ROLE OF NATIONAL IDENTITY SYSTEMS IN FINANCIAL INCLUSION & SERVICE DELIVERY
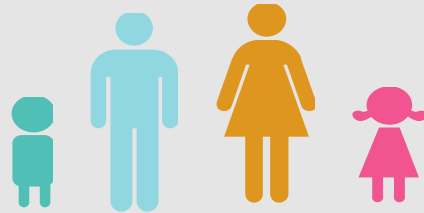
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Financial Services for the Poor

Bill & Melinda Gates Foundation

IDENTITY AND FINANCIAL INCLUSION

1.5 billion*
Unable to prove their identity

Most unregistered children and adults come from poor, rural households:

- **Africa:** 437 million (44% of people)
- **South Asia:** 630 million (36% of people)
- **Low income:** 348 million (39% of people)
- **Low-middle income (LMIC):** 841 million (31% of people)

Estimated figures, World Bank ID4D Global Dataset, 2016

for 375 million*
not having an ID is a reason for not having a bank account
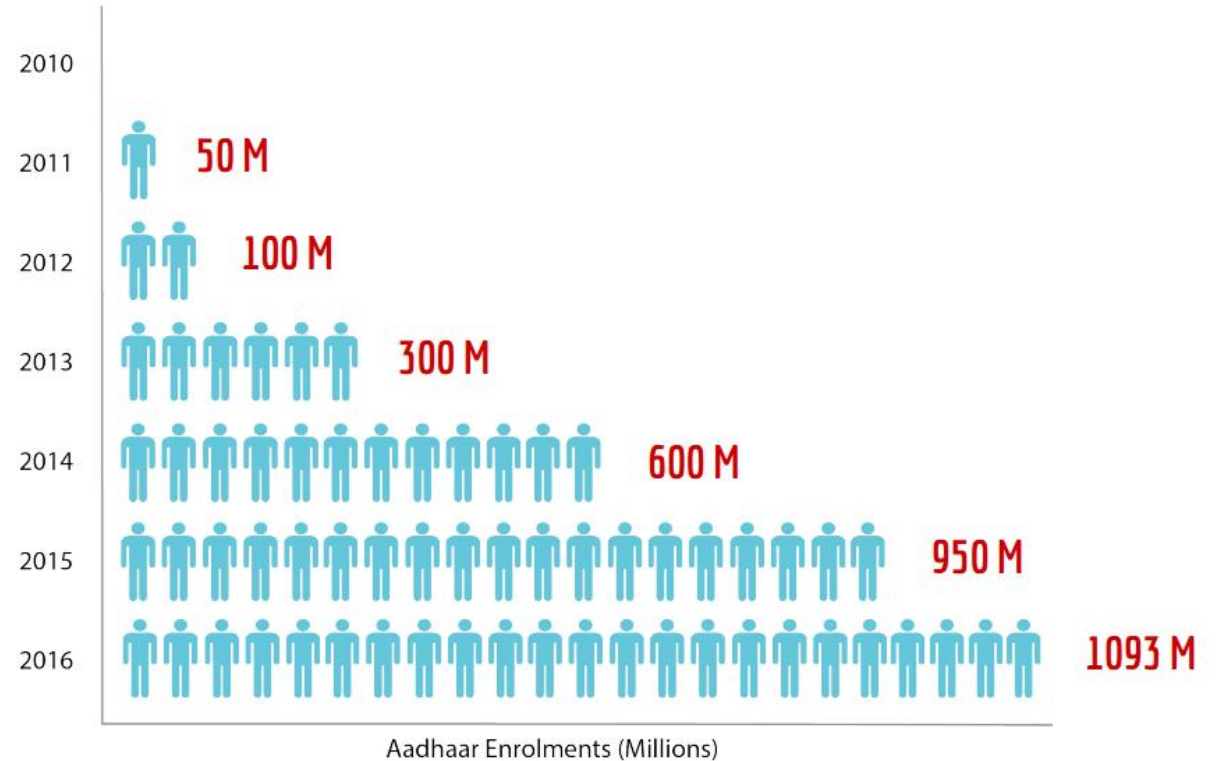
FIGURE 3

Self-reported barriers to use of formal accounts

Non-account-holders reporting barrier as a reason for not having an account (%)

Barrier	%
Religious reasons	5
Lack of trust	13
Lack of necessary documentation	18
Too far away	20
Family member already has account	23
Too expensive	25
Not enough money	30

Note: Respondents could choose more than one reason. The data for "not enough money" refer to the percentage of adults who reported only this reason.
Source: Demirguc-Kunt and Klapper 2012.

