

After Aadhaar ordinance, banks aiming to rework digital account-opening process

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Banks are once again reworking strategies for instant opening of bank accounts using Aadhaar-based authentication and KYC, with some likely to relaunch such facilities in the coming weeks.

The move follows the promulgation of Aadhaar and other laws (Amendment) Ordinance 2019 earlier this month, which amended the Aadhaar Act 2016, Prevention of Money Laundering Act 2005, and Indian Telegraph Act 1885, and enabled private banks and telecoms to use Aadhaar for authentication of identity.

To review 811

Private sector lender Kotak Mahindra Bank plans to review its immensely popular digital account opening platform 811 through this method.

“Now, with the recent guidelines by the government, we are reworking on offering the consent-based voluntary use of Aadhaar for bank account opening. As we speak, we are in the process of studying the changes.

“My take is very soon we will be able to offer, with least amount of friction, a journey closer to, if not exactly the way it was before the Aadhaar verdict,” said Deepak Sharma, Chief Digital Officer, Kotak Mahindra Bank.

The bank had temporarily suspended the 811 account opening facility after the Supreme Court verdict on Aadhaar last year, which had prohibited the compulsory use of the 12-digit biometric identification number-based KYC for bank accounts and mobile connections.

Later, the lender had partially restarted the service, although there was a slowdown in customer acquisition.

“Aadhaar, as a service, could be used only for those customers who wanted to use it for DBT purpose and voluntary use of Aadhaar. They could proceed with the journey through OTP and full KYC as we were doing pre-Aadhaar verdict,” said Sharma, adding that the second option was a wallet-based journey to customers. “Such customers came through a wallet route and then we quickly did their KYC and brought them on board,” he told *BusinessLine*.

Sources said that other lenders, which had suspended such formats for opening bank accounts, are also reviewing the ordinance.

However, some are awaiting more clarity from the Unique Identification Authority of India, in terms of fresh guidelines. Many had, however, started digital account opening for direct benefit transfers (DBT)-linked accounts with voluntary Aadhaar.

“Fincare SFB is likely to relaunch its online digital account opening facility from next week. It will be linked to DBT using consent based Aadhaar verification,” said Prakash Sundaram S, Chief Strategy and Digital Innovation Officer, Fincare Small Finance Bank.

The bank also offers a debit card and full suite of banking services immediately on opening the account.

The small finance bank offered 101, a digital savings account that can be opened online in five minutes using Aadhaar-based e-KYC, and had acquired close to 12,000 customers through the facility, largely in September and October last year.

Money laundering

Apart from ease of account opening, bankers believe the use of Aadhaar helps in better authentication of customers, and is more effective in preventing activities such as money laundering.

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