Anti-money Laundering Regulations and Compliance among Financial Institutions in Ghana: The Moderating Role of Ethical Leadership and Capacity of Organization

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ABSTRACT

Globalization has fostered increased integration across information, finance, and technology sectors worldwide, fuelling economic expansion. However, this interconnectedness has also introduced heightened risks, with money laundering emerging as a critical global issue. While Ghana has set up preventative systems, the actual vigour of enforcement and clarity on the prosecution of offenders remain questionable. The aim of this research is to assess Anti-Money Laundering (AML) regulations and compliance among financial institutions. The study sampled 874 participants from 34 financial institutions in Ghana. Structural Equation Modelling was employed to examine the link between legal enforcement mechanisms and AML compliance, considering organizational capacity and ethical leadership as mediators. It was found that if the AML regulations will succeed in making an impact in the financial sector, then financial institutions must prioritize building organizational capacity, as this variable mediates the relationship between AML regulations and compliance. Interestingly, the study found that ethical leadership did not moderate the relationships between AML regulations, institutional capacity, and compliance. The findings enrich ongoing dialogues surrounding AML compliance and its symbiotic relationship with AML adoption. The findings are instrumental in carving robust AML policy blueprints both for Ghana and its neighbouring regions, offering pivotal guidance to regulatory entities and policymakers in amplifying their AML endeavours.

Keywords: Anti-Money Laundering, Organizational Capacity, Ethical Leadership, Compliance
JEL Classifications: G18, G21, G28

1. INTRODUCTION

In the modern era, globalization has fostered increased integration across information, finance, and technology sectors worldwide, fueling economic expansion. However, this interconnectedness has also introduced heightened risks, with money laundering emerging as a critical global issue (Mekpor et al., 2018). At its core, money laundering involves disguising illicit funds as legitimate assets, posing significant hurdles for organizations responsible for their oversight and regulation (Mugarura and Ssali, 2020). The swift advancement of financial and digital technologies has further enabled the seamless movement of funds internationally,

complicating efforts to address money laundering (Nance 2018; Jayasekara, 2020). Countries identified as lacking robust Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT) frameworks are viewed as high-risk, while globally, the costs of compliance with these standards continue to escalate (Mekpor et al., 2018). Ghana, in alignment with global trends, has established AML laws and the Financial Intelligence Centre (FIC) to combat the threats of money laundering and terrorism financing (Aku, 2021; FIC, 2008). systems, and the scale of laundering activities (Bidabad, 2017; Dostov and Shust, 2014). Money laundering continues to be a major barrier to protecting global financial networks and economies from illicit activities

(UNODC, 2014; 2019). Beyond undermining the criminal justice system, it poses significant risks to financial entities and wider financial infrastructure (Mekpor et al., 2018; Tiwari et al., 2020).

Despite the measures put in place to prevent money laundering, financial institutions in Ghana still struggle to effectively enforce AML regulations, resulting in the nation's classification as high-risk due to noted AML/CFT weaknesses (Jayasekara, 2020). Though numerous academic works have dissected various aspects of money laundering and AML, a gap remains regarding the roles of leadership and organizational capacity in ensuring AML compliance (Ferwerda, 2008; Huang, 2015; Pol, 2020; Naheem 2020). Although international efforts to combat money laundering have intensified, notable shortcomings persist, continuing to pressure economies (Asmah and Atuilik, 2023; Mohammed, 2022; Mugarura and Ssali, 2020). Issues in Ghana include limited support from governing boards and a shortage of skilled professionals, hindering effective deployment of AML policies in the commercial banking sector (Commey, 2019; Zhang et al., 2018). This raises concerns about the actual effectiveness of regulatory enforcement. While Ghana has set up preventative systems, the actual vigor of enforcement and clarity on the prosecution of offenders remain questionable (Narayan, 2019; Department of Justice, 2022). It is crucial to assess both the strength of enforcement mechanisms and how legal proceedings support AML compliance (Mekpor, 2019), as well as to scrutinize the dedication of supervisory authorities (Narayan, 2019).

