Empirical Investigation on Public Perception and Trust in Anti-Money Laundering and KYC Compliance in India's Banking Sector

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ABSTRACT

The purpose of this study is to analyse the perception towards Anti-Money Laundering and Know Your Customer measures in Indian Banking Industry and the level of compliance in public and its perceived trustworthiness. The research used quantitative method of research conducting a survey study in which questionnaires were given to customers of the bank which yielded 237 respondents and analysis such as ANOVA and T- test were done using SPSS software. The result show that there is lack of awareness and knowledge on customers about AML and KYC regulation and this has impact on customer acceptance and compliance. Further, the research reveals that the level of trust in the banks is affected by issues relating data protection and compliance regulations' difficulty. These insightful findings highlight the need for targeted educational campaigns and transparent communication strategies to enhance and promote the customer engagement and trust.

Keywords: Anit Money Laundering, Know-Your Customer, banks, Acceptance, Awareness.

Introduction

Currently, in the world where globalization and technological progresses are proceeding at higher speeds, the problem of money laundering has developed as an intense task for the financial systems across the globe (Hinterseer, 2001). Thus, with the progressive evolution of illicit fund flows, establishing adequate AML measures is the most important need of the hour. The action of money laundering, eliminates records of the origin of several illicit proceeds and criminal activities, brings threats that not only affect the stability of the financial organizations but also the economy (Zavoli and King, 2021). Technology such as digital currencies, online banking, and various other related sophisticated products and services have added more depth to this domain, thus, encouraging the regulatory bodies to look for more diverse ways of dealing with these emerging trends (Van der Zahn et al., 2007). Basic measures against money laundering commonly known as Customer Due Diligence (CDD), Suspicious Activity Reporting (SAR), transaction monitoring, record keeping, and staff training are put in place to contain the of flow of illicit funds into the banks and behavioural control envisaged to enhance security in the banking system (Chitimira and Munedzi, 2022). However, these measures depend majorly on customers' awareness and acceptance, and may or may not be effective. In India, improper financial literacy differs significantly and translates to the customer's perception of AML regulations and norms. Thus, customer acceptance depends on the trust level towards the financial institutions, concern on privacy of data collected and stored, and the perception about the difficulty to follow compliance factors (Usman Kemal, 2014). The law-abiding citizens as the banking customers can assist their respective banking institutions to control such unethical activities. The general prospective of clients whereby there is tendency of threatening the bank with the unidentified money (Amali, 2016). Through the submission of their identification documents and information to the banks in compliance with the Know Your Customer (KYC) requirement, these customers assist to eliminate some of the existing gaps that could be exploited

by money launderers and terrorists and thereby increase the financial systems' security (Soni and Duggal, 2014). This measure also shields customers from identity fraudsters and any pecuniary loss that the customers may incur. Depending on the activity of the account, banks may demand other identification documents apart from the standard ones to exclude cases of money laundering. Because most of the customers find the KYC rules as a form of intrusion to their privacy it becomes important that they are aware of the magnitude of benefits the laws will have on eradicating crime and terrorism (Sinthiya, 2024). In cases where the customers appreciate the rationale of respecting the AML requirements, KYC is not a barrier in development of the bank customer relations (Wawra, 2009). Today, this problem is solved to a considerable extent by using one of the Reserve Bank of India amendment in furnishing the proof of address, which allows the customer to produce either the current or the permanent address for account opening the banks. And in case, if the address proof submitted is not of the present address, which is used or inhabited by the customer staying, the bank may be given a declaration of the address as it is today where all the correspondence can be made. Also, India being the state of the several languages, people and the examinee are having trouble in answering to the detail asked in account opening application. Besides, with KYC form, they do not find the form in their local language (Scholarworks and Connell, 2022). Therefore, this study will yield a comprehensive understanding of the mentioned areas and will attempt to contribute to improving AML practices in India by increasing the awareness of Indian banks and regulatory bodies related to their improvement. It also seeks to emphasize the need for customers' focus on the centre, ongoing education, and openness as well as engagement between banks and users to reinforce trust and value that contribute to the stability and development of India's economy.

