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Anti-money laundering regulations and performance of Fintechs in Kenya

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Abstract
The Fintech industry in Kenya faces significant challenges, such as regulatory challenges and cybersecurity risks that affect its overall performance. The purpose of the study was to assess the effect of Anti-Money Laundering regulations on the performance of Fintechs in Kenya. The research was guided by Agency Theory. The target population consisted of 269 key decision-makers in the Fintech companies. The study had a sample size of 161, determined through the Yamane formula. Stratified proportional random sampling was used to select the participants. The study used a structured questionnaire. The data was processed and analyzed using Statistical Package for the Social Sciences software. Descriptive statistics and simple linear regression analysis were used in the analysis. The study found a statistically significant positive effect of Anti-Money Laundering regulations on Fintech performance. The study recommends that FinTechs should improve on aspects as KYC enforcement and employee training.

Keyword: Anti-money laundering, regulations, performance, fintechs

1. Introduction
The regulatory landscape for Fintechs is very different across countries globally. The regulatory approach in the United States is a combination of federal and state regulations, with the Consumer Financial Protection Bureau (CFPB) being one of the key agencies that ensures consumer protection in Fintech operations (Clements, 2021) [15]. Fintechs in the UK are regulated by the Financial Conduct Authority (FCA) and are subject to strict guidelines on data protection, lending, and financial conduct (Langley & Leyshon, 2023) [29]. In countries such as Germany and Canada, the regulatory framework is based on strong consumer protection laws and financial market regulations (Hutukka, 2024) [24].
In Africa, countries like Nigeria and South Africa have also put in place comprehensive regulatory frameworks to support the growth of Fintechs in Africa. The Financial Sector Conduct Authority (FSCA) regulates Fintechs in South Africa, making sure that Fintechs comply with financial market regulations such as consumer protection and anti-money laundering practices (Takundwa, 2022) [44]. The Central Bank of Nigeria (CBN) has also provided clear guidelines on how Fintech operations should be regulated in Nigeria (Ifechukwu, 2022) [26]. In Uganda and Tanzania, regulators have introduced data protection and Anti-Money Laundering (AML) laws, but their implementation within the fintech sector remains uneven, often affecting operational efficiency and trust among users (Mugarura, 2020) [35]. Rwanda has made notable progress by creating a more structured fintech regulatory environment. South Sudan, being in an earlier stage of regulatory development, lacks comprehensive fintech-specific legislation, which limits the scalability and regulatory clarity needed for fintech firms to thrive. This regional context highlights the importance of clear and harmonized regulations, especially around AML to ensure Fintechs can operate efficiently, grow revenue, and innovate responsibly across East Africa (Azinge-Egbiri *et al*., 2024) [7].

1.1 Fintech industry in Kenya
Kenya had 102 Fintech companies as of 2023, making up 15% of the continent's Fintech startups, according to the Finnovating for Africa 2023 report by Disrupt Africa, placing it as the third largest Fintech market in Africa. This solid growth puts Kenya behind Nigeria,

which has 217 Fintech companies (32% market share) and South Africa, which has 140 startups (20.6% share) (Africa Disrupt, 2023) [3].

The Fintech industry in Kenya is regulated by the Central Bank of Kenya (CBK), Communications Authority of Kenya (CA), and Kenya Financial Inclusion Fund (KFIF) (Junior *et al*., 2024) [28]. The regulatory environment in Kenya has undergone a great change with the introduction of the Financial Technology (Fintech) Regulatory Sandbox by the CBK to foster innovation and protect the interest of the consumer and the financial stability (Minko, 2024) [34]. However, these efforts have not been enough to address the sector's challenges of poor enforcement of data protection laws, inconsistent application of consumer protection regulations, and the absence of comprehensive guidelines for Fintech lending practices (Shalom, 2023) [43].

The Central Bank of Kenya has also taken some measures to regulate digital lending in Kenya, including the Digital Credit Providers Regulations (2021) [13]. The regulations require that lenders disclose all terms and conditions clearly, including interest rates, fees and the total cost of borrowing (CBK, 2021). The guidelines also stipulate that lenders should assess the creditworthiness of borrowers before issuing loans and provide fair repayment terms. It is particularly important in Kenya, where there has been a rapid rise in digital lending, especially to low-income individuals who may be more vulnerable to high interest rates and hidden fees (Adewumi & Jolaosho, 2022) [2].

