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***Discussion Paper on Aadhaar  
based Financial Inclusion***

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## LIST OF DEFINITIONS

1. **AADHAAR** – Brand name associated with UID.
2. **Authentication** – The process of verifying the Aadhaar number of a resident with reference to his biometrics and / or other attributes.
3. **Authority** – Unique Identification Authority of India (UIDAI).
4. **Biometric Data** – Refers to the facial image, iris scan and fingerprints collected by the Registrar from the enrollees based on the standards prescribed by the UIDAI and by following the process laid down for the purpose.
5. **De-duplication** – The process of using the Demographic and Biometric data collected from an enrollee to check against existing Aadhaar data so as to avoid duplicate enrolments.
6. **Demographic Data** – Refers to the personal information collected or verified by the Registrar based on the data fields prescribed by the UIDAI and by following the process laid down for the purpose.
7. **Enrolment** – Refers to the exercise of collection of demographic data after verification, collection of biometrics, and the allocation of the UID number after de-duplication.
8. **Registrar** – The Agency of the Central or State Government or Local Government comprising the elected rural and urban local bodies Constitutional/ statutory Village Councils or a recognized Non-Governmental Organization with whom UIDAI has entered into a Memorandum of Understanding for covering issues related to the implementation of the UID Project. Organizations such as LIC and Public Sector Banks can also be Registrars.
9. **Resident** – Normal resident of India.

## ACRONYMS

1. **BC** – Business Correspondents
2. **IBA** – Indian Banks Association

3. **KYC** – Know Your Customer.
4. **KYR** – Know Your Resident. Resident’s demographic data captured by Registrar as part of the defined Aadhaar enrolment process.
5. **KYR+** – Know Your Resident plus. Additional resident data capture by Registrar during Aadhaar enrolment process for their internal usage.
6. **RBI** – Reserve Bank of India.
7. **UID** – Unique Identification.
8. **UIDAI** - Unique Identification Authority of India.

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## 1 BACKGROUND

The Government of India (GoI) has embarked upon an ambitious initiative to provide a Unique Identification, Aadhaar, to every resident of India and has constituted the Unique Identification Authority of India (UIDAI) for this purpose. The timing of this initiative coincides with the increased focus of the GoI on social inclusion and development through massive investments in various social sector programs and transformation in public services delivery through e-Governance programs. The scale of the Aadhaar initiative is unprecedented and its implementation will involve active participation of Central, State, and Local Governments, as well as public and private sector agencies across the country.

Aadhaar has been envisioned as a means for residents to easily and effectively establish their identity, to any agency, anywhere in the country, without having to repeatedly produce identity documentation to agencies. Aadhaar would thus ensure that residents across India – including the poorest and the most marginalized – can access the benefits and services that are meant for them. Aadhaar would thus be critical to the government in achieving its goals of social justice and inclusion over the next decade. More details on the UIDAI and the strategy overview can be found on the website: <http://www.uidai.gov.in>

## 2 SCOPE OF THE DOCUMENT

The widespread implementation of the Aadhaar project provides a one of its kind opportunity for financial service providers to ride on the platform and reach the masses at minimal cost. As part of Aadhaar enrolment process, UIDAI will be collecting the resident's demographic and biometric information which can also be used for opening bank account for every resident. UIDAI is at an advanced stage of talks with RBI and Ministry of Finance for modifying the KYC regulation to include Aadhaar authentication and / or documentation in the list of acceptable KYC. This can enable UIDAI to electronically pass on the resident's consent along with the demographic information to banks for opening the bank account. In addition, residents could also use Aadhaar to open accounts individually at bank branches.

In this context, UIDAI plans to partner with banks across the country to facilitate opening of bank accounts for the residents during the Aadhaar enrolment process. This discussion paper provides detail on the proposed approach and is intended to invite comments from various stakeholders on this proposal.

