

# Anti-Money Laundering Compliance and Financial Performance of Selected Commercial Banks in South Sudan: A Survey of Literature on Customer Due Diligence

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## Abstract

This study examines the relationship between Anti-Money Laundering (AML) compliance, particularly focusing on customer due diligence, and the financial performance of selected commercial banks in South Sudan. Despite substantial government investment in AML initiatives, the country remains on the FATF grey list, impacting financial sector performance. Employing a mixed-methods approach with 105 participants from four commercial banks, the research reveals a significant positive correlation ( $r = 0.468$ ,  $p = 0.000$ ,  $n = 86$ ) between customer due diligence and financial performance. Regression analysis indicates that customer due diligence accounts for 29% (Adjusted R Square) of financial performance variance. However, the study underscores a relatively weak positive relationship, suggesting substantial room for enhancement in AML compliance to bolster the financial integrity of commercial banks in South Sudan.

## Keywords

Anti-Money Laundering, Compliance, Financial Performance, Customer Due Diligence, South Sudan

## 1. Introduction

The global financial system faces significant risks from money laundering activities, prompting regulatory authorities worldwide to enact stringent measures to combat this pervasive threat. In South Sudan, the government has prioritized Anti-Money Laundering (AML) initiatives within its financial sector,

reflecting a commitment to safeguarding the integrity of its banking system (Abu-Musa, 2020). Despite these efforts, South Sudan remains on the Financial Action Task Force (FATF) grey list, signaling persistent vulnerabilities in its AML framework (FATF, 2013). Such status not only underscores the challenges in combating money laundering but also raises concerns about the potential impact on the financial performance of commercial banks operating in the country.

Furthermore, commercial banks play a pivotal role in the financial ecosystem, serving as crucial intermediaries between depositors and borrowers while facilitating economic growth (Bjelajac, 2020). However, their susceptibility to money laundering activities can undermine public trust and confidence in the banking sector, leading to adverse consequences on financial stability and performance (Fang, 2021). Given the interconnectedness of AML compliance and financial performance, understanding the dynamics of customer due diligence—a key component of AML measures—becomes imperative. Customer due diligence involves the thorough assessment of customer identities, backgrounds, and transactions to mitigate the risks of money laundering and terrorist financing (FATF, 2012).

Against this backdrop, this study aims to investigate the relationship between customer due diligence as an AML compliance measure and the financial performance of selected commercial banks in South Sudan. Despite the substantial investments made by the government and financial institutions in bolstering AML efforts, empirical evidence regarding the impact of customer due diligence on financial performance remains scarce, particularly within the South Sudanese context. By addressing this gap, the research seeks to provide insights that can inform policymakers, regulators, and banking practitioners on effective strategies to enhance AML compliance and foster financial integrity in South Sudan's commercial banking sector.

To achieve this objective, the study adopts a descriptive research approach coupled with a mixed-methods design, allowing for a comprehensive exploration of the relationship between customer due diligence and financial performance. A total of 105 participants from four selected commercial banks, namely Cooperative Bank, Equity Bank, Horizon Bank, and National Bank of Egypt, are sampled for the study. Both quantitative and qualitative data are collected to provide a nuanced understanding of the subject matter. Through linear regression analysis, the study aims to establish whether AML compliance using customer due diligence significantly influences the financial performance of commercial banks in South Sudan.

The remainder of this paper is organised as follows. Section 1 contains the theoretical underpinning, Section 2 presents the literature review, Section 3 displays the methodology, and Section 4 presents the discussion of results. Following that is Section 5 which concludes the paper and Section 6 presents the recommendations.

### 1.1. Theoretical Underpinning

The study was guided by the Structural Theory, which emphasizes the significance of organizational structures and processes in shaping behaviors and outcomes within institutions (Scott, 2014). Within the context of Anti-Money Laundering (AML) compliance and financial performance of commercial banks, the Structural Theory provides a framework for understanding how the formal systems and procedures established by regulatory bodies and internal policies influence the implementation of AML measures (Abu-Musa, 2020). By considering the organizational structures of selected commercial banks in South Sudan, the study examines how the integration of customer due diligence practices within these structures contributes to AML compliance and subsequently impacts financial performance. Drawing on the Structural Theory allows for an analysis of the institutional arrangements and mechanisms that facilitate or hinder effective AML practices, offering insights into the structural factors underlying the relationship between AML compliance and financial performance.

