of significant value for the Sri Lankan policymakers and regulators who realise the need for further international cooperation and a flexible approach to the adaptation of AML/CTF frameworks to the circumstances of the globalised financial environment. It also addresses one of the most important empirical and theoretical gaps, providing practical recommendations for building up AML/CTF systems in developing economies.

Keywords: Anti-money laundering, banking regulation, counter-terrorism financing, globalisation, risk-based approach

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Introduction

Background and context

In an era where financial systems are increasingly shaped by globalisation, the ability of commercial banks to mitigate money laundering (ML) and terrorist financing (TF) risks has become both more vital and more complex. Sri Lanka's licensed commercial banks operate in a dynamic landscape influenced by international financial standards, transnational capital flows, and evolving compliance expectations. While globalisation enhances technological integration and cross-border cooperation, it simultaneously introduces challenges to risk oversight and regulatory enforcement (Shavshukov & Zhuravleva, 2023). ML and TF must be managed for the purpose of maintaining global financial stability (IMF, 2025). According to the United Nations Office on Drugs and Crime (2009), annual global GDP consists of 2-5% of money laundering funds. As a result, the Financial Action Task Force developed standards through the 40 Recommendations to direct worldwide AML/CTF regime establishment (FATF, 1990). Yet, Ruda & Kraus (2024) debate globalisation through financial integration, technological development and market interconnectivity, providing transnational criminals with fresh prospects despite weakening existing regulatory systems.

Sri Lanka stands as an emerging economy which remains connected to worldwide financial institutions, yet encounters major ML/TF threats that primarily affect its licensed commercial banking operations. Sri Lankan banks use AML/CTF measures which match international requirements, but globalisation creates difficulties because of cross-border operations and digital financial development and correspondent banking regulations (McKinsey Global Institute, 2017). The increasing global financial system dependencies generate both new threats and new avenues for fighting financial crimes (ACAMS, 2025). The rapid technological progress enabled by globalisation helps criminals spread ML and TF activities because it makes it harder for investigators to trace illicit transactions (Akartuna et al., 2024). The complicated nature represents a major worry for Sri Lanka's licensed commercial banks because these banks are the first line of defence, which encounters greater potential risks. Yet, modern discourse fails to examine what specific impacts globalisation creates on AML/CTF effectiveness in these environments, which requires knowledge to build robust financial security systems. Therefore, this study is to explore how globalisation moderates anti-money laundering and counter-terrorist financing in mitigating money laundering in Sri Lanka's banking sector.

In terms of fostering the above objective this study focused on ML and TF that threaten financial stability together with institutional integrity and national security within developing economies, especially Sri Lanka (IMF, 2023). The implementation of AML/CTF international frameworks has not solved the risks faced by licensed commercial banks (LCBs) as globalisation intensifies their challenges. The research field lacks evidence-based knowledge about how globalisation affects the implementation of AML/CTF measures across Sri Lanka's strategic financial sector.

Research today does not adequately address the problems banks encounter when they strive to meet regulatory requirements without compromising operational efficiency because new technologies and decentralised financial systems generate additional security risks (BIS, 2023). The deficiency of enforcement, combined with inadequate oversight, creates additional challenges while policymakers, along with regulators, are left without critical data-based analytical methods for creating effective protection mechanisms. Sri Lanka still faces difficulties in identifying, mitigating, and reacting to money laundering and terrorist funding activities despite legal frameworks and international commitments. Gaps in compliance, poor technology integration, and uneven enforcement among financial institutions all make these problems worse. The issue is determining whether the strategies in place are strong enough, compliant with international norms, and flexible enough to respond to new challenges. The lack of targeted evidence-based research on globalisation and anti-money laundering/countering the financing of terrorism efficacy in Sri Lanka leads to increased financial instability alongside lowered investor confidence and Financial Action Task Force (FATF) greylisting risks.

Theoretical understanding

(Korejo et al., 2021) contend that the core principle of money laundering is the process of making criminal funds that are illegitimate seem legitimate. The transformation of criminal proceeds from criminal enterprises like drug trafficking, bribery, corruption or fraud constitutes money laundering in Sri Lanka, where the main threats stem from unlawful activities (Korejo et al., 2021). Also, Hellvig & Blaruu (2023) correspond that the global financial system, made complex by globalisation, allows criminals to move criminal funds by using international transactions and complex financial tools and taking advantage of different national regulatory requirements. Thus, ML activities create destabilising financial movements that endanger the global financial systems because of their international nature.

