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Effect of the anti-money laundering/counter financing terrorism act 2013, on deposit mobilization of deposit money banks in Nigeria

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ABSTRACT

This paper aims to examine the effect of the adoption of the AML/CFT Act 2013 on deposit mobilization of listed Deposit Money Banks in Nigeria. The study is of a two-period design: the time before and after the adoption of AML/CFT laws. The study used a sample of five banks out of the entire listed Deposit Money Banks on the Nigerian Stock Exchange. Secondary data were used and extracted from the Annual reports of the sampled Banks and the National Bureau of Statistics (NBS) from 2003 to 2012 and 2014 to 2023. The result revealed that Foreign Trade has a negative significant impact on deposit growth of the listed Deposit Money Banks, and Foreign Remittance has a positive significant impact on deposit growth. While Fraudulent Transactions, Cost of Fund, Bank Size, and crypto-currencies are found to have no significant influence on deposit growth before adoption of the Act. On the other hand, the result with regard to the central aim of the study shows that AML/CFT adoption impacts the deposit growth of Deposit Money Banks, because it has not resulted in the loss of key clients for banks and also has not become a hurdle to attract new depositors. It is therefore recommended that, the AML/CFT compliance should be followed up by strict scrutiny from time to time by relevant authorities. Deposit Money Banks' top management is required to engage in public awareness concerning the law so as to narrow the perception differences of its customers, and should also improve its system of non-price measures.

Keywords

Anti-Money Laundering, Counter Financing Terrorism, Foreign Trade, Crypto-currencies Transactions and Fraudulent Transactions

1. Introduction

Banks are regarded as cornerstones of an economy. According to [Musa et al. \(2024\)](#) Banks (DMBs) are crucial to Nigeria's economy, acting as financial intermediaries and driving economic development. Money laundering is a global financial crime that undermines the integrity of financial systems by legitimizing illicit funds, thereby facilitating crimes such as drug trafficking, terrorism financing, and corruption ([Ahiauzu, 2022](#)). The global perception of money laundering shifted significantly after the September 11, 2001 terrorist attacks in the United States of America, which led to the enactment of the USA Patriot Act 2001, United Nations Security Council Resolution 1373, and the expansion of the Financial Action Task Force (FATF) mandate to include terrorist financing and the proliferation of weapons of mass destruction (FATF, 2012). These developments have shaped Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) laws worldwide, with countries tailoring FATF recommendations to their unique economic contexts ([Darboe, 2026](#)).

In Africa, regional bodies such as the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the Middle East and North Africa Financial Action Task Force (MENAFATF), and the Intergovernmental Action Group against Money Laundering in West Africa (GIABA) collaborate with FATF to combat money laundering and terrorist financing ([Kshetri, 2021](#)). Nigeria, as Africa's largest economy, has been at the forefront of AML/CFT

efforts, enacting a series of laws to address money laundering, including the Money Laundering (Prohibition) Act 2004, the Terrorism (Prevention) Act 2011, and the Anti-Money Laundering Counter Financing of Terrorism Act 2013 (Bello et al., 2025). The Money Laundering Prevention and Prohibition Act 2022 further strengthened Nigeria's AML/CFT framework, introducing measures such as customer due diligence, risk assessment, and the use of Bank Verification Numbers (BVN) to enhance transparency in financial transactions (Esoimeme, 2024).

The rise of digital currencies, particularly cryptocurrencies, has introduced new complexities to AML/CFT efforts due to their decentralized and anonymous nature, making them attractive to both legitimate users and criminal enterprises (Brewczynska, 2026). In Africa, the rapid growth of financial technology (fintech) has increased financial inclusion but also created vulnerabilities to money laundering, especially through the use of cryptocurrencies (Musa et al. 2025). Nigeria, as a leader in fintech innovation, has witnessed significant adoption of digital banking, mobile payment systems, and cryptocurrency trading, which has supported economic growth but also exposed the financial sector to new risks (Arogundade & Adegbe, 2024).

Despite Nigeria's robust AML/CFT framework, there are concerns that stringent regulations may hinder financial inclusion and deposit mobilization in the banking sector. The Anti-Money Laundering Counter Financing of Terrorism Act 2013 introduced rigorous compliance requirements, including customer due diligence, enhanced due diligence for politically exposed persons, and the verification of ultimate beneficial owners (Uche & Obiora, 2022). While these measures are essential for combating financial crimes, they may also create barriers to accessing financial services, particularly for new customers. This raises the question of whether the Act has inadvertently reduced the rate at which Nigerians access financial services, despite the government's Financial Inclusion Act 2010, which aimed to include 80% of Nigerians in the financial system by 2020 (Ugwoke & Bello, 2023).