Despite the impressive growth and the potential for further expansion, the Fintech industry in Kenya is faced with major challenges that have a negative impact on its overall performance. The challenges include insufficient regulatory oversight, operational inefficiencies (Shalom, 2023) [43]. A lack of transparency, weak corporate governance practices and inconsistent compliance with relevant regulations often hinder the performance of Fintechs (Cosma & Rimo, 2023) [16]. The governance and regulation gaps can have a great impact on organizational stability, investor confidence and long-term sustainability (Didenko, 2017; Musamali *et al*., 2024) [17, 38].

1.2 Statement of the problem

Kenya has witnessed a rapid growth and innovation in the Fintech industry (Musamali *et al*., 2023) [37]. Positive effect of corporate governance on Fintech performance has been observed in countries with well-established regulatory framework globally such as United States, United Kingdom, China and Germany (Bu *et al*., 2022; Vijayagopal *et al*., 2024; Hornuf & Mattusch, 2025) [10, 45, 23]. While the Fintech sector is growing rapidly in Kenya, many firms are still experiencing many challenges that prevent them from performing optimally. The challenges include operational inefficiencies, increased risks and lack of investor confidence, which threaten the long-term viability of Fintech firms (Shalom, 2023; Wamahiu, 2024) [43, 46]. Fintech firms fail to adhere to key corporate governance frameworks and are exposed to a variety of risks, including legal liabilities, reputational damage, and financial fraud. Moreover, as Fintech companies continue to be a key player in the digital financial services sector in Kenya, their inefficiencies are a threat to Kenya's aspiration to become a regional leader in technology and innovation (Minko, 2024) [34].

According to a 2023 FSD Kenya report, only 37% of Kenyan Fintechs had full compliance with the Data Protection Act, and less than 50% were properly registered under AML regulations. Despite the increasing awareness of the problems faced by Fintech firms in Kenya, there is little research on how corporate governance regulatory frameworks directly affect their financial performance. Studies in Kenya that have been done so far, for example, by Bange (2022) [8] and Macharia (2023) [31], have looked at innovation capabilities, drivers of digital transformation and ICT infrastructure but have not addressed the effect of corporate governance on Fintech performance. Furthermore, most of the local studies have focused on commercial banks and there is a big gap in empirical data on the Fintechs context (Njeru, 2021; Obote, 2023; Maweu *et al*., 2024) [40, 41, 32].

With the knowledge gaps on the link between the regulations and Fintechs performance, the risk of regulatory breaches, operational shutdowns, and withdrawal of investors is imminent. Addressing this gap is therefore critical to ensure a balanced, innovation-friendly, and compliant fintech ecosystem in Kenya. This research sought to fill this gap by investigating the relationship between Anti-Money Laundering regulations and the financial performance of Fintech firms in Kenya.

1.3 Theoretical review

The agency theory was developed by Meckling and Jensen (1976) and is used commonly used as a framework for the principal (owners or shareholders) and agent (managers or executives) relationship. The theory posits that principals delegate authority to agents to run a firm on their behalf and conflicts of interest can arise because principals and agents have different goals and incentives. Principals try to maximize firm value and obtain a high return on investment, while agents may focus on their personal objectives, for example, job security or personal wealth, not necessarily in the interest of shareholders. This misalignment leads to agency costs (monitoring costs that principals incur to oversee agents and bonding costs that agents incur to align their actions with principals' interests) (Panda & Leepsa, 2022) [42].

The core of agency theory is that governance mechanisms like performance based incentives, regulatory framework and oversight can mitigate the conflicts of interest between the principals and the agents (Bonazzi & Islam, 2021) [9]. Agency theory was used in the context of assessing the effect of anti-money laundering regulations on the performance of Fintech firms in Kenya on the relationship between shareholders and executives. Just like any other organization, the agency costs of fintech firms are related to the conflict between owners and managers. Effective corporate governance mechanisms like anti-money laundering laws can reduce these costs. Agency theory also gives us an understanding of how regulatory compliance serves as a monitoring mechanism to make sure that managers act on behalf of the shareholders and reduce risks associated with reputational damage or legal penalties.

1.4 Empirical literature

In Abdi and Soroushyar (2025) [1], they studied the effect of Anti-Money Laundering (AML) regulations on Accrual

Earnings Management (AEM) and Real Earnings Management (REM) in Iran's emerging capital market. The study employs a panel data regression approach using 2020 data points from 202 companies listed on the Tehran Stock Exchange (TSE) over the period of ten years, from 2012 to 2021. The data is extracted from annual financial statements and the TSE database, while the sample consists of both financial and non-financial companies. The results suggest that AEM and REM are reduced when AML regulations are complied with. More specifically, the higher the money laundering incidents in a company, the higher the earnings management for companies, consistent with agency theory. The findings indicate that AML regulations are very effective in reducing the manipulation of earnings and improving financial reporting transparency and accuracy, both in the market. The focus on financial markets is different from understanding how AML regulations influence the operational efficiency or innovation of FinTech firms in Kenya.

