
ANTI-CORRUPTION CONTROL MECHANISMS IN THE BANKING SECTOR

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Abstract: This paper examines the effectiveness of anti-corruption control mechanisms in the banking sector, with a particular focus on the role of internal and external control instruments in preventing and mitigating corruption risks within banking institutions. The study addresses the growing importance of robust control frameworks in the context of increasing regulatory complexity, digital transformation, and heightened public sensitivity to integrity and transparency in financial systems. The main objective of the research is to assess how existing anti-corruption control frameworks are perceived by professionals directly involved in banking supervision, internal control, audit, and compliance functions, and to evaluate their practical contribution to strengthening transparency, accountability, and institutional integrity in banking operations.

The research is based on a mixed-method approach that combines quantitative and qualitative research techniques in order to ensure a comprehensive and reliable assessment of control effectiveness. A structured survey was conducted among banking professionals to capture their perceptions of the effectiveness of anti-corruption control mechanisms across key operational areas, including transaction processing, credit approval, internal reporting, and supervisory oversight. In parallel, semi-structured expert interviews were carried out with specialists in banking supervision, internal audit, risk management, and compliance. These interviews provided in-depth insights into practical challenges related to implementation, enforcement gaps, organizational culture, and resource constraints, as well as sector-specific vulnerabilities that may increase exposure to corruption risks. The integration of survey data and expert assessments allows for a multidimensional analysis of both formal control frameworks and their real-world application within complex organizational environments.

The findings indicate that the overall effectiveness of anti-corruption control mechanisms in the banking sector is perceived as moderate. While established control frameworks and regulatory requirements are largely in place, their effectiveness is uneven across institutions and control areas. Significant differences emerge between traditional manual control procedures and automated digital systems. Manual controls are frequently associated with subjectivity, human error, limited traceability, and discretionary decision-making, which may weaken their preventive capacity. In contrast, automated monitoring tools, transaction tracking systems, and digital audit trails are perceived as considerably more effective in reducing corruption risks. Digital control mechanisms enhance transparency, improve the traceability of decisions, standardize control processes, and restrict opportunities for corrupt practices, particularly in high-risk banking activities where discretionary power is concentrated.

The study concludes that digitalization, when embedded within clearly defined institutional frameworks, standardized procedures, and consistent regulatory oversight, plays a crucial role in strengthening anti-corruption control in the banking sector. However, the findings also suggest that technological solutions alone are insufficient without adequate organizational support and human capacity. Based on the empirical evidence, the paper proposes several policy- and practice-oriented recommendations, including the modernization of internal control systems, the systematic integration of advanced digital monitoring solutions, continuous staff training in ethics, compliance, and risk awareness, and enhanced coordination between internal control units and supervisory authorities. The implementation of these measures is expected to improve the resilience of banking institutions to corruption risks, strengthen preventive control mechanisms, and contribute to increased public trust in the financial system.

Keywords: corruption, banking sector, internal control, compliance, risk management

1. INTRODUCTION

Corruption in the banking sector represents a serious challenge to financial stability, institutional integrity, and public trust. Given the central role of banks in financial intermediation, credit allocation, and payment systems, corrupt practices within banking institutions may generate systemic risks that extend beyond individual organizations and affect the broader economy. Such risks can undermine confidence in financial institutions, distort market mechanisms, and weaken the effectiveness of regulatory and supervisory frameworks. Consequently, the establishment and effective functioning of robust anti-corruption control mechanisms have become a key priority for regulators, supervisory authorities, and bank management.

In recent years, the banking sector has been subject to increasingly stringent regulatory requirements, intensified supervisory oversight, and accelerated digital transformation. Internal control systems, compliance frameworks, internal audit functions, and external supervision are designed to limit opportunities for abuse of authority, conflicts of interest, and unethical behavior. At the same time, the growing complexity of banking operations, financial

instruments, and organizational structures poses significant challenges to the effectiveness of traditional control mechanisms. As a result, the performance of anti-corruption controls depends on a range of interrelated factors, including institutional capacity, organizational culture, staff competence, and the degree to which digital technologies are integrated into control and monitoring processes.

Despite the existence of formal control frameworks, corruption risks continue to persist within the banking sector, particularly in areas characterized by high levels of discretion, such as credit approval, procurement activities, and client relationship management. These processes often involve substantial decision-making authority and information asymmetry, creating conditions that may facilitate unethical behavior in the absence of effective preventive and detective controls. This reality raises critical questions regarding the actual effectiveness of existing anti-corruption mechanisms and their capacity to prevent, identify, and mitigate corrupt practices in a timely, consistent, and transparent manner.

Against this background, the purpose of this study is to assess the effectiveness of anti-corruption control mechanisms in the banking sector, with a specific focus on internal and external forms of control. The research aims to identify key strengths and weaknesses in current control systems, examine differences between traditional manual controls and automated digital approaches, and analyze the role of digitalization in enhancing transparency, accountability, and control efficiency. By providing an empirical assessment of control effectiveness, the study seeks to contribute to the broader academic and policy-oriented discussion on strengthening governance, integrity, and risk management practices in the banking sector.

2. MATERIALS AND METHODS

The research is based on a mixed-method approach that combines quantitative and qualitative research methods in order to ensure a comprehensive and robust assessment of anti-corruption control mechanisms in the banking sector. This approach allows for the integration of empirical measurement with in-depth expert perspectives, thereby enhancing the analytical depth and explanatory value of the study.