Additionally, the study was informed by the Network Theory, which underscores the importance of social relationships and interactions in shaping behaviors and outcomes within interconnected systems (Granovetter, 1985). Within the realm of AML compliance, the Network Theory provides a lens through which to explore the interconnections between various stakeholders involved in the implementation and enforcement of AML measures, including regulatory authorities, commercial banks, and other financial institutions (Benarkah, 2019). By examining the networks of relationships and information flows within the AML ecosystem in South Sudan, the study elucidates how collaboration, communication, and resource-sharing among stakeholders influence the effectiveness of AML efforts and, by extension, financial performance. Leveraging the Network Theory enables a deeper understanding of the social dynamics and network structures that underpin AML compliance initiatives, offering insights into the relational factors shaping the relationship between AML practices and financial outcomes.

### 1.2. Background and Context

In South Sudan, the financial sector, including commercial banks, faces significant challenges in combating money laundering due to its vulnerability to illicit financial flows and weak regulatory frameworks (Cindori, 2021). However, commercial banks in the country have implemented various measures, including customer due diligence (CDD), to mitigate these risks and ensure compliance with Anti-Money Laundering (AML) regulations. Customer due diligence involves the thorough verification of customer identities, assessment of their risk profiles, and monitoring of their transactions to detect and prevent suspicious activities (Kim & Park, 2020). By adhering to CDD protocols, commercial banks in South Sudan aim to enhance transparency, mitigate financial crime risks, and uphold the integrity of the financial system.

The Financial Intelligence Unit (FIU) of South Sudan plays a pivotal role in facilitating AML efforts and overseeing the implementation of CDD by commercial banks and other financial institutions (Lee & Wang, 2020). The FIU serves as the central agency responsible for receiving, analyzing, and disseminating financial intelligence related to suspected money laundering activities (Masciandaro, 2021). Through its collaboration with regulatory bodies and law enforcement agencies, the FIU plays a critical role in coordinating AML initiatives, conducting investigations, and enforcing compliance with AML regulations (Makau & Kibe, 2016). Despite resource constraints and institutional challenges, the FIU has made significant strides in enhancing the capacity of commercial banks to undertake CDD effectively.

Commercial banks in South Sudan face unique challenges in implementing CDD, including limited access to reliable customer information, inadequate technology infrastructure, and a shortage of trained personnel (Mburu, 2016). Additionally, the prevalence of informal financial systems and cash-based transactions poses challenges for banks in conducting thorough due diligence on customers (Ping, 2018). These challenges are further compounded by the country's political instability, weak rule of law, and porous borders, which facilitate illicit financial activities and undermine AML efforts (Roberts & Johnson, 2022).

Despite these challenges, commercial banks in South Sudan have made concerted efforts to strengthen their CDD processes and enhance AML compliance. Many banks have invested in technology solutions, such as Know Your Customer (KYC) platforms and transaction monitoring systems, to improve their ability to detect and report suspicious activities (Ricardo, 2021). Moreover, regulatory authorities have introduced stringent AML regulations and guidelines, requiring banks to adopt risk-based approaches to CDD and enhance their due diligence procedures. Through capacity-building initiatives and training programs, commercial banks are equipping their staff with the necessary skills and knowledge to effectively implement CDD measures and comply with regulatory requirements (Strauss, 2021).

In conclusion, while commercial banks in South Sudan face numerous challenges in implementing customer due diligence, their efforts to enhance AML compliance are supported by the concerted actions of the Financial Intelligence Unit and regulatory authorities. By strengthening their CDD processes, leveraging technology solutions, and investing in staff training, commercial banks aim to mitigate the risks of money laundering and uphold the integrity of the financial system. However, sustained efforts are needed to address systemic challenges, improve regulatory oversight, and enhance international cooperation to effectively combat money laundering in South Sudan's financial sector.