Idowu and Obasan (2022) [25] reviewed the role of Anti-Money Laundering (AML) policies in the Nigerian banking sector and the performance of the banks. The study was carried out using three banks in Lagos State and Southwestern Nigeria. The findings of the correlation analysis indicated a strong positive correlation between the adoption of effective anti-money laundering policies and bank performance. The result of the coefficient of determination showed that AML policies have an impact on the financial success of the banking sector. The results suggest that banks do not have to engage in illicit financial activities in order to achieve meaningful performance. The study also points out that money laundering has a negative impact on the economy as a whole in terms of loss of government revenue, increased crime rates, and threats to political stability and national security. The study is specific to banks in Nigeria, whereas the current study targets FinTech companies in Kenya. Future research could address AML regulations within the Kenyan FinTech space, particularly their effect on innovation and financial performance.

In their study, Issah *et al*. (2022) [27] conducted an econometrics of the relation between the Anti-Money Laundering (AML) regulations and banking sector stability in Africa. The data used in the analysis was from 51 African countries between 2012 and 2019. The data was sourced from reputable institutions such as the World Bank, IMF, Basel Institute on Governance, and so on. The study used the two staged Generalized Method of Moments (GMM) to analyze the data so as to examine the overall effect of AML regulations on the banking sector stability and the impact of various levels of AML effectiveness. The study findings indicate that AML regulations have a large positive impact on stability of banking sector in African countries. The results show that whether the AML regulations are effective or not (high or low), the existence of such regulations has a positive effect on the stability of the banking sector. While this study is geographically relevant, it deals with banking stability rather than the broader FinTech sector.

Nicknora (2024) [39] examined the relationship between Anti Money Laundering Compliance with an emphasis on Customer Due Diligence (CDD), and financial performance of some Commercial Banks in South Sudan. It is a mixed methods research with a sample of 105 participants from four commercial banks. It shows that there is a strong positive correlation between customer due diligence and financial performance. However, the study also shows a relatively weak positive relationship, leaving much room for improvement in AML compliance practices. Similar to other studies, this research focuses on banks and not FinTech companies, which have distinct business operations, services, and regulatory frameworks.

In their study, Maweu *et al*. (2024) [32] examined the Anti-Money Laundering (AML) practices as a means to curb financial crime among commercial banks in Kenya. A descriptive design was adopted, the sample used was 39 commercial banks in Kenya, and the unit of analysis was 117 bank managers. A close ended questionnaire was used to gather primary data and a pretest done on managers from three Micro Finance Banks in Nairobi to make sure the instrument is reliable. The study found that 33.1% of the variations in financial crime prevention in these banks can be attributed to anti money laundering practices, which has a statistically significant influence. The research doesn't explore how AML regulations impact FinTech firms specifically or how they influence performance metrics like innovation, operational efficiency, and revenue growth.

1.5 Conceptual framework

This conceptual framework offers a structured way to investigate how specific Anti-Money Laundering regulations influence the performance of Fintechs, guiding the analysis and helping to clarify the relationships between the regulatory variable and the dependent performance outcomes in the of the Fintech firms in Kenya.

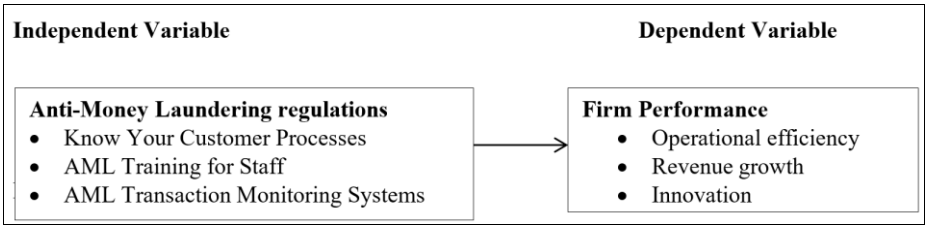

Fig 1: Conceptual framework

2. Materials and Methods

2.1 Research design

The study adopted a descriptive research design. Descriptive research involves observing, analyzing, and describing the present state of affairs without manipulating or controlling any variables (Bloomfield & Fisher, 2019). This design is suitable for assessing and describing the effect of anti-money laundering on the performance of fintech companies in Kenya.