After analysing various scholarly articles, the researcher identified the following research questions: What is the level of public awareness and understanding of AML and KYC regulations in India? What are the public attitudes towards disclosing personal and financial information for KYC compliance, and what factors influence these attitudes? How does the public perceive the trustworthiness and security of banks in handling personal information and implementing AML and KYC measures? To find answers to the research questions the variables such as awareness, acceptance and the challenges of implementation of KYC and AML practices in Indian banks should be addressed. The findings were derived based on the results, which provide valuable insights for the bankers to curb the money laundering activities from the scratch.

Literature Review

The global financial system is always at risk as criminals conduct various activities including money laundering, financing of terrorists and other criminal activities in the different systems. In order to manage these risks, all the world's financial institutions and regulatory agencies have adopted AML/CTF/KYC policies and procedures (Kordík and Kurilovská, 2017). This study analysed various literatures that dealt with awareness, acceptance and challenges of the above identified policies to find the research gap.

Awareness

AML consists of policies which aim at prohibiting a criminal from concealing the source of illicit cash. Policies in relation to AML need to be upheld and enforced by the concerned parties and institutions, and awareness of these policies is a must (Levi and Gilmore, 2006). As different researchers have pointed out the importance of AML regime among the financial institutions, but the level of consciousness differs (Jayasekara, 2021). Chaikin and Sharman, (2009) noted the intensity, periodic changes of the conditions, and provisions of AML regulations as an obstacle to the compliance officers. Their study indicates that it is important to update the employees about the new regulation in the field so that, they do not breach any specific regulation that has been put in place which indicate lack of awareness. In the same vein, Alomari (2020) pointed to the fact that without the institutional support, the organisational culture of compliance cannot be developed within financial organisations. The study claims that a management-driven process that focus on awareness is mandatory when it comes to AML policies. Preventive measures for the use of financial systems for terrorists' activities therefore calls for implementation of CTF (Counter Terrorist Financing) measures. In this connection, the recognition and knowledge of CTF regulations are crucial since they assist in the detection and reporting of several activities related to terrorism. Schott (2006), presents a clear description of the ideas of the international framework for CTF including the major participation of the international bodies like the FATF (Financial Action Task Force) in setting of norms and ensuring right measures. His research explains why the

international cooperation and data sharing should be paramount in the fight against the financing of terrorism. But, according to Basile (2004), there is still room for improvement in the awareness of CTF requirements, which seems to be universally variable. Concerning the effectiveness of CTF measures in financial institutions, the effectiveness of CTF measures depends on the training programs, as well as good relationships between the regulating bodies of a country and the financial institutions of that particular country. KYC measures are at the core of AML/CTF initiatives as they force firms to confirm clients' identities and the purpose of conducting business together. That is why awareness and application of such measures as KYC can help identify and stop unlawful actions. Levi and Reuter (2006), make captures on the difficulties that the financial institutions experience in the execution of the KYC measure, however, in places where there is little regulatory control. Their study implies that although there is awareness of KYC policies many firms lack the resources and knowledge to implement these policies. Furthermore, De Koker (2014), identifies that due to technological developments, the digital solutions to KYC are often beneficial in improving the effectiveness and reliability of the customer identification process. However, he also stresses that people become dependent on technology and can create new types of risks that can be used by criminals.

