

# UID & FINANCIAL INCLUSION

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# WHAT IS A UNIQUE IDENTITY ?



# IS NAME ENOUGH ?

As one grows older other characteristics reinforce the uniqueness :

- Name
- Date of birth
- Gender
- Father's/Husband's/ Mother's/ Wife's/ Guardian's name
- School / College attended
- Address



This information can be verified against various documents as:

- Birth Certificate
- School Leaving Certificate
  - Ration Card
  - Driving License
- Other similar official documents



# What is the Problem ?

However, if such documents do not exist and/or are incorrect, it becomes very difficult to establish an identity.



# Tools of Modern Technology

**Finger prints**

**Facial features**

**Iris**



# The Idea

Now, a combination of documents and photograph of physical attributes can be used for a positive and confirmed unique identification.

DEMOGRAPHIC + BIOMETRIC



# Basic problem faced by the poor

Lack of proper identity proof



Authentication of identity not possible



Inability to prove one's uniqueness



# Other problems in verification

- Verification of documents may not be a practical way of verifying identity on a large scale and regular basis
- A poor migrant laborer may not have any proof of address.



# BASICS OF UID (AADHAAR)

-It will be a randomly generated twelve digit number for every resident of India. Example:2653 8564 4663.

-The number will be unique, which means, no two residents will have the same number.

-No resident can have two numbers because AADHAAR is based on a combination of standard information like name, address, age and biometric information which is unique to every person.



# BASICS OF UID (AADHAAR)

- To avoid frauds, the AADHAAR number will have no additional information within its value or structure.
- AADHAR will be used to prove identity not citizenship.
- It will not be compulsory to get an AADHAAR number.



# Benefits to the users

- The AADHAAR will become the single source of identity verification. Once residents enroll, they can use the number multiple times.
- The large number of residents, who currently don't have any identity documents and are therefore 'excluded' from beneficiary lists, can also get an 'identity' through the '**Introducer**' system.



# Benefits for the Government

-Eliminating duplication under various schemes is expected to save substantial money for the government exchequer.

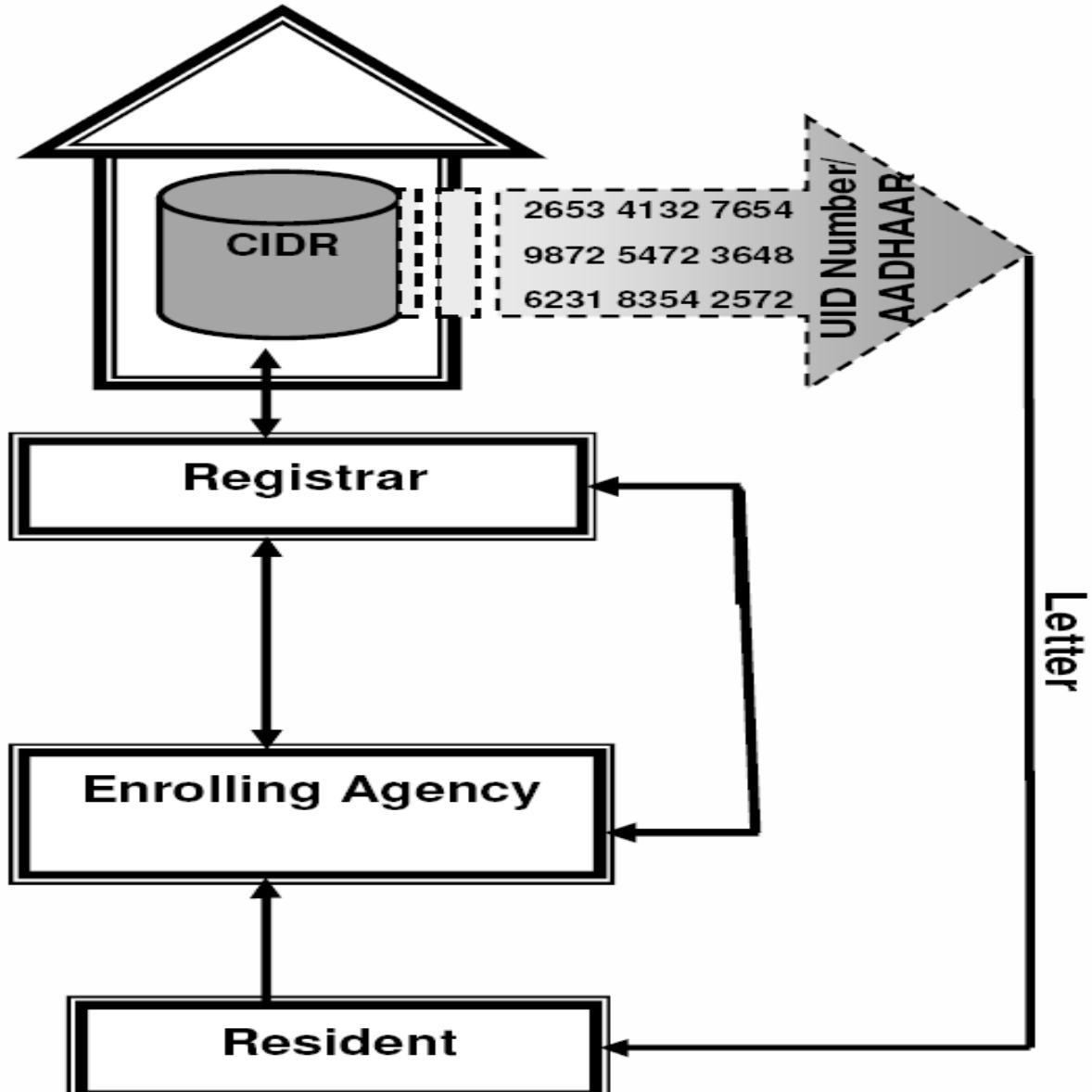
-It will also provide governments with accurate data on residents, enable implementation of direct benefit programs, and allow government departments to coordinate investments and share information.

