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A study on the effectiveness of digital KYC in enhancing customer onboarding experience in the banking industry with reference to IDBI bank

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Abstract

The study aims to examine the effectiveness of Digital KYC in enhancing the customer onboarding experience in the banking industry, with specific reference to IDBI Bank. The research focuses on evaluating the efficiency of Digital KYC compared to conventional KYC methods, particularly in terms of processing time, cost-effectiveness, operational accuracy, and user convenience. The study also analyses customer satisfaction levels by assessing factors such as ease of use, accessibility, transparency, and overall service quality. In addition, it identifies the major challenges encountered during the implementation of Digital KYC, including technical glitches, data privacy concerns, cybersecurity risks, and issues related to digital literacy among customers. From the banking perspective, challenges such as system integration, regulatory compliance, and infrastructure limitations are also examined.

Keywords: Digital KYC, Customer Onboarding, Banking sector, IDBI bank, Customer Satisfaction

INTRODUCTION

The banking industry has undergone a significant transformation with the integration of digital technologies, particularly in the area of customer onboarding. Customer onboarding is a critical process that establishes the first point of interaction between a bank and its customers, influencing long-term relationships and service perceptions. With the advancement of digitalization, banks have increasingly adopted Digital Know Your Customer (Digital KYC) systems to streamline and enhance the onboarding process. The growing preference for digital banking services has further accelerated the adoption of Digital KYC. Customers today demand convenience, speed, and accessibility, which digital processes effectively provide.

LITERATURE REVIEW

Sharma and Singh (2019) found that Digital KYC significantly reduces customer onboarding time compared to traditional KYC methods. Their study highlighted that digital verification processes improve efficiency by

eliminating physical documentation and manual intervention. The authors also emphasized that customers perceive Digital KYC as more convenient and time-saving. Kumar and Gupta (2020) analyzed customer satisfaction levels in digital banking services and observed that Digital KYC plays a crucial role in enhancing user experience. Their findings indicated that ease of use, accessibility, and reduced processing time are key factors influencing customer satisfaction. However, the study also pointed out concerns related to data privacy and security. Patel and Desai (2021) examined the operational impact of Digital KYC on banks and found that it significantly reduces administrative costs and minimizes human errors. The study concluded that automation in verification processes leads to improved accuracy and better compliance management. Mehta (2022) focused on the challenges associated with Digital KYC implementation. The research identified issues such as technical glitches, lack of digital literacy among customers, and cybersecurity risks as major barriers. The study suggested that banks should invest in robust IT infrastructure and customer awareness programs to overcome these challenges. Verma and Nair (2022) explored the role of Digital KYC in enhancing customer onboarding experience. Their study revealed that digital onboarding not only improves efficiency but also strengthens customer trust and engagement. The authors highlighted that faster onboarding leads to higher customer retention rates. Singh (2023) analyzed the comparative effectiveness of Digital KYC and traditional KYC methods. The findings indicated that Digital KYC is more efficient, cost-effective, and scalable. However, the study also noted that rural and less digitally literate populations may face difficulties in adapting to digital processes.

METHODOLOGY

This study adopts a descriptive research design to examine the effectiveness of Digital KYC in enhancing customer onboarding experience, with specific reference to IDBI Bank. The research is based on both primary and secondary data sources. Primary data was collected through a structured questionnaire administered to 300 respondents, focusing on their experience and satisfaction with Digital KYC services. Secondary data was obtained from academic journals and banking publications to support the analysis. The questionnaire included demographic variables such as gender (male and female) and key opinion-based variables such as customer satisfaction with IDBI Bank's Digital KYC service measured using a four-point Likert scale (Highly satisfied, Satisfied, Neutral, Dissatisfied). Data analysis was performed using SPSS software. To examine the association between gender and satisfaction level, a Chi-Square was applied. Percentage analysis was used to summarize respondent characteristics and overall satisfaction levels.

RESULT AND DISCUSSION

TABLE 1. Respondents' opinion on "Ease of understanding Digital KYC process"

Response Category	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent
Very easy	78	26.0	26.0	26.0
Easy	86	28.7	28.7	54.7
Neutral	70	23.3	23.3	78.0
Difficult	66	22.0	22.0	100.0
Total	300	100.0	100.0	

Table 1 shows that 28.7 per cent of the respondents find the Digital KYC process easy and 26.0 per cent find it very easy, indicating that a significant proportion of users perceive the process as user- friendly. However,

23.3 per cent remain neutral and 22.0 per cent find it difficult, suggesting that some users still face challenges in understanding the process. The inference is that while Digital KYC is generally easy to use, there is a need to improve user guidance and digital awareness to enhance overall accessibility.

TABLE 2. Respondents' opinion on "Primary value derived from Digital KYC in onboarding experience"

Response Category	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent
Reduction in processing time	80	26.7	26.7	26.7
Enhanced customer convenience	72	24.0	24.0	50.7
Fully digital document submission	72	24.0	24.0	74.7
Accelerated account activation	76	25.3	25.3	100.0
Total	300	100.0	100.0	

Table 2 indicates that 26.7 per cent of the respondents consider reduction in processing time as the primary value of Digital KYC. Around 25.3 per cent of respondents prefer accelerated account activation, highlighting the importance of faster onboarding. Additionally, 24.0 per cent of respondents identify enhanced customer convenience and fully digital document submission as key benefits. The findings indicate that Digital KYC significantly enhances operational efficiency by reducing processing time and simplifying procedures. The elimination of physical documentation minimizes manual effort for both customers and banking staff. Faster account activation further contributes to improved customer satisfaction. Overall, Digital KYC ensures a more efficient, convenient, and user- friendly onboarding experience.