## 2. Literature Review

### 2.1. The Importance of Customer Due Diligence in AML Compliance

Customer due diligence (CDD) is a fundamental component of Anti-Money

Laundrying (AML) efforts, aimed at identifying and verifying the identities of customers and assessing their risk profiles (UNODC, 2020). Research underscores the critical role of CDD in mitigating the risks of money laundering and terrorist financing within the banking sector (Usman, 2021). Effective CDD practices enable commercial banks to enhance transparency, detect suspicious activities, and comply with regulatory requirements, thereby safeguarding the integrity of the financial system. For instance, countries like Singapore have implemented robust CDD measures, including enhanced due diligence for high-risk customers and ongoing monitoring of transactions, contributing to its reputation as a global financial hub with strong AML compliance (Scott, 2014).

## 2.2. The Relationship between CDD and Financial Performance

Several studies have examined the relationship between customer due diligence practices and the financial performance of commercial banks. Empirical evidence suggests a positive association between effective CDD implementation and financial performance metrics such as profitability, asset quality, and risk management (Ogembo & Were, 2019). Banks that prioritize CDD tend to experience lower levels of non-performing loans, reduced operational costs related to compliance, and enhanced reputation and brand value (AUSTRAC, 2022). Moreover, adherence to CDD protocols can mitigate the risks of regulatory penalties and legal sanctions, thereby preserving shareholder value and enhancing long-term sustainability (Robin, 2018). For example, in the United Kingdom, banks have integrated CDD into their risk management frameworks, resulting in improved financial stability and resilience despite regulatory challenges post-Brexit (Makau & Kibe, 2016).

## 2.3. Challenges and Limitations in Implementing CDD

Despite the benefits of CDD, commercial banks face various challenges and limitations in effectively implementing these practices. Research highlights issues such as limited access to reliable customer information, inadequate technology infrastructure, and a shortage of trained personnel as key obstacles to CDD effectiveness (Kim & Park, 2020). Additionally, the prevalence of informal financial systems, cash-based transactions, and cross-border activities complicates the due diligence process and increases the likelihood of money laundering risks (Benarkah, 2019). To address these challenges, countries like Australia have invested in innovative solutions such as digital identity verification and data analytics to enhance CDD processes and overcome information asymmetry, thereby strengthening their AML frameworks (Garcia et al., 2018).

## 2.4. Strategies to Enhance CDD Effectiveness and Financial Performance

To address the challenges associated with CDD implementation and maximize its impact on financial performance, commercial banks employ various strategies and best practices. These include investing in technology solutions such as

Know Your Customer (KYC) platforms and transaction monitoring systems to automate and streamline the due diligence process (Scott, 2014). Moreover, capacity-building initiatives, staff training programs, and knowledge-sharing networks play a crucial role in equipping bank employees with the skills and knowledge needed to conduct effective CDD (Granovetter, 1985). Additionally, collaboration with regulatory authorities, law enforcement agencies, and international partners facilitates information exchange, enhances risk assessment capabilities, and strengthens AML compliance efforts (Abu-Musa, 2020). For instance, in Canada, banks have established partnerships with government agencies and industry associations to share best practices and resources, leading to improved AML outcomes and financial performance.

## 2.5. Regulatory Environment and Compliance Requirements

The regulatory environment significantly influences the implementation of CDD practices and their impact on financial performance. Regulatory authorities, such as central banks and financial intelligence units, establish guidelines and standards for AML compliance, including CDD requirements (AUSTRAC, 2022). Banks must navigate complex regulatory frameworks and ensure alignment with international standards to avoid regulatory penalties and reputational damage (EU, 2021). Moreover, regulatory changes and updates necessitate continuous monitoring and adaptation of CDD processes to remain compliant and mitigate regulatory risks (FATF, 2021). In the European Union, the adoption of the Fifth Anti-Money Laundering Directive (5AMLD) has led to enhanced due diligence requirements and increased transparency, driving improvements in CDD practices and regulatory compliance across member states (FinTRAC, 2022).

## 2.6. Technological Innovations and Digital Solutions

Advancements in technology have revolutionized CDD practices, enabling banks to enhance efficiency, accuracy, and scalability in customer identification and verification processes. Digital solutions, such as biometric authentication, artificial intelligence, and blockchain technology, offer opportunities to streamline CDD procedures and improve risk assessment capabilities (UNODC, 2021). By leveraging these technologies, banks can strengthen their AML compliance efforts, reduce operational costs, and enhance customer experience (Ibrahim & Hynes, 2021). For example, in Estonia, the implementation of blockchain-based digital identities has revolutionized CDD processes, allowing banks to verify customer information securely and efficiently, leading to improved AML outcomes and customer satisfaction (Global Financial Integrity, 2021).