- **Lack of ID is Barrier:** 18% of Unbanked
- **Unbanked Estimate:** 2 Billion

Source: Findex

INDIA APPROACH

Name
DoB/Age
Gender
Address
Mobile/Email

1234 5678 9012

Unique
Lifetime

1 Billion in 5½ Years
AADHAAR

Year	Enrolments
2010	
2011	50 M
2012	100 M
2013	300 M
2014	600 M
2015	950 M
2016	1093 M

Aadhaar Enrolments (Millions)

DESIGN: SOME CHOICES INDIA MADE

- Minimal Data

- Including Children, Biometrics form 5Yr+

- Not Legal Identity

- Open Architecture: Competition, Commodity Hardware

- Open APIs: Easy Integration, Platform Approach

- No Card

- Leapfrog: No National ID to Digital National ID

- Decentralized enrolment with Public Private Partnership

- Anytime Anywhere Authentication and Consent Based E-KYC

- Public Good

COSTS: AVERAGE ESTIMATE VS. AADHAAR

Key Factors : Economies of Scale, Cards (and type), inclusive registration needs, institutional capacity, data captured, etc.

Costs of eID Systems

| Component	Description	Investment
Enrollment	Capturing identifiers at points of enrollment including biometric and biographic data	$3 - $6 per person
Register Maintenance	Database management and maintenance, updates, deduplication, other checks	+15% – 25% per year
Authentication Services	Mechanisms for verifying identity such as smart electronic cards that contain credentials on a chip (PINs, biometrics, PKI certificates) or online verification services	$1.15 - $5 per ID card depending on features +$0.50 for digital certificates +$0.05 - $0.10 per year per card for maintenance *(POS Costs Additional)*

Source: Atick (2014).

- Average Aadhaar Enrollment Cost: **~$1 per person**

- One off Voter Registration: $15 per person Bolivia - $22 Afghanistan *(Gelb Clark 2013)*

- Gelb estimates, for an average low income country, ID System:

  o ID system <u>operating</u> cost 0.2% GDP

  o Govt. Cash Payments 10-15% GDP

  o Only modest 2% of leakage elimination recovers operating cost

BENEFITS: SERVICE DELIVERY

Source: https://dbtbharat.gov.in/
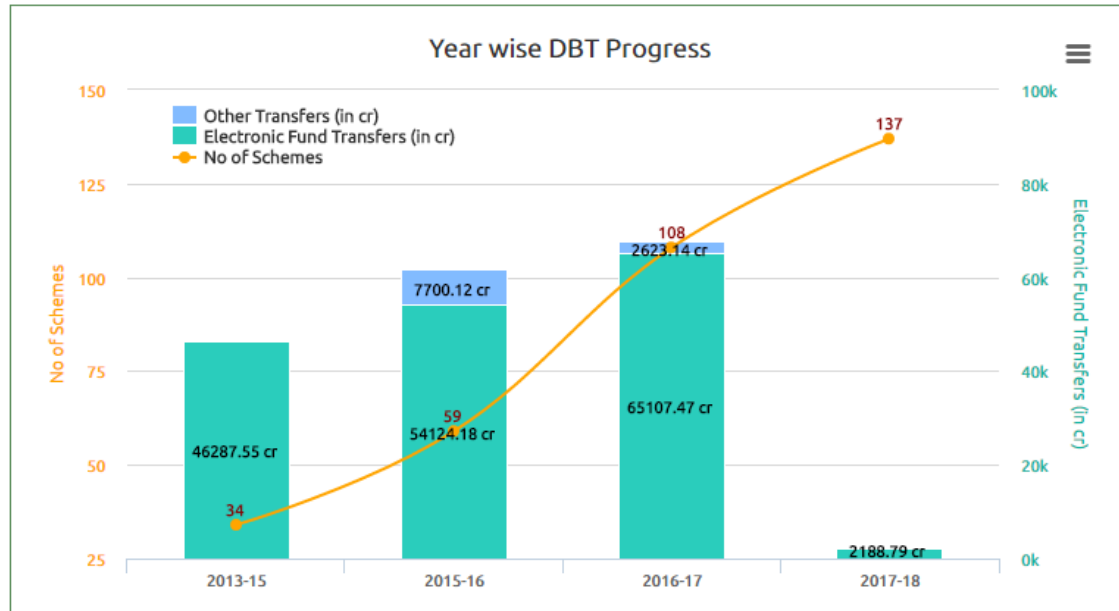
Benefits:

- Cooking Gas Subsidy - accrued estimated savings of USD **$2.26 Billion**
   (Source: UIDAI)

- Digitization of National Rural Employment Guarantee Scheme
  - **41% reduction in leakage** (from 30.7% to 20%)
  - Recipients spent 22 fewer minutes collecting payments (20% reduction)
  - Received payments 6-10 days sooner (17-29% faster)

  (Source: Building State Capacity: Evidence from biometric smartcards in India, by Karthik M. et. al.)