There is a need to evaluate how rigorously offenders are prosecuted and to determine whether institutions provide the necessary resources and training for their enforcers (Aku, 2021; Akomea-Frimpong et al., 2019). Additionally, the individual norms of both external and internal actors in financial transactions can influence the ease with which money laundering is concealed (Usman 2014; Zhang et al., 2018). The attitudes and conduct of personnel, shaped by both formal and informal codes, are central to AML compliance (Harland et al., 1999). The potential for ethical leadership to serve as a link between adopting AML measures and actual compliance remains largely unexplored. Although substantial research exists on AML broadly, most focus on regulatory policy, detection, sector-wide effects, new laundering methods, and crime magnitude (Traistaru, 2021). There remains limited inquiry into the commitment of supervisory officials and adequacy of institutional resourcing for effective AML enforcement (Mekpor, 2019; Narayan, 2019; Aku, 2021). To address these issues, this research adopts institutional theory to examine how networks and interactions influence attitudes and practices (Wang et al., 2013). The main goal is to evaluate the effect of AML regulation adoption on compliance, considering institutional capacity as a mediator and ethical leadership as a moderator. This study aims to offer new empirical evidence about prosecution outcomes, litigation timelines, and the dedication of enforcers to AML compliance. These results are intended to guide regulatory bodies and officials focused on tightening AML enforcement within Ghana.

Objectives of the Study: The research aims to assess Anti-Money Laundering (AML) regulations and compliance among financial institutions, specifically:

- To analyze the link between AML regulation adoption and AML compliance
- To explore the relationship between AML regulation adoption and institutional capacity
- To examine how institutional capacity correlates with AML compliance
- To investigate how ethical leadership moderates the effect of AML regulation adoption on institutional capacity
- To analyze the moderating influence of ethical leadership on the relationship between institutional capacity and AML compliance.

2. LITERATURE REVIEW

Money laundering consistently appears among the most reported financial offenses worldwide. The growth of organized crime - including human trafficking, arms trading, prostitution, and gambling - has intensified global efforts to deter the use of financial systems for laundering illicit proceeds (Raweh et al., 2017). These crimes yield unlawful revenues that offenders seek to legitimize and inject into the mainstream economy. The following review situates the present study within the context of existing research to aid hypothesis development.

2.1. Anti-Money Laundering Adoption
Researchers use terms such as "AML regulation adoption" to capture how international standards are internalized (Pol, 2020; Mniwasa, 2020). Here, the phrase refers to agreed norms, rules, and processes that affect expectations within global finance. Financial institutions with AML frameworks utilize advanced due diligence to assess money laundering risk and identify suspicious activities. Research highlights a notable lack of commitment among enforcement agencies and institutions to penalize compliance breaches (Mwirigi, 2018). For example, a Kenyan study on AML in commercial banks showed that legal mechanisms, technology, and international cooperation were key drivers of AML adoption, while institutional capacity contributed less. A study by Mekpor et al. (2018) on 155 FATF member states revealed steady gains in AML compliance, attributing this to technology, regulatory quality, bank consolidation, trade, and financial intelligence centers. Another study by Ikpang (2011) into Nigeria's AML framework found that despite widespread deployment, the crime rate did not decline -underscoring the need for a more concerted global AML response. Pol (2020) also noted that, despite recent scandals among financial institutions in Europe, the expected impact of international cooperation on policy responses was not observed.

2.2. Organizational Capacity
Organizations are frequently conceptualized as human-crafted systems that govern political, economic, and social conduct (North, 1990). Institutional theory distinguishes between formal and informal elements - formal aspects include explicit rules, statutes, and regulations, whereas informal elements consist of traditions, norms, and unwritten practices that nonetheless shape how institutions address and resolve issues (North, 1990; Scott, 2001). Institutional capacity refers to an institution's intrinsic ability to fulfill its mandate, meet challenges, and achieve its aims (Willems and Baumert, 2003). This capacity is specific to each institution,

rooted in its context and history, and is fundamental for growth. Effective policy delivery is contingent on robust capacity at every stage. For financial institutions, sustained anti-money laundering compliance depends on a strong "anti-money laundering" foundation, including rigorous monitoring, reporting, and review processes. Achieving this usually involves cultivating expertise across different policy areas and ensuring the institution is aligned to support these goals (Duah 2016). Mechanisms like strategic planning in sustainable development can help integrate anti-money laundering goals throughout the organization. Institutional capacity is inherently broad and complex to define in discrete terms, having evolved from simply strengthening organizations and improving technical skills to including empowerment, social capital, organizational culture, values, and power dynamics. Jordan et al. (2015) note that a weak institutional capacity often explains the subpar integration of policy assessment in actual practice.

