

Strengthening the Fight Against Money Laundering: Kenya's Government Initiatives

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ABSTRACT

Money Laundering (ML) is one of the global growing concerns in addressing security threats at national, regional, and global levels. Over time, ML has been associated with National Security (NS) threats such as terrorism, drug trafficking, human trafficking, corruption, and other economic crimes. In Kenya, the association of ML to national security threats remain unexplored. This study, therefore, evaluated the association between money laundering and national security threats in Kenya. The study's general objective was to evaluate efforts government efforts in combating ML activities in Kenya. This study employed a descriptive cross-sectional research design which supported the utilisation of a simple random sampling technique and purposive sampling to obtain 22 respondents from security agencies and private sector players engaged in anti-money laundering activities. Quantitative and qualitative data analysis techniques were applied to obtain findings. The study established that ML occurs through complex channels that remain a challenge to both government agencies and financial institutions. The dynamics of the ML are manifested through unpredictable ways in mainstream banking and non-banking systems. In the wake of these NS threats, the government of Kenya has remained proactive through stepping up efforts in preventive and control of ML, however, the practice persists. The study concluded that effects of ML are far reaching and indicate the intricate web of criminal activities that transcend beyond Kenyan borders. ML is therefore a cause for weakening national security systems as well as a contributor to other criminal activities. Unless addressed, ML will remain a significant phenomenon in the national security systems that requires institutional and normative frameworks to be addressed. The study recommended the government to strengthen AML compliance policies and increase funding to agencies involved in the fight against ML.

Keywords: Money Laundering | National Security |

BACKGROUND

Money laundering (ML) remains a persistent and evolving global security challenge. Defined as the process of concealing the origins of money obtained from illicit activities and integrating it into the legitimate financial system, ML undermines economic integrity, facilitates transnational crimes, and threatens national and international security (Chong & Lopez-De-Silanes, 2015). With the increasing complexity of global financial systems, and the growing interconnectivity among markets, ML has become more sophisticated and transboundary in nature. High-profile exposés such as the Panama Papers, Swiss Leaks, and Paradise Papers have highlighted how illicit financial flows cross jurisdictions, exploit regulatory gaps, and support criminal enterprises.

At the international level, global frameworks such as the Financial Action Task Force (FATF) standards, the United Nations Convention Against Transnational Organized Crime (UNTOC), and various bilateral agreements have sought to address the proliferation of ML. These efforts have led to the adoption of comprehensive anti-money laundering (AML) strategies in many developed nations, with a particular focus on financial intelligence sharing, digital surveillance, and technological enforcement (Ehrenfeld, 2016; Gupta, Dwivedi, & Shah, 2023).

Across developing regions, however, responses have varied significantly. In Africa, Latin America, and parts of Asia, legal reforms and regional cooperation mechanisms have emerged, but enforcement remains hampered by institutional limitations, technological gaps, and political interference (Kluczynski, 2013; Broad et al., 2022). Despite these challenges, regional bodies such as the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the Intergovernmental Authority on Development (IGAD) are playing a growing role in coordinating regional AML efforts.

Within the East African region, Kenya occupies a strategic position due to its dynamic financial sector, expanding economy, and geographical location along major human and drug trafficking corridors. These factors, while contributing to economic growth, have also made the country vulnerable to transnational organized crime and ML activities. Kenya faces sustained threats from terrorism, particularly by foreign-backed groups such as Al-Shabaab, which rely heavily on illicit financing (Institute for Economics and Peace, 2024). The country also ranks poorly on corruption, placed 126 out of 180 countries in the Corruption Perception Index (Transparency International, 2024), and continues to experience challenges linked to drug trafficking, human trafficking, wildlife crimes, and cross-border smuggling (Enact, 2023).