BENEFITS: KYC COST

AADHAAR e-KYC

- A paperless Know Your Customer (KYC) process, wherein the Identity and Address of the subscriber are verified electronically (with explicit consent by the resident).

- Alternative to the current KYC process which is done on the basis of physical photocopies of the original documents (ID proof and Address proof)

Source: https://indiastack.org/ekyc/

Benefits:

~$5   Vs.   ~$0.07
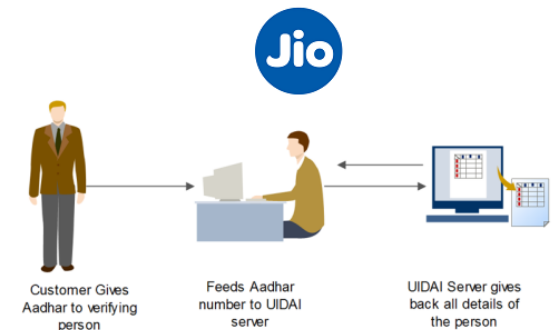
Estimated KYC Cost for
Traditional Banks in India

Estimated KYC Cost for
Payment Banks in India
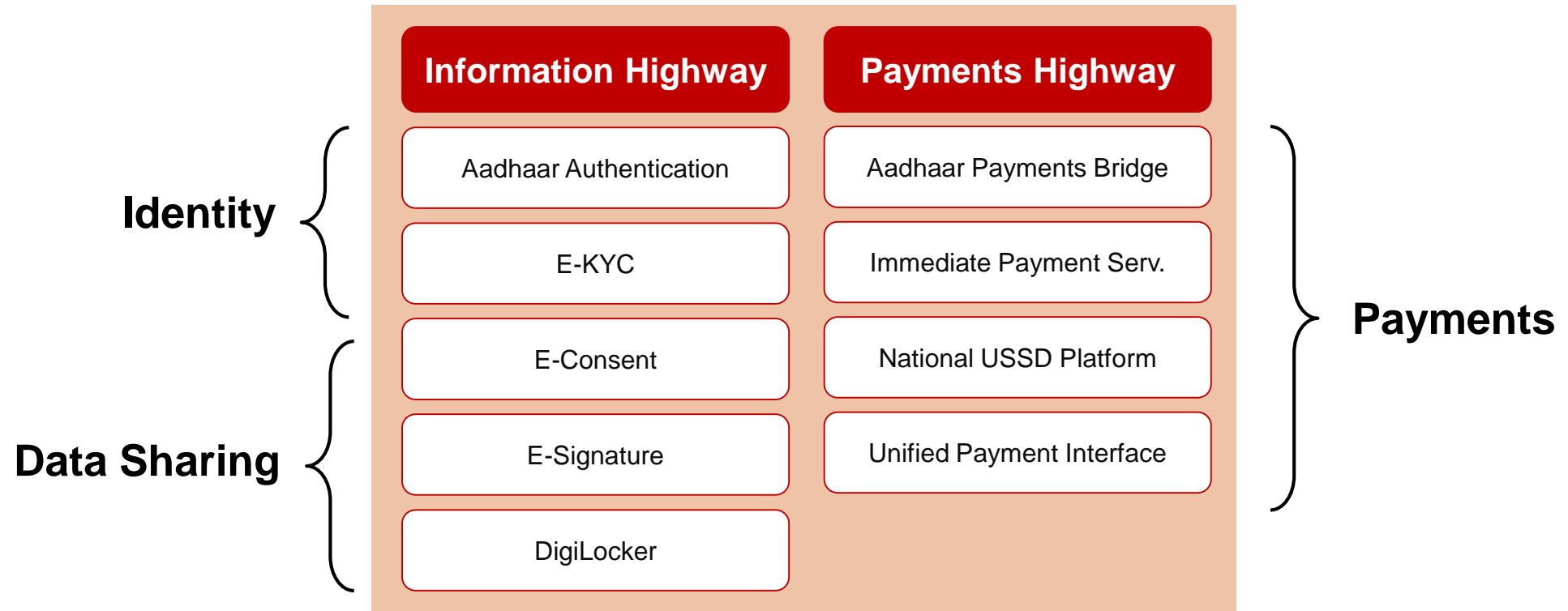(by utilizing SIM registration database)