The process of TF requires obtaining money from legal and illegal sources with the purpose of funding terrorist operations and supporting terrorist groups (U.S. Department of Treasury, 2024). Through the Routine Activity Theory, it is necessary to identify motivated offenders, suitable targets and incapable guardians to study financial criminal activities associated with money laundering and terrorist financing in Sri Lanka. In line with Buckley et al. (2024), globalised technology has unintentionally grown the number of criminal offenders because it has expanded possibilities for illegal financial operations that span international borders. Whereas Levi & Reuter (2006) explains that individuals and criminal organisations pursue money laundering because substantial illegal profits meet their financial goals and the global financial system provides them with privacy. Besides Therefore, RAT says that motivated offenders are those who have the ability and motivation to commit crimes, which corresponds well with the features of financially sophisticated individuals. Accordingly, five factors were identified, namely Risk-Based Approach (RBA), Enhanced Customer Due Diligence (EDD), Regulatory Compliance (RC), Transaction Monitoring Systems (TMS), and Training and Awareness (TA), as factors contributing to mitigating ML/TF risk.

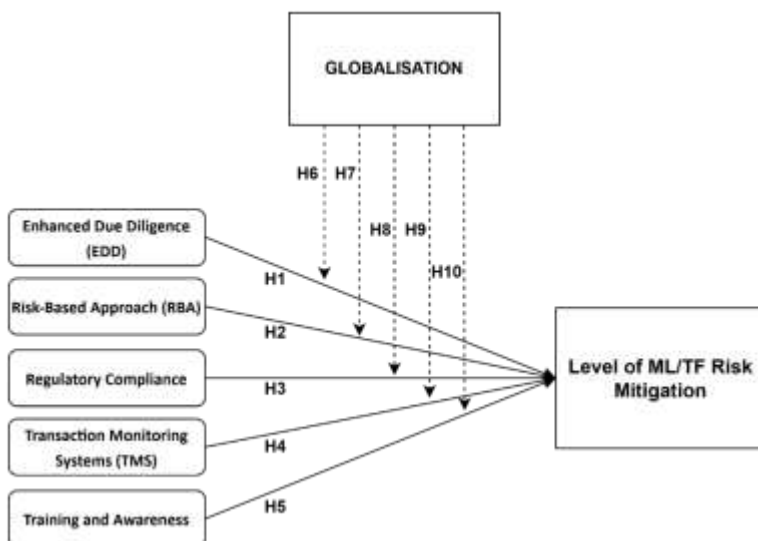
Materials and Methods

This study employed quantitative, cross-sectional research design. The justification for this design rests on its capacity to efficiently capture a snapshot of the relationship between globalisation variables and AML/CTF effectiveness across numerous licensed commercial banks in Sri Lanka at a specific point in time. The research design fits well into the deductive positivist framework because it allows researchers to collect standardised numerical survey data through structured instruments which support objective measurement and statistical hypothesis testing. The research requires a cross-sectional design for its present correlation investigation and quantitative analysis of sector-wide effects, while a longitudinal method is less suitable because it tracks time-based changes. Creswell (2014) states that it provides the necessary breadth to identify patterns and test relationships between variables efficiently, offering a robust framework for generating empirically grounded and potentially generalisable findings within the defined scope. In the interim, Saunders, Lewis & Thornhill (2007) introduced the research onion to clearly identify and process the stages which belong to the research strategy.

Conceptual framework

This research's conceptual framework is designed to investigate how globalisation influences the relationship between the enforcement of Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) measures and the reduction of ML and TF risks in licensed commercial banks in Sri Lanka. Accordingly, the following conceptual frame was developed.

Figure 1
Conceptual framework



(Source: Developed by authors based on literature (2025))

Population and sampling

This research focuses on the AML/CTF and risk management staff of Sri Lankan licensed commercial banks. The 24 institutions listed at the Central Bank of Sri Lanka form a specific finite group that serves as the study foundation. LCBs operate under the authority of Banking Act No. 30 of 1988, as they function as the primary channels for international financial transactions related to globalisation. The banks themselves do not become the unit of analysis since the study is concerned with staff members who carry out AML/CTF and risk management tasks. A proposal is made for a multi-stage sampling strategy: in the first place, LCBs could have been stratified according to the size category or the type of ownership.