2.3. Ethical Leadership

Ethical leadership stems from transformational leadership theory, where both leaders and followers uphold high standards of ethical behavior and motivation. Transformational leadership fosters an environment conducive to ethical conduct, promoting aspirational values. However, its influence can serve ethical or unethical ends. According to Den Hartog (2015), authentic transformational leaders focus on collective group needs rather than personal gain. Ethical leaders not only act in accordance with ethical norms themselves but also inspire similar conduct among subordinates by fostering open communication, providing encouragement, and exercising consistent moral judgment. One limitation of this view is its focus on the leader-subordinate relationship, sometimes overlooking stakeholders like customers or society at large (Den Hartog, 2015). However, when leaders act ethical, they are likely to prevent money laundering through a non-compromising posture in their supervisory and oversight of financial institutions (Den Hartog, 2015).

2.4. Anti-Money Laundering Compliance

The IMF reported that between 2004 and 2008, various incentives were introduced to foster consistent compliance with anti-money laundering (AML) standards (IMF, 2011). In this period, compliance exhibited a positive link with GDP per capita. The G-7 established the Financial Action Task Force (FATF) in 1989 to address rising global concerns about threats to the international financial system, with responsibilities ranging from reviewing legal and enforcement approaches to monitoring compliance and trends in money laundering (Mekpor et al., 2018). Though AML enforcement is driven by data, perceptions of poor international cooperation can shape policy responses to breaches (Pola, 2020). Mniwasa (2020) identified notable hurdles for compliance - these include a largely cash-based economy, unreliable data, lack of oversight for some reporting entities, and inconsistency in compliance among them. Compliance with AML (CAML) is defined as the extent to which individuals and organizations adhere to anti-money laundering legislation. Duah's work highlighted globalization's importance in combating money laundering and called for uniform global standards. Jayantilal and Ferreira (2017), in their analysis of Portugal's AML policy, found reductions in fraud and imprisonment due to stricter standards, but advocated for harsher penalties for both financial and non-financial entities.

Empirical research shows that, although Ghanaian financial institutions have adopted AML regulations, the country still experiences significant money laundering activity (Mniwasa, 2020; Pol, 2020). Several studies underscore the critical need to strengthen institutional capacity to tackle this issue (FATF, 2019; Mekpor et al., 2018; Mniwasa, 2020). Mniwasa (2020) additionally noted the lack of robust data, oversight bodies, and consistent reporting in Ghana, while reports of corruption have pointed to law enforcement agents accepting bribes to help offenders evade prosecution (Mnguni, 2013). These issues, along with ineffective legal systems and low prosecution rates, weaken state authority, potentially leading to state failure (Jorge, 2021). Johnson (2000) contends that insufficient legal processes aggravate compliance challenges, while evidence persists that enforcement bodies often grant impunity to offenders (Mniwasa, 2020). This research also suggests that ethical leadership is pivotal for AML compliance outcomes. Drawing on institutional theory, which stresses the pervasiveness of institutional influences and the quest for legitimacy, the study proposes:

H_1: The adoption of AML regulations significantly enhances compliance

H_2: The adoption of AML regulations positively impacts organizational capacity.

H_3: The greater organizational capacity can lead to improvement in compliance.

H_4: Ethical leadership moderates the relationship between AML adoption and organizational capacity.

H_5: Ethical leadership also moderates the link between organizational capacity and AML compliance.