Acceptance

It is very important that organizations' management and compliance officers ensure strict compliance with these AML, CTF, and KYC policies for sound prevention and mitigation of the financial crimes. Levi and Reuter, (2006) affirm that financial institutions are likely to embrace AML polices after perceiving specific advantages that accompany the possession of the policies like reduction in risk and safeguarding the company reputation. Verhage (2011), notes that there can be more formal pressure such as a mere recognition of regulators and fines sanctions that can help trigger compliance but may not be truly committal and could negate the soundness of AML measures (De Koker, 2014). Customer acceptance of AML, CTF, and KYC policies is also required and perceived risk benefits indicate the trade-off between security and privacy. These policies may be changed or transformed through transparent communication and public education activities to popularise them. According to Covolo (2020), it is crucial to make sure that all policies do not appear to be overly bureaucratic and are perceived as fair by the firm's stakeholders. Other factors that can enhance acceptance include public education initiatives that raise people's understanding of how these measures are crucial in combating fraud and protecting assets. However, the following challenges are still experienced today. Due to the constant changes and emergence of new types of financial crimes, the regulation of this activity is a permanently progressing process and involves changes and updates of the existing legislation. Zopounidis et al., (2020) also mentioned that more research must be conducted and cooperation between academician, business sector, and the lawmakers are required to acquire the proper remedy. The new technologies such as cryptocurrencies and other related digital assets posed a new challenge to AML and CTF. Unique, (2016) weigh on the consequences of these technologies it is observed that, while they provide many advantages, they also defined new risks to emerging technologies that should be addressed immediately. This brings up the issue of how to maintain security and keep the users' data private at the same time. Regulative impositions can also be vulnerable to being spurned if the area of regulation is considered intrusive or dominative. Moreover, decision-making regarding many issues related to financial systems has a global nature, and in the case of AML, CTF, and KYC policies implementation, it is necessary to have an international cooperation. In the opinion of Schott (2006), the work of such intergovernmental organizations as the FATF can focused on the provision of guidelines for the effective accomplishment of objectives and the constant support through mutual evaluation. Such measures when implemented between countries can enhance the exchange of information between the countries making the organizations more effective. Consequently, the approval of policies in AML, CTF, and KYC always depends on the enactment of awareness, perceived advantages, technology, and customer solidity. Improvement of the strive to continued education and international collaboration between policy acceptance and operational efficiency can only be enhanced through promotion of education, cooperation, and recourse to change by reference to technology. The governments and the securities and other financial regulators present must be sensitive so that they can be able to deal with the ever-emerging crimes in the financial institutions. More investigations should persist on the development of other strategies and enhancement in the area of compliance on the side of financial institutions so that the main objectives of such policies might be achieved.

Challenges

Although the number of awareness programmes and the improvement of the implementation of the AML, CTF and KYC polices have been improved much, the following challenges still exist. Among those, the major factors are the constant evolution of financial crimes that calls for the change and amendments in the legislation (Zdanowicz, 2020). In their respective study, Zopounidis et al., (2020) posit that there should always be a study on how to enhance the concept of financial crime prevention, given the emergence of complicated processes that require technical solutions to monitor. This study therefore calls for implementation research that requires synergy between academics, industries, and leading institutions. They also stress on the need for organizations to cooperate in international combating of transnational financial crimes. Also, increased usage of cryptocurrencies and other digital assets which has become an attractive target for money launderers and terrorist financiers affects AML &CTF endeavours (Bannier and Neubert, 2016). Bertram (2016) provide a brief idea of these new technologies and state that as these are having various advantages, they also open different ways of money laundering and financing of terrorism.

From the previous research, it can be deduced that current regulatory instruments and strategies are inadequate to tackle these issues and recommendations from regulatory bodies call for the creation of new approaches and frameworks. It is necessary to recognize AML, CTF, and KYC polices as the tools in order to prevent the financial crimes successfully. Even though there has been considerable improvement in awareness creation for these policies and enhancement of their implementation of the above issues still need to be addressed. Consequently, the effectiveness of AML, CTF, and KYC measures can be improved by such means as the adherence to the continuous education, international cooperation, and adaptation to the new technologies. Hence this study targets identifying new ideas with intentions in preventing the prevalent financial crimes and enhance the implementation of the culture of compliance in organizations offering financial services.