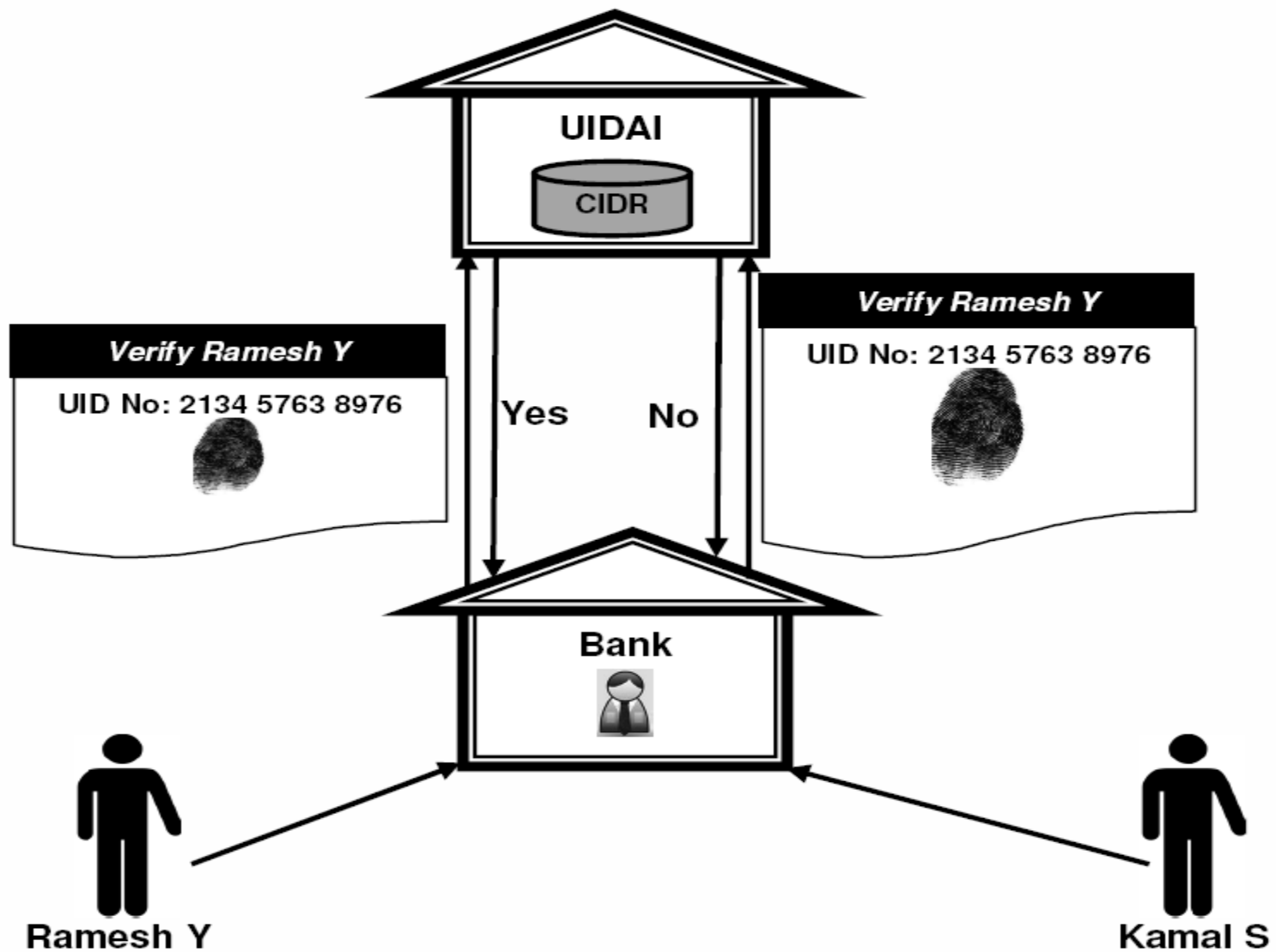


# Services by UIDAI

- The UIDAI will offer a strong form of authentication (through the Internet, mobile phone, telephone, etc.), where agencies can compare demographic and biometric information of the resident with the records stored in the central database (CIDR)
- This central database will be stored on a computer which will be linked to all government and private agencies.



