

Digital Identity

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'Aadhaar', the unique, online verifiable digital identity is the backbone of India's Digital revolution. This public digital infrastructure, within a decade after it was introduced, has transformed the way the government welfare programmes are being implemented. The system— built on a unique 12-digit identification ID for each Indian resident— has significantly improved financial inclusion, access to welfare services, tax compliance, retail payments, and the management of government subsidies. Aadhaar infrastructure coupled with new technologies like Blockchains, IoT, etc., can deliver value, while staying within the boundaries of current and future laws of the land. It is most likely the single-most important element in India's exponential growth in fintech services.

When the Aadhaar project was launched in 2009 by the Government of India, it was an ambitious attempt to create requisite technology infrastructure and reach more than 1.3 billion people living in India's sprawling, varied, and sometimes inaccessible territory, to enroll for assigning a unique number, the 'Aadhaar', after de-duplication.

In 2014, it was combined with Jan-Dhan initiative, a financial inclusion programme for India's large number of unbanked households then. These new accounts had the provision to be linked to both mobile numbers and

Aadhaar, creating the Jan Dhan-Aadhaar-Mobile, or JAM trinity. Today, more than 80% of all Indians have a bank account, up from half that level when the programme started. The Aadhaar Payment Bridge (APB), the soft infrastructure developed by the National Payments Corporation of India (NPCI), is now the catalyst for most of India's social security and cash transfer programmes. Today, the Central Government uses APB-enabled direct benefit transfers for 314 programmes/schemes. Another 450 programmes of the different State Governments also use these digital rails.

DID YOU KNOW ?

The impact of Aadhaar on Direct Benefit Transfer (DBT) scheme alone has led to the integration of **439 government schemes** and savings of USD **20.24 billion**

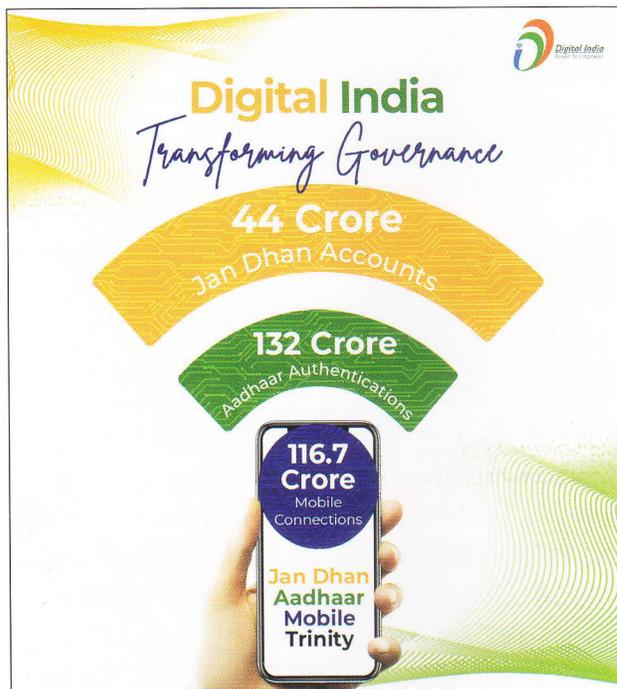
Digital India New India

Connecting **'JAN - JAN' WITH 'JAN DHAN'**

Proud to be the part of the **DIGITAL TRINITY OF INDIA - JAM**

Jan Dhan
Aadhaar
Mobile

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In its March 2019 report “Digital India,” McKinsey Global Institute observed that “the public sector has been one strong catalyst for India’s rapid digitisation. The government’s effort to ramp up Aadhaar has played a major and critical role.”

Efficacy in Expanding Financial Services

Aadhaar has emerged as a preferred identity document because of its features.