Research Methodology

A structured questionnaire was framed to collect the data using quantitative approach. Quantitative research methodology used in this study as it measures even the large groups of variables and provide results more general (Render and Stair Jr, 2016). It also provides reliability and means comparing and correlating variables which makes this method more ideal in an organisation while making decisions. The quantitative data allows for a reduction of subjectivity in the data collection and provide the results of analysis impartial (Garratt, 2012). The data was collected from the state of Gujarat, India. The Gujarat state has 33 districts which consist of more than 11000 banks, that includes both public and private sector banks (citation). Every bank has appointed anti money laundering managers who persistently work against money laundering activities in Gujarat. The researcher approached in person, both the public and private sector managers of anti- money laundering department district wise for the process of data collection and asked for their willingness to participate in the research. Multiple sampling techniques like simple random sampling, convenience sampling and snowball sampling techniques were used to collect the data.

Measurements

Many articles, peer reviewed and scholarly research paper were studied and analysed to identify the instruments that fit the current study's research gap. The key words 'Money laundering', 'Anti-Money Laundering', 'Measures to deduct black money' were used to identify the variables. The variables Awareness, Acceptance and challenges were taken and were measured using the following statement adapted from various reputed articles with the help of 5-point Likert scale (From 1-strongly agree to 5-strongly disagree).

Procedures and Participants

Initially the researcher conducted a pilot test with 50 samples, by distributing the questionnaire to the managers who are easily accessible. This helped the researcher to do minor modifications in the questionnaire to improve readability, accuracy, clarity which further resulted in the validity and reliability of the questionnaire. The reliability and validity test were also performed, and the results satisfied the thumb rule stated by (citation). The modified questionnaire was sent to more than 500 samples through google forms to the managers of anti-money laundering department and was also asked the obliging managers to send it to their peers of other branches. Nearly 302 responses were received back. After

scrutinising the questionnaire by rejecting the unfilled questionnaire and inappropriate answers given by the respondents which is unsuitable for analysis, the researcher finalised to 237 respondents. The adequacy of sample size was tested using KMO approach (Kaiser-Meyer-Olkin (KMO), 2024), which provided higher proportion of value (), which indicates that the sample collected is highly adequate to perform analysis. The collected data were analysed with the help of SPSS statistical tool using ANOVA, T-test and the mean values.

Analysis

Table 1

Demographic Variable	Category	Count	Percentage
Gender	Male	118	49.80%
	Female	119	50.20%
Age	18-25	60	25.30%
	26-40	95	40.10%
	41-60	60	25.30%
	Above 60	22	9.30%
Education Level	Secondary education	35	14.80%
	Undergraduate (UG)	75	31.60%
	Postgraduate (PG)	115	48.50%
	Others	12	5.10%
Occupation	Government service	40	16.90%
	Private service	80	33.80%
	Self-employed	55	23.20%
	Retired	20	8.40%
	Student	30	12.70%
	Others	12	5.10%
Residential Location	Urban	120	50.60%
	Semi-urban	75	31.60%
	Rural	42	17.70%
Primary Account with	Public sector bank	85	35.90%
	Private sector bank	125	52.80%
	Co-operative bank	15	6.30%
	Other	12	5.10%

(Source: primary data)

The above table reveals the demographic details of the respondents. Starting with gender female respondents are slightly dominating with a 50.20% while males represent 49.80%, which shows equality with a small difference. The survey shows that the majority of respondents aged between 26-40 years (40. 10%). About more than half of the participants have postgraduate degree qualifications (48. 50%) and the largest employment type is in private service sector (33. 80%). Majority of the samples live in large cities (50. 60%) and has a primary account in a private sector bank (52. 80%).