### 3 UIDAI'S VALUE PROPOSITION IN FINANCIAL INCLUSION

Progressively the financial services value chain is getting disaggregated and newer specialized participants are entering the landscape, e.g. BCs, technology service providers, etc, which has led to substantial decrease in cost of service delivery. Still there are many challenges that banks face in offering financial services to the poor, especially in the remote locations. High last mile cost and technological limitations, along with low revenue potential of these customers, results in financial servicing offering to most of them holding a limited / no profit potential for banks. Still banks have been implementing many commendable initiatives in this direction and have also recently committed to cover all villages with population of more than 2000 by March 2012.

Financial service is one of the most important requirements for the currently excluded segment. And given that one of the key objectives of constituting UIDAI is to extend the delivery of services to the currently excluded, UIDAI is actively looking to facilitate the delivery of financial services.

In this regard, UIDAI believes that the plan of issuing Aadhaar numbers to the intended 60 crore residents over the next 4 years and setting up an online biometric authentication service will help address many of the current challenges faced by the banks in delivery of financial services. While covering the entire country may take some time, we believe that these initiatives will ease a large portion of current challenges and will help banks accelerate the accomplishment of a much deeper penetration of financial service delivery in the country.

Some of the specific advantages that banks could leverage due to the issuance of Aadhaar have been listed below.

#### 3.1.1 Customer acquisition cost eliminated

As mentioned earlier, UIDAI is at an advance stage of talks with RBI and Dept of Revenue for updating the KYC regulation to include Aadhaar authentication and / or documentation in the list of acceptable KYC.

If realized, this expected change in the regulation where Aadhaar can become equal to KYC will prove to be a great boon for the financial service providers. This can greatly ease the account opening process with no need for physical documentation as online authentication from UIDAI can prove sufficient. This would not only reduce the customer acquisition cost but would also ease out the

process, while still ensuring strict check on customer's identity due to the biometric authentication done through UIDAI.

The cost and effort can be further reduced by leveraging the Aadhaar enrolment process for opening bank accounts as well. During Aadhaar enrolment while capturing customer's demographic and biometric information, the Registrar can also take his / her consent for opening a bank account. Subsequently UIDAI could transfer the customer's demographic information and the consent to the bank for opening of an account. The bank will incur no cost / effort in opening the account and thus should find even the marginal customers attractive to serve.

Additionally, UIDAI plans to give Rs 50 / enrolment to the Registrars for signing up residents in the Aadhaar enrolment process till March 2011. While banks will get Rs 50 / enrolment by signing any resident for Aadhaar, this proposition can especially be very attractive for banks in meeting their FI plans, where they have already committed to open bank accounts in villages with population greater than 2000.

### **3.1.2 Rapid attainment of substantial scale**

Currently while approx. 60 crore bank accounts exist in the country, recent estimate suggests that actually only 20-25<sup>1</sup> crore individuals have bank accounts (many individuals have multiple accounts). This translates into just ~20% of the population having bank account. As research has shown globally, there are a number of demand and supply side reasons that people who would want access to the formal financial system in any country are denied the same.

This limited access is much more prominent in rural areas, where it results in a vicious circle. Because very few residents currently have bank accounts, the service delivery network is very limited and thus fewer people open accounts. UIDAI's plan to issue Aadhaar to 60 crore resident over the next 4 years offers a unique opportunity in this regard to break this vicious circle and make it a virtuous circle.