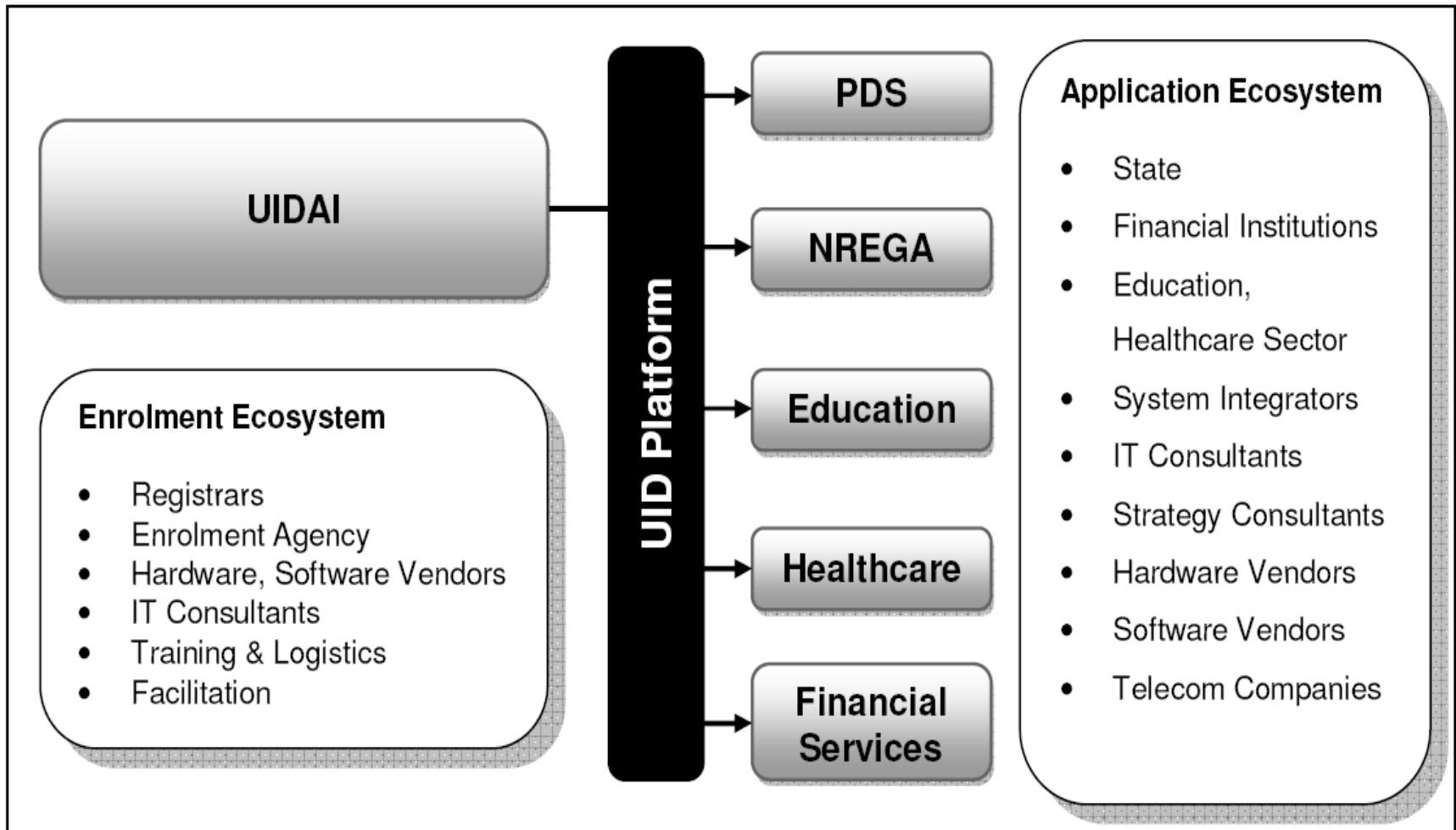


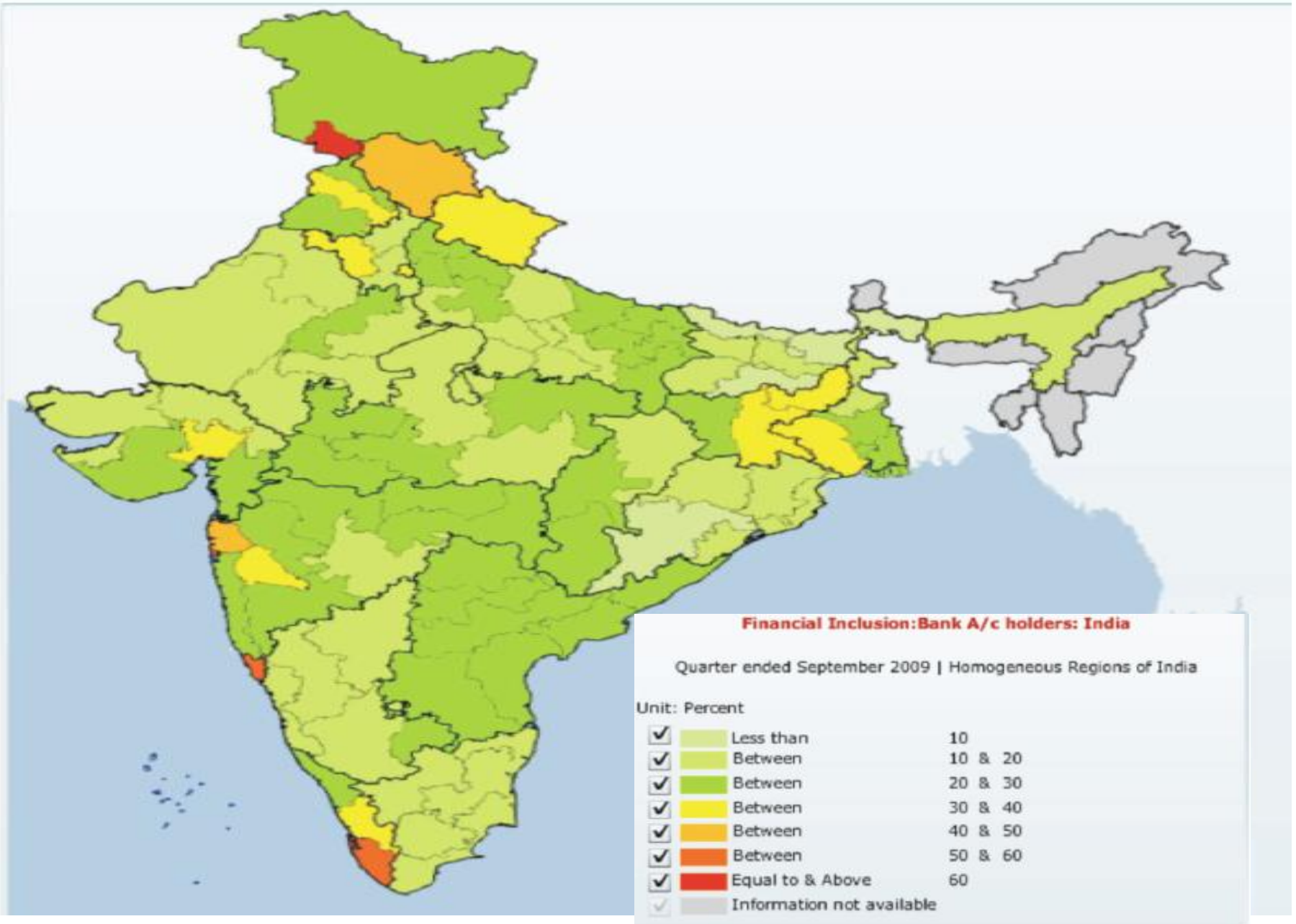


**Figure 6: Verification Process**



# UID ECOSYSTEM





# Problems in Financial Inclusion

## KYC (Know Your Customer) Challenges

**High Costs**

**Limited Accessibility**



# UID Enabled Payments

-A customer can access their UEBA through a BC operating a handheld micro ATM device.

The BC starts out by depositing a certain amount with the banking institution

This 'prepaid balance' paid up by the BC to the bank changes with every transaction the BC makes.



# UID Enabled Payments

It decreases when a customer makes a deposit transaction, when some part of it is transferred to the customer's account, and increases when a customer withdraws money