- **Aadhaar is ‘Know Your Customer (KYC)’-compliant-** The RBI states that if the Officially Valid Document (OVD) submitted for opening a bank account has the requisite personal details and address, there is no need to submit any other documentary proof. Aadhaar has both the details, so it’s a valid single document for proof (for small accounts).
- **Electronic KYC (e-KYC):** Aadhaar platform provides e-KYC service. With the consent of the resident, their demographic details along with photographs are shared digitally with a service provider. This has made the customer acquisition process far simpler and cheaper.
- **Aadhaar is a single source of Authentication-** The ease of authentication via Aadhaar has interested financial institutions such as banks, insurance companies, stock brokerage companies, and government-related securities providers among others to consider the number to onboard new customers and to help Indians embrace digital services. Once residents enroll, they can use the

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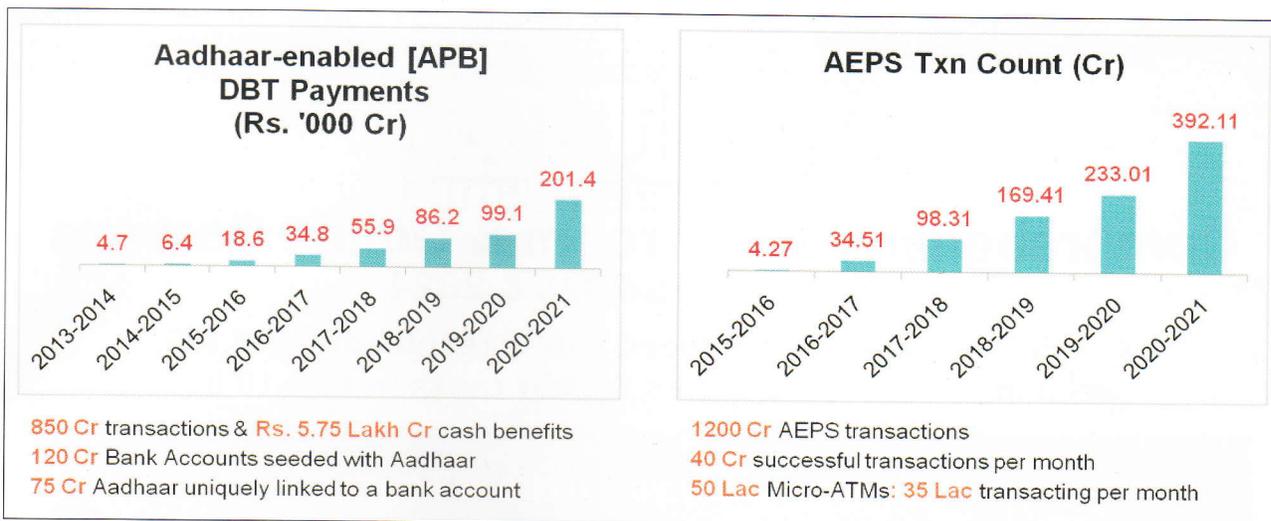
Aadhaar number to authenticate and establish their identity multiple times. Aadhaar eliminates the hassle of repeatedly providing supporting identity documents each time a resident wishes to access services, benefits, and subsidies.

India’s digital consumer base is the second largest in the world, and the benefits of technology are being felt by all segments of people. India’s rapid pace of digital adoption has been driven by the Government’s commitment towards digitising key aspects of the economy, combined with private-sector innovation and investment to promote internet access and use. The Government catalysed the process by establishing a strong national digital foundation—public platforms and infrastructure— and by rolling out a host of digital applications and services. These have created real incentives for citizens to come online.

A suite of open APIs (Application Programming Interfaces)— such as the Unified Payments Interface (UPI) and Bharat Interface for Money (BHIM)/Bharat Quick Response (QR) code for payments, DigiLocker for online document access and retrieval, electronic “Know Your Customer” (e-KYC) for electronic verification of customers’ identities, e-sign, APB, Aadhaar Enabled Payment System (AEPS), and the Bharat Bill Payment System (BBPS)— form part of India’s strong financial digital foundation. In the future, a range of different digitally verifiable identity systems will continue to evolve while upholding the privacy concerns of every citizen. The Government also triggered discontinuous growth in digital payments through the launch, in 2014, of the Pradhan Mantri Jan-Dhan Yojana, the national financial inclusion drive, which opened millions of Aadhaar-authenticated bank accounts. Indians have opened some 44.58 crore Jan Dhan bank accounts (as of 26 January 2022). Digital solutions increasingly pervade lives.