Start using a new SIM in
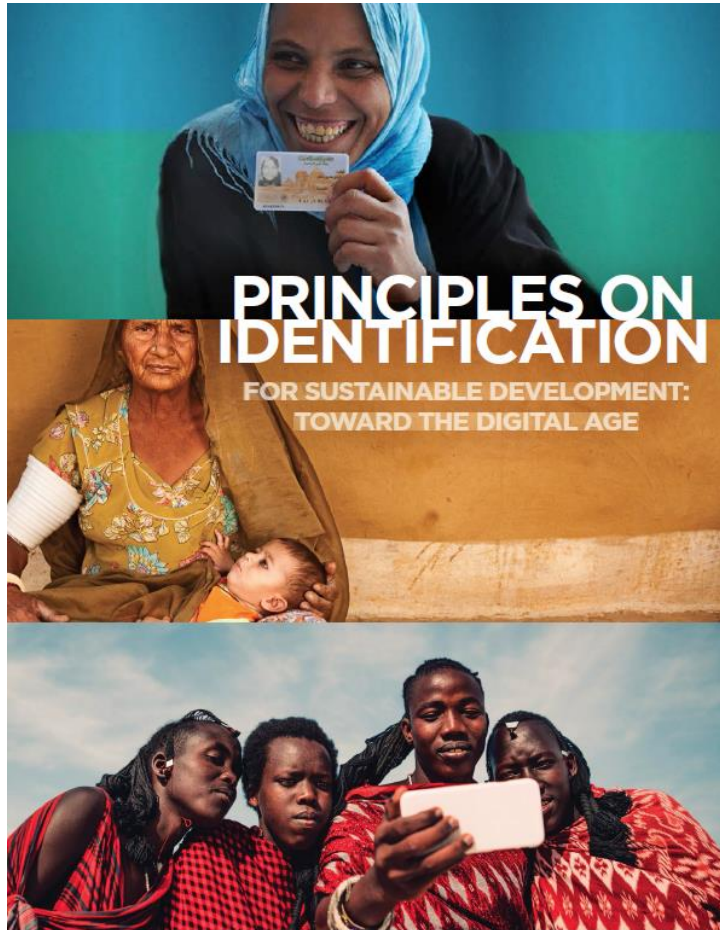
5 minutes

vs.

2 days

Customer Gives Aadhar to verifying person

Feeds Aadhar number to UIDAI server

UIDAI Server gives back all details of the person

Source: Market dipstick surveys

BEYOND IDENTITY: THE INDIA STACK APPROACH

Identity

Data Sharing

Information Highway	Payments Highway
Aadhaar Authentication	Aadhaar Payments Bridge
E-KYC	Immediate Payment Serv.
E-Consent	National USSD Platform
E-Signature	Unified Payment Interface
DigiLocker	

Payments

Source: iSPIRT, indiastack.org

WORKING TOGETHER

PRINCIPLES ON IDENTIFICATION

FOR SUSTAINABLE DEVELOPMENT: TOWARD THE DIGITAL AGE

INCLUSION:
UNIVERSAL COVERAGE AND ACCESSIBILITY

1. Ensuring universal coverage for individuals from birth to death, free from discrimination.
2. Removing barriers to access and usage and disparities in the availability of information and technology.

DESIGN:
ROBUST, SECURE, RESPONSIVE, AND SUSTAINABLE

3. Establishing a robust—unique, secure, and accurate—identity.
4. Creating a platform that is interoperable and responsive to the needs of various users.
5. Using open standards and ensuring vendor and technology neutrality.
6. Protecting user privacy and control through system design.
7. Planning for financial and operational sustainability without compromising accessibility.

GOVERNANCE:
BUILDING TRUST BY PROTECTING PRIVACY AND USER RIGHTS

8. Safeguarding data privacy, security, and user rights through a comprehensive legal and regulatory framework.
9. Establishing clear institutional mandates and accountability.
10. Enforcing legal and trust frameworks though independent oversight and adjudication of grievances.

ENDORSING ORGANIZATIONS

Asian Development Bank (ADB)

Bill & Melinda Gates Foundation (BMGF)

Center for Global Development (CGD)

Digital Impact Alliance (DIAL)

ID4Africa

International Organization for Migration (IOM)

Mastercard

Omidyar Network

Organization of American States

OSCE Office for Democratic Institutions and Human Rights (ODIHR)

Plan International

Secure Identity Alliance (SIA)

The GSMA

UNHCR, The UN Refugee Agency

United Nations Children's Fund (UNICEF)

United Nations Development Programme (UNDP)

United Nations Economic Commission for Africa (ECA)

World Bank Group

Facilitated by: World Bank Group and Center for Global Development