2.2 Target population
The target population for this study consisted of 269 key decision-makers from the 102 Fintech companies in Kenya (Africa Disrupt, 2023) [3]. These were the Compliance Officers or the legal advisors, and Chief Financial Officers (CFOs) and the operations managers.

2.3 Sampling procedures
The Yamane formula was used to determine the sample size needed for a survey or study, ensuring that it is representative of the population being studied (Yamane, 1967) [47]. The formula yielded a sample size of 161. Stratified proportional random sampling was used to select the participants. The sample distribution was as presented in Table 1.

Table 1: Sample distribution

Category	Population	Proportion	Sample
Compliance Officers	73	27.1	44
Chief Financial Officers	102	37.9	61
Operations managers	94	34.9	56
Total	269	100	161

2.4 Instruments
The study used a structured questionnaire with closed-ended Likert scale questions. A structured questionnaire ensures that all respondents are asked the same set of questions in the same way, which increases consistency and allows for comparability across responses.

2.5 Data analysis and presentation
The data was $_1$processed and analyzed using Statistical Package for the Social Sciences software. Descriptive statistics, including mean, standard deviation, and frequency $_1$distributions, were used to summarize the data. A simple linear regression analysis was used to model the relationships between anti-money laundering and Fintech performance. The regression equation was; $Y=\beta 0+\beta X+\varepsilon$
Y was the dependent variable (firm performance), β0 was the intercept (constant term), X was the independent variable (anti-money laundering regulation), β1 was the regression coefficients and ε was the error term.

3. Results and Discussions
3.1 Response rate
Out of the 161 questionnaires distributed, 143 were returned fully completed, representing a response rate of 88.8%, while 18 were either incomplete or not returned, accounting for 11.2%. This high response rate, which was above the commonly accepted 70% threshold in social research, indicates a strong level of engagement from participants and enhances the reliability of the findings.

3.2 Descriptive statistics on anti-money laundering regulations
This section gives a summary of the key descriptive statistics on Anti-Money Laundering Regulations. The interpretation of the descriptive findings is through means and standard deviations.

Table 1: Anti-money laundering regulations on performance of Fintechs in Kenya

	N	Min	Max	Mean	Std. deviation
Our company has a robust Know Your Customer (KYC) process in place	143	1.00	5.00	3.245	.929
All employees are regularly trained on AML regulations to detect and prevent money laundering activities.	143	1.00	5.00	3.224	.875
Our company uses AML transaction monitoring systems to track suspicious transactions.	143	1.00	5.00	3.650	.988
We conduct periodic risk assessments to identify potential money laundering threats.	143	1.00	5.00	3.790	.948
Our company promptly reports suspicious activities to the relevant authorities.	143	1.00	5.00	3.664	.919
Our company has an internal AML compliance officer who oversees the implementation of AML procedures.	143	1.00	5.00	3.650	.874

The respondents were neutral on the statement that their company has a robust Know Your Customer (KYC) process in place (Mean=3.245). The standard deviation of 0.929 suggests moderate variability among responses. This implies that while some Fintechs in Kenya have developed strong KYC practices, others may still be in the early stages of formalizing these systems. This unevenness may be due to variations in size or funding across firms. This observation resonates with Nicknora (2024) [39], who emphasized the role of Customer Due Diligence (CDD) as a cornerstone of AML compliance. While his study found a strong positive link between due diligence and financial performance in South Sudanese banks, he also noted a relatively weak consistency in the application of these practices, much like what is observe in the current study.
The respondents were neutral on the statement that all employees are regularly trained on AML regulations to detect and prevent money laundering activities. This item had a neutral mean of 3.224 and a standard deviation of 0.875, suggesting that training is not universally emphasized or consistently practiced across the sector. This might point to capacity gaps or the absence of strong internal compliance cultures in some firms. The result is particularly significant when considered alongside Maweu *et al*. (2024) [32], who showed that AML practices have a measurable and significant influence on crime prevention in Kenyan banks. While their study did not focus on Fintechs, it strongly implies that regular employee training is crucial in reinforcing AML compliance across financial institutions. By extension, Fintechs in Kenya that underinvest in training may be undermining their ability to detect and mitigate illicit activities effectively.