## 2.7. Human Capital and Training Initiatives

The effectiveness of CDD practices is contingent upon the knowledge, skills, and expertise of bank employees responsible for conducting due diligence activities.

Training initiatives and capacity-building programs play a vital role in enhancing the competencies of staff in understanding AML regulations, identifying suspicious activities, and implementing CDD protocols (Ibrahim & Hynes, 2021). Investing in human capital development fosters a culture of compliance within banks, promotes accountability, and enhances the overall effectiveness of AML efforts (UK Finance, 2021). In Singapore, banks collaborate with industry associations and academic institutions to offer specialized AML training programs, ensuring that employees are equipped with the latest knowledge and skills to navigate regulatory complexities and uphold AML standards (OECD, 2021).

## 2.8. Literature Gap

Despite the extensive research on the relationship between customer due diligence (CDD) and financial performance in various banking contexts, there remains a notable gap in the literature regarding the nuanced factors influencing this relationship, particularly within emerging markets like South Sudan. While existing studies have highlighted the importance of CDD in mitigating money laundering risks and enhancing operational efficiency, few have delved into the specific challenges and opportunities faced by commercial banks operating in fragile economies with evolving regulatory landscapes. Additionally, there is a dearth of research exploring the role of cultural, political, and institutional factors in shaping the effectiveness of CDD practices and their impact on financial performance within such contexts. Moreover, while technological innovations have transformed CDD processes in more developed banking sectors, their applicability and scalability in resource-constrained environments like South Sudan remain underexplored. Therefore, there is a critical need for further empirical investigation to bridge this gap in the literature and provide insights that can inform policymakers, regulators, and banking practitioners in enhancing AML compliance and financial performance in similar contexts.

## 3. Methodology

### 3.1. Research Design and Sampling Procedure

This study used a descriptive research design with a mixed-method approach to investigate the relationship between customer due diligence (CDD) and financial performance of selected commercial banks in South Sudan. A purposive sampling technique was employed to select four commercial banks: Cooperative Bank, Equity Bank, Horizon Bank, and National Bank of Egypt, which represent a diverse cross-section of the banking sector in the country. The sample size comprised of 105 participants, including senior management, compliance officers, risk managers, auditors, and regulatory department, audit, customer advisory department and customers.

The study used the Yamane formula because it is particularly suitable for de-



termining sample sizes in large populations. Given a population size ( $N$ ) of 144 individuals and a desired margin of error ( $e$ ) of 5% (0.05), the Yamane formula was applied as follows:

$$n = \frac{N}{1 + N(e)^2}$$

where,  $n$  = Sample size,  $N$  = Population size,  $e$  = margin of error at 95% confidence level and  $e$  = Margin of error/0.05.

### 3.2. Data Collection Methods

Data were collected through both quantitative and qualitative methods to provide a comprehensive understanding of the research phenomenon. Quantitative data was obtained through structured surveys distributed to participants, capturing demographic information, perceptions of CDD practices, and financial performance indicators. 96 questionnaires were used for data collection, each questionnaire contained statements that the respondents were at liberty to reflect their opinions on. These anchored on a five-point Likert scale including Strongly Disagree (1), Disagree (2), Not Sure (3), Agree (4), and Strongly Agree (5). An ordinal scale was used to assign numbers 1 up to 5, to these statements to reflect rank ordering on an attribute in each question.

Qualitative data were gathered through interviews with key informants, which allowed for in-depth exploration of the challenges, opportunities, and contextual factors influencing CDD implementation and its impact on financial performance.

### 3.3. Measurement of Variables

The study measured the effectiveness of CDD practices using established metrics such as compliance with regulatory requirements, customer identification and verification, on-going due diligence and sanction screening. Financial performance was assessed using key indicators including deposit growth, loan growth, profitability and efficiency. Both quantitative and qualitative data were triangulated to provide a comprehensive analysis of the relationship between CDD and financial performance, considering both objective metrics and subjective perceptions of participants.

### 3.4. Reliability and Validity Test of the Instruments

Cronbach's Alpha was used to test the reliability of the instrument while Content Validity Index was used to test the validity of the instruments. The Cronbach's alpha coefficients of the variable scored 0.879 while the CVI scored 0.902 hence were more significant than 0.70, which means the instrument for this research was reliable and valid.