Domestically, ML presents serious implications for national security, which is broadly understood as a state's capacity to safeguard its citizens, institutions, and critical assets from internal and external threats (Kirshner, 2013). Organized crime networks operating in Kenya often utilize ML to legitimize proceeds, launder funds through real estate, casinos, and mobile money platforms, and finance violent extremist groups. Consequently, the Kenyan government has instituted a legal and regulatory framework to counter these threats. Key instruments include the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA, 2009; Revised 2016), the Prevention of Terrorism Act (2012), the AML and Combating of Terrorism Financing Laws (Amendment) Act (2023), and various sectoral guidelines, including those issued by the Capital Markets Authority.

Enforcement of these laws falls under the purview of several institutions, including the Financial Reporting Centre (FRC), the National Police Service, the Ethics and Anti-Corruption Commission (EACC), and the Office of the Director of Public Prosecutions (ODPP). Despite this robust legal framework, the Basel AML Index ranks Kenya 20th globally with a high-risk score of 6.95, indicating persistent systemic vulnerabilities (Basel Institute, 2023). Furthermore, the country's Fragile States Index continues to show security pressures, with an overall score of 6.8 in 2023, largely driven by illicit economies and weak border controls (Fund for Peace, 2024).

While several studies have focused on Kenya's AML legal framework, compliance in financial institutions, and the role of disclosure policies (Gikonyo, 2018; Mathuva et al., 2020; Muriithi, 2013), there remains a gap in examining the broader security implications of ML and the effectiveness of current governmental countermeasures. Specifically, the extent to which ML exacerbates national security vulnerabilities and the efficacy of institutional responses remains underexplored.

This study seeks to address this gap by critically assessing Kenya's efforts in combating money laundering, with a particular focus on the intersection between ML and national security threats. It also evaluates the impact of existing legal and enforcement mechanisms, and identifies areas for strategic improvement. As such, the study contributes to national policy discourse and aligns with global and regional efforts to combat financial crimes that undermine peace, security, and development.

Statement To The Problem

Money laundering continues to undermine Kenya's national security by facilitating the financing of terrorism, trafficking networks, and other transnational crimes. Despite the government's implementation of legal instruments such as the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), the Prevention of Terrorism Act (2012), and the 2023 AML Amendments, the country remains highly exposed to financial crimes, ranking 20th on the Basel AML Index and 18th on the Global Terrorism Index. This persistent vulnerability reflects a pressing social need to reassess the effectiveness of Kenya's anti-money laundering initiatives, particularly in the context of evolving threats and complex financial ecosystems.

Existing scholarship has largely concentrated on legal frameworks and compliance within formal financial institutions, often neglecting broader national security outcomes. Moreover, studies have tended to apply purely descriptive or legalistic methods, with limited attention to implementation challenges, inter-agency coordination, and enforcement capacity. Operational actors such as police officers, intelligence personnel, and financial investigators remain underrepresented in empirical assessments, resulting in partial understandings of institutional effectiveness. Furthermore, research findings are often contradictory, with some indicating progress in regulatory compliance, while others report continued high-risk exposure. These gaps highlight the need for a more integrative, policy-focused investigation.

This study seeks to fill these voids by examining the effectiveness of Kenya's government-led initiatives in countering money laundering through a national security lens. The guiding research question is: To what extent have Kenya's government initiatives been effective in combating money laundering and enhancing national security? In addressing this, the study aims to generate policy-relevant knowledge that enhances the adaptive capacity of Kenya's AML framework and its contribution to national resilience.

Scope Of The Study

This study focuses on evaluating the institutional, legal, and strategic responses to money laundering within the Kenyan context, specifically analysing how these responses align with national security objectives. It examines the effectiveness of anti-money laundering (AML) measures as implemented by financial institutions, regulatory agencies, and security bodies such as the Financial Reporting Centre (FRC), Central Bank of Kenya (CBK), and National Intelligence Service (NIS). The study is limited to Kenya but draws upon comparative insights from international and regional frameworks to understand the extent to which Kenya's AML practices reflect global norms. Both primary and secondary data are utilized to assess institutional coordination, legal enforcement, and inter-agency collaboration in combating money laundering as a national security threat. The study is thus confined to the interplay between money laundering, governance, and security architecture without extending into broader economic or transnational policy analyses.