The respondents agreed on the statement that their company uses AML transaction monitoring systems to track suspicious transactions (Mean=3.650). However, the standard deviation was 0.988 indicating moderate variability in the responses. These findings align with Idowu and Obasan (2022) [25], who found a strong positive correlation between AML policy implementation and performance in Nigerian banks.

Furthermore, the respondents agreed that they conduct periodic risk assessments to identify potential money laundering threats (mean of 3.790, and a standard deviation of 0.948). This illustrated that most firms actively engage in risk assessments, though some variation still exists. This finding mirrors findings by Issah *et al*. (2022) [27], who emphasized that AML regulations contribute significantly to banking sector stability across Africa, especially when risk-based approaches are applied.

With a mean of 3.664, respondents generally agreed that their company promptly reports suspicious activities to the relevant authorities. The standard deviation of 0.919 suggests relatively uniform practices. This commitment to transparency and regulatory cooperation is a promising sign of AML maturity within Kenya's Fintech space. The results align well with Abdi and Soroushyar (2025) [1], who found that adherence to AML regulations, reduced earnings manipulation in Iranian firms.

In addition, the respondents agreed that their company has an internal AML compliance officer who oversees the implementation of AML procedures (mean = 3.650, SD = 0.874). This indicates that most Fintechs recognize the importance of dedicated AML procedures. This finding reflects the view from Idowu and Obasan (2022) [25] that effective AML frameworks are tied to improved organizational performance.

3.3 Descriptive statistics on performance of Fintechs in Kenya

This section gives a summary of the key descriptive statistics on performance of Fintechs in Kenya. The interpretation of the descriptive findings is through means and standard deviations.

Table 2: Performance of Fintechs in Kenya

	N	Min	Max	Mean	Std. deviation
We have experienced steady revenue growth over the past few years	143	1.00	5.00	4.000	.856
Our company's net profit margins have improved due to operational efficiencies.	143	2.00	5.00	3.979	.697
We have achieved higher operational efficiency due to the use of advanced technologies	143	1.00	5.00	3.727	.824
Our company regularly invests in innovation to enhance products and services.	143	1.00	5.00	3.783	.752
We have maintained a strong cash flow position, ensuring business stability.	143	2.00	5.00	3.972	.796
Our innovation in product development has helped us stay competitive in the fintech market	143	1.00	5.00	3.748	.782
We have reduced costs while maintaining the quality of our services and products	143	1.00	5.00	3.734	.796
Our company consistently meets or exceeds its financial targets and objectives	143	2.00	5.00	3.762	.712

All statements on the performance outlook among FinTechs in Kenya show a mean score between 3.7 and 4.0, indicating that respondents agree with the statements on firm performance. These constructs were growth, operational efficiency, and innovation benefits. Importantly, all standard deviations are below 1, pointing to low variation in responses, meaning that these trends are not isolated to just a few firms. Beginning with revenue growth, a mean of 4.000 (SD = 0.856) confirms that many FinTechs in Kenya have seen steady increases in revenue over the past few years. This aligns well with Obote (2023) [41], who found that compliance with prudential lending regulations (e.g., pricing parameters by CBK) significantly boosted the performance of digital credit providers. As FinTechs adapt to and comply with lending regulations, especially those surrounding pricing transparency and credit referencing, they seem to be positioned to improve not only compliance status but also financial returns.

The statement on improved net profit margins from operational efficiencies also scored high (Mean = 3.979, SD = 0.697), indicating that most FinTechs credit cost-effective practices and possibly automation or streamlined regulatory reporting with profitability. This dovetails with findings by Muravardhana (2021) [36], who noted that consumer protection compliance, while sometimes costly, leads to long-term institutional stability and reduced legal/reputational risk, outcomes that likely contribute to improved margins. Furthermore, Frey and Presidente (2024) [21] caution that data protection laws like the GDPR may reduce profits for some firms, particularly smaller ones, however, the relatively high scores in Kenya suggest local FinTechs are either better prepared or that data protection frameworks like Kenya's Data Protection Act (2019) are being implemented with a business-sustaining approach.

Regarding the use of advanced technologies to improve operational efficiency, FinTechs reported a mean of 3.727 (SD = 0.824). This is notable because it signals how tech adoption continues to be a driver of performance, even under regulatory pressure. This resonates with Farhad (2024) [18] who emphasized that data protection laws can simultaneously be compliance hurdles and innovation catalysts, allowing firms to differentiate themselves through strategic use of technology.