The quantitative component of the research consists of a structured survey conducted among professionals working in banking institutions, internal control units, compliance departments, and supervisory authorities. The survey questionnaire was specifically designed to evaluate the perceived effectiveness of internal and external control mechanisms aimed at preventing and mitigating corruption risks. Respondents were asked to assess the effectiveness of selected control tools using a five-point Likert scale, ranging from “ineffective” to “very effective.” The survey covered key areas of anti-corruption control, including internal audit functions, compliance procedures, segregation of duties, automated monitoring systems, and external regulatory supervision. The collected data were processed using descriptive statistical methods, which allowed for the identification of general trends, comparative evaluations, and patterns in respondents’ assessments.

The qualitative component of the study includes semi-structured expert interviews with specialists in banking supervision, internal audit, risk management, and compliance. This method was chosen to complement the quantitative findings by providing deeper insights into practical implementation challenges, institutional constraints, and the role of digitalization in shaping anti-corruption control processes. The qualitative data obtained from the interviews were analyzed using thematic analysis, with a focus on identifying recurring themes, common perspectives, and expert evaluations related to the effectiveness of control mechanisms.

The integration of survey data and expert interviews strengthens the reliability and validity of the research findings by enabling methodological triangulation. This combined approach allows for a balanced interpretation of quantitative evidence and professional experience, supporting a more nuanced and accurate evaluation of the effectiveness of anti-corruption control mechanisms in the banking sector.

3. RESULTS

The results of the survey indicate that the overall effectiveness of anti-corruption control mechanisms in the banking sector is perceived as moderate. A substantial share of respondents assessed existing control systems as only partially effective in limiting corruption risks, while a smaller proportion evaluated them as highly effective. These findings suggest that, although formal control frameworks are widely implemented, their practical impact varies across institutions and control areas. Clear differences were identified among the various types of control mechanisms examined in the study.

Automated control systems, including digital monitoring tools, transaction tracking systems, and audit trails, received consistently higher effectiveness ratings compared to traditional manual control procedures. Respondents reported that automated controls significantly reduce discretionary decision-making, improve the traceability of actions and decisions, and enhance transparency in operational processes. In contrast, manual control procedures

were perceived as more vulnerable to human error, subjective judgment, and inconsistent application, particularly in complex or high-volume banking operations.

Internal audit and compliance functions were generally evaluated as effective in identifying procedural irregularities, regulatory non-compliance, and weaknesses in internal control processes. However, respondents assessed their effectiveness as more limited when addressing complex corruption risks related to informal practices, conflicts of interest, and unethical behavior that may not be fully captured by formal procedures. External regulatory supervision was rated positively, particularly with regard to its deterrent effect and its role in reinforcing compliance standards. At the same time, respondents highlighted certain constraints, including the limited frequency, scope, and depth of supervisory inspections.

The findings from the expert interviews largely corroborate the results of the quantitative survey. Experts emphasized that banking institutions with higher levels of digitalization and integrated automated control systems tend to exhibit stronger control environments and lower perceived corruption risks. In addition, notable differences were identified between institutions characterized by a well-established control culture and those where control mechanisms are implemented primarily to satisfy formal regulatory requirements, rather than as an integral part of risk management and governance practices.

4. DISCUSSIONS

The results of the present study contribute to a clearer understanding of the practical effectiveness of anti-corruption control mechanisms in the banking sector. The identified moderate level of effectiveness suggests that while formal control frameworks are widely implemented, their impact on reducing corruption risks remains uneven across institutions and control types. This finding indicates a gap between regulatory compliance and actual risk mitigation. The stronger performance of automated and technology-based control mechanisms highlights the growing role of digitalization in enhancing transparency and accountability. By limiting discretionary decision-making and ensuring traceability of operations, automated controls reduce structural opportunities for corrupt behavior. This supports the broader understanding that digital transformation is not only an operational improvement but also a governance-enhancing factor in the banking sector.

At the same time, the limited effectiveness of certain control mechanisms in addressing complex corruption risks points to the importance of organizational and behavioral factors. Informal practices, conflicts of interest, and weak ethical standards can undermine even well-designed control systems. These findings emphasize that anti-corruption control cannot rely solely on procedural or technical solutions but must be supported by strong institutional culture and leadership commitment.

Overall, the discussion demonstrates that effective anti-corruption control in the banking sector requires an integrated approach combining technological solutions, risk-based control strategies, and ethical governance. The results underline the need to move beyond formal compliance toward preventive and proactive control models that strengthen trust and institutional integrity.

5. CONCLUSIONS

The study concludes that anti-corruption control mechanisms in the banking sector demonstrate a moderate level of effectiveness, reflecting the existence of formal control frameworks whose practical impact varies across institutions and control areas. The empirical findings clearly indicate that automated and technology-based control tools are perceived as more effective than traditional manual procedures in limiting corruption risks, enhancing transparency, and improving the traceability of decisions and transactions.

The results emphasize the critical role of digitalization in strengthening anti-corruption control and reducing the scope for discretionary decision-making within banking operations. At the same time, the study confirms that technological solutions alone are insufficient to ensure effective corruption prevention. Sustainable control effectiveness requires strong institutional commitment, clearly defined ethical standards, and continuous staff training aimed at reinforcing compliance awareness and professional responsibility.

The implications of the study suggest that banking institutions and supervisory authorities should prioritize the integration of advanced digital monitoring systems with risk-based control strategies and proactive governance models. By strengthening internal control frameworks, improving coordination between control functions, and fostering an ethical organizational culture, banks can enhance institutional integrity, increase public trust, and contribute to long-term financial stability within the financial system.

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