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<sup>1</sup> 'What's in a number?' – CLSA, May 2010



## Opportunity to leverage rapid Aadhaar growth to build scale

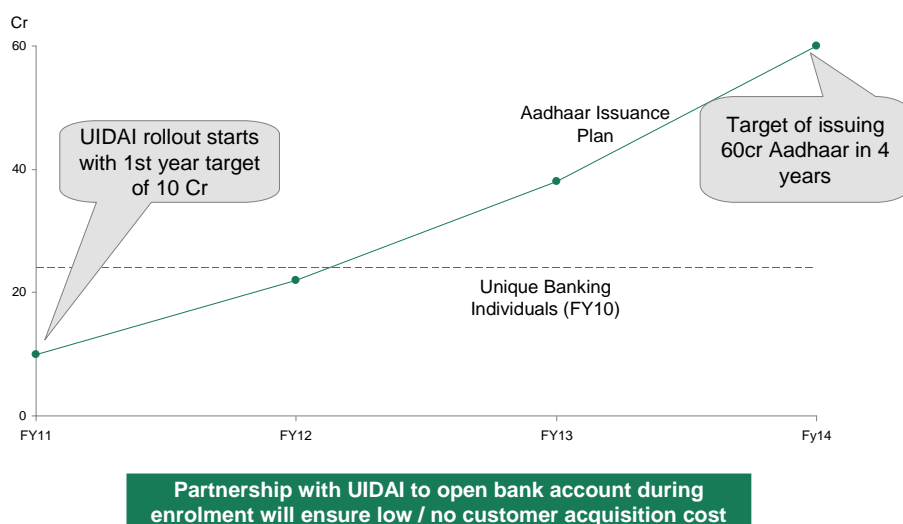


Figure 1: Rapid growth platform provided by Aadhaar

During enrolment in a particular region, UIDAI plans to issue Aadhaar to all the residents of that region and thus opening account during Aadhaar enrolment offers a unique opportunity to attain unmatched customer scale at no / minimal cost for banks. This would be immensely beneficial for banks as it would dramatically decrease the average infrastructure / distribution cost of serving these customers. The banks can tap the latent demand for savings, remittance and other financial products like loans and insurance by investing in creating a complimentary service delivery network and thereby even the marginal customers would become profitable for the banks to serve.

### 3.1.3 Online Aadhaar authentication

Given the low revenue potential of poorer customers, banks need to actively manage the cost involved in serving them. In this regard RBI has already facilitated the creation of 'no-frills' accounts where banks are not required to issue non-essential services like cheque book and passbook. This has helped a lot in reducing the service delivery cost, but banks still end up issuing smart cards to customers to facilitate transaction processing, which cost in the range of Rs 60-130 per card. Also, so far these solutions have evolved individually at the

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initiative of banks / BC service providers and thus have limited scale which results in high cost for banks.

UIDAI is in the process of setting up an online Aadhaar authentication system which can be accessed by banks and other service providers to verify an individual's details anytime from anywhere. Use of this online authentication system for transaction processing could help banks save the cost of issuing smart cards. For transaction processing the customer could simply be authenticated based on various attributes including biometric information and Aadhaar number, thus eliminating the need for issuing smart cards. The saving of smart card cost itself could lead to substantial cost savings for the banking system.

Apart from the monetary savings, Aadhaar based online authentication would also lead to substantial increase in security as it will eliminate the possibility of smart cards being stolen or being forcibly used by someone else. Thus it will ensure that the payments, esp. Government subsidies / pensions, reach the right target audience and cannot be misused by other people. Thus Aadhaar would enable a trusted and secure online authentication service from Government of India. Currently architecture is being tested by an IBA led team and would be ready for field deployment by mid-October.

Figure 2 below illustrates the process of cash withdrawal by a resident in case of an online Aadhaar authentication.

