A STUDY ON AWARENESS ABOUT KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING (AML) WITH SPECIAL REFERENCE TO GUJARAT

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ABSTRACT

This research explores awareness and understanding of Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations among individuals and businesses in Gujarat, India. The study employs a mixed-methods approach, combining primary data collected through surveys of 153 respondents and secondary research from relevant literature and industry reports. Key findings indicate high levels of awareness (89.54% for KYC and 78.43% for AML), with significant disparities in compliance practices and perceptions. Privacy concerns, infrequent updates to KYC documentation, and a limited understanding of AML objectives were notable challenges. Recommendations include public awareness initiatives, streamlined compliance processes, and robust data protection measures. The study offers valuable insights for policymakers, financial institutions, and researchers aiming to strengthen financial integrity and mitigate economic crimes.

Keywords: (Know Your Customer (KYC) and Anti-Money Laundering (AML), financial awareness, compliance, Gujarat, money laundering.)

INTRODUCTION

The rise in financial crimes globally has necessitated stricter regulatory measures, with Know Your Customer (KYC) and Anti-Money Laundering (AML) frameworks at the forefront. These mechanisms are pivotal in mitigating risks associated with money laundering, fraud, and terrorism financing. Despite robust frameworks in India, the extent of awareness and compliance at regional levels remains underexplored.
This study focuses on Gujarat, a key economic hub in India, to assess the awareness, perceptions, and challenges of KYC and AML among its residents.

LITERATURE REVIEW

Several studies have examined the role of KYC and AML in financial governance:
P Kumar (2015) Money laundering is a global concern for developed and developing countries. Dr S Kumar (2018) explored scams and regulatory measures in India, noting significant gaps in awareness and enforcement. Ahmadi Miru, Muhadar, Hasbir Paserangi (2019) The study finds that KYC principles are crucial for protecting banks from risks and complying with anti-money laundering laws. S V Murthy (2022) Implementing the recommendations from the dissertation is expected to strengthen the Indian banking sector's anti-money laundering strategies, leading to a more robust and effective system for detecting and preventing financial crimes. Ahmad Ghozi (2022) emphasised the role of e-KYC in reducing financial crimes in Indonesia's FinTech sector, highlighting its applicability to India's growing digital economy. Ena Anton Mwantona (2024) points out shortcomings in the current legal and regulatory framework and suggests strategies to improve detection and prevention.

STATEMENT OF THE PROBLEM

This study aims to identify the awareness about Know Your Customer (KYC) and Anti Money Laundering (AML) in

Gujarat state, identifying key factors influencing attitudes and behaviours.

Objectives
- To evaluate the awareness levels of KYC and AML regulations among Gujaratis.
- To analyse perceptions regarding the effectiveness and fairness of these regulations.
- To identify challenges in compliance and suggest improvements.

RESEARCH METHODOLOGY

A mixed-methods approach was adopted to conduct a present research study.
- **Primary Data:** A structured survey administered via Google Forms targeted individuals across major cities of Gujarat such as Ahmedabad, Vadodara, Rajkot, and Surat. The survey included questions on awareness, compliance, and perceptions of KYC/AML regulations.
- **Secondary Data:** Literature, regulatory reports, and case studies provided additional context.
- **Sample:** The survey involved 153 respondents, stratified by gender, age, education, and occupation for inclusivity.
- **Analytical Tools:** Data was analysed using descriptive statistics and graphical representations to identify patterns and gaps in awareness and compliance.
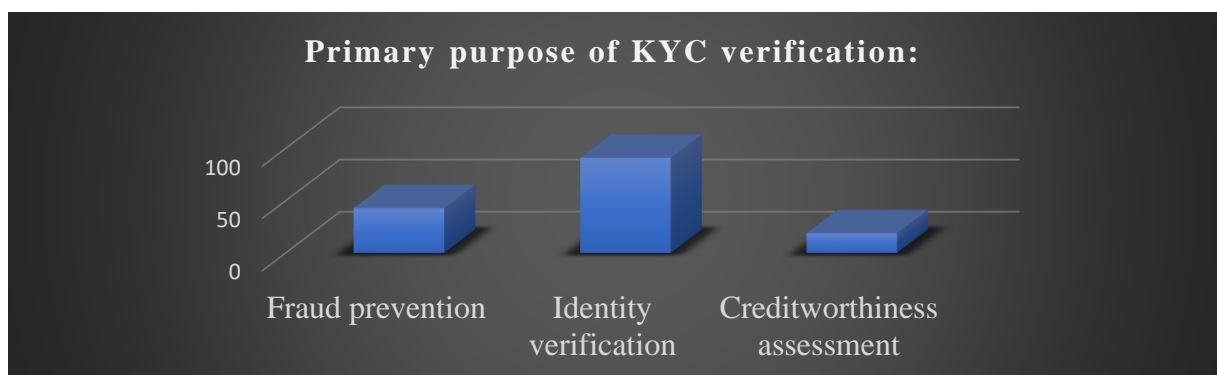
DATA ANALYSIS AND INTERPRETATION

Demographic Profile:

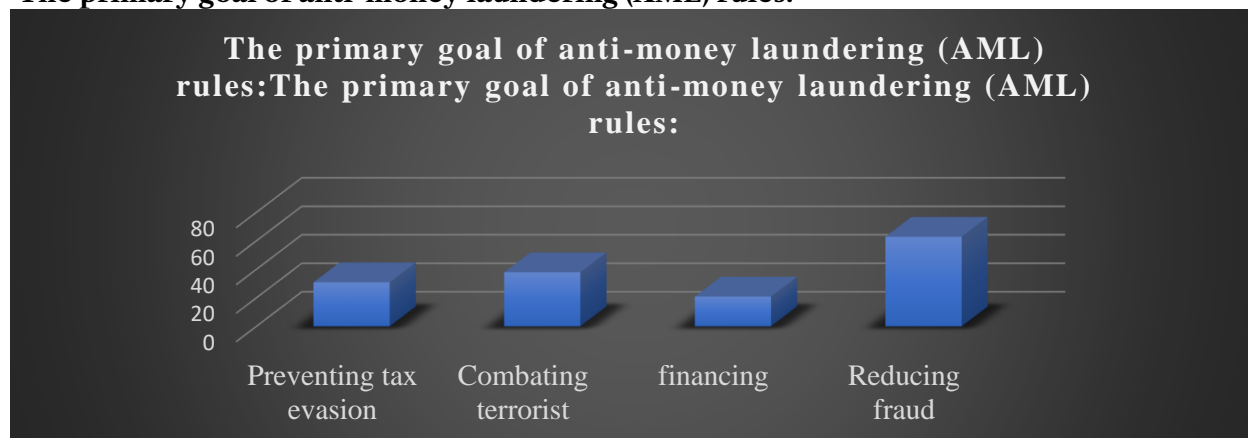| Gender	Frequency	Age	Frequency
Male	91	18-25	96
Female	62	26-40	53
Total	**153**	40-60	4
		Above 60	0
		Total	**153**

1.   **Documents required for KYC verification**
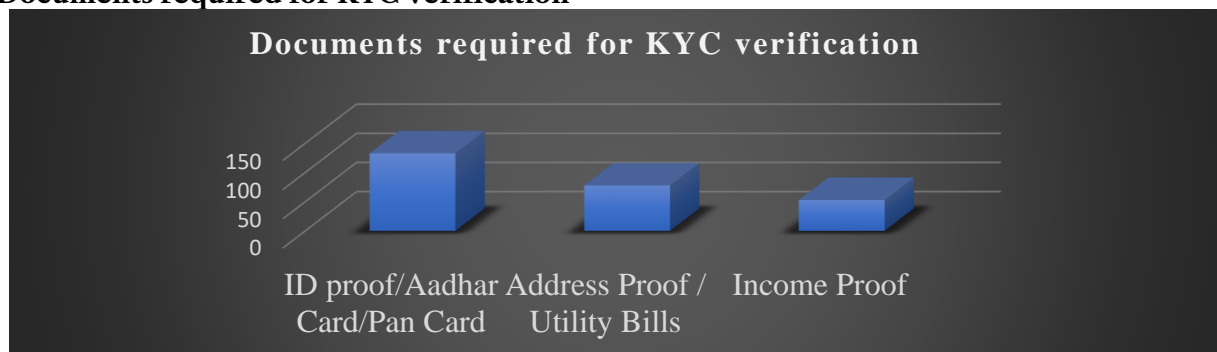
2.   **Primary purpose of KYC verification:**

3. **The primary goal of anti-money laundering (AML) rules:**

The primary goal of anti-money laundering (AML) rules:The primary goal of anti-money laundering (AML) rules:

- **Demographics:**
- **Gender:** Male respondents (59.5%) outnumbered females, suggesting potential gender biases in access to financial information.
- **Age:** The majority were 18-25 (62.7%), highlighting a younger demographic's dominance in the sample.
- **Awareness:**
- **KYC Awareness:** 89.54% of respondents knew of KYC regulations, with identity verification cited as the primary purpose (59.48%).
- **AML Awareness:** 78.43% were familiar with AML, but many misunderstood its objectives, with only 41.17% associating it with fraud prevention.
- **Perceptions and Compliance:**
- **Privacy Concerns:** Over 41% of respondents expressed privacy concerns, believing KYC/AML measures intrude on personal information.
- **Compliance Gaps:** Only 16.99% frequently updated their KYC information, indicating complacency in adhering to regulations.

FINDINGS
- **Lack of Simplified Processes:** Respondents often found documentation burdensome.
- **Insufficient Awareness Campaigns:** Rural respondents, in particular, lacked clarity on AML objectives.
- **Trust Issues:** Only 63% expressed confidence in financial institutions to protect their data.

SUGGESTIONS
- **Simplify Compliance Processes:** Digitize KYC procedures with user-friendly platforms. Provide multilingual support for diverse demographics.
- **Enhance Public Awareness:** Use targeted campaigns, especially in rural areas, to clarify AML objectives. Collaborate with educational institutions to integrate financial literacy programs.
- **Strengthen Data Protection:** Implement stricter cybersecurity measures. Ensure transparency in how customer data is used and stored.
- **Mandate Regular Updates:** Financial institutions should send automated reminders for KYC updates.
- **Foster Trust:** Improve customer service to address grievances and build confidence in financial systems.

CONCLUSION
This study underscores the importance of KYC and AML regulations in fostering financial integrity while highlighting critical gaps in awareness, compliance, and perceptions. Addressing these challenges requires collaborative efforts from policymakers, financial institutions, and the public. Future research should explore longitudinal changes in compliance behaviour and extend to other states for comparative insights.

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