Furthermore, the rapid growth of digital financial services and the adoption of cryptocurrencies have introduced new challenges for AML/CFT efforts, as criminals exploit gaps in the regulatory framework. This study seeks to address these concerns by examining the impact of the AML/CFT Act 2013 on deposit mobilization in Nigerian Deposit Money Banks (DMBs), with a focus on the difference between current and previous-year total liability as a proxy for deposit mobilization.

2. Review of literature and hypothesis development

Money laundering and terrorist financing are global issues that undermine the integrity of financial systems and facilitate criminal activities such as drug trafficking, corruption, and terrorism (Ahiauzu, 2022; Brewczynska, 2026). In response, countries have developed robust Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) frameworks to combat these financial crimes. Nigeria, as Africa's largest economy, has been at the forefront of AML/CFT efforts, enacting several laws and regulations, including the Anti-Money Laundering Counter Financing of Terrorism Act 2013 (AML/CFT Act 2013) and its subsequent amendments, such as the Money Laundering (Prevention and Prohibition) Act 2022 and the Terrorism (Prevention and Prohibition) Act 2022. These laws aim to strengthen Nigeria's financial system by ensuring compliance with international standards set by the Financial Action Task Force (FATF) and other regional bodies like the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the Intergovernmental Action Group against Money Laundering in West Africa (GIABA) (Kshetri, 2021).

This literature review will focus on the AML/CFT Act 2013 and its specific provisions, such as the Institutional Framework, Customer Due Diligence (CDD), High-Risk Customers, Politically Exposed Persons (PEPs), and Know Your Customer (KYC) requirements. Additionally, it will explore the impact of these regulations on key variables such as Customer Acquisition, Foreign Trade, Foreign Inflows, Fraudulent Transactions, and Crypto Transactions.

2.1 The Anti-Money Laundering and Counter Financing of Terrorism Act 2013

The AML/CFT Act 2013 is a comprehensive legal framework designed to combat money laundering and terrorist financing in Nigeria. It was enacted to align with international standards, particularly the FATF Recommendations, and to address the growing challenges posed by financial crimes in the country. The Act provides a robust regulatory framework for financial institutions, including banks, other financial institutions (OFIs), and payment service providers (PSPs), to detect, prevent, and report suspicious transactions.

2.1.1 Institutional Framework

The Institutional Framework under the AML/CFT Act 2013 mandates financial institutions to establish a comprehensive AML/CFT compliance program. This includes the appointment of a Chief Compliance Officer (CCO), the development of internal controls, and the implementation of risk assessment and mitigation strategies (Musa et al., 2025). The Act requires financial institutions to adopt a risk-based approach to identify, assess, and manage money laundering (ML) and terrorist financing (TF) risks. This involves conducting regular risk assessments, documenting risk profiles, and applying enhanced due diligence (EDD) measures for high-risk customers and transactions (CBN AML/CFT Regulations, 2022).

The Act also emphasizes the importance of employee training and awareness programs to ensure that staff are equipped with the necessary skills to detect and report suspicious activities. Financial institutions are required to submit regular compliance reports to the Central Bank of Nigeria (CBN) and the Nigerian Financial Intelligence Unit (NFIU) (CBN AML/CFT Regulations, 2022).

2.1.2 Customer Due Diligence (CDD)

The Customer Due Diligence (CDD) provisions of the AML/CFT Act 2013 require financial institutions to verify the identity of their customers and beneficial owners before establishing a business relationship or conducting transactions. This includes obtaining and verifying identification documents, understanding the nature of the customer's business, and assessing the source of funds (CBN AML/CFT Regulations, 2022).

The Act also introduces Enhanced Due Diligence (EDD) measures for high-risk customers, such as politically exposed persons (PEPs), non-resident customers, and customers from high-risk jurisdictions. Financial institutions are required to conduct ongoing monitoring of customer transactions to ensure that they are consistent with the customer's risk profile and the nature of their business (Ugwoke & Bello, 2023).

2.1.3 High-Risk Customers and Politically Exposed Persons (PEPs)

The AML/CFT Act 2013 places special emphasis on High-Risk Customers and Politically Exposed Persons (PEPs). PEPs are individuals who hold or have held prominent public positions, such as heads of state, senior government officials, and executives of state-owned corporations. The Act requires financial institutions to apply enhanced due diligence measures when dealing with PEPs, including obtaining senior management approval before establishing a business relationship and conducting ongoing monitoring of PEP-related transactions (CBN AML/CFT Regulations, 2022).

