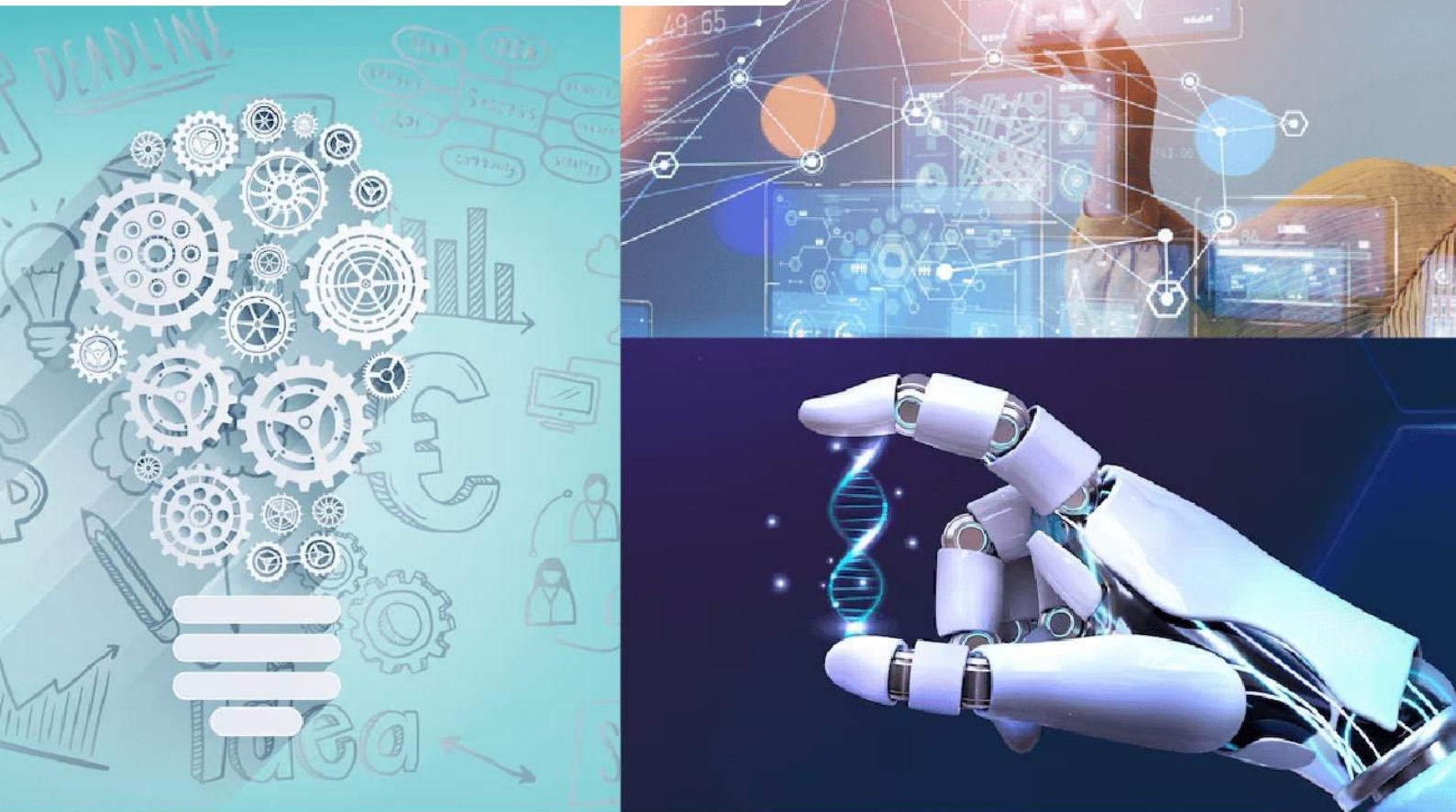




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A Study on Role of KYC and AML in Banking Operation at Indian Overseas Bank

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ABSTRACT: Banking system is one of the significant factors that help in stabilizing finances and preventing any illegal financial transactions from taking place. In this regard, the concepts of know your customer and anti-money laundering have assumed importance in modern day banking systems. In the following study, an attempt will be made to understand the contribution of both know your customer and anti-money laundering practices towards improving efficiency and security in banking operations in Indian Overseas Bank (IOB). Know Your Customer allows for verification of identity of customers, thus making sure that there will not be any possibility of fraudulent activity, identity theft or any sort of transaction carried out without customer permission. Anti-money laundering measures are taken to detect and prevent money laundering activities, thus maintaining compliance with regulations and international standards. This study attempts to show the process adopted by IOB in implementing KYC and AML rules laid down by the Reserve Bank of India.