### 3.5. Data Analysis Techniques

Quantitative data are analyzed using descriptive statistics to summarize the cha-



racteristics of the sample and inferential statistics, including correlation analysis and linear regression, to examine the relationship between CDD and financial performance. Correlation coefficients are calculated to assess the strength and direction of the relationship, while regression analysis is conducted to determine the extent to which CDD predicts variations in financial performance indicators. Qualitative data are thematically analyzed to identify recurring patterns, themes, and insights emerging from the interviews.

### 3.6. Ethical Considerations

Ethical considerations are paramount throughout the research process to ensure the integrity, confidentiality, and voluntary participation of the participants. Informed consent is obtained from all participants, and measures are implemented to protect their privacy and anonymity. The study adheres to ethical guidelines outlined by relevant regulatory bodies and institutions, and ethical approval is obtained from the appropriate research ethics committee prior to data collection (Creswell & Creswell, 2017).

### 3.7. Limitations and Delimitations

Several limitations and delimitations are acknowledged in this study. Firstly, the sample size and scope of the study are limited to four commercial banks in South Sudan, which may restrict the generalizability of the findings to other banking contexts. Additionally, the reliance on self-reported data and subjective perceptions of participants may introduce response bias and social desirability bias, impacting the validity of the results. Furthermore, the cross-sectional nature of the study precludes the establishment of causal relationships between CDD and financial performance, highlighting the need for longitudinal research to validate the findings over time (Bryman, 2016).

### 3.8. Data Validity and Reliability

To enhance the validity and reliability of the study findings, several measures were implemented. Firstly, standardized survey instruments were used to ensure consistency and comparability of responses across participants. Secondly, the use of triangulation, combining both quantitative and qualitative data sources, enhanced the credibility and trustworthiness of the findings through data triangulation and convergence of evidence. Finally, member checking and peer debriefing techniques were employed to validate the interpretation of qualitative data and mitigate researcher bias.

## 4. Discussion of Results

### Response rate

In **Table 1** below, result show that out of the 90 questionnaires distributed, only 86 filled questionnaires were returned while 15 interviews were planned however, only 11 were conducted. The overall response rate was 92.3%.

**Table 1.** Response Rate.

	Targeted Number	Valid Instruments	Percentage
Questionnaires	90	86	88.6
Interviews guides	15	11	11.4
<b>Total</b>	<b>105</b>	<b>97</b>	<b>92.3</b>

Primary data, 2023.

#### 4.1. Background Information of Respondents

Most respondents were female forming 59.0%. The remaining 41.0% were male. The average age of the respondents was 41.1 years. In terms of level of education, the highest number of respondents had master's level forming 40.2%, whereas 30.9% had bachelors' degree, 11.5% had other education levels particularly professional body courses such as ACCA, Financial Intelligence while 12.3% had certificates.

In line with the descriptive statistics in **Table 2**, the qualitative data submissions the availability of skilled personnel and infrastructure for thorough CDD were that:

*"I believe that commercial banks generally recruit the best and most knowledgeable people as staff. In doing this, we make sure that we bridge the gap in the banking sector of our country through targeted training or resource enhancement".*

Concerning the ease of obtaining reliable customer information from foreign jurisdictions, it was stated that:

*"As a country, not just within the commercial banks or financial institutions at large, South Sudan is still facing hurdles in obtaining information from foreign jurisdictions. However, efforts by authorities such as Financial Intelligence Unit are progressing to streamline the process or improve international collaborations to overcome these challenges".*

When it came to examining the adaptation of CDD processes to emerging technologies, a key respondent mentioned that:

*"It goes without say that commercial banks in South Sudan have made tremendous strides in the adaptability to technological changes. This suggests recognition for our ongoing efforts to modernize and stay abreast of industry trends, ensuring our systems align with emerging technologies for more efficient customer identity verification".*

#### 4.2. Regression Analysis

Regression analysis was used to evaluate whether customer due diligence has a significant influence on financial performance in selected commercial banks in South Sudan. The coefficient of determination (R Square) under regression analysis is presented in table in **Table 3**.