The Act also mandates financial institutions to identify and verify the source of wealth and funds for PEPs and to report any suspicious transactions to the NFIU. This is particularly important in Nigeria, where corruption and illicit financial flows have been significant challenges (Uche & Obiora, 2022).

2.1.4 Know Your Customer (KYC)

The Know Your Customer (KYC) requirements under the AML/CFT Act 2013 are designed to ensure that financial institutions have a clear understanding of their customers' identities, business activities, and risk profiles. The Act requires financial institutions to obtain and verify identification documents, such as passports, national identity cards, and bank verification numbers (BVNs), before opening an account or conducting transactions (CBN AML/CFT Regulations, 2022).

The KYC process also involves identifying and verifying the beneficial owners of legal entities and arrangements, such as trusts and corporate customers. Financial institutions are required to conduct ongoing due diligence and update customer information regularly to ensure that it remains accurate and up-to-date (Bello et al., 2025).

2.1.5 Impact of AML/CFT Regulations on Key Variables

2.1.5.1 Deposit Growth

The stringent Customer Due Diligence (CDD) and Know Your Customer (KYC) requirements under the AML/CFT Act 2013 have had a significant impact on Deposit Growth in Nigerian banks. While these measures are essential for preventing financial crimes, they have also created barriers to accessing financial services, particularly for new customers. The requirement to provide extensive documentation and undergo rigorous identity verification processes may deter potential customers, especially those in rural areas or with limited access to formal identification documents (Okon, 2023).

However, the introduction of digital banking and mobile payment systems has helped to mitigate some of these challenges. For example, the use of Bank Verification Numbers (BVNs) and National Identification Numbers (NINs) has streamlined the KYC process and made it easier for customers to open accounts and access financial services ([Arogundade & Adegbe, 2024](#)).

2.1.5.2 Foreign Trade

The AML/CFT Act 2013 has also had a significant impact on Foreign Trade in Nigeria. The Act requires financial institutions to monitor cross-border transactions and report any suspicious activities to the NFIU. This has led to increased scrutiny of international trade transactions, particularly those involving high-risk jurisdictions or politically exposed persons (PEPs) (CBN AML/CFT Regulations, [2022](#)).

While these measures are essential for preventing money laundering and terrorist financing, they have also created challenges for legitimate businesses engaged in foreign trade. The requirement to provide detailed documentation and undergo enhanced due diligence (EDD) processes may delay transactions and increase compliance costs for businesses ([Uche & Obiora, 2022](#)).

2.1.5.3 Foreign Remittances

The AML/CFT Act 2013 has had a mixed impact on Foreign Remittances in Nigeria. On the one hand, the Act has helped to improve the transparency and integrity of Nigeria's financial system, making it more attractive to foreign investors. On the other hand, the stringent compliance requirements may deter some foreign investors, particularly those from high-risk jurisdictions ([Brewczynska, 2026](#)).

The Act also requires financial institutions to monitor and report any suspicious transactions involving foreign inflows, which may increase the compliance burden for banks and other financial institutions. However, these measures are essential for preventing the misuse of Nigeria's financial system for money laundering and terrorist financing (CBN AML/CFT Regulations, [2022](#)).

2.1.5.4 Fraudulent Transactions

The AML/CFT Act 2013 has been instrumental in reducing Fraudulent Transactions in Nigeria's financial system. The Act requires financial institutions to monitor customer transactions and report any suspicious activities to the NFIU. This has led to increased detection and prevention of fraudulent activities, such as identity theft, credit card fraud, and money laundering ([Brewczynska, 2026](#)).

The Act also mandates financial institutions to implement robust internal controls and conduct regular audits to ensure compliance with AML/CFT regulations. These measures have helped to strengthen Nigeria's financial system and reduce the incidence of fraudulent transactions (CBN AML/CFT Regulations, [2022](#)).

2.1.5.5 Cost of Funds

[Mushtaq and Siddiqul \(2017\)](#) in an attempt to find out the effect of interest rates on bank deposits as evidenced by both Islamic and non-Islamic economies, with the intention of knowing whether religious factors have any effect on Muslim decisions while saving in banks. They used a panel least squares with fixed effect model on 23 non-Islamic and 23 Islamic countries from 1999 to 2014 for this study.