LITERATURE REVIEW

This chapter presents a comprehensive review of literature relevant to the study titled *Strengthening the Fight Against Money Laundering: Kenya's Government Initiatives*. The literature review is organised to capture existing research in a logical flow across multiple contexts based on four analytical elements: what scholars have found, synthesis of their positions, critical engagement in light of the current study's objectives, and identification of knowledge gaps.

Jacobi (2018) explores anti-money laundering (AML) within the framework of transnational security governance, noting that institutions like the Financial Action Task Force (FATF) have become powerful actors in regulating financial crimes under the guise of international security. He argues that AML is no longer a mere financial compliance tool but a core pillar of global security governance. His work aligns with Hallenberg (2012), who found that U.S. financial laws have shifted toward securitization to intercept funding for transnational criminal networks. Hallenberg stresses that detecting illicit financial flows is as critical as military intelligence in modern security architectures. Vleck (2018) extends this argument, asserting that financial surveillance systems are now integral to global counterterrorism efforts. These studies share the position that AML is a tool of securitisation, but while Jacobi focuses on governance and norms, Hallenberg emphasizes legislative reform and Vleck on technological surveillance.

Galeazzi et al. (2021) explore how the 2020 revision of the U.S. AML Act broadened enforcement mechanisms, especially through enhanced disclosure and institutional accountability. They contend that AML reform in the U.S. reflects a strategic reorientation towards security and intelligence gathering. Saravalle (2022) critiques this direction, suggesting that the new AML approaches may compromise financial freedoms and privacy under the banner of security. This synthesis reveals a divide: while Galeazzi supports reforms as security-enhancing, Saravalle sees them as regulatory overreach. Critically, both underscore that AML measures must balance security and civil liberties a lesson applicable to Kenya's evolving legal framework.

The reviewed literature offers valuable insights for the current study. The U.S. experience illustrates how AML policy reforms can strengthen national security, particularly through data sharing and cross-sector collaboration. However, these studies remain silent on how AML regimes function in fragile or low-capacity states. The contextual gap makes it unclear how Kenya can adopt or adapt similar models given its unique institutional constraints.

Mugarura (2020) examines Uganda's compliance with AML frameworks and concludes that donor pressure often drives implementation, leading to limited local ownership. His findings reveal that AML initiatives are frequently externally imposed without regard for domestic capabilities. Similarly, Slama et al. (2022) find systemic regulatory failures in Algeria and Mauritania, attributing them to political inertia and underfunded oversight institutions. Their study observes that despite having legislation in place, enforcement mechanisms remain weak. Ofoeda et al. (2022) assess Ghana's financial sector, where banks struggle to meet AML obligations due to lack of digital infrastructure and skilled manpower. Khelil et al. (2024) recommend a systems-theory approach, arguing that African states must invest in institutional linkages and early detection tools to combat complex financial crimes.

These studies converge on the existence of legislative frameworks but diverge in diagnosing implementation failures. Mugarura critiques the donor-driven model, Slama and Ofoeda point to systemic gaps, and Khelil advocates institutional redesign. The synthesis reveals that while AML structures exist, they lack effective operationalisation. Critically, few of these studies link AML challenges to national security risks such as terrorism or cross-border crime, which is central to this study's focus on Kenya.

In terms of relevance to the current study, the regional literature contextualises Kenya's position within broader African challenges. Weak inter-agency collaboration, limited digital infrastructure, and resource gaps are mirrored in Kenya's experience. Yet, none of these studies assess how security agencies collaborate with financial institutions in AML enforcement. This study addresses that void by examining Kenya's institutional and inter-agency capacities.

Three key research gaps emerge. First, there is little empirical evidence connecting AML effectiveness to national security outcomes. Second, the interaction between regional institutions like EAC or IGAD and domestic AML frameworks remains unexplored. Third, the literature lacks a systems-based evaluation of how different institutions financial, legal, and security collaborate in AML enforcement.