KEYWORDS: (KYC) Know Your Customer, (AML) Anti-Money Laundering, Banking Operations, Indian Overseas Bank (IOB)

I. INTRODUCTION

The banking industry acts as an important component in ensuring smooth financial operations as well as financial stability in a country. On the other hand, certain challenges have come up regarding the increase in the level of financial crime in the form of money laundering and fraud in the banking sector. To counter this problem, a number of regulatory measures like KYC and AML have been adopted by banks.

Know your customer policy ensures customer identification before providing any service to avoid misuse of services. At the same time, AML practices refer to the implementation of certain measures, which prevent the circulation of illegally obtained finances. Therefore, it improves transparency and accountability in banking. Indian Overseas Bank also uses KYC and AML norms as prescribed by the Reserve Bank of India. The purpose of KYC and AML implementation is minimizing risks and providing safe and reliable banking services.

In this research paper, we aim at studying KYC and AML implementation in the Indian Overseas Bank, as well as discussing customers' knowledge of these practices and their efficiency.

OBJECTIVES

- Role of KYC (Know Your Customer) and AML (Anti-Money Laundering) practices in banking operations at Indian Overseas Bank.
- To analyse the importance of AML regulations
- To study the impact of KYC and AML compliance

II. REVIEW OF LITRATURE

A study conducted by S. Vamshi Krishna and Dr. G. Ramesh (2025) examined the effectiveness of KYC and Anti-Money Laundering (AML) procedures within the banking industry based on information collected from 210 workers in the finance industry. Statistical techniques including correlation, t-test, ANOVA, and regression analysis were used in the study. Some of the key results include that training of employees increases the accuracy of detecting fraud and helps increase regulatory compliance. Also, it is evident that the extent of compliance differs for various financial

organizations. In addition, young employees have been found to be more accepting of the new digital forms of KYC such as biometric authentication.

A study done by **Neharika, Sanjay Kumar Yadav, and Prof. Babita Kadakia (2024)** focused on the difficulties encountered during the implementation of AML requirements within the banking industry, especially in Delhi and Uttar Pradesh. Using a descriptive approach to research, the study gathered its data from 200 banking officials by employing a survey questionnaire. Some of the key problems noted included complicated money laundering processes, changes in regulations, poor AML software, insufficient staff, and poor training for the staff members. In addition, the lack of involvement of customers in giving KYC information was noted. On the positive side, there was good compliance when it came to reporting and updating KYC records.

A paper published by **Krupal Dabhi and Dr. Shivanisinh Parmar (2025)** examined the awareness and comprehension level of KYC and AML laws among individuals and organizations in the state of Gujarat, India. This research used a mixed methodology that involved gathering primary data from 153 participants and analyzing secondary data from other research articles. It was found that awareness about both KYC and AML is relatively high at 89.54% and 78.43%, respectively; however, major issues with compliance and comprehending these laws prevailed. Some of the problems identified include privacy issues, lack of updating KYC papers, and ignorance of AML goals.

III. RESEARCH METHODOLOGY

- **Research Design:** Descriptive study was used to study the quality customer service provided to the customer.
- **Data Sources:** Both primary and secondary data
- **Primary Data Source:** Structured questionnaire divided into 5 parts.
- **Secondary Data Source:** Books, journals, reports, bank publications, websites
- **Sampling Technique:** convenience sampling
- **Sampling size:** The data was collected from 150 respondents.
- **Area of Study:** Indian Overseas Bank
- **Data Analysis Tools:**
 - Percentage analysis
 - Statistical analysis (Regression & Chi-Square)

Data analysis and interpretation:

Demographic details:

From the study, it is understandable that majority of the respondents are female (54.7%) and out of which 44.7% of them falls under the below 25 age categories. Around 38.7% of the respondents are salaried employees who hold an education qualification of postgraduation (38%). likewise, 38% of the respondents have been a customer of IOB for a period of less than 1 year.