**Table 3** shows Pearson's correlation coefficient ( $R = 0.468$ ), Coefficient of determination or R Square of 0.219 and Adjusted R Square of 0.209. An adjusted R

**Table 2.** Descriptive statistics of internal policies.

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Banks conduct extensive customer background checks to identify and prevent fraudulent activities.	7	8.1	13	15.1	1	1.2	45	52.3	20	23.3	3.674
Banks have skilled personnel and infrastructure to perform thorough CDD.	14	16.3	12	14.0	10	11.6	25	29.1	25	29.1	3.407
Banks easily verify remote and non-face-to-face document transactions.	12	14.0	11	12.8	5	5.8	35	40.7	23	26.7	3.534
All banks easily obtain reliable customer information from foreign jurisdictions.	33	38.4	25	29.1	3	3.5	14	16.3	11	12.8	2.360
Bank strike a balance between stringent CDD measures and providing a smooth customer experience.	6	7.0	12	14.0	51	59.3	9	10.5	8	9.3	3.011
There is collaborative information sharing across borders about customer information.	25	29.1	31	36.0	2	2.3	16	18.6	12	14.0	2.523
Banks have consistent approaches to CDD across jurisdictions.	18	20.9	45	52.3	9	10.5	8	9.3	6	7.0	2.290
Banks continuously adapt their CDD processes to keep pace with emerging technologies to verify customer identities.	9	10.5	9	10.5	11	12.8	31	36.0	26	30.2	3.651
Banks easily obtain accurate and reliable information for CDD purposes.	12	14.0	13	15.1	1	1.2	24	27.9	36	41.9	3.686
Banks easily identify and assess the risk associated with politically exposed persons.	15	17.4	7	8.1	3	3.5	22	25.6	39	45.3	3.732

Source: Primary data, 2023.

**Table 3.** Model Summary for Customer due diligence and financial performance.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.468 <sup>a</sup>	0.219	0.209	0.41978

a. Predictors: (Constant), Customer due diligence.

Square of 0.209 means that customer due diligence accounts for 20.9% of the variance in financial performance in commercial banks in South Sudan. This means that apart from customer due diligence there are other factors that contribute to financial performance in commercial banks in South Sudan.

The results in **Table 4** present results aimed at establishing whether customer due diligence is a predictor of financial performance in commercial banks in South Sudan and determine the magnitude to which customer due diligence influences financial performance in commercial banks in South Sudan, Standardized Beta and *t* Coefficients were generated. For the magnitude to be significant the decision rule is that the *t* value must not be close to 0 and the *p*-value must

**Table 4.** Coefficients<sup>a</sup> for Customer due diligence and financial performance.

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.294	0.145		22.738	0.000
	Customer due diligence	0.185	0.039	0.468	4.761	0.000

a. Dependent variable: Financial performance.

be less than or equal to 0.05. Since the *t*-value of 4.761 is not close to 0 and *p*-value < 0.05 (= 0.000), the study confirmed that customer due diligence is a predictor of financial performance in commercial banks in South Sudan. A standardized Beta coefficient of 0.468 means; every 1-unit increase in customer due diligence will lead to an increase of 0.468 units of financial performance in commercial banks in South Sudan.

#### 4.2.1. Robustness Check

To ensure the robustness of the findings, several steps were taken to validate the relationship between customer due diligence (CDD) and financial performance in commercial banks in South Sudan. Firstly, Pearson's correlation coefficient (*R*) was computed, yielding a value of 0.468, indicating a moderate positive correlation between CDD and financial performance. This correlation was further supported by the coefficient of determination (*R* Square) of 0.219, suggesting that approximately 21.9% of the variance in financial performance can be explained by CDD practices. Additionally, an adjusted *R* Square of 0.209 was obtained, indicating that after accounting for other factors, CDD still contributes significantly, explaining 20.9% of the variance in financial performance. These results underscore the importance of CDD in shaping financial outcomes in commercial banks.

Furthermore, regression analysis was conducted to ascertain whether CDD serves as a predictor of financial performance. The results revealed a significant relationship, with a standardized Beta coefficient of 0.468. This coefficient implies that for every 1-unit increase in CDD, there is an associated increase of 0.468 units in financial performance. The statistical significance of this relationship was corroborated by the *t*-value of 4.761, which was far from zero, and a *p*-value of 0.000, indicating strong evidence against the null hypothesis. These findings demonstrate the robustness of the relationship between CDD and financial performance in commercial banks in South Sudan, highlighting CDD as a crucial factor influencing financial outcomes.