3. METHODOLOGY

This study used a quantitative, correlational approach to explore how financial institutions in Ghana have embraced AML regulations. The design allowed for measurement of attitudes, opinions, and behaviors relating to key variables: Compliance (CAML), AML adoption, Organizational Capacity (OC), and Ethical Leadership (EL). Relationships among these variables were explored under the assumption of causality. CAML served as the dependent variable, reflecting how well banks implement AML requirements (Mekpor et al., 2018; IMF, 2011). AML adoption was treated as an independent variable, encompassing how extensively banks follow AML guidelines in practice, such as developing diligent customer procedures and identifying suspicious activity (Le Nguyen, 2014). The study drew on a representative sample of 34 financial institutions, and included 874 individuals from a broader pool of 1200, using a 95% confidence interval ensuring reliability for generalization.

4. DATA ANALYSIS AND RESULTS

Structural Equation Modelling (SEM) was employed to examine the link between enforcement mechanisms and AML compliance, considering organizational capacity and ethical leadership as mediators (Sekaran, 2019). SEM's advantage is its ability to measure both mediation and the structural relationships between variables, validated using rigorous reliability and data

assumption checks (Kumar, 2021). Factor loadings exceeded 0.70, demonstrating strong alignment of measurement and theory (Hair Jr et al., 2014). Path analyses determined the significance and direction of relationships, interpreting relationships as statistically significant when P < 0.05.

4.1. Demographic Information

A total of 874 survey responses informed the demographic analysis. Among participants, men made up 51% and women 49%, consistent with typical gender distributions in finance (Yarkoni and Westfall, 2017). Age-wise, most fell into the 31-35 and 36-40 brackets (each at 29.5%), indicative of a predominance of young and mid-career professionals (Zacher and Frese, 2009). Only a small portion were over 51. In terms of experience, 34.7% had 1-5 years' service, 21.2% had 6-10 years, 17.2% had 11-15 years, and just 11.5% had 20+ years - again mirroring known industry trends (Ng and Feldman, 2010). Regarding roles, 49.5% held senior management posts, 37.5% junior management, and 13% other roles, reflecting a leadership-centered structure (Cannella Jr et al., 2019). On education, 51.6% had Bachelor's degrees, 22.2% held diplomas, and only 25.6% had Masters. This profile is consistent with the educational backgrounds typical within banking and finance (Carpenter and Sanders, 2004). The demographic information of respondents are provided in Table 1 below:

4.2. Analysis and Discussions

Table 2 provides the results of the hypothesis testing. The study's hypothesis testing confirms that AML regulations, ethical leadership, and organizational capacity are key drivers of compliance within Ghana's financial sector, emphasizing the need for robust institutional frameworks supported by ethical governance to enhance AML compliance effectiveness in this context.

The R-square values provided in Table 3 indicate that the independent variables explain about 35-65% of the variance in the dependent variable, suggesting moderate explanatory power. Specifically, the path coefficient of 0.649 between Anti-Money Laundering adoption (AAML) and Organizational Capacity (OC), with a significance level of P < 0.001, demonstrates a strong and statistically significant direct effect of AML adoption on organizational capacity. However, the total effect of AAML on Compliance and Monitoring (CAM), shown as 0.183 in Table 4, is more moderate. This discrepancy suggests that institutional capacity acts as a mediator, through which AML adoption indirectly affects compliance. Thus, while AML adoption promotes institutional capacity strongly, its overall influence on compliance is more nuanced and partially indirect. Ethical Leadership (EL) has a significant and relatively strong direct effect on CAM (0.482), highlighting its important role in driving compliance directly. Yet, the total effect of EL on CAM is smaller, implying that EL's impact is less pronounced through interactions with other variables, such as AAML and OC. The interaction terms (EL × AAML and EL × OC) display smaller and statistically insignificant path coefficients for Organizational Capacity and Compliance and Monitoring, respectively. The total effect of the EL × AAML interaction on CAM is especially small (0.022), suggesting the moderating influence of ethical leadership on these relationships is minimal in overall impact. The differences between direct and total effects underscore the complexity of relationships in the model. Direct effects capture immediate influences of one variable on another, while total effects - combining direct and mediated paths - indicate the layered and mediated nature of these influences. This complexity emphasizes the importance of institutional capacity as a mediator and shows that ethical leadership, while impactful directly, may have limited moderating influence in this context.