[Hassan \(2016\)](#) examines the effect of interest rate on Commercial Bank Deposits between 2000 – 2013 in Nigeria using secondary data sourced from the Central Bank of Nigeria statistical bulletin and the National Bureau of Statistics between 2000 – 2013 using ordinary least squares multiple regression techniques, which revealed that there is a negative relationship between interest rate and customers' deposits in Nigeria. The study period is limited to 2013, which would have been better if extended to 2016.

[Nouman et al. \(2022\)](#) examines the interest-rate volatility and financing of Islamic banks in Pakistan's dual banking system. They found that commercial banks with Islamic finance, albeit interest-free, have significantly lower credit and liquidity risk but significantly higher interest-rate risk. The study uses 734 observations of the Islamic banking industry in Pakistan over the period 2006 - 2020. This paper studies up to 2016 which will update the empirical evidence and statistical inference.

2.1.5.6 Bank Size

[Mohammad et al. \(2026\)](#) aimed to investigate the effect of bank size, liquidity, and credit on profitability using data from 2016 to 2023. Adopted simple regression, and the results revealed a significant impact of the variables <https://doi.org/10.33003/jocaf-2026.v1i2.24.34-43>

on profitability. Nevertheless, the study was conducted on Cambodia's Listed Banks. Therefore, the study used multiple regression techniques in analyzing the collected Data.

2.1.5.7 Crypto Transactions

The rise of Crypto-currencies has introduced new challenges for AML/CFT efforts in Nigeria. Cryptocurrencies, characterized by their decentralized nature and anonymity, are increasingly being used for money laundering and terrorist financing (Staley, 2026). In response, the AML/CFT Act 2013 has been amended to include provisions for regulating crypto transactions. Financial institutions are now required to conduct enhanced due diligence (EDD) on customers engaged in crypto transactions and report any suspicious activities to the NFIU (CBN AML/CFT Regulations, 2022).

However, the regulation of crypto transactions remains a complex issue, particularly in Nigeria, where the use of cryptocurrencies has grown rapidly in recent years. The Central Bank of Nigeria (CBN) has issued several circulars restricting banks from facilitating crypto transactions, citing concerns over money laundering and terrorist financing (Arogundade & Adegbe, 2024). These restrictions have had a significant impact on the crypto market in Nigeria, leading to a decline in crypto transactions and increased scrutiny of crypto-related activities.

The AML/CFT Act 2013 has played a crucial role in strengthening Nigeria's financial system and combating money laundering and terrorist financing. The Act's provisions, such as the Institutional Framework, Customer Due Diligence (CDD), High-Risk Customers, Politically Exposed Persons (PEPs), and Know Your Customer (KYC) requirements, have helped to improve transparency and accountability in Nigeria's financial sector. However, these measures have also created challenges for financial institutions and customers, particularly in areas such as Customer Acquisition, Foreign Trade, Foreign Inflows, Fraudulent Transactions, and Crypto Transactions.

As Nigeria continues to evolve its AML/CFT framework, it is essential to strike a balance between preventing financial crimes and promoting financial inclusion and economic growth. This will require ongoing collaboration between regulators, financial institutions, and other stakeholders to ensure that Nigeria's financial system remains robust, transparent, and resilient in the face of emerging challenges.

In line with the objectives of the study, the following hypotheses are formulated.

- H₀₁ Foreign Trade has no significant effect on deposit growth of listed DMBs in Nigeria
- H₀₂ Foreign Remittances has no significant effect on deposit growth of listed DMBs in Nigeria.
- H₀₃ Fraud has no significant effect on deposit growth of listed DMBs in Nigeria.
- H₀₄ Cost of Funds has no significant effect on deposit growth of listed DMBs in Nigeria.
- H₀₅ Bank Size has no significant effect on deposit growth of listed DMBs in Nigeria.
- H₀₆ Crypto has no significant effect on deposit growth of listed DMBs in Nigeria.

H₀₇ Cost of Funds, bank size, foreign remittances, foreign trade, crypto, and fraud have no significant effect (after adoption of AML/CFT) on deposit growth of listed DMBs in Nigeria.

3. Methodology

The study adopts a panel data research design, which combines cross-sectional and time-series data. This design is appropriate for capturing the dynamic effects of the AML/CFT Act 2013 over time and across the selected banks. The study uses secondary data obtained from the financial statements of the selected banks, as well as reports from the Central Bank of Nigeria (CBN) and the Nigerian Financial Intelligence Unit (NFIU).