Subsequently, a sample of 150 individuals will be selected using purposive and snowball sampling from personnel across these strata. The large sample population (N=150) of banking institutions meets the essential standards required for the projected moderation analysis. The examination of moderation interaction effects requires larger statistical power, achieved through increased sample size, beyond what is needed to study main effects independently. Thus, N=150 is considered a practical number to obtain sufficient power to detect perhaps medium-sized moderation effects while accommodating analytic strength and data constructability among various institutions.

Data collection methods

Taherdoost (2021) reports two methodologies for data collection that scholars apply. Primarily. According to Kothari (1985), the data collected for the first time is hence primary data. On the other hand, Lee et al. (2013) defined secondary data as information collected for purposes other than study objectives. The questionnaire is built using validated items from existing literature, frameworks, and regulatory requirements, with the FATF guidelines and the Financial Transactions Reporting Act (FTRA) included. The questionnaire includes closed questions and five-point Likert scales to measure the respondents' perception, the implementation of AML/CTF and the exposure to globalisation-related financial activities. The instrument was pre-tested by ten experts in the select group in order to determine the clarity, reliability and relevance of the items. Moreover, maintaining control over common method bias was taken into consideration in this research to ensure the validity and reliability of findings. This study implemented procedural remedies such as varying data sources, separating measurement times, or using different response formats, as well as statistical techniques to detect and control for bias.

Ethical considerations

Researchers prioritised informed consent, guaranteeing that participants are fully aware of the study's purpose, procedures, risks, and benefits before agreeing to take part. Protecting participants' privacy and confidentiality was equally treated, securing data handling and anonymisation where appropriate. Researchers avoided any form of deception unless justified by the study design and approved by an ethics committee. Moreover, study was designed to minimise harm and discomfort, with special care taken when working with vulnerable populations. Transparency in reporting, avoiding plagiarism, and acknowledging conflicts of interest are also upheld in academic honesty. Ultimately, ethical rigour not only safeguarded participants but also strengthened participant trust.

Results and discussion

This chapter adopts a systematic analysis of the data obtained by structured questionnaires, in line with the positivist research philosophy and deductive research method of the study. The investigation aims to understand the degree to which globalisation moderates the relationship between mitigating money laundering and terrorist financing (ML/TF) risks in licensed commercial banks in Sri Lanka. Out of the 225 responses obtained, 160 of the respondents reported being employed in LCBs, while 65 reported being employed in non-LCB institutions. These 65 responses are excluded from the analysis for methodological and conceptual reasons.

Reliability test

The reliability analysis undertaken on the 23 items across six constructs, i.e., Risk-Based Approach, Enhanced Due Diligence, Regulatory Compliance, Transaction Monitoring Systems, Training and Awareness, and Mitigating ML/TF Risk, shows a high internal consistency with Cronbach's Alpha values ranging from 0.875 to 0.919 and an overall alpha of 0.961. These values are above the acceptable level of 0.70, which shows that the questionnaire items are very reliable and consistent in measuring the AML/CTF constructs to be measured.

Table 1
Reliability analysis

Variable	No. of Items	Cronbach's Alpha	Validity
Risk-Based Approach (RBA)	4	0.876	0.000
Enhanced Due Diligence (EDD)	3	0.875	
Regulatory Compliance (RC)	4	0.919	
Transaction Monitoring Systems (TMS)	4	0.909	
Training and Awareness	4	0.908	
Mitigating ML/TF Risk	4	0.904	
Overall	23	0.961	

(Source: Authors, based on survey results)

