

Taking people into account

The UID project will now make it easier for the poor to access the financial network

To people like us, who have adequate government documentation, this news would, at least in the first go, not be of much import. But for those who have no such identification or are always on the move, for example migrant

ourtake

labourers, this could be a gamechanger. Recently, the finance ministry recognised Aadhaar, the number issued by the Unique Identification Authority of India, as an "officially valid document". Now the number can be used in place of the Know Your Customer (KYC) norms for opening bank accounts or conducting any financial transaction. Opening accounts is difficult in India, more so for the poor, because of stringent documentation norms. Many people cannot open accounts for want of these documents. In Temli (Maharashtra), where the UID project was launched two months ago, 1,500 people were enrolled. Nearly 97% wanted a bank account. India's banking coverage is abysmal due to a variety of reasons; of the 600,000 villages, only 30,000 have a bank branch and only 40% of 1.2 billion people have accounts. In Britain, for instance, 95% people have a bank account. The UIDAI plans to issue unique numbers to around 600 million people by 2014 by collecting basic demographic data and biometric information such as fingerprints and iris scans.

With UID becoming a 'licence' to open an account, the poor will be brought under the financial network. The increased access of banking services, the government hopes, will also stem leakages in government schemes such as the rural job scheme and the public distribution system. In many states, social sector doles are already being transferred through banking channels and not the social intermediaries like sarpanchs. But for all this, an account is necessary and the UID will facilitate that process. Besides, a bank account will also inculcate a habit of savings and access to credit. This will also allow insurance-poor households to access financial products to escape poverty if they suffer uninsured monetary setbacks.

The long-term vision is of a decentralised banking network where business correspondents will provide the last-mile connectivity instead of banks branches. The process is already underway and, hopefully, it's only a matter of time before policy and technology come together to roll out a viable financial ecosystem for the poor.