The population for this study consists of all Deposit Money Banks (DMBs) in Nigeria. However, the study focuses on five major banks, also known as FUGAZ: First Bank of Nigeria, United Bank for Africa (UBA), Guaranty Trust Bank, Access Bank Plc, and Zenith Bank Plc. These banks are selected based on their market share, asset size, and compliance with AML/CFT regulations. The study covers a 20-year period, with 10 years before (2003–2012) and 10 years after (2014–2023) the adoption of the AML/CFT Act 2013.

The study relies on secondary data collected from the following sources:

- i. Financial Statements: The annual financial reports of the selected banks for the period from 2003–2012 and 2014 - 2023 are used to extract data on the dependent and independent variables.
- ii. Central Bank of Nigeria (CBN) Reports: Data on foreign trade, foreign inflows, and fraudulent transactions are obtained from the CBN's annual reports and statistical bulletins.
- iii. Nigerian Financial Intelligence Unit (NFIU) Reports: Data on suspicious transactions, including those related to crypto transactions, are obtained from the NFIU's annual reports.
- iv. World Bank Report: Data on Foreign Trade and Foreign Remittances are obtained from world bank group.
- v. Other Sources: Data on crypto transactions are obtained from blockchain analytics firms and cryptocurrency exchanges operating in Nigeria. However, due to the unavailability of crypto data for the period before 2013, this variable is excluded from the pre-2013 analysis.

Deposit Growth (DG): This variable is used as a proxy for Deposit Mobilization. It is measured by the Difference between the current year and previous year total liabilities. Data on Deposit Growth are obtained from the banks' annual reports and customer relationship management (CRM) systems.

The independent variables are proxies for the AML/CFT Act 2013 and include:

- i. Foreign Trade (FT): This variable measures the total value of imports and exports facilitated by the selected banks. Data are obtained from the World Bank Group report.
- ii. Foreign Remittances (FR): This variable measures the total value of foreign remittances received in Nigeria during the period of the study. Data are obtained from the World Bank Group report.
- iii. Fraudulent Transactions (FRAUD): This variable measures the total value of fraudulent transactions reported by the selected banks. Data are obtained from the NFIU's annual reports.
- iv. Cost of Funds (CF): Is the ratio between the annual interest expense and the average interest-bearing deposits. Data are obtained from the banks' annual reports.
- v. Bank Size (BS): Is the logarithm of Total Assets of the banks for the period under review. Data are obtained from the banks' annual reports.
- vi. Crypto Transactions (CRYPTO): This variable measures the total value of cryptocurrency transactions facilitated by the selected banks. Data are obtained from blockchain analytics firms and cryptocurrency exchanges. However, due to the unavailability of crypto data for the period before 2013, this variable is excluded from the pre-2013 analysis.

The study employs a panel data regression model to examine the effect of the independent variables on the dependent variable. The model is specified as follows:

$$DG_{it} = \beta_0 + \beta_1 FT_{it} + \beta_2 FR_{it} + \beta_3 FRAUD_{it} + \beta_4 CF_{it} + \beta_5 BS_{it} + \beta_6 CRYPTO_{it} + \epsilon_{it}$$

Where:

- DG_{it} = Deposit Growth for bank i in year t (Dependent Variable)
- FT_{it} = Foreign Trade in Nigeria i in year t (Independent Variable)
- FR_{it} = Foreign Remittances into Nigeria i in year t (Independent Variable)
- $FRAUD_{it}$ = Fraudulent Transactions for bank i in year t (Independent Variable)
- CF_{it} = Cost of Funds for bank i in year t (Independent Variable)
- BS_{it} = Bank Size for bank i in year t (Independent Variable)
- $CRYPTO_{it}$ = Crypto Transactions for bank i in year t (Independent Variable, excluded for pre-2013)
- β_0 = Intercept
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Coefficients of the independent variables
- ϵ_{it} = Error term for bank i in year t

4. Results

Table 1: Descriptive Statistics

Variables	Obs	Pre AML/CFT				Post AML/CFT			
		Min.	Max.	Mean	Std Dev	Min.	Max.	Mean	Std Dev
Dgrowth	50	-6.67	20	8.999	5.507	0.09	0.25	0.143	0.031
Ftrade	50	0.02	0.04	0.030	0.005	0.03	0.07	0.043	0.014
Fremitt	50	7.98	127	98.76	44.13	16.6	226	120.4	42.12
Fraud	50	0.03	0.18	0.093	0.035	-1.18	0.48	-0.322	0.450
Cof	50	0.04	0.10	0.058	0.016	1.45	1.22	1.322	0.057
Bs	50	11.7	14.9	13.27	0.774	12.1	21.8	13.69	1.833
Crypto	50	0.00	0.06	0.002	0.009	0.01	0.35	0.140	0.112