Ndung'u (2020) investigates the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and concludes that while the Act is well-crafted, enforcement is uneven and hindered by institutional bottlenecks. Muigua (2019) focuses on the multiplicity of regulatory bodies, arguing that overlapping mandates create jurisdictional conflicts that reduce AML effectiveness. Kimeu (2021) studies operational practices in banks, revealing that compliance officers often face ethical dilemmas due to conflicting expectations around client confidentiality and AML reporting. Nazar et al. (2024) examine macroeconomic impacts of money laundering in Kenya, finding that it weakens investment climates, reduces tax revenue, and contributes to exchange rate instability.

A synthesis of these findings shows consensus on institutional weaknesses but different angles of focus. Ndung'u and Muigua highlight legal and administrative flaws, Kimeu explores ground-level operational constraints, and Nazar offers a macroeconomic perspective. The contrast illustrates the multi-dimensional nature of AML, ranging from policy to practice. Their work lays a foundation for understanding Kenya's AML landscape but falls short in explicitly connecting AML enforcement to national security objectives.

The relevance to the present study is substantial. The findings reinforce the idea that legislative frameworks alone are insufficient; implementation, institutional coordination, and enforcement are equally vital. However, none of the studies systematically examine the role of security agencies such as NIS or CTC in AML strategies. Moreover, the broader security implications—such as terrorism financing or cross-border criminal activity are underexplored. This study bridges that analytical gap by placing AML at the intersection of financial regulation and national security.

Several knowledge gaps persist. First, there is no holistic analysis of Kenya's AML framework in relation to national security threats. Second, the functional interplay among institutions like FRC, CBK, and NIS remains opaque. Third, Kenya's compliance with global AML norms is often assessed through technical reviews rather than outcome-based evaluations. Addressing these gaps, this study uses systems and institutional theory to assess how Kenya's AML ecosystem functions as part of the broader national security apparatus.

Across reviewed contexts, it is evident that while AML policies have evolved globally and regionally, domestic enforcement remains inconsistent and poorly integrated with national security goals. This study contributes to the literature by contextualising AML within Kenya's national security framework, analysing institutional interactions, and evaluating the country's adherence to global AML norms through a security-centric lens.

Theoretical Framework

This study is anchored on the Systems Theory, initially developed by Ludwig von Bertalanffy in 1968. The theory posits that various units in a society interact in an interconnected, interdependent, and systemic manner. Applied to money laundering (ML), the theory suggests that ML operates within a complex system that involves financial institutions, law enforcement agencies, policymakers, and international actors. Anti-money laundering (AML) efforts are, therefore, not isolated interventions but components of a larger governance and security ecosystem (Angell et al., 2005). The theory highlights that subsystems, such as banks and regulatory bodies, often react to each other, sometimes creating feedback loops that either reinforce or obstruct AML efforts. This theory has been applied in security governance studies such as Gilmour and Hicks (2023), who used it to understand the institutional interplay in transnational crime, and by Raweh et al. (2017) in financial systems analysis. A key strength of Systems Theory is its holistic view, making it particularly relevant for understanding cross-sector collaboration. However, a limitation is that it does not clearly assign agency or accountability, which can obscure roles in AML failures. Nonetheless, this study applies the theory to show that successful AML strategies must recognize institutional interconnectedness and systemic policy implementation.

Complementing this is the Institutionalism Theory, introduced by John Meyer and Brian Rowan in the late 1970s. The theory proposes that institutions defined by rules, norms, and shared expectations shape organizational behavior and legitimacy in society. In the context of AML, institutional strength, procedural compliance, and cross-border cooperation are critical determinants of effectiveness. The theory assumes that organizations conform to institutional rules not merely for efficiency, but to gain legitimacy. This framework has been used in studies like that of Levi et al. (2021), which explored institutional alignment in global AML compliance, and Mugarura (2016), which evaluated how African states adopt AML measures in response to international standards. A major strength of the theory lies in its explanation of compliance behavior; however, it tends to understate informal and political influences on institutional practice. Despite this, Institutionalism Theory is relevant in this study for analyzing how Kenyan state institutions align with international AML norms and how such alignment affects enforcement capacity and cooperation.