The effect of AAML on CAM is 0.183. This effect is smaller than the effect of AAML on OC (0.554) and also on the effect of OC on CAM (0.343). This is an indication of a partial to full mediation of OC.

4.2.1. Hypothesis 1

The study strongly supports Hypothesis 1, confirming a significant positive relationship between the adoption of Anti-Money Laundering regulations (AAML) and Compliance with Anti-Money Laundering regulations (CAM). The robust path coefficient of 0.649 (P = 0.001) for AAML's effect on Organizational Capacity (OC) aligns with extant academic literature emphasizing the critical role of AML policy adoption in enhancing institutional capacity to ensure compliance (Le Nguyen, 2014; Mekpor et al., 2018; Pola, 2020). In essence, Ghanaian banks that adopt AML regulations tend to exhibit stronger institutional frameworks capable of effectively implementing these rules. Nonetheless, the total effect of AAML on CAM is more moderate (0.183), implying that organizational capacity acts as a key mediator in this relationship. This observation agrees with findings by Mwirigi (2018), which highlight the nuanced role of institutional capacity in translating AML adoption into tangible compliance outcomes. Hence, AML regulation adoption alone is insufficient unless supported by robust institutional mechanisms. Ethical Leadership (EL) also emerges as a vital factor influencing both OC and CAM, with a strong direct path coefficient of 0.482 for EL's effect on CAM, consistent with reputable leadership compliance literature (Baron and Kenny, 1986). However, the smaller total effect of EL on CAM (0.022) suggests other variables, like organizational capacity, may moderate this relationship. Interestingly, the negative and insignificant interaction between EL and IC on CAM diverges from conventional expectations that ethical leadership combined with strong institutional frameworks would synergistically improve compliance. This counterintuitive finding suggests complexity in how ethical leadership and institutional capacity interplay, warranting further research. Lastly, Perceived Response Cost (PRC)'s relationship with CAM is statistically significant but modest, echoing prior studies (Egbiri and Azinge, 2018; Ikpang, 2011) which contend that while transparency and cost perception influence compliance, they might not be primary drivers. In summary, the study underscores the importance of AML regulation adoption and ethical leadership, mediated by institutional capacity, to drive AML compliance in Ghana's banking sector - the latter being a foundation critical to policy effectiveness. These insights resonate with ongoing regulatory reforms in Ghana that prioritize institutional strengthening and leadership ethics for AML success.

Table 1: Demographic information (n=874)

Measure	Group	Frequency	Percent
Gender	Male	449	51
	Female	425	49
Age	26-30	38	4.3
	31-35	258	29.5
	36-40	248	28.3
	41-45	150	17.4
	46-50	136	15.5
	51 and above	44	5
Years of working	1-5	304	34.7
	6-10	186	21.2
	11-15	151	17.2
	16-20	132	15.4
	20 and above	101	11.5
Job Level	Junior Management level	328	37.5
	Senior Management Level	432	49.5
	Other	114	13
Educational Level	Certificate	10	0
	Basic School Certificate	5	0.6
	Diploma	194	22.2
	Bachelors	451	51.6
	Masters	224	25.6

Source: Survey Data (2025)

Table 2: Hypothesis testing

Variables	Path coefficients	Sig
AAML=>OC	0.649	0.001
OC=>CAM	0.417	0.019
PRC=>CAM	0.224	0.017
EL×AAML=>OC	0.054	0.362
EL×OC=>CAM	−0.062	0.292

Source: Survey Data (2025)

Table 3: R-square for estimated models

Variables	R-square	R-square adjusted
CAM	0.651	0.697
OC	0.358	0.354

Source: Survey Data (2025)

Table 4: Direct, indirect, and total effects

Variables	Total effects
AAML -> CAM	0.183
AAML -> OC	0.554
EL -> CAM	0.482
EL -> OC	0.287
OC -> CAM	0.343
PRC -> CAM	0.132
EL×AAML -> CAM	0.022
EL×AAML -> OC	0.069
EL×OC -> CAM	−0.051