Table 1: The growth pattern of the bank deposit shows that the average deposit before the enactment of AML/CFT is 8.999, or about 10%. The minimum and maximum are -6.67 and 20, respectively. The deposit growth after the enactment of the AML/CFT is 0.143 (14%). The minimum and maximum of the deposit are 0.09 and 0.25, respectively. This is despite the high variation noted in the resource mobilization front among banks over time, where some banks have managed to double their deposit in some periods, and others show stagnation or a lower growth rate. This, to some extent, is justified by the stage in the life cycle of banks, where recently formed banks have managed to easily register high growth rates over their lower deposit stock during entry times. However, the banks as a whole, as shown in 'between' statistics has been enjoying a notable growth hallmark on the resource mobilization front during the periods. The minimum level of foreign trade before enactment of AML/CFT is 0.02, and the maximum is 0.04, with an average of 0.030; after the enactment, the minimum and maximum are 0.03 and 0.07, respectively, shows the average of 0.043. The standard deviation of foreign remittance before enactment is 44.13, with a minimum and maximum of 7.98 and 127, respectively. Fraudulent transactions before AML/CFT have an average of 0.093 and a minimum of 0.03, a maximum of 0.18, with a standard deviation of 0.035. After enactment recorded average and standard deviation were -0.322 and 0.450, respectively. The average cost of funds before AML/CFT is 0.058, with a minimum and maximum of 0.04 and 0.10, respectively. But after the enactment of AML/CFT, the cost of funds documented an average of 1.322, with a minimum and maximum of 1.45 and 1.22, respectively. The minimum and maximum of bank size for the period before enactment are 11.7 and 14.9, respectively, with an average of 13.27. The minimum and maximum bank size after the enactment of AML/CFT is 12.1 and 21.8 respectively, and an average of 13.69 was recorded. Finally, crypto currencies before AML/CFT have an average of 0.002 and a minimum of 0.00, a maximum of 0.06, with a standard deviation of 0.009. After AML/CFT, the average is 0.140, with a range from 0.01 to 0.35 as the minimum and maximum, respectively.

Table 2 OLS Regressions Result

Variables	Pre AML/CFT	Post AML/CFT
Constant	52.3474*** (3.40)	0.63450** (2.41)
Ftrade	-389.490** (-2.68)	-0.34119* (-1.88)
Fremitt	0.05229** (2.42)	0.00024*** (3.50)
Fraud	-36.2189 (-0.77)	0.00889 (1.66)
Cof	-142.021 (-1.32)	0.153930*** (3.12)
Bs	-1.89414 (-1.61)	-0.26557 (-1.19)
Crypto	-42.3410 (-0.57)	0.13625*** (6.04)
Adjusted R2	0.3580	0.7603
P value	0.0002	0.0000
F value	5.55	26.90

Source: STATA Output 13.0 NOTE: ***, **, and * indicate 1% and 5% and 10% significant levels, respectively; the Figures represent the coefficient, and the t-value is presented in bracket in parenthesis.

Table 2, first model presents the cumulative association between Anti Money Laundering/Counter Financing Terrorism Act and Deposit Mobilization of listed Deposit Money Banks in Nigeria, given by the value of Adjusted R^2 is 0.3580 before enactment. This indicates that the variables used in the study contributed up to approximately 36%; the remaining 64% is for the factors that are not captured in this study. This shows that there is deterioration of the relationship leading to poor deposit mobilization capacity of the banks. Thus, the F-statistic is 5.55, which is significant at 1%. This indicates that the model is well fitted with the variables used in the study. While, second model presents the cumulative association between Anti Money Laundering/Counter Financing Terrorism Act and Deposit Mobilization of listed Deposit Money Banks in Nigeria given by the value of Adjusted R^2 is 0.7603 after the enactment. This indicates that the variables used in the study contributed 76%; the remaining 24% is for the factors that are not captured in this study. This shows that the relationship is much stronger, leading to high growth in deposit mobilization of the banks. Thus, the F-statistic is 26.90, which is significant at 1%. This indicates that the model is well fitted with the variables used in the study.