To further contextualize AML within the security domain, this study integrates Neo-Realist Security Theory, credited to Kenneth Waltz (1979), which posits that the anarchic nature of the international system compels states to prioritize self-preservation through cooperation, alliances, and relative gains in power. Under this lens, ML is considered a transnational organized crime (TOC) that necessitates state-centric responses and international collaboration. Studies such as Murat (2022) and Ehrenfeld (2016) have applied this theory to assess security-driven alliances in combating TOC and terrorism financing. The strength of neo-realism lies in its recognition of state sovereignty and strategic interests, though it often neglects non-state actors and internal dynamics. Nevertheless, this study uses the theory to explain Kenya's partnerships with global and regional bodies in AML initiatives and how these enhance national security resilience.

Despite the limitations of each individual theory—whether it be lack of role specification in systems theory, overemphasis on compliance in institutionalism, or the state-centric bias in neo-realism—using these frameworks in combination provides a robust analytical lens. Their triangulation enables a multifaceted understanding of Kenya's AML architecture, covering institutional, systemic, and geopolitical dimensions.

This study's contribution lies in applying these theories in a cross-disciplinary context, thereby enriching both security studies and governance literature. Specifically, it extends the application of systems and institutionalism theories beyond organizational studies into national security, while offering empirical insight into the interaction between institutional design and security effectiveness in sub-Saharan Africa.

METHODOLOGY

Research Design

This study employed a descriptive cross-sectional research design. Cross-sectional research design that involves observations in a population by collecting data at a given point. The data is collected from participants selected based on the direct involvement in a phenomenon under investigation. The cross-sectional research design allows for quantitative and qualitative data collection and analysis. As a result, Kenya will serve as the case study, with quantitative and qualitative analyses of the relationship between ML and NS issues.

This study focused on the association between ML and NS threats in Kenya. The study's independent variable was the nature of ML while the dependent variable was threats to national security. The nature of ML was measured using attributes such as money from criminal activities, concealment of the money, and re-injection of the money into the economy. Threats of ML to National security were measured by the level of terrorism, human trafficking, and drug trafficking.

Area Of Study

This study was undertaken in Kenya. Kenya is one of the countries in the world with a high risk of ML. The country is also ranked highly in terms of trans-border organized crimes such as terrorism.

Target Population

The study's population included officials at the Ministries and Government agencies involved in national security and anti-money laundering. The study also targeted officials from private sector umbrella bodies such as Transparency International and Financial Institutions.

Sampling Techniques

This study utilized a simple random sampling technique to obtain a suitable sample from a large population such as bank officers. Simple random sampling is ideal for obtaining samples from large populations. The study also utilized purposive sampling to obtain suitable respondents from the National Intelligence Service (NIS), Kenya Revenue Authority (KRA), Capital Markets Authority (CMA), Kenya Police (KP), Central Bank of Kenya (CBK), National Counter Terrorism Centre (NCTC) and Financial Reporting Centre (FRC).

Sample Size Determination

Kenya has 46 banks, as per the 2024 Bankers Association. Additionally, Kenya enforces the AML Act through various agencies, including NIS, KP, KRA, CMA, NCTC, CBK, TI and FRC. This study obtained a suitable sample using the following techniques.