The relationship between factors affecting the mitigation of money laundering

Pearson correlation analysis was used to examine the relationships between the five independent variables and the dependent variable. All correlation coefficients were positive, statistically significant ($p < .01$), and moderately strong, suggesting a substantive linear relationship between AML/CTF control measures and their perceived effectiveness in reducing the risk of money laundering and terrorist financing. Transaction monitoring was the highest correlated with MLTF ($r = 0.601$), followed by training ($r = 0.589$), EDD ($r = 0.544$), regulatory compliance ($r = 0.541$) and risk-based approach ($r = 0.504$). These results are theoretically aligned with the risk-based ethos discussed in the literature. According to FATF (2014) and AUSTRAC (2025), the RBA is a bedrock component in tailoring EDD, refining TMS, and distributing resources for compliance, with an alliance supported by significant correlations in this research between RBA and MLTF predictors. However, research by Levi, (2024) and Dharmawati et al. (2024) reveals ambiguities and implementation problems in RBA practices that may render its practical benefits mere compliance, surfacing the issues apparent in correlations but vital to understanding causal factors. Furthermore, high inter-construct correlations between EDD and regulatory compliance ($r=0.762$) and between regulatory compliance and transaction monitoring ($r=0.740$) express interdependence and synergistic operation of AML control pillars. According to Kyriazos & Poga (2023), this multicollinearity can be handled within exploratory factor analysis, which may require caution in regression modelling to avoid having predictive power confounded by overlapping variance. Also, these empirical findings align with the interdependent structure of AML/CTF components discussed in the literature; closely linked TA with all other variables demonstrates the crucial role of training that is confirmed by Thomson Reuters (2025), who emphasise the need for worldwide flexible training so that one could grasp TMS alerts and engage in successful EDD. A high correlation between these constructs suggests the interdependence of AML functions, but previous work highlights that errors in any one of the constructs, in particular TMS or training, may compromise overall effectiveness. Therefore, although these results exhibit integrated effectiveness by means of correlation, they have to be viewed within the context of the greater problems of operational complexity and fragmented international rules.

Table 2:
Correlation analysis

	RBA	EDD	RC	TMS	TA	ML/TF
RBA	1	0.701	0.652	0.608	0.545	0.504
EDD	0.701	1	0.762	0.694	0.692	0.544
RC	0.652	0.762	1	0.740	0.703	0.541
TMS	0.608	0.694	0.740	1	0.610	0.601
TA	0.545	0.692	0.703	0.610	1	0.589
ML/TF	0.504	0.544	0.541	0.601	0.589	1

(Source: Authors, based on survey results)

Assessing the role of AML framework components in mitigating money laundering vulnerabilities

To determine the predictability of the identified independent variables, namely Risk-Based Approach, Regulatory Compliance, Transaction Monitoring, Training and Enhanced Due Diligence, to the dependent variable, Money Laundering and Terrorist Financing effectiveness, a multiple linear regression analysis was done. The model summary provided a moderate to strong correlation ($R = 0.671$) between the independent and MLTF effectiveness and an R^2 value of 0.450. This means that 45% of the variation in the effectiveness of MLTF is attributable to the cumulative impact of the five AML-related predictors. The adjusted R^2 value (0.433) that is adjusted for the number of predictors further supports this model's generalisability outside the sample. Such a degree of explanatory power is deemed to be significant in behavioural, financial, and compliance research areas where human-centred variables frequently incur unexplained variance.

Table 3
Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.671 ^a	.450	.433	.45612	1.834

a. Predictors: (Constant), EDDAMEND, Training, Risk-Based Approach, Transaction Monitoring, Regulatory Compliance

b. Dependent Variable: MLTF

(Source: Authors, based on survey results)

The Durbin-Watson statistic 1.834 falls within the low autocorrelation region 1.5 - 2.5, so we can say that there is no significant autocorrelation between residuals, and therefore, the independence assumption is reasonably satisfied, provided that the regression coefficients are valid.

The ANOVA findings confirm the general statistical significance of the model ($F = 25.242$, $p < .001$) and that the independent variables as a group have a statistically significant effect on the dependent variable. This is consistent with the rejection of the null hypothesis that no predictor has an impact on MLTF effectiveness. However, a low residual mean square of 0.208 points due to insignificant measurement errors was noted, too.

Table 4
ANOVA test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	26.258	5	5.252	25.242	.000 ^b
Residual	32.039	154	.208		
Total	58.296	159			

a. Dependent Variable: MLTF

b. Predictors: (Constant), EDDAMEND, Training, Risk-Based Approach, Transaction Monitoring, Regulatory Compliance

(Source: Authors, based on survey results)

Important conclusions can be drawn from an examination of a multiple regression model that was developed to identify the primary contributors to MLTF risk reduction. The results of the statistical analysis indicate that the roles played by Transaction Monitoring Systems ($B = 0.294$, $p = 0.001$) and Training and Awareness ($B = 0.309$, $p < 0.001$) in ML are significant. This emphasises the possibility of improving transaction monitoring and staff training to dramatically reduce ML/TF risks, which is consistent with previous findings by Alabi et al. (2025). According to Liu's (2024) analysis, accurate detection systems, as well as competent human resources, are considered important features of risky activity identification and management.