TABLE 3. Respondents' opinion on "Major Operational Improvement of Digital KYC"

Response Category	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent
Reduced dependency on branch visits	77	25.7	25.7	25.7
Faster identity authentication	76	25.3	25.3	51.0
Enhanced processing transparency	77	25.7	25.7	76.7
Optimized workflow management	70	23.3	23.3	100.0
Total	300	100.0	100.0	

Table 3 shows that 25.7 per cent of the respondents each identify reduced dependency on branch visits and enhanced processing transparency as the major operational improvements of Digital KYC. Additionally, 25.3 per cent of respondents highlight faster identity authentication, while 23.3 per cent prefer optimized workflow management. The inference is that Digital KYC significantly improves operational efficiency by reducing the need for physical visits, enhancing transparency, and speeding up the verification process.

TABLE 4. Respondents' opinion on "Technological Effectiveness of Digital KYC"

Response Category	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent
System reliability	75	25.0	25.0	25.0
Verification accuracy	76	25.3	25.3	50.3
Processing speed	59	19.7	19.7	70.0
User interface design	90	30.0	30.0	100.0
Total	300	100.0	100.0	

Table 4 shows that 30.0 per cent of the respondents consider user interface design as the most important factor influencing the technological effectiveness of Digital KYC. Approximately 25.3 per cent of respondents highlight verification accuracy, while 25.0 per cent emphasize system reliability. Additionally, 19.7 per cent of respondents identify processing speed as a key factor. The findings indicate that although all technological factors contribute to effectiveness, user interface design plays a crucial role in enhancing user experience. A well-designed interface reduces complexity and improves usability. Verification accuracy and system reliability strengthen customer trust and ensure secure transactions. Processing speed also contributes to overall satisfaction. Thus, an efficient and user-friendly system is essential for increasing Digital KYC adoption.

TABLE 5. Respondents' opinion on "Customer Experience Outcome of Digital KYC"

Response Category	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent
Faster account readiness	81	27.0	27.0	27.0
Reduced physical interactions	75	25.0	25.0	52.0
Improved service accessibility	75	25.0	25.0	77.0
Simplified onboarding workflow	69	23.0	23.0	100.0
Total	300	100.0	100.0	

Table 5 shows that 27.0 per cent of the respondents identify faster account readiness as the most significant outcome of Digital KYC on customer experience. This is followed by 25.0 per cent each who highlight reduced physical interactions and improved service accessibility. Meanwhile, 23.0 per cent of respondents consider simplified onboarding workflow as the key outcome. The inference is that Digital KYC enhances customer experience primarily by enabling faster account activation while also improving accessibility and reducing the need for physical interaction.

TABLE 6. Respondents' opinion on "Willingness to Use Digital Banking Services"

Response Category	Frequency	Percent (%)	Valid Percent (%)	Cumulative Percent
Ease of access	78	26.0	26.0	26.0
Faster service delivery	82	27.3	27.3	53.3
Secure authentication	75	25.0	25.0	78.3
Improved digital experience	65	21.7	21.7	100.0
Total	300	100.0	100.0	

Table 6 indicates that 27.3 per cent of the respondents consider faster service delivery as the primary factor influencing their willingness to use digital banking services. Around 26.0 per cent of respondents prefer ease of access, while 25.0 per cent emphasize secure authentication. Additionally, 21.7 per cent of respondents highlight improved digital experience as an important factor. The findings indicate that speed and convenience are the key drivers of digital banking adoption. Faster service delivery enhances efficiency and saves time for customers. Ease of access allows users to perform banking activities anytime and anywhere. Secure authentication ensures data protection and builds customer trust. An improved digital experience further strengthens user engagement. Overall, adoption is driven by efficiency, accessibility, and security.

HYPOTHESIS

H0 (Null Hypothesis): There is no significant relationship between gender and customer satisfaction towards Digital KYC.

H1 (Alternative Hypothesis): There is a significant relationship between gender and customer satisfaction towards Digital KYC.

TABLE 7. Chi-Square Test

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.500[a]	3	.139
Likelihood Ratio	5.526	3	.137
Linear-by-Linear Association	.001	1	.979
N of Valid Cases	300		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 32.07.

The Chi-Square test was applied to examine the relationship between gender and customer satisfaction with Digital KYC services. The Pearson Chi-Square value is 5.500 with 3 degrees of freedom, and the p-value is 0.139. Since the p-value (0.139) is greater than the significance level of 0.05, the null hypothesis is accepted. Hence, there is no significant relationship between gender and customer satisfaction towards Digital KYC.

CONCLUSION

The study concludes that Digital KYC has significantly improved the customer onboarding experience in IDBI Bank by making the process faster and more convenient. Customers perceive Digital KYC as user-friendly and effective in reducing time and paperwork. Key benefits include improved accessibility, reduced physical interaction, and faster account activation. Technological factors such as system reliability and user interface design enhance the overall experience. Customers also show a strong willingness to adopt digital banking services due to ease of access and speed. However, there is still scope for improvement in terms of user awareness and service quality.

Declaration of Conflicting Interests

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