When the customer is making a deposit, he pays physical cash to the BC, who subsequently makes an electronic transfer from the BC account to the customer account



# UID Enabled Payments

-When making a withdrawal, the electronic transfer is made from the customer account to the BC account, and the BC hands out physical cash to the customer

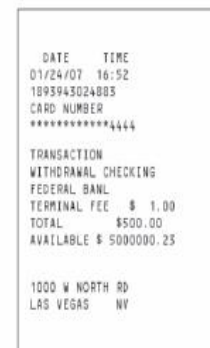
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# Customer Deposit Transaction



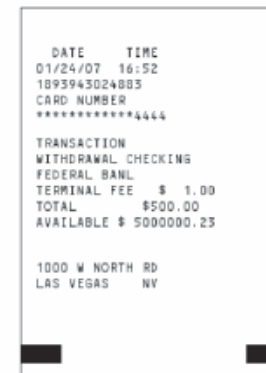
	Beginning Balance	Beginning Cash	Ending Balance	Ending Cash
Ram	Rs.100	Rs.50	Rs.150	Rs.0
BC	Rs.1,000	Rs.1,000	Rs.950	Rs.1,050



# Customer Withdrawal transaction



	Beginning Balance	Beginning Cash	Ending Balance	Ending Cash
Ram	Rs.100	Rs.0	Rs.50	Rs.50
BC	Rs.1,000	Rs.1,000	Rs.1,050	Rs.950



Receipt

# Advantages

- Brings down the costs of cash management for banks
- Supports physical cash transactions at the local level
- Substantially reduces the risk to the bank, since the cash transacted at the local level is already paid-up by the BC.



# Requirements

Interoperability Among Banks

Cost-effective BC Network

Leveraging Existing Systems

Connectivity



# Services that can be provided

**A UID-enabled interoperable payments switch**

**UID-enabled Deposit of Government Benefits**

**Bridging The Last Mile with Mobile  
connectivity**



THANK YOU