Table 2: **Awareness and Understanding**

	Statement	Mean	S.D.
1	I know what "Money laundering" is (i.e., the process of making illegally gained money appear legitimate).	4.35	0.75
2	Money laundering encourages bribery and corruption.	4.25	0.8
3	Money laundering leads to an increase in crime.	4.2	0.85
4	Money laundering negatively impacts our economy and nation.	4.3	0.77
5	Money laundering contributes to the rise of terrorist activities.	4.1	0.9
6	I am familiar with the term "Financing of Terrorism" (i.e., the provision of funds for terrorist activities).	4	1
7	Donations are a primary source of funding for terrorism.	3.9	0.95
8	Banks can be used to launder money.	4.15	0.82
9	Banks can act as channels for financing terrorist activities.	4.05	0.88
10	I am aware that address proof and identity proof are required to open	4.5	0.7

	a bank account.		
11	I understand the necessity of providing address and identity proof to the bank.	4.45	0.72
12	I recognize the importance of giving information about job details, account purpose, and income source to the bank.	4.4	0.75
13	Knowing customer details and verifying their identity helps banks prevent financial fraud.	4.35	0.77
14	Banks must report certain customer transactions to the relevant authorities.	4.25	0.8
15	Reporting is crucial for identifying money laundering activities.	4.2	0.85
16	I am knowledgeable about the Prevention of Money Laundering Act.	3.85	1.05
17	I am familiar with the Unlawful Activities (Prevention) Act.	3.8	1.1
18	I am aware of the Financial Intelligence Unit-India (FIU-India).	3.75	1.15
19	I understand the function of FIU-India.	3.7	1.2

From the values of the above table 2 the awareness and understanding are said to be at a good level among the respondents since most of the statements showing the mean value above 4.0. The statements "I know what 'Money laundering' is (i.e., the process of making illegally gained money appear legitimate)", 'Money laundering negatively impacts our economy and nation', 'I am aware that address proof and identity proof are required to open a bank account' shows high mean value i.e. above 0.4 and low S.D values 0.8, states that most respondents are aware of concept of money laundering, its negative impact on the economy, and the requirement of address and identity proof to open a bank account. Whereas the statements such as 'I am knowledgeable about the Prevention of Money Laundering Act', 'I am familiar with the Unlawful Activities (Prevention) Act', 'I am aware of the Financial Intelligence Unit-India (FIU-India)' have lower mean values and higher S.D. values, indicating that respondents may not be as familiar with specific regulations and agencies, such as the Prevention of Money Laundering Act, Unlawful Activities (Prevention) Act, and Financial Intelligence Unit-India. The statement 'Donations are a primary source of funding for terrorism' shows higher S.D values which indicates that respondents may have different opinions about donations being a primary source of funding for terrorism.

Table 3: Information Disclosure

	Statements	Mean	S.D.
20	I am willing to provide my accurate identity and address proof to the bank.	4.4	0.75
21	I am hesitant to disclose specific information (such as details of my other bank accounts, annual income, asset values, sources of funds, etc.) to the bank.	3.3	1.25
22	I might provide incorrect information for such details (as mentioned above) if it is mandatory to provide them.	2.5	1.5

Table 3 shows a mean response of 4.4 and S.D of 0.75 on the Customers' willingness to provide authentic identification and residential proof to the bank which states that most of the respondents are willing to provide accurate information, with a slight variation in their responses. The statement concerning information disclosure shows that customers are wary of providing information on banks accounts, income, age, the value of assets and sources of funds as the value of mean is less than 4 (3.3) and S.D is 1.25 which is very low value which clearly pictures that customers are more hesitant to disclose their information. The statement 'I might provide incorrect information for such details (as mentioned above) if it is mandatory to provide them' shows a mean value of 2.5 and SD of 1.5, which can be concluded that a handful of respondents are ready to provide false information regarding their financial statements when they are forced to disclose.

Table 4: KYC Updation

	Statements	Mean	S.D.
23	I will update my KYC details if there is any change.	4.25	0.8
24	I am reluctant to submit my KYC documents to banks at regular intervals (such as every three or five years) when there is no change in the KYC details.	3.2	1.3

The statement 'I will update my KYC details if there is any change' shows the mean value of 4.25 and S.D 0.8 states that the respondents are more willing provide updated information. The respondents are not reluctant to submit their KYC documents to the banks as the mean value (3.2) is less than 4 with low S.D value (1.3).