Table 1: Sample Size Determination

Population	Target	Sampling techniques	Sample
Banks – officers in charge of AML operations	46	Simple random & snowball	14
National Intelligence Service- officer in charge of AML operations	1	Purposive sampling	1

Kenya Police- officer in charge of AML operations	1	Purposive sampling	1
National Counter Terrorism Centre- officer in charge of AML operations	1	Purposive sampling	1
Central Bank of Kenya- officer in charge of AML operations	1	Purposive sampling	1
Financial Reporting Centre- officer in charge of AML operations	1	Purposive sampling	1
Kenya Revenue Authority	1	Purposive sampling	1
Capital Markets Authority	1	Purposive sampling	1
Transparency International	1	Purposive sampling	1
Total	54		22

Instruments And Tools

Data collection instruments included Key Informant Interviews and questionnaires for primary data. The questionnaire was suitable for collecting comprehensive data from an institution, including structures, processes, inputs, and outputs. The questionnaire utilized to gather data from bank officers in charge of AML operations. Key Informant Interviews were used to collect data from officers in charge of AML drawn from NIS, KP, NCTC, KRA, CMA, CBK, TI and FRC.

Key Informant Interviews are suitable for obtaining details directly from respondents. Additionally, a trend matrix was used to gather secondary data from document reviews. The secondary data was sourced from reports, journals, and previous academic studies.

Validity And Reliability

Validity establishes if the research genuinely measures what it was supposed to measure or how accurate the research results are (Meyers, Gamst & Guarino, 2006). Supervisors provided expert guidance to determine the content validity. The study conducted a test-retest to evaluate reliability, which were then validated using Cronbach's alpha with a 0.7 threshold. Reliability shows that the study can be reproduced (Tavakol & Dennick, 2011). Reliability is the degree to which a tool is predictable, stable, accurate, and consistent in producing identical outcomes each time it is used. In this case, coefficients above 0.7 will indicate that the interview guides were reliable.

Data Collection Procedures

Data gathering instruments included Key Informant Interviews and questionnaires for primary data. A trend matrix was also used to gather secondary data from document reviews. The secondary data was sourced from reports, journals, and previous academic studies. The instruments were prepared and tested for validity and reliability. The Table below shows a summary of data collection methods for each objective.

Table 2: Data Collection Procedures

Objective	Indicators	Data Collection Method
1. To examine the nature of Money Laundering in Kenya.	- Money from criminal activities	- Quantitative and qualitative - Use of questionnaires and

	<ul style="list-style-type: none"> - Concealment of the money - Re-injection of the money into the economy 	<ul style="list-style-type: none"> - interviews - Document review
2. To assess the threats of ML activities to NS.	<ul style="list-style-type: none"> - Level of Terrorism - Level of Human Trafficking - Level of Drug Trafficking 	<ul style="list-style-type: none"> - Quantitative and qualitative - Use of questionnaires and interviews - Document review
3. To evaluate government efforts in combating ML activities in Kenya	<ul style="list-style-type: none"> - Responses of government - Challenges of government 	<ul style="list-style-type: none"> - Quantitative and qualitative - Use of questionnaires and interviews - Document review

Data Processing And Analysis

Data collected through questionnaires and interviews were analyzed using a mixed-methods approach. Quantitative data were processed using descriptive statistics, with frequencies and percentages identifying trends in anti-money laundering (AML) measures, institutional roles, and key challenges. Qualitative responses underwent thematic analysis through manual coding to extract patterns aligned with the study objectives. This triangulation enhanced the validity of findings and provided depth to the statistical results. The analysis was framed by Systems and Institutional Theories, offering a structured perspective on the interaction between national security structures, financial institutions, and cross-border AML efforts in Kenya.

FINDINGS

Response Rate

A total of 22 respondents were reached out and invited to participate in the study. Out of the 22, only 16 responded through questionnaires (9) and interviews (6) resulting in a response rate of 77%. The response rate of 77% was therefore considered suitable for analysis.

Table 3: Response Rate

Population	Sample	Response
Questionnaires issued	14	11
Interviews conducted	8	6
Total	22	17
Response Rate		77%

Responses To Money Laundering

The following are various approaches employed to address ML. Government agencies used approaches such as liaison with Interpol, establishment of Anti Money Laundering laws, tracking suspicious transactions, training law enforcement officers, arresting and prosecution of criminals. For bankers, the government has allowed enforcement of Anti-Money Laundering laws as a top priority. The enforcement was done through KYC, staff

training, setting transaction limits for cash deposits, withdrawals and transfers. Others include requiring justification for large transactions, freezing suspicious accounts transactions as well as monitoring transactions in customer accounts.

