**Can blockchain provide a solution to the cumbersome KYC verification process?**

Know Your Customer (KYC) is developing into a more and more significant service industry as society pushes toward accountability in significant trust-based organisations like banks. Today's regulations also call for KYC compliance, which is often a very resource- and labour-intensive area. Additionally, ineffective KYC procedures might provide clients and consumers problems and an overall impression that processes are taking too long. However, the emergence of blockchain KYC may herald a potential answer.

**Issues that affect KYC**

In India, KYC is a requirement for all businesses that deal with money. For those who either have not established a KYC system at all or have done so ineffectively, this creates a lot of friction. KYC demands the submission of documentation relevant to the person's identification as a fundamental requirement. Due to the institutional character of identification evidence, these papers must be double- and triple-checked at every step. Regardless of whether government agency gives the evidence, its database has to be reviewed to make sure the entries are same. This method has scalability issues when dealing with thousands of consumers or several needed documents.

All of this raises the entry hurdle for people into the ecosystem of financial services. Additionally, it results in a poor user experience and an antiquated mechanism for establishing a digital identity. At its core, KYC is just a method for confirming a new participant's identification in a closed network. As a result, the issue is now one of identity rather than KYC. The blockchain is useful in this situation.

**Systems for Decentralized Identity**

Systems that manage identities centrally have significant drawbacks. Costly infrastructure and a laborious process are involved. The KYC documents are initially submitted to a bank, which then sends them to the middleman, in a classic centralized manner. When this data is validated against and kept in a centralized database, expenditures are incurred due to the data's need for security. Additionally, many additional institutions repeatedly query the main database.

Additionally, none of the parties involved are transparent about their data. Additionally, the supplier does not control the data, which exposes sensitive information to a relationship built on trust. These issues collectively have caused a paradigm change in identity verification. A new generation of solutions is now available that combine the security, decentralisation, and ownership of the blockchain with the provision of identification proof by established organisations.

Because of what it may entail for the dataflow processes in the KYC area, the usage of blockchain to establish decentralised identification may change how KYC is now understood.

**Blockchain KYC Applications: The Need**

The emergence of KYC is aggressively addressing the long-standing issue of money laundering on the subcontinent. The existing method, however, cannot be scaled for a variety of reasons. A centralized database is mostly ineffective when there are several parties sending and receiving information. A centralized system's core function is to uphold a single version of reality, which the blockchain has done from the beginning.

Secondarily, the KYC procedure is made more difficult by the inclusion of several parties and global compliance. Records become redundant, inconsistent, and repeated. Due to this, compliance is not only expensive but also difficult to implement. Blockchain excels at this. Anyone may access the network for verification due to its decentralized structure. The network's built-in security also helps to lower security and uptime expenses. In a typical blockchain KYC situation, a new client provides the bank with the necessary paperwork. The bank then uploads the data onto the blockchain after verifying the legitimacy of the papers.

This then makes information available in real time to all other partners on the chain as needed. It is also simple to update the information because it may be sent to the user's account as an encrypted update. It is feasible to provide each person their own personalised digital signature, which would make things even simpler.

**Conclusion:**

Future KYC requirements can be met by using the signature, which can be based on the papers supplied to the chain. Since the procedure is not repeated, the blockchain-optimized approach enables shorter onboarding times and cheaper costs for financial institutions. Furthermore, because the data is a component of a uniform blockchain, it will also be clearer. The KYC procedure may be fully optimised with the use of technologies like face recognition, NLP, and OCR. This will enable a high level of automation while drastically lowering the rate of mistakes.

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