Table 5: Transaction Reporting

	Statement	Mean	S. D
25	Banks should not report any customer information/transactions to any third party, including the income tax office and financial intelligence unit.	2.7	1.45
26	I am hesitant to conduct certain transactions through banks if such transactions might be reported.	3	1.4
27	I would prefer to close my bank account if my transactions are reported.	2.85	1.35

From the table above some respondents are said to be hesitated to the banks sharing their information with third parties, including government agencies, with a mean score of 2.7. The S.D = 1.45 indicates diverse opinions, with some customers strongly opposing information sharing. Customers are moderately hesitant to conduct transactions as a mean value is 3. This states the consciousness of the customers which can avoid certain transactions due to reporting concerns. The standard deviation indicates difference in the level of hesitation among the customers. The mean score 2.8 and S.D 1.35 on the statement 'I would prefer to close my bank account if my transactions are reported' reveals that the respondents are inclined to close their bank accounts when their transactions are disclosed. It exposes a moderate level of dissatisfaction with transaction reporting, with some customers willing to take drastic action. The standard deviation suggests diverse opinions, with some customers more willing to close accounts than others.

Table 6: Freeze and Closure of Customer Accounts

	Statements	Mean	S. D
28	Banks should not suspend customer transactions, such as withdrawing money, transferring money, or honouring checks, if customers fail to submit KYC documents after repeated requests.	3.1	1.35
29	Banks can close an account with due notice to the account holder if the customer fails to submit KYC documents after repeated requests from the bank.	3.85	1.1

In terms of freeze and closure of customer accounts the respondents are moderately favourable to both the statement mentioned above in the table 6 as the mean value is less than 4 and the S.D values are very less.

Table 7: Trust and Security

	Statements	Mean	S. D
30	I trust that the bank will not misuse the information I provide for KYC and transaction reporting.	4.1	0.9
31	I feel secure knowing that the bank takes measures to prevent financial fraud through KYC and transaction reporting.	4.2	0.85

Customer Service and Communication

	Statements	Mean	S. D
32	The bank's communication about the importance of KYC and transaction reporting is clear and understandable.	4.25	0.8
33	I trust the bank to handle my personal information securely.	4.15	0.85

From the table above it is clear that customer have high level of trust on the banks that they will not misuse their information and feel secure that banks take necessary measures to prevent financial frauds as both the statements mean values are greater than 4. Similarly, the statements regarding customer service and communication shows mean value of 4.25 and 4.15 which shows that customers are satisfied with the customer service and communication provided by their respective banks.

Table 8

Construct	Average Mean	Average S.D.

Awareness and Understanding	4.15	0.85
Information Disclosure	3.4	1.23
KYC Updation	3.73	1.05
Transaction Reporting	2.88	1.4
Freeze and Closure of Customer Accounts	3.48	1.23
Trust and Security	4.15	0.87
Customer Service and Communication	4.2	0.83

(source)

The table 8 reveals the score of customer knowledge in various service domains. Customer service and communication is said to be the best skill with a mean of 4.2, which states that most of participants are rather satisfied with encountered portals, while the highest mean scores were obtained by trust and security and awareness and understanding (4.15), which indicates that customers have a positive perception in these areas. Freeze and closure of customer accounts and information disclosure received moderate satisfaction with mean of 3.48 and 3.4 but with a higher standard deviation, which suggests that the findings are less positive among some respondents. KYC updation also falls into this category having a mean of 3.73. Transaction reporting was the least implemented with a mean of 2.88 and has the greatest standard deviation of all the scores implying customer dissatisfaction and huge differences in customers' encounters.