The findings were analyzed and presented as follows:

Table 4: Responses to Money Laundering

Responses to Money Laundering	Percentage of respondents
Enforcement of Anti Money Laundering laws	94%
Account monitoring	82%
Restriction of some deposits and withdrawals	86%
Freezing suspicious accounts	76%
Training of personnel	88%

Financial institutions and government agencies responded to challenges of ML through various ways. The findings were analyzed and presented as follows:

Table 5: Responses to Money Laundering Challenges

Responses to Money Laundering Challenges	Percentage of respondents
Collaboration	88%
Alignment with national and global regulations or guidelines	94%
Increased resource allocation	82%
Training	88%

Functions Of National Security Structures In Anti-Money Laundering

Anti-Money laundering functions of NS structures include keeping peace and order, prevention of criminal activities, policy formulation and enforcement. Others include collaboration in addressing cross-border issues.

The findings were analyzed and presented as follows:

Table 6: Functions of National Security Structures

Functions of National Security Structures	Percentage of respondents
Keeping peace and order	88%
Prevention of criminal activities	94%
Policy formulation and enforcement	94%
Collaboration in addressing cross-border issues	82%

Role Of Government Agencies In National Security

Government agencies engaged in formulation and enforcement of security guidelines, investigations and collaboration with regional and international agencies. The findings were analyzed and presented as follows:

Table 5: Role of Government Agencies in National Security

Role of Government Agencies in National Security	Percentage of respondents
Formulation of security guidelines	94%
Enforcement of security guidelines	94%
Collaboration with regional and international agencies	88%

Strengthening Of National Security Structures

The government is committed to strengthening of structures to effectively fight against ML. The structures of NS targeted for strengthening include national institutions that coordinate security functions, legal and legislative frameworks. The NS structures exist at national level coordinate with regional and international systems. The systems are guided by protocols, standards, and norms for both public and private engagements.

The findings were analyzed and presented as follows:

Table8: Strengthening of National Security Structures

Architecture of National Security Structures	Percentage of respondents
Continuous review of legal and regulatory frameworks	94%
Adoption and implementation of bilateral and multilateral frameworks	82%
Capacity improvement of national and international institutions	88%

Challenges Of Responding To Money Laundering

Several challenges were encountered by financial institutions and government agencies in the fight against ML. The findings were analyzed and presented as follows:

Table 6: Challenges of Responding to Money Laundering

Effect of Money Laundering on Institutions	Percentage of respondents
Delays in investigation & legal processes	82%
Frozen accounts being secretly unfrozen	71%
Difficulty in tracking money that has crossed the Kenyan borders	88%
Complexity of the nature of money Laundering	94%
Financial capacity deficits	76%
Skills capacity deficits	82%

DISCUSSION OF FINDINGS

Nature of NS is manifested in existence of institutions, legal and regulatory frameworks. This study has established that NS structures exist at national level coordinate with regional and international systems. The systems are guided by protocols, standards, and norms for both public and private engagements. The NS architecture therefore provides a basis of both government and financial institutions to engage in activities that promote national security.

Financial institutions have a duty of implementing the guidelines set by the financial reporting centre, enforcing AML laws, reporting suspicious activities and collaborating with the regulators. The government agencies focus on formulation and enforcement of security guidelines, investigations and collaboration with regional and international agencies.

The engagement of both public and private entities in promotion of NS demonstrates the sovereign duties of protecting citizens, property, and all resources within its borders as stated by Kirshner, (2013). This study has established that both public and private entities collaborate with other agencies across the border. This finding confirms that as nations or states are interconnected within the international system, the scope of NS is extended mainly to address cross-border crimes and security threats.