Table 1
Coefficient statistics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B		Beta			Tolerance	VIF
(Constant)	1.237			4.552	.000		
Risk-Based Approach	.119		.132	1.515	.132	.466	2.144
Regulatory Compliance	-.034		-.039	-.352	.725	.294	3.397
Transaction Monitoring	.294		.335	3.544	.001	.400	2.499
Training	.309		.322	3.587	.000	.443	2.255
EDDAMEND	.022		.026	.238	.812	.304	3.289

(Source: Authors, based on survey results)

The statistical analysis shows that transaction monitoring ($p = .001$) and training ($p = .000$) are influential predictors of the coefficients ($\beta = .335$ for transaction monitoring and $\beta = .322$ for training), showing strong positive effects, indicating that comprehensive transaction monitoring and well-organised training have a major role in strengthening institutions' ML/TF risk management

Risk-Based Approach, in contrast, while positively linked ($B = 0.119$), did not reach statistical significance ($p = 0.132$), indicating difficulties in RBA's practical implementation, much like criticisms of (Levi, 2024; Dharmawati et al., 2024). Analogously, Regulatory Compliance (with a coefficient $B = -0.034$ and p -value = 0.725), as well as Enhanced Due Diligence (coefficient $B = 0.022$ and p -value = 0.812) In line with the contributions of Jayasekara (2020), who emphasised that a focus on technical compliance often lacks the operational depth needed to influence MLTF outcomes.

Another explanation could be that it is a statistical artefact of multicollinearity, and this is at least partially supported by VIF values, specifically, regulatory compliance ($VIF = 3.397$) and EDD ($VIF = 3.289$), which are approaching the cautionary threshold of 4. Although not alarming, these values suggest possible overlaps between these predictors, requiring close interpretation and possible tweaking in future modelling using variable reduction or interaction testing. Nevertheless, these results support the integrated association of AML elements, as emphasised in the current research, but their practical worth is enhanced by robust systems and competent personnel (FATF, 2014).

Moderation impact of globalisation on mitigating ML/TF risks

Regression model summaries present a moderation analysis where globalisation is a moderating variable between the five core AML/CTF constructs. The introduction of globalisation as an additional variable in these models adds a small amount to the R, R^2 and adjusted R^2 in all instances. Even if the R^2 increase is modest (spanning from 0.011 to 0.025), it demonstrates that globalisation applies a small yet consistent moderating effect on this relationship between these constructs and MLTF risks.

The largest improvements are made in models of Transaction Monitoring (R^2 changed from .361 to .372) and Training and Awareness (R^2 changed from .347 to .360), thus emphasising that globalisation has a more crucial role in AML processes that require cross-border intelligence, adaptive compliance systems, and cultural alignment in AML practices. This finding is in line with previous research, which has argued that globalisation necessitates firms to shift from domestic controls to more globally integrated compliance frameworks (Levi, 2020).

Additionally, the concept drawn from the general contingency theory of organisational design emphasises the importance of both institutional practices and extrinsic environmental determinants and offers a theoretical foundation for the observed outcomes (Levi, 2020). Although there is a relatively small improvement in model fit, globalisation is not a major contributor to the improvement of AML/CTF effectiveness; instead, it is a contextual factor that complements the role of internal controls. Globally, therefore, evidence shows that globalisation has a slow but lasting effect, which emphasises the need for harmonised global policies and robust institutional reactions in tackling ML/TF issues. Clearly, AML measures should combine local interests with global best practices, as evidenced by the study.