Banking usage details:

49.3% of the customers of IOB hold savings account and visit the bank occasionally (30%) as most of them use UPI/Digital payment services (42%). even the KYC verification process was completed majorly through online (40%).

Awareness about KYC and AML:

Only about 30% and 34% of the respondents are aware about the KYC and AML. Respondents prefer to receive further awareness about KYC and AML through mobile app or SMS. The main purpose of KYC is to identify customers, prevent frauds and follow government regulations. The main purpose of AML measures is to prevent money laundering, detect suspicious transactions and to control illegal activities.

Experience with KYC and AML procedure:

Around 45.3% of respondents feel KYC completion are reasonably quick. 35.3% of the respondents feel that the behaviour of the staff impacts the KYC process and their behaviour are felt to be good (44%). 40.7% of the customers find the digital KYC facility to be moderately convenient.

Effectiveness of KYC&AML:

34.7% Of the Customers Agree That AML Rules Helps to Prevent Illegal Activities. 34.7% Of the IOB Customers Agree That They Follow Proper KYC Procedures. On Conclusion 32% Of the Respondents Agree That KYC & AML Measures Improves the Banking Operations.

IV. REGRESSION ANALYSIS

Hypothesis Testing:

Null Hypothesis (H_0): KYC and AML compliance has no significant impact on banking operations.

Alternative Hypothesis (H_1): KYC and AML compliance has a significant impact on banking operations.

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.051	.200		10.254
	security in banking transaction	.037	.082	.037	.654

a. Dependent Variable: improve banking operation

Interpretation:

From the regression table, it is noted that the p-value (0.654) is greater than 0.05 for the factor security in banking transactions. Hence, the variable is not statistically significant in influencing the improvement of banking operations. Thus, the null hypothesis is accepted.

V. CHI-SQUARE ANALYSIS

Hypothesis Testing:

Null Hypothesis (H_0): AML regulations do not significantly affect the banking system, financial security, and prevention of illegal financial transactions.

Alternate Hypothesis (H_1): AML regulation significantly affects the banking system, financial security, and prevention of illegal financial transactions.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	46.346 ^a	16	<.001
Likelihood Ratio	43.431	16	<.001
Linear-by-Linear Association	6.476	1	.011
N of Valid Cases	150		

a. 14 cells (56.0%) have expected count less than 5. The minimum expected count is .03.

Interpretation:

Since $p < 0.05$, the result is significant. AML regulations have a significant impact on the banking system, financial security, and prevention of illegal financial activities. Therefore, null hypothesis is rejected and alternative hypothesis is accepted.

VI. SUGGESTIONS

- Upgrade KYC processes through technological means to make them swift, hassle-free, and convenient.
- Create awareness regarding KYC and AML through mobile apps, SMS, and e-mails.
- Ensure data security and privacy to build customer confidence.
- Conduct training sessions for bank employees to enhance their customer service skills.

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- Customer instructions should be given regarding KYC procedure, particularly for new customers.
- Launch awareness campaigns about AML to make customers familiar with banking operations.

VII. CONCLUSION

In conclusion, the study on the significance of KYC and AML processes within banking activities conducted by Indian Overseas Bank demonstrates the high degree of importance of these measures in order to achieve secure and open-to-all financial services. The study results demonstrate that the majority of the customers are young and quite active in using various digital banking tools, which proves the ongoing process of digital transformation in banking sector. At the same time, the level of awareness about the discussed measures among customers is rather mediocre. Indeed, while there is sufficient understanding of the necessity of KYC practices, AML measures are still quite unknown to many individuals. Moreover, there is no significant awareness regarding the efficacy of such measures when it comes to securing the services provided by banks. On the whole, customers seem to perceive KYC practices positively. In particular, it is possible to say that digital KYC process appears to be efficient enough for the customers, as well as bank staff behaviour. At the same time, some improvements might be introduced in order to improve digital KYC process, making it more convenient.

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