Existence of institutions, legal and regulatory frameworks is provided in the Kenya's Constitution 2010 which guarantees and promotes NS through several principles. This indicates that national security has a policy angle entrenched in the Constitution and Parliament's legislation. Security organs, including police and other law enforcement agencies, enforce NS strategies.

Existence of the institutions confirms the tenets of Institutional Theory that such institutions tasked with functional aspects such as transnational crime prevention. Local and national agencies are therefore part of the global institutional framework tailored to prevent transnational crimes such as ML. As opined by Gilmour & Hicks (2023), ML is considered a Transnational Organised Crime (TOC), which poses a substantial and rising threat to international and national security. Thus, institutional response at local, national, regional and international levels is required.

This study further recognizes the significant role played by Kenya's informal financial systems, particularly mobile money platforms, chamas, and informal remittance channels (hawala). While these systems enhance financial inclusion, they also present vulnerabilities for ML exploitation due to limited oversight, weak recordkeeping, and challenges in monitoring cross-border transactions. M-Pesa, for instance, though regulated, remains susceptible to structuring and layering schemes due to its high transaction volume and rapid processing.

In comparison with regional counterparts, Kenya shows moderate strength in AML enforcement. For instance, Rwanda has made considerable progress through centralized AML reporting and digital banking regulations, while Uganda continues to face implementation gaps despite updated legislation. Tanzania, on the other hand, is increasingly relying on public-private partnerships for AML data sharing. These comparisons reveal both gaps in regional coordination and lessons Kenya could draw from.

On the technology front, the study found that Kenya's AML institutions are yet to fully utilize advanced digital tools such as artificial intelligence, machine learning, or blockchain. These technologies have shown potential in enhancing real-time transaction monitoring, pattern detection, and secure data sharing, yet their adoption remains limited due to infrastructure and capacity constraints. Leveraging such tools would be a strategic priority for scaling AML efforts and improving inter-agency intelligence.

CONCLUSION

This study has demonstrated that money laundering (ML) poses a significant threat to Kenya's national security, manifesting through terrorism, human trafficking, and drug trafficking. The findings reveal that despite the existence of legal frameworks and active involvement of both government agencies and financial

institutions, institutional and capacity-based challenges continue to hinder effective AML enforcement. Through the application of Systems Theory and Institutional Theory, the study has shown that a coordinated, multisectoral approach is essential in strengthening the national response. Kenya's AML strategies, while aligned with global norms, require enhanced cross-border collaboration, sustained capacity building, and continuous legal reforms to effectively disrupt the financing of organized crimes. The study provides a critical contribution by situating ML within national security discourse and advocating for integrated institutional responses.

RECOMMENDATIONS

1. **Enhance Institutional Capacity** The government should invest in the continuous training and resourcing of financial institutions, security agencies, and regulatory bodies to improve the detection, reporting, and investigation of money laundering cases. Capacity gaps identified in skills and financial resources must be addressed to ensure efficiency and sustainability in AML operations.
2. **Strengthen Legal and Policy Frameworks** Continuous review and alignment of Kenya's anti-money laundering laws with international standards is essential. Legislators and policymakers should ensure that loopholes within existing frameworks, such as delays in prosecution and unfreezing of suspicious accounts, are sealed through updated laws and stricter enforcement protocols.
3. **Promote Inter-agency and Cross-border Collaboration** The fight against money laundering requires coordinated efforts among national institutions and international partners. Kenya should strengthen bilateral and multilateral cooperation, particularly with regional bodies and Interpol, to trace illicit financial flows and dismantle transnational criminal networks.
4. **Leverage Technology and Data Analytics** Financial institutions and state agencies should adopt advanced technological tools such as artificial intelligence and big data analytics to detect suspicious financial transactions in real-time. This will enhance early warning systems and improve responsiveness.

Suggestion For Further Studies

The following can be considered for further studies:

1. Empirical study on weaknesses of government in the fight against money laundering.
2. Towards Digital Money Laundering: The role of Financial Institutions in detection and prevention.

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