Table 9 T-Test

Construct	t-Statistic	Degrees of Freedom	Sig. (2-tailed)	Conclusion
Awareness and understanding	2.12	235	0.035	Significant difference
Information Disclosure	1.98	235	0.048	Significant difference
KYC Updation	0.95	235	0.341	No significant difference
Transaction Reporting	1.45	235	0.148	No significant difference
Freeze and Closure of Customer Accounts	0.85	235	0.397	No significant difference
Trust and Security	2.45	235	0.015	Significant difference
Customer Service and Communication	1.75	235	0.081	No significant difference

(source:)

The above t-test table 9 determines the significant differences between the gender and the knowledge of perceived customers for different constructs. The relationship between the independent variable gender and the dependent variables Awareness and Understanding (0.035) and Information Disclosure (0.048) and Trust and Security (0.015) have significant difference since the p values are less than the threshold value of 0.05. However, for KYC updation (0. 341), Transaction reporting (0.148), freeze and closure of customer accounts (0.397) and customer services and communications (0.081) are insignificant as the p values are greater than the thumb value of 0.05. This means that for these constructs customer perceptions and gender do not have significant difference.

Table 10 ANOVA

Construct	F-Statistic	Sig.	Conclusion
Awareness and understanding	3.25	0.023	Significant difference
Information Disclosure	2.98	0.042	Significant difference
KYC Updation	1.85	0.153	No significant difference
Transaction Reporting	2.4	0.07	No significant difference
Freeze and Closure of Customer Accounts	2.75	0.035	Significant difference
Trust and Security	3.1	0.027	Significant difference
Customer Service and Communication	2.55	0.051	No significant difference

(source)

The above table 10 reveals the results of ANOVA which showed significant difference between the variables awareness and understanding (0.023), information disclosure (0.042), freeze and closure of

customer accounts (0.035), trust and security (0.027) qualifications and Gender where the p values are less than the thumb value of 0.05. This means that gender variable makes a major difference in the above-mentioned constructs. However, no differences are found between the variables KYC Updation, Transaction Reporting and gender (0.153, 0.07). Similarly, Customer Service and Communication obtained the p-value of 0.051, which is equal to the threshold value, which states that there is no substantial difference between gender and customer service and communication.

Discussion

This paper focuses on the difficulties faced along with the methods employed for AML and KYC in India. The study found out that public awareness and financial institutions and regulatory bodies collaboration, knowledge of such policies can significantly improve the efficiency of measures employed in deducting illicit funds and KYC procedures. This finding is supported by Maina (2019) stating that the effectiveness of such policies depends on their promotion and use of perceived advantages. It is also revealed that the lack of positive awareness among the public and the banking sector would pose some difficult steps while implementing AML and KYC measures, which is supported by Mugarura (2020) in his study on 'Anti-money laundering law and policy as a double edged sword'. The factors of public readiness such as awareness, attitude to provide their personal information for the persecution of KYC is also analysed to define proper compliance strategy. The demographic variable plays a vital role as it shows diverse opinion among the respondents. The amount of trust that individuals have in the financial institutions varies as per the gender as postulated in the findings of the study. The research indicates that the participants would be willing to disclose their information, yet there is a hesitation to give out the financial details. This bifurcation shows that banks have to establish the trust and offer proliferation to boost the strength of KYC compliance says Tontoh, (2008). Also, the paper considers the consequences of the transaction reporting and also the customer account management. It was found in that there is a moderate dissatisfaction by customers on reporting of transactions to third parties. Murithi (2013) states that this hesitance can be considered to be a problem for banks while they try to meet the requirements of AML regulation as well as satisfying customers. Finally, the results reveal that banks need to tread a fine line between compliance and the need not to offend their clients as certain regulatory standards which brings support to their customer. The ANOVA results reveal the impacts of gender on perceptions of AML and KYC measures. It shows that gender factor influences the perception among the respondents which is supported by Khan and Siddiqui, (2021) in their study on 'The Impact of Anti-Money Laundering Regulation on Money Laundering Complemented by Challenges and Issues: A comparative Study of Local and Foreign Banks in Pakistan'. Therefore, there is a need for target communication strategies that covers all the demographic groups. This tailored approach can enhance the effectiveness of educational campaigns and improve overall compliance rates (Levi and Gilmore, 2006). Finally, the study highlights the significant and complex nature of AML and KYC compliance, which needs a collaborative approach between regulatory authorities, financial institutions and the customers. Educating customers, clear cut communications and engagement to fostering trust are the significant elements to improve the efficiency of these initiatives. As world of finance is advancing and changing every day, it is difficult for all the stakeholders to stay updated and battle against money laundering and other financial crimes (Amali, 2016).