## Radha withdrawing cash from her account

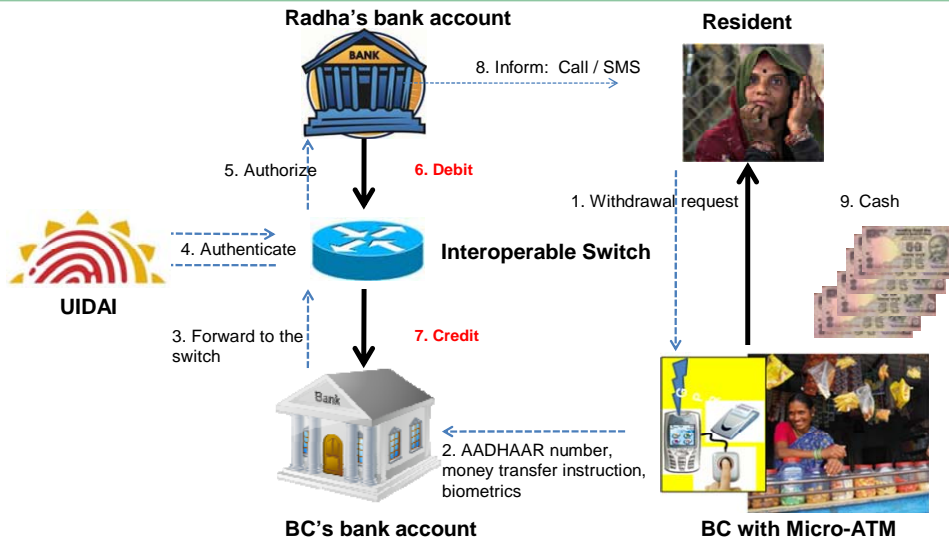


Figure 2: Online Aadhaar authentication

### 3.1.4 Enable creation of a low cost interoperable network

Adoption of Aadhaar online authentication would also increase the number of service points for the banks and their customers as this solution will be interoperable. Thus customers of one bank will also be able to access the BC service point of another bank as both banks will be using the same online authentication system. This will lead to optimization of resources across banks and result in large cost savings.

This is not the case for most BC networks today as the card based systems currently being used are offline and non-interoperable. Online platform also have many additional benefits as compared to the offline transaction processing. Figure 3 shows the comparison of both the online and offline transaction processing platforms.

## Online platform has significant advantages

	Offline Transaction Processing	Online Transaction Processing
Channel choice	<b>Less</b> - Can access account only through designated BC clusters ❌	<b>More</b> - Can access account at any channel offered by the bank ✅
Service offering	<b>Less</b> - Certain services require online connectivity, e.g. mobile recharge, ticketing ✅	<b>More</b> - Online connection allows offering of ticketing, mobile recharge ✅
Flexibility to customer	<b>Less</b> - Balance with BC gets updated only at EoD, thus account credit reflected next day ✅	<b>More</b> - Account balance is most up to date, thus allowing withdrawal instantaneously ✅
Risk Mitigation	<b>Less</b> - Account information stored locally, thus no disaster recovery if both card and BC device damaged ❌	<b>More</b> - Account information stored centrally with disaster recovery backup ✅
Technological Ease	<b>More</b> - Doesn't require connectivity for transaction processing ✅	<b>Less</b> - Requires connectivity at all times for transaction processing ✅

Figure 3: Online vs offline transaction processing

### 3.1.5 Facilitating 360° customer management

Banks have multiple relationships with most of their customers where the same customer is offered many products like deposit, loans, insurance, etc. In the current scenario it is extremely difficult for a bank to identify and track all the relationships they have with an individual customer. Some banks have tried putting in place a 'customer-id' to resolve this issue, but find it difficult to link all accounts unless the customer voluntarily chooses to share information of all his products / services. This result in different product teams of the same bank marketing to the same customer without full knowledge of which products have the customer already availed from the bank or offering the best suite of products based on customer profile.

Introduction of Aadhaar in a bank's database will allow the bank to uniquely identify its customers across various product offerings and form a holistic view for portfolio management. This will greatly benefits banks by allowing them to form a much more informed view on their existing customer while offering new products / services to them.

### **3.1.6 Increasing the utility of Credit Bureau**

Currently there is limited adoption of Credit Bureau in India due to many challenges, but largely due to the lack of a unique customer id that can facilitate merging of databases across banks and service providers. Even after receiving comprehensive data from various banks, the Credit Bureau faces the stiff challenge of identifying all the accounts belonging to a particular customer across banks. Even though currently various alternate means (combination of customer information like name, address, date of birth, etc) are used to identify the accounts belonging to the same customer, the process is not robust and results in many accounts of the same customer not being linked up. This currently severely limits the usability of the credit bureau data.