Source: Survey Data (2025)

4.2.2. Hypothesis 2

The study's findings strongly affirm Hypothesis 2, demonstrating that financial institutions in Ghana generally comply with Anti-Money Laundering (AML) regulations. This contribution is significant for understanding compliance dynamics in emerging economies and coheres with prior research highlighting similar compliance levels in comparable settings (Hair Jr et al., 2014;

Mwirigi, 2018). The study identifies a robust direct relationship between the adoption of AML regulations (AAML) and Organizational Capacity (OC), with a path coefficient of 0.649 at a highly significant level (P = 0.001). This reflects the vital role that AML regulation adoption plays in strengthening banks' institutional frameworks to support compliance. Such findings align with earlier works emphasizing that AML compliance depends not solely on regulation adoption but also on the institutional ability to operationalize these standards effectively. Despite the strong direct effect of AAML on OC, the total effect on CAM is more moderate (0.174), suggesting institutional capacity may mediate links between AML regulation adoption and compliance. This corresponds with Mwirigi's (2018) claim that institutional capacity, while critical, might be influenced by other variables in its ability to reinforce compliance. Ethical Leadership (EL) figures prominently in compliance outcomes, showing a strong direct influence on CAM (path coefficient 0.482, P < 0.001), though its total effect is reduced (0.087). This highlights the complex interplay between leadership effectiveness and institutional mechanisms. The study's key strength lies in revealing these intricate relationships, cautioning against oversimplified interpretations based solely on direct effects. Contemporary AML regulatory activities in Ghana support these findings. Recent guidelines issued by the Bank of Ghana and the Financial Intelligence Centre (FIC) impose rigorous standards, enhanced monitoring, and accountability measures for banks, fostering institutional capacity and leadership engagement as prerequisites for effective AML compliance. Overall, this study provides empirical evidence that Ghanaian financial institutions' AML compliance is a multifactorial process, dependent on the adoption of regulations, institutional strength, and leadership quality—a nuanced picture valuable for scholars and regulatory practitioners engaged in advancing AML in emerging markets.

4.2.3. Hypothesis 3

The study's findings on Research Question 3 and Hypothesis 3 highlight a complex picture regarding the relationship between Organizational (OC) and Compliance with Anti-Money Laundering (CAM) regulations in Ghana's financial institutions. While the study confirms a strong positive linkage between Anti-Money Laundering regulations (AAML) and OC, it does not explicitly demonstrate a direct, statistically significant effect of IC on CAM. This contrasts somewhat with notable prior studies (Hair Jr et al., 2014; Mwirigi, 2018) which emphasize institutional capacity as a cornerstone of effective AML compliance. The moderate total effect of AAML on CAM (0.174), alongside the strong direct effect of AAML on OC (0.554, P < 0.001), suggests that OC might serve primarily as a mediating variable in the pathway between AAML adoption and compliance outcomes, corroborating Mwirigi's earlier observations on the nuanced role of institutional capacity. Ethical Leadership (EL) emerges as a strong, direct influencer of both OC (0.287) and CAM (0.343), reinforcing literature on leadership's integral role in fostering compliance and institutional strengthening (Hair Jr et al., 2014). However, the counterintuitive finding of a negative interaction between EL and OC on CAM signals that the combined impacts of leadership and institutional capacity may not always be additive or synergistic—a complexity observed elsewhere in compliance

research (Tontoh, 2008; Jayantilal and Ferreira, 2017). These outcomes underscore that AML compliance involves intricate interdependencies and that the relationship between AAML and CAM is mediated and moderated by multiple variables. They highlight the need for further inquiry into contextual and organizational factors, such as risk-based and uncertainty-oriented approaches to compliance, as explored by Mwirigi (2018) and Bello and Harvey (2017). Current Ghanaian AML studies align with these findings, emphasizing the importance of robust institutional frameworks, ethical governance, and ongoing capacity building to meet evolving AML/CFT challenges. For instance, Ghana's Financial Intelligence Centre (FIC) has criticized gaps in inter-agency cooperation, resource allocation, and enforcement, and underscores continuous ethical training and leadership development as critical to AML effectiveness. The study enriches understanding of AML compliance in Ghana by illustrating the multifaceted roles of institutional capacity and ethical leadership, and encourages a more holistic approach in future research and policy efforts.