India Stack— a term used to refer to the universal biometric identity programme, Aadhaar, along with a suite of open APIs linked to it— has played a catalytic role in India’s digital foundation and in the country’s digital evolution. It is founded on the core principles that digital services could be “presence-less”, or capable of being authenticated from anywhere; “paperless”, or reliant on digital records; “cashless”, or truly universalising the access and usage of digital payments; and “consent-based”, or allowing secure movement of data authenticated by its owners. Global technology trends have spurred private-sector investment and innovation to expand India’s digital consumer base.

Fintech innovation has grown rapidly. One survey ranked India second in the strength of the fintech movement, with 76 per cent of consumers saying they use at least one non-traditional firm for financial services. The Government



has provided the right environment for private-sector innovation through policy labs, regulatory sandboxes, incubation centres, and other testbeds for new fintech and IoT-based applications, for example. Enabling private-sector innovation is critical to achieving Digital India goals.

To ride the fintech wave, banks are collaborating with fintech startups. India's Differentiated Banks (Payment & Small Finance Banks) have also driven significant digital innovation across the spectrum of financial services, facilitated by the banking regulator, the Reserve Bank of India, which has outlined a possible framework for the adoption of Blockchain technologies in the financial sector.

Micro-ATM with Aadhaar system is a well-stabilised system and many more applications can be built on this system. UIDAI is also exploring the opportunities on how we can leverage assisted mode for other new services related to insurance and investments by the residents.

The number of UPI transactions has increased to more than 4600 million in the month of January this year. It is a massive expansion in the areas of payments, shopping, and e-commerce industries. It is very much clear that digital identities play a fundamental role in this. The India Stack and the technological advancements around its use have worked amazingly well in this area. Aadhaar infrastructure is no different and is evolving in multiple ways. It has already demonstrated its value in the direct payment benefits for the residents. And we are already to expect much more benefits in the terms of technology from Aadhaar as a digital identity. The UIDAI team is ready for this challenge. The AI/ML and other R&D teams at UIDAI are working very well in overcoming the current challenges. The new Aadhaar card has a sophisticated and secured QR code that also includes a photograph. Offline verification of Aadhaar using means such as the secure

QR code is also something that provides a viable means of verifying the identity of individuals for various use-cases.

We believe that Aadhaar infrastructure coupled with new technologies like Blockchains, IoT, etc., can deliver value while staying within the boundaries of current and future laws of the land. However, it is very important to know how to use this data for the betterment of residents. Aadhaar is most likely the single-most important element in India's exponential growth in fintech services.

AEPS has also brought banking services like cash withdrawal, balance checking, etc., to the doorstep of the residents. This proved as a boon to the rural population, especially during the recent pandemic.

With 'Fintech' becoming the face of the financial world, an identification system that can go hand in hand with the evolving financial landscape is not just helpful, but essential.

This is just the beginning of the digital revolution, with a lot more to expect in 2022 and thereafter.

Face Authentication and liveness detection features, the backbone of video KYC, are now being considered by the majority of the Fintech/BFSI industries as the simplest tools for customer identification. UIDAI is also taking significant steps to introduce the fourth modality of identification—face. Currently, UIDAI validates citizens based on OTP, fingerprint, and iris.

In 2022, it is a given that the majority of the Fintech/BFSI industries shall opt for these digital identity services that shall enable them to offer services at an affordable price and instantly as well.

UIDAI is also working on various new technological fronts and adapting the changes and moving abreast with the industry partners to have a new and fast-paced economy in the country. □

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