Foreign trade has a beta value of -389.490 and a t-value of -2.68, which is negative and significant at 5%. It implies that a 5% increase in foreign trade before the enactment of the AML/CFT Law led to a reduction of deposit growth of N389. The results indicated that foreign trade negatively affected deposit growth of the Deposit Money Banks in Nigeria. From the regression results of foreign trade, hypothesis one (H01) is hereby rejected. After the enactment of AML/CFT a foreign trade has a beta value of -0.34119 and a t-value of -1.88, which is negative and significant at 10%. It implies that an increase of 10% of the foreign trade after the enactment of the Law lead to a reduction in deposit growth by N0.34. The results indicated that foreign trade negatively affected deposit growth of the Deposit Money Banks in Nigeria. From the regression results of foreign trade, hypothesis one (H01) is also rejected. The implication is that foreign trade has a negative effect in both periods (before and after the enactment of AM/CFT laws). The implication is that in both pre and post period of the enactment, when the sampled banks increase their foreign trade, deposit growth will be reduced. The result shows that, sampled banks were not able to mobilize more resources in both periods. This might be as a result of the policies regarding foreign trade, for reporting any suspicious transaction to the FIU. Hence, a low resource mobilization endeavor has been observed while the banks are operating with AML/CFT compliance and otherwise.

Foreign remittance has a beta value of 0.05229 and a t-value of 2.42, which is significant at 5%. It implies that an increase of 5% in foreign remittance leads to an increase in deposit growth of the Deposit Money Banks in Nigeria by N0.052. The results indicated that foreign remittance is positively impacted to deposit growth of the Deposit Money Banks in Nigeria. From the regression results of foreign remittance, hypothesis two (H02) is also rejected. After the enactment of the AML/CFT Law, foreign remittance has a beta value of 0.00024 and a t-value of 3.50, which is significant at 1%. It implies that an increase of 1% in foreign remittance leads to an increase in deposit growth by N0.0002. The results indicated that foreign remittance positively affected deposit growth of the Deposit Money Banks in Nigeria. From the regression results of foreign remittance, hypothesis two (H02) is also rejected. The implication is that foreign remittance has a positive and significant impact on deposit growth in both pre- and post AML/CFT enactment. This implies that the increase in foreign remittance leads to increases of deposit growth of the sampled banks, though it is stronger in post period of the enactment. This shows that AML/CFT improves the relationship between foreign remittance and deposit growth of the deposit money banks in Nigeria. This may be a result of more transparency and integrity that managed a high growth rate of deposit balances during transactions.

In addition, fraudulent transactions have a beta value of -36.2189 and a t-value of -0.77, which is not significant at any level. It implies that an increase in fraudulent transactions at any level will not lead to either an increase or decrease in deposit growth of the Deposit Money Banks in Nigeria. The results indicated that fraudulent transaction does not affect deposit growth of the Deposit Money Banks in Nigeria. From the regression results of fraudulent transactions, hypothesis three (H03) also fails to reject. Fraudulent transactions have a beta value of 0.00889 and a t-value of 1.66, which is also not significant at all. It implies that an increase in fraudulent transactions at any level will not lead to either an increase or decrease in deposit growth of the Deposit Money Banks in Nigeria. The results indicated that fraudulent transaction does not affect deposit growth of the Deposit Money Banks in Nigeria after the enactment of the AML/CFT law. From the regression results of fraudulent transactions, hypothesis three (H03) is also not rejected.

Cost of funds has a beta value and t-value of -142.021 and -1.32, respectively, which is not significant at any level. This signifies that the cost of funds does not affect the deposit growth of Deposit Money Banks in Nigeria before the enactment of the AML/CFT law. This shows that an increase in the cost of funds does not affect the deposit

growth of Deposit Money Banks in Nigeria. It implies that most banks were not comfortable with the system of mobilizing deposits. Hence, the hypothesis four (H04) of the study is hereby not rejected. On the other hand, the cost of funds after enactment of AML/CFT has a beta value and t-value of 0.153930 and 3.12, respectively, which is statistically significant at the 1% level. This signifies that the cost of fund is statistically positive significant effect on deposit growth of listed Deposit Money Banks in Nigeria. It indicates that for every 1% increase in interest expenses on deposits of the bank, it will lead to the increase of about N415 of the deposit growth. This shows that an increase in the cost of funds positively affected the deposit growth of Deposit Money Banks in Nigeria. It implies that most banks were comfortably mobilizing deposits at a rate of N415. Hence, the hypothesis four (H04) of the study is hereby rejected.

