ROLE OF NATIONAL IDENTITY SYSTEMS
IN FINANCIAL INCLUSION & SERVICE DELIVERY

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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

*Source: Findex

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

![AADHAAR](image)

**1 Billion in 5½ Years**

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrolments (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>50 M</td>
</tr>
<tr>
<td>2011</td>
<td>100 M</td>
</tr>
<tr>
<td>2012</td>
<td>300 M</td>
</tr>
<tr>
<td>2013</td>
<td>600 M</td>
</tr>
<tr>
<td>2014</td>
<td>950 M</td>
</tr>
<tr>
<td>2015</td>
<td>1093 M</td>
</tr>
</tbody>
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Source: Data from [http://www.uidai.gov.in](http://www.uidai.gov.in)

Unique Lifetime

**Name**
- DoB/Age
- Gender
- Address
- Mobile/Email

**AADHAAR**

1234 5678 9012
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.

<table>
<thead>
<tr>
<th>Costs of eID Systems</th>
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<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>Enrollment</td>
</tr>
<tr>
<td>Register Maintenance</td>
</tr>
<tr>
<td>Authentication Services</td>
</tr>
</tbody>
</table>

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:
  - ID system operating cost 0.2% GDP
  - Govt. Cash Payments 10-15% GDP
  - Only modest 2% of leakage elimination recovers operating cost
BENEFITS: SERVICE DELIVERY

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.)

Source: https://dbtbharat.gov.in/
BENEFITS: KYC COST

- 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
Estimated KYC Cost for Traditional Banks in India

Vs.

~$0.07
Estimated KYC Cost for Payment Banks in India (by utilizing SIM registration database)

Start using a new SIM in 5 minutes vs. 2 days

Source: Market dipstick surveys
BEYOND IDENTITY: THE INDIA STACK APPROACH

Information Highway
- Aadhaar Authentication
- E-KYC
- E-Consent
- E-Signature
- DigiLocker

Payments Highway
- Aadhaar Payments Bridge
- Immediate Payment Serv.
- National USSD Platform
- Unified Payment Interface

Identity
- Data Sharing

Source: iSPIRT, indiastack.org
WORKING TOGETHER

**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.