Adoption of Aadhaar in the bank databases will enable easy merging of customer data across banks and thus provide a tremendous impetus to the usage of Credit Bureaus in the country. Thus banks will be able to make informed decisions while offering new product / services to customers by leveraging the customer's credit history not only for their bank's products, but also for products / services availed from other banks.

### **3.1.7 Facilitation of Government payment disbursal**

The Inter Ministerial Group's report on 'Delivery of Basic Financial Services Using Mobile Phones' published in April 2010 has recommended that all Government payments should be made through linkage to Aadhaar number. For this purpose the group recommended an 'account mapper' that would provide linkages between Aadhaar No, mobile number and the linked bank account details.

Aadhaar has the potential to become the universal linkage for disbursing Government payments. All government departments could just issue instructions to their banks with individual's Aadhaar number and the amount to be transferred. The linkage of Aadhaar number to the designated bank account (designated by the individual) could come from the 'account mapper'. Figure 4 shows the details on information flow.

## NREGA wages: Aadhaar enabled payroll

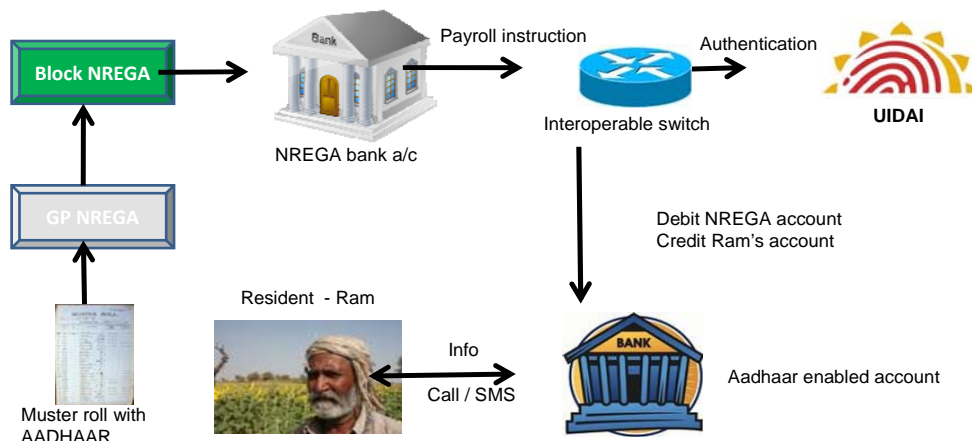


Figure 4: Facilitating direct transfer to beneficiary account

### 4 PROPOSED RESOLUTION FOR SOME DISCUSSION POINTS

In order to facilitate the opening of bank accounts as part of Aadhaar enrolment, various pieces need to come together. Firstly, for opening each resident's bank account a particular 'partner' bank needs to be identified and thus the 'allocation process' for these accounts across banks need to be finalized.

Secondly, the 'partner' banks would have to put in place customer servicing network in parallel to the account opening process. Given the scale and expected pace of Aadhaar enrolment, 60 crore in 4 years, this is a humongous task and thus collaboration across banks becomes critical, so that the networks are interoperable and can be leveraged across banks. Thus all stakeholders need to come together to identify the most optimal way of setting up the customer servicing network for Aadhaar enabled bank accounts.

Thirdly, the current cost of servicing low value accounts can be a hindrance and thus it is imperative that all stakeholders collaborate to identify ways of reducing the customer service cost.

Various options are possible to resolve the above three questions and the next sections provide details regarding the various options with the intention of inviting comments from the stakeholders on the same.

#### 4.1 PROPOSAL FOR ACCOUNT OPENING DURING AADHAAR ENROLMENT

Many of the