The size of the sample deposit money banks surprisingly has a negative but not significant relationship with deposit growth in the study before the enactment of AML/CFT. This posits that, as a result of statistical evidence, the beta value of bank size of the sampled banks is -1.89414 and the t-value is -1.61. This implies that bank size has a negative but not significant influence on the deposit growth of listed Deposit Money Banks in Nigeria. It indicates that even if the bank's total assets increases might not necessarily affect the level of deposit growth. Thus, the findings provided all evidence that failed to reject the hypothesis five (H05). After the enactment of AML/CFT, the bank size has a beta value of -0.26557 and a t-value of -1.19, which is also not significant at any level. It implies that an increase in bank size at any level will not affect deposit growth of the Deposit Money Banks in Nigeria. From the regression results of fraudulent transactions, hypothesis five (H05) is also not rejected.

Finally, crypto currencies have a beta value of -42.3410 and a t-value of -0.57, which is not significant at any level. It implies that any increase of crypto-currencies, lead not to increase or decrease in deposit growth of the Deposit Money Banks in Nigeria. The results indicated that crypto-currencies do not affect deposit growth of the Deposit Money Banks in Nigeria. From the regression results of crypto currencies, hypothesis six (H02) is hereby rejected. But after the enactment of the AML/CFT Law, crypto currencies have a beta value of 0.13625 and a t-value of 6.04, which is significant at 1%. It implies that an increase of 1% of the crypto-currencies, lead to an increase in deposit growth by N0.14. The results indicated that crypto-currencies are positively affect deposit growth of the Deposit Money Banks in Nigeria. This may be as a result of provisions for regulating crypto transactions, where financial institutions are now required to conduct enhanced due diligence (EDD) on customers engaged in crypto transactions and report any suspicious activities to the NFIU. From the regression results of crypto currencies, hypothesis six (H02) is rejected.

5. Conclusion

The essence of the study is to examine the effect of the adoption of Anti Money Laundering and Counter Financing Terrorism Act 2013, as amended, on the deposit mobilization capacity of Deposit Money Banks in Nigeria. Data were collected based on pre and post adoption period from 2003 to 2012 and 2014 to 2023. Therefore, this paper tries to address whether AML/CFT compliance has had an effect on the banking industry. Deposit growth represents Deposit mobilization as dependent variable where Foreign Trade, Foreign Remittance, Fraudulent Transactions, Cost of Fund, Bank Size and crypto-currencies transactions represent AML/CFT as independent variables of the study.

The result of the research shows that only Foreign Trade has a negative significant effect on deposit growth, and Foreign Remittance has a positive significant effect on deposit growth before adoption of the Act. But Fraudulent Transactions, Cost of Fund, Bank Size, and crypto currencies have no significant effect on deposit growth of the sampled Banks. On the other hand, AML/CFT compliance does affect the relationship of Foreign Trade, Foreign Remittance, Cost of Fund, and Crypto currency Transactions with deposit growth of the sampled Banks, but only Foreign Trade has a negative effect. Fraudulent Transactions and Bank Size do not affect deposit growth of the Deposit Money Banks in Nigeria. This, in summary clarify that the adoption of the AML/CFT Act impacts deposit growth as a result of the series of requirements that are expected of customers to comply with, such as international transfer requirements, transfer limits, transaction disclosure, withdrawal limits, BVN, know your customer (KYC), freezing of account and other customer due diligence, which trigger financial exclusion in the financial market. It's also worthy to note that the adoption of AML/CFT has restored investors' confidence in the industry.

The efficient implementation of Money Laundering Act measures, policies and principles would lower the pervasiveness of illicit activities. It is therefore recommended that, the AML/CFT compliance should be followed up by strict scrutiny from time to time by relevant authorities like CBN, EFCC, FIU and ICPC. Top management of the banking sector is required to engage in public awareness concerning AML/CFT so as to narrow the

perception differences of its customers. The management should also improve its system of non-price measures, utilizing the untapped market, increasing accessibility, promotion, benefiting the unutilized individual saving market and the booming private businesses to attract new depositors.

Limitations of the Study

The study has the following limitations:

1. Data Availability: The study relies on secondary data, which may be subject to reporting biases and inconsistencies.
2. Scope of Variables: The study focuses on selected determinants of deposit mobilization and does not consider other factors that may influence deposit growth, such as macroeconomic conditions and bank-specific factors.

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