Table 5
Moderation analysis

Variable	Model	R	R ²	Adjusted R ²	Error of the Estimate	Inge in R ²
Risk Based Approach	1	0.504	0.254	0.249	0.8664	-
	2	0.528	0.279	0.269	0.8547	0.025
Enhanced Due Diligence	1	0.56	0.313	0.309	0.8313	-
	2	0.573	0.329	0.320	0.8245	0.016
Regulatory Compliance	1	0.541	0.293	0.288	0.8435	-
	2	0.552	0.305	0.296	0.839	0.012
Transaction Monitoring	1	0.601	0.361	0.357	0.8019	-
	2	0.61	0.372	0.364	0.7974	0.011
Training and Awareness	1	0.589	0.347	0.343	0.8108	-
	2	0.600	0.360	0.352	0.8049	0.013

(Source: Authors, based on survey results)

Conclusion and Recommendations

The performance of Sri Lankan licensed commercial banks on the AML/CTF measures, when the world is growing in globalisation, was critically unravelled in the study. Factor analysis affirmed the reliability and uniqueness of the primary constructs, including transaction monitoring, risk-based approach, enhanced due diligence, regulatory compliance, and training. Moreover, the fact that the survey items properly represented the diverse nature of AML/CTF practices. Further, the distinct component separation and excellent internal consistency supported the measurement model's empirical robustness.

From the results of descriptive analysis, there was a clear perception of successful internal AML/CTF implementation among banking professionals, which implies confidence in institutions in their compliance practices. However, the responses were more conservative about the banks' capacity to mitigate challenges of globalisation, pointing out complexities across borders and the fit of the existing systems into the dynamics of international financial crime. This implies that, though internal frameworks are considered firm, there are constant external threats posed by global integration which cannot be eliminated with existing strategies.

The moderation analysis further showed that globalisation, in a subtle manner, affects AML/CTF effectiveness, especially in such elements as transaction monitoring and training. That does not dramatically alter the result; globalisation amplifies or limits the impact of these measures according to the extent to which institutions adjust to global trends. Overall, the findings point to the requirement for AML/CTF frameworks not only to keep up internal rigour but also to be agile and in line with global financial trends to be able to counter the emerging transnational threats effectively.

Nevertheless, this research has major implications for practice in institutions, regulatory oversight and theoretical development. At the institutional level, the findings underline the need to give priority to the investment in transaction monitoring systems and training programmes since they were found to be the most effective means to mitigate the ML/TF risk. Such strategic focus is a key requirement to improve internal capabilities and create a proactive compliance environment. From a regulatory point of view, this study highlights the need to enhance more aligned global supervisory frameworks that consider the mitigating effects of globalisation. The impact of

global financial integration on the effectiveness of AML/CTF, particularly for cross-border compliance, requires responsive, cooperative methods of regulation and the adoption of risk assessment tools using technology.

Theoretically, the research extends academic discourse by bringing Routine Activity Theory and Risk Management Theory together to explain how AML/CTF systems work under the pressures of globalisation. Such a conceptual blend provides a complex understanding of the interaction of institutional safeguards with changing tactics in crime and worldwide compliance demands. At the society level, the research upholds the wider importance of strong AML/CTF setups in ensuring public trust in the financial systems, curbing illegal financial flows and protecting the international financial credibility of Sri Lanka. Such insights are critical in driving policy reforms and boosting developing economies' resilience in the ever-connected financial world.

Conclusion

This research critically analysed the connection between the AML/CTF measures and ML/TF risk mitigation in Sri Lankan licensed commercial banks, providing useful information with rising global financial integration (globalisation). The results of the correlation analysis showed high, positive associations between all fundamental AML/CTF components, including enhanced due diligence, a risk-based approach, regulatory compliance, transaction monitoring systems and training and awareness and perceptions of the effectiveness of ML/TF risk mitigation. In these, the transaction monitoring systems and training and awareness exhibited the strongest correlations, indicating their key role in shaping AML/CTF results. Strong inter-constructing correlations further revealed the interrelated and complementary nature of these measures in a unified compliance framework.

Further, this research has various contributions to make in terms of theory, methodology, policy, practice, and society. Theoretically, it contributes to the discussion on financial crime prevention by combining Routine Activity Theory and Risk Management Theory, a complex which is rarely used in the context of AML/CTF studies in the developing country setting. Such theoretical integration enables a deeper understanding of how institutional controls and external opportunities co-exist in affecting money laundering and terrorism financing risks, developing a conceptual model that could be used in response to the global influences.

