

SIMPLIFICATION OF KNOW YOUR CUSTOMER (KYC) NORMS: AN ENABLER TOWARDS  
PAPERLESS BANK ACCOUNT OPENING IN INDIA

Dr. Bhavana Trivedi<sup>1</sup> and Poonam Popat<sup>2</sup>  
Assistant Professor<sup>2</sup>, Shailendra College  
Assistant Professor<sup>2</sup>, Nagindas Khandwala College (Autonomous)

**ABSTRACT**

Know your customer (KYC) guidelines in India was an initiative of Reserve Bank of India (RBI). It was mainly implemented for better relations between the banks and customers and also to keep a check on illegal transactions. The paper is an attempt to understand the milestones of KYC norms for bank account opening from the time it was implemented to till date in banking sector. The milestones of KYC norms are divided into four stages for the purpose of better understanding and comparison. The paper is based on primary data as well as secondary data. The end results will help us to determine how the simplified KYC norms are going to promote paperless bank account opening in India.

*Keywords:* Know Your Customer (KYC), Reserve Bank of India (RBI), Bank account opening

**1. OBJECTIVE OF THE STUDY**

- a. To understand the Milestones of KYC norms in banking sector for opening bank account,
- b. To study the positive impact of simplified KYC norms on paperless bank account opening.

**2. RESEARCH METHODOLOGY**

The research paper is based on first-hand information collected through interview method of 50 senior bank officers (20 private sector banks, 20 public sector banks and 10 co-operative banks) residing in western suburbs of Mumbai to get insights on the way KYC norms for opening a bank account are applicable. Secondary data was collected through RBI websites and master circulars updated by RBI from time to time.

**3. REVIEW OF LITERATURE**

Rajput (2013) studied KYC norms of RBI in a very theoretical manner explaining the requirements, application, and process. It shows that KYC norms will mainly help in combating financing of terrorism (CFT), checking the integrity of customer of banking, insurance and export credit agencies, and will minimise the risk of banking sector.

Someshwar (2015) stressed on the challenges of the bank as it would have to mandatorily comply with the requirements or else, they will have to pay a huge penalty for violation and there will be reputation loss to the banks.

Kaushik (2018) talked about banks being careless and repeatedly ask for documents even if it was submitted by the customers as there are many complaints on such issues. It also explains the challenges faced by banks especially after demonetisation.

**4. RESEARCH GAP**

The past research based on review of literature showed that majority of the research were exploratory where the researcher has created awareness about KYC norms and talked about the challenges by the bankers if not implemented properly. None of them have touched the positive aspect of KYC norms which will be analysed in the current research paper.

**5. THEME:**

**5.1 Meaning of KYC Norms**

KYC guidelines is a banking norm governing banks, financial institutions and regulated companies whereby they need to perform tests to identify their customer and update required information necessary for doing financial transactions with them. KYC norms were introduced by RBI in 2002. In 2004, RBI instructed all banks to fully comply with the KYC provisions before 31<sup>st</sup> December 2005 in order to prevent money laundering, terrorist financing and theft. The frame work of KYC was based on following four elements:

- Customer Acceptance Policy: Banks/Financial Institutes (FIs) must develop clear customer acceptance policy where only eligible persons with valid documents will be allowed to open bank account.
- Customer Identification Procedures: Banks must follow due diligence tests for customer towards account opening which are done on the basis of risk profile of the customer.