The respondents agreed that their innovation in product development has helped them stay competitive in the fintech market (mean=3.748). These findings are supported by Goo and Heo (2020) [22], who highlighted how regulatory sandboxes can stimulate innovation and attract venture capital in the FinTech ecosystem.

The respondents agreed that they have maintained a strong cash flow position, ensuring business stability (mean score of 3.972, SD = 0.796). This points to financial health and liquidity across many FinTechs. This supports the idea from Issah *et al*. (2022) [27] that regulations, when implemented effectively, can contribute to sectoral stability, even if the study focused on traditional banks. Similarly, Abdi and

Soroushyar (2025) [1] showed that compliance leads to more accurate and transparent reporting, which can lead to better cash flow.

Further, the statement on cost reduction while maintaining product/service quality had a mean of 3.734 and standard deviation of 0.796. This illustrates the firms have reduced costs while maintaining the quality of their services and products as agreed by the respondents. Compliance, particularly with data protection or consumer protection laws, often requires investment in infrastructure and training, but the ability to still control costs without sacrificing quality suggests that many Kenyan FinTechs are approaching compliance strategically rather than reactively. This aligns with Muravardhana (2021) [36] who explained that strong consumer protection frameworks can drive service innovation and customer loyalty, ultimately mitigating the cost burdens through improved customer retention and reduced legal risks.

Lastly, the perception that firms consistently meet or exceed financial targets is also strong (Mean = 3.762, SD = 0.712). This general sense of financial health may be bolstered by improved transparency and controls brought on by AML frameworks, as noted in Maweu *et al*. (2024) [32], who showed that AML practices significantly influenced financial crime reduction, potentially protecting revenues and enabling strategic growth among Kenyan financial institutions.

3.4 Regression analysis findings

A simple linear regression model was designed to examine the effect of the Anti-Money Laundering regulatory framework on the performance of FinTechs in Kenya.

Table 3: Model summary

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.604[a]	.365	.361	.44628
a) Predictors: (Constant), anti-money laundering regulations				

The R value of 0.604 shows that there is a strong positive relationship between the independent variable - Anti-Money Laundering Regulations and FinTechs performance. The R^2 (R Square) value of 0.365 shows that about 36.5% of the variation in FinTechs performance is explained by the Anti-Money Laundering Regulations in the model, consistent with findings by Idowu and Obasan (2022) [25] and Abdi and Soroushyar (2025) [1].

Table 4: ANOVA

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	16.163	1	16.163	81.153	.000[b]
	Residual	28.082	141	.199		
	Total	44.245	142			
a. Dependent variable: Performance						
b. Predictors: (Constant), anti-money laundering regulations						

The F value was 81.153 with a p value of 0.000. The model is thus statistically significant (p<0.001). This means that Anti-Money Laundering Regulations significantly affect the performance of FinTechs in Kenya.

Table 5: Coefficients

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.188	.187		11.709	.000
	Anti-money laundering regulations	.466	.052	.604	9.009	.000
a. Dependent variable: Performance						

The regression coefficient results indicate that Anti-Money Laundering Regulation has a statistically significant and positive influence on the performance of FinTechs in Kenya (β = 0.466, p =.000), reinforcing conclusions from Idowu and Obasan (2022) [25] and Abdi and Soroushyar (2025) [1] that AML policies reduce earnings manipulation and build public confidence, thereby improving financial performance and accountability.

4. Conclusions

4.1 Conclusions

The study concludes that the influence of Anti-Money Laundering (AML) regulations on FinTech performance is positive, but how well these rules are followed varies a lot. Many firms have monitoring systems, conduct risk checks, and even have dedicated AML officers. Yet, some foundational steps, like thorough Know Your Customer (KYC) processes and regular staff training, are not as consistent across the board. This difference probably reflects varying levels of resources and readiness among companies. So, while the sector is making progress, there's still room for some firms to catch up.

4.2 Recommendations

The findings indicate that although most FinTechs are improving their anti-money laundering compliance, others are yet to be consistent in such aspects as know your customer enforcement and employee training. It would be highly advisable that FinTechs should develop an inside-out culture of compliance. This involves training employees, not only compliance officers, on how to detect and report suspicious activity on a regular basis. Regulators could also think of providing subsidized anti-money laundering training programs or toolkits specific to startups.

Future studies may investigate the effects of these Anti-Money Laundering regulations on innovation and product development in FinTechs, especially in early-stage and mature firms. Additionally, a qualitative study in the form of interviews with compliance officers or regulators may provide a more detailed background on the practical difficulties and experiences of dealing with regulation.

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