Empirically, the research helps to address a major gap, as it provides a robust, quantitative understanding of how effective AML/CTF frameworks are in the licensed commercial banking sector of Sri Lanka. It uses validated constructions and powerful statistical techniques, including factor analysis, regression, and moderation analysis, to generate evidence-based findings that can be generalised to other under-represented jurisdictions. The study methodologically offers a valid and replicable measurement device for assessing AML/CTF elements. The positive approach, in conjunction with a well-articulated survey design, lays a precedent in research on compliance and financial regulation.

In terms of practice and policy, the study concludes that transaction monitoring systems and training and awareness are the most effective measures, which determine the investment strategies and operational priorities of the financial institutions and regulators. The insights encourage a transition from moving from procedural compliance to more dynamic and informed practices that are in line with developing global standards. Additionally, the results highlight the necessity of an adaptive AML/CTF regime in securing correspondent banking relations and the credibility of the regulators in the international arena.

On the societal level, the study enhances financial transparency and institutional accountability. Enhancing the effectiveness of AML/CTF directly correlates with the efforts to discourage financial crimes that have the potential to damage public confidence, economic well-being, and national safety. Through enhancing the knowledge in these areas, the research helps to construct a secure and resilient financial ecosystem.

Similarly, the study is a valuable contribution to the international AML/CTF discourse. It reflects on how globalisation is a contextual factor that influences domestic AML strategies in implementation and outcome. This highlights the need for grounded yet globally aware frameworks, which is a view applicable not only to Sri Lanka but to developing economies globally, facing the same regulatory and financial landscape. Pragmatically, the findings provide unmistakable direction for regulators and financial institutions by promoting the need to invest in technology, ongoing training, and flexible structures to address the domestic and foreign AML/CTF obstacles.

Recommendations

Considering the study's central findings (specifically the effectiveness of TMS and TA, moderated by globalisation), several specific recommendations are made to optimise ML/TF risk prevention among Sri Lankan licensed commercial banks.

Firstly, the improvement of the banks' transaction monitoring systems should be prioritised by introducing the best technologies, such as artificial intelligence and machine learning. Conventional rule-based systems typically do not identify advanced, developing typologies and produce an overabundance of false positives. Therefore, partnership with FinTech and RegTech firms is critical in creating flexible, data-driven systems able to analyse complex patterns and detect high-risk transactions across borders.

Secondly, training and awareness programmes are to be extended and contextualised to the realities of the globalised financial system. These programmes must be more than simple compliance training and include scenario-based learning that will prepare staff to identify and respond to the evolving ML/TF threats in the global space, digital asset weaknesses and international regulatory changes. There will be great focus on global interconnectedness so that employees at all levels are projected to be ready to handle the dynamic financial crime risks.

Thirdly, the risk-based approach needs to be refined substantially to be implemented. Existing practices tend to devalue this principle to procedural formality. Regulators and banks need to collaborate to drive a culture of valuable risk assessment, based on clear, applicable tools and guidance. A real and effective RBA should be dynamic, combining qualitative judgement with quantitative data, and should allocate resources to the regions of greatest ML/TF risk, especially those regions whose risks are influenced by international financial flow.

Technological innovation, as well as international cooperation, must also be used to optimise Enhanced Due Diligence practices. Banks should use RegTech to automate data gathering, authentication, and surveillance for risky clients, politically exposed persons, and complex corporate structures. At the same time, Sri Lankan authorities need to seek increased cross-border information-sharing frameworks to eliminate obstacles associated with data privacy and fragmented jurisdictions.

In addition, regulatory supervision must develop from the narrow preoccupation with technical compliance to the evaluation of the real effectiveness of AML/CTF measures. Outcome-based metrics need to be established to calculate the actual decrease in financial crime risks. This strategy would encourage the banks to implement strategies that bear fruit, which could be measured, thereby inculcating a culture of compliance that is based on impact rather than formality.

Finally, because of the transnational nature of financial crime, improved domestic and transnational cooperation is essential. Sri Lankan banks should enhance their partnership with the Financial Intelligence Unit (FIU), law enforcement and counterparts from across the world. Meaningful involvement in international forums and adherence to rules established by such bodies as the Financial Action Task Force (FATF) is critical. This kind of cooperation will not only enhance the resilience of institutions but will also make sure that AML/CTF strategies are alive to the complex issues that arise from the process of global financial integration.

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