#### 4.2.2. Generalisation of Results

While the specific context of the study focuses on the banking sector in South Sudan, the underlying principles of CDD and its impact on financial performance are likely to have broader applicability. The rigorous methodology employed in this research, including robust statistical analyses, enhances the credi-

bility and generalizability of the findings. However, it is essential to acknowledge that the effectiveness of CDD measures may vary across different socio-economic, regulatory, and institutional contexts. Therefore, while the findings of this paper offer valuable implications for policymakers, banking regulators, and practitioners in South Sudan, further research and validation in diverse geographical and organizational settings would be necessary to ascertain the broader applicability of these findings.

## 5. Conclusion

In summary, the study establishes a weak positive relationship between customer due diligence and financial performance within the commercial banking sector of South Sudan. This correlation, as evidenced by a statistically significant relationship and accounting for 20.9% of the variance in financial performance, underscores the role of customer due diligence as a predictor for financial success. The study's findings align with existing literature that highlights the significance of meticulous due diligence processes in contributing to overall financial health.

However, it is essential to acknowledge that the weak positive relationship suggests that other factors not explored in this study may substantially contribute to financial performance. Macro-economic conditions, market dynamics, and external regulatory environments may play significant roles in shaping financial outcomes in addition to customer due diligence practices. This nuance in the relationship highlights the complexity of the banking environment and underscores the need for a comprehensive approach to financial management.

The implications of these findings for the banking sector in South Sudan are noteworthy. Banks should recognize the intrinsic connection between customer due diligence and financial performance. Investments in enhancing due diligence processes, leveraging advanced technologies, and ensuring compliance with regulatory requirements become imperative for sustained financial success. This aligns with the broader trend where financial institutions globally are placing increased emphasis on due diligence measures to ensure financial integrity.

A robust regulatory framework is crucial to ensuring that banks adhere to best practices and international standards in customer due diligence. By doing so, regulatory bodies contribute to the creation of a secure and trustworthy financial environment that is less susceptible to fraudulent activities. In conclusion, the study's findings offer valuable insights into the relationship between customer due diligence and financial performance in South Sudanese commercial banks. The implications call for strategic interventions by banks and regulatory bodies to fortify due diligence processes, fostering a more secure and resilient financial sector. This aligns with global efforts to enhance financial stability and integrity, emphasizing the crucial role of customer due diligence in achieving these objectives.

## 6. Recommendations

### 6.1. Customer Relationship Management (CRM) Division

Establish a specialized unit within the CRM Division dedicated to enhancing

customer due diligence processes. This unit should focus on implementing advanced technologies and data analytics to ensure comprehensive and accurate customer risk assessments.

### **6.2. Training and Development Department**

Task the Training and Development Department with creating ongoing training programs for bank staff involved in customer due diligence. Ensure that employees are well-versed in the latest AML regulations, customer identification techniques, and risk assessment methodologies.

### **6.3. Compliance Oversight Committee**

Form a Compliance Oversight Committee responsible for regularly reviewing and updating customer due diligence policies. This committee should ensure that due diligence practices align with regulatory standards and industry best practices.

### **6.4. Technology and Innovation Unit**

Empower the Technology and Innovation Unit to explore and implement advanced identity verification technologies. Integrate biometrics, blockchain, or other innovative solutions to streamline and enhance the accuracy of customer due diligence processes.

### **6.5. Audit and Quality Assurance Team**

Direct the Audit and Quality Assurance Team to conduct periodic internal audits of customer due diligence procedures. This team should focus on identifying areas for improvement, ensuring consistency in application across all customer interactions.

### **6.6. Legal and Compliance Department**

Task the Legal and Compliance Department with staying abreast of changes in AML laws and regulations. This department should collaborate with the Compliance Oversight Committee to swiftly update due diligence processes in response to evolving legal standards.

### **6.7. Customer Support and Communication Unit**

Establish a Customer Support and Communication Unit to educate customers about the importance of providing accurate information during due diligence processes. This unit should also handle customer inquiries regarding the purpose and benefits of due diligence.

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## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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