4.2.4. Hypothesis 4

The data from the study indicates that Ethical Leadership (EL) does not significantly moderate the relationship between the adoption of Anti-Money Laundering regulations (AAML) and Organizational (OC), as shown by the small and statistically insignificant path coefficient of the interaction term EL × AAML on OC. This suggests that AML challenges in Ghana are predominantly institutional rather than primarily driven by leadership factors. This finding aligns with other empirical studies, such as Mwirigi (2018) on Kenyan banks and Lababidi (2020) in Syria, that underscore how institutional factors often overshadow leadership in influencing regulatory compliance. Moreover, contextual factors unique to Ghana's banking sector, including resource constraints and limited public AML awareness (Tontoh, 2008), appear to add layers of complexity to institutional capacity's role within AML compliance frameworks. The significant direct relationship between OC and Compliance and Monitoring (CAM) further highlights institutional capacity's importance, though the absence of EL's moderating influence suggests that systemic institutional strengthening, rather than leadership alone, is critical for improving AML compliance levels. The paradoxical lack of moderation by ethical leadership emphasizes the need for deeper investigation into institutional dynamics, capacity building, and multi-agency collaboration within Ghana's AML ecosystem. This complexity highlights how leadership quality, while important, may not sufficiently compensate for institutional weaknesses in achieving compliance, pointing to policy emphasis on fortifying institutional structures and resource capacity.

4.2.5. Hypothesis 5

The study's findings reveal an intriguing and somewhat unexpected result for Hypothesis 5, which proposed that Ethical Leadership (EL) would moderate the relationship between Organizational (OC) and Compliance and Monitoring of AML regulations (CAM). Contrary to much prior literature, including Den Hartog (2015), emphasizing the critical role of ethical leadership in fostering both compliance and institutional capabilities, this study found that the interaction between EL and IC is negatively associated with CAM.

However, this negative association was not statistically significant. The research confirmed a significant direct relationship between OC and CAM, consistent with existing literature underscoring institutional capacity as an important compliance factor (Isaksson and Hagbert, 2020; Lababidi, 2020). Nevertheless, the lack of a significant moderating effect by EL suggests that within Ghana's banking context, institutional capacity alone may not be as pivotal for ensuring compliance as conventionally assumed. The nuanced dynamic observed—in which EL maintained a significant direct effect on CAM but a reduced total effect—implies that ethical leadership's influence on compliance might be indirect or mediated by other factors. This aligns with Baron and Kenny's (1986) framework, which posits that complex behavioral relationships often require consideration of direct, indirect, and moderating pathways. The apparent divergence in the moderating influence of ethical leadership could stem from contextual challenges unique to Ghana's banking sector, such as resource constraints, enforcement capacity, and organizational culture. These factors may dilute or obscure the expected synergistic effects between leadership and institutional strength on compliance, inviting further in-depth investigation (Tontoh, 2008; Jayantilal and Ferreira, 2017). Relevant Ghanaian institutional reports echo this complexity, emphasizing that good governance and ethical leadership remain foundational but are insufficient without robust capacity, clear mandates, and effective oversight mechanisms (Bank of Ghana, 2024).

The analysis and discussion highlight several important relationships among Anti-Money Laundering adoption (AAML), Organizational Capacity (OC), Ethical Leadership (EL), Compliance and Monitoring (CAM), and Public Reporting and Compliance (PRC) in Ghana's financial sector:

- There is a strong, highly significant positive relationship between adopting anti-money laundering regulations (AAML) and organizational capacity (OC), indicating compliance with AML rules supports or requires strengthened institutional capacity
- Ethical leadership (EL) significantly and positively influences both compliance and monitoring (CAM) and organizational capacity (OC), affirming leadership's critical role in fostering compliance environments and capacity building
- Organizational capacity (OC) has a positive and significant effect on compliance and monitoring (CAM), reinforcing the importance of organizational resources and systems to compliance outcomes
- Public reporting and compliance (PRC) also positively affect compliance and monitoring (CAM), though to a lesser degree, suggesting transparency contributes to compliance but is less influential than leadership or capacity
- The interaction between ethical leadership and AAML positively augments institutional capacity, suggesting that ethical leadership enhances how AML adoption builds capacity
- Conversely, the interaction between ethical leadership and institutional capacity has a negative association with compliance and monitoring. This outcome suggests that the combined effect of leadership and institutional capacity on compliance may not be straightforward, perhaps indicating

some complexity or diminishing returns when both factors interact, and warrants further study.

5. CONCLUSIONS

In conclusion, the adoption of Anti-Money Laundering (AML) policies is an essential first step toward compliance, but on its own, it may not be sufficient to achieve full adherence to AML regulations in Ghana's banking sector. The effectiveness of AML regulations is significantly mediated by the robustness and capacity of institutional frameworks within financial institutions. Hence, the relationship between AML policy adoption and compliance is complex and influenced by factors such as institutional capacity, which serves as a critical mediator. The study highlights the important role of Organizational (OC) in enabling financial institutions to implement AML rules effectively. This broader perspective encourages a holistic view of compliance that considers both regulatory frameworks and the operational capability of institutions to enforce them. Ethical Leadership (EL) also plays a significant role by influencing both organizational capacity and compliance outcomes, thereby enriching existing theories on the impact of leadership styles on organizational behavior and results. Leadership development programs focused on ethical governance, transparency, decision-making, and stakeholder engagement should be prioritized within financial institutions to cultivate a culture supportive of AML objectives. Moreover, improved AML compliance fosters increased transparency and trust, which go beyond mere regulatory boxes to check. These efforts signal institutional integrity and commitment to combating financial crimes that could otherwise destabilize the economy and harm citizens. Policy-wise, regulators must move beyond enacting legislation and place greater emphasis on building organizational capacities that ensure effective enforcement. The cascading impact of ethical leadership on organizational culture and compliance necessitates inclusion of leadership ethics in AML strategies. Overall, Ghana's enhanced AML framework and compliance efforts, guided by the Anti-Money Laundering Act (2020), Financial Intelligence Centre directives, and Bank of Ghana regulations, reflect a maturing financial sector commitment. This progress, supported by empirical research, underlines the critical interplay between regulation, organizational capacity, and ethical governance for sustainable AML compliance and financial system integrity.

5.1. Recommendations
- Financial institutions must prioritize strengthening their Organizational (OC) to bridge the gap between Anti-Money Laundering regulation adoption (AAML) and compliance (CAM). Regular, targeted training programs and workshops are crucial, alongside deploying advanced compliance monitoring technologies. Policymakers should encourage policies aimed at organizational capacity building to raise compliance standards across financial institutions.
- Ethical leadership is a significant driver of compliance outcomes. Therefore, financial institutions should invest heavily in leadership development programs emphasizing ethical governance, transparent decision-making, and stakeholder engagement. Embedding ethics and compliance as core organizational values will further reinforce this.
- Context-specific compliance strategies are vital. Both regulators and financial institutions should tailor AML policies to address Ghana's unique banking challenges, including resource constraints, technological infrastructure, and public AML awareness capabilities.
- Financial institutions should adopt a comprehensive compliance approach encompassing not just adherence audits but also assessments of organizational robustness and the ethical climate. This dual focus can enhance understanding of compliance barriers and foster more sustainable AML practices.
- Public trust in financial institutions can be strengthened through awareness campaigns educating citizens about financial institutions' AML efforts and ethical governance. Such transparency initiatives can function as societal audits promoting accountability.
- Efficient resource allocation remains critical. Both regulators and financial institutions should channel investments toward initiatives yielding the highest compliance impact - such as capacity building and ethical leadership training - maximizing returns from limited financial and human resources.

These recommendations align with ongoing national financial sector strengthening efforts by the Bank of Ghana and Ministry of Finance, which emphasize regulatory oversight enhancement, supervisory capacity building, and institutional governance reforms to foster a resilient banking environment.

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