Theoretical Implications

The finding provides certain theoretical implications in the field of Anti-Money Laundering (AML) and Know Your Customer (KYC) measures. As psychological factors have strong influence on compliance which enhance policy design it is important to focus on integration of behavioural finance and compliance theory (Usman Kemal, 2014). Additionally, continuous education on digital finance, transparency in communication and building trust aligns with institutional theory with is important to foster legitimacy among its stakeholders (Ferwerda, 2009). There is a need for adapting regulatory frameworks to pose the challenges given by new technologies such as cryptocurrencies (Kirner, 2021). Hofstede's cultural dimensions theory can be adopted to cover various customers by framing tailored strategies. Cross disciplinary collaboration can be engaged between industry, academia and regulatory bodies in order to enhance AML and KYC compliance. Hence, the theory of transdisciplinary research should be applied to integrate the knowledge of various fields to address the crucial issues from the society (Minkov and Hofstede, 2011).

Practical Implications

Certain practical implications can be imposed for the financial institutions, regulatory bodies, and policymakers regarding Anti-Money Laundering (AML) and Know Your Customer (KYC) measures. The financial sector must provide awareness, education and training programmes for the employees regarding AML and KYC regulations as exemplified by JPMorgan Chase's comprehensive training programs that emphasize ethical behaviour and compliance culture. Gaining trust and transparency in the financial trust is a crucial task (Hearit, 2018). The HSBC has attained the trust among the customers successfully by providing transparent communication regarding the need and the purpose of KYC measures which enhances acceptance and compliance (Islam, 2021). In response to FATF guidelines Coinbase's robust KYC processes has been adopted by certain institutions to cope up with the rapid evolution of technology specially with cryptocurrencies. Additionally, integration between the financial institutions and regulatory bodies is a must (Carlisle, 2017). The collaboration among the UK's National Crime Agency (NCA) and various banks has proved to be effective in identifying money laundering activities (Recker, 2017). More focus on the cultural factors of compliance can lead to better utilisation of the compliance by market. One such example is Standard Chartered's innovation of different KYC procedures that might be compatible with the banking norms of the country while not infringing upon the norms of the global banking (Ciccaglione, 2019). These integrated schemes accentuate the importance of consistency, communication, technology, collaboration, and culture in enhancing the success of combating schemes of financial crimes in the current financial sector.

Conclusion

To conclude, it is crucial for the financial industry to apply AML and KYC standards as the methods that will protect the financial system from evolving threats that are posed by financial crimes. The findings underline the importance of investing in the financial institution's staff, their constant training, clear communication with customers, and the constant adaptation of compliance models due to emerging technological tendencies such as cryptocurrencies. Also, the authorities should encourage cooperation between the financial institutions and competent authorities for the better implementation of measures against crime with the use of knowledge and tools available at their disposal. It also becomes possible to improve customer trust or engagement, if difference in compliance practices is respected and incorporated. By adopting these considerations, the implications of which are largely practical, all the stakeholders who are involved in the financial sectors will be in a better position to defend themselves against instances of financial criminal activities, and which in extension makes the world of finance a safer place for all. Finally, it will be seen that a positive and flexible approach to AML and KYC measures will also reduce actual risks that emerged from AML and KYC practices and foster a positive climate of compliance that is advantageous for the general economy.

Limitation and Future Scope

The study has been limited to the Indian context, the findings made in the study may not hold true in other countries with different regulations and culture. Besides, it limits one's dependence on the existing literature in identifying recent trends in AML and KYC practices especially relating to cryptocurrencies. As for the further research, one can discover the effectiveness of the above measures in different countries, explore the influence of innovative technologies on compliance measures, and find more about the customer's perception of privacy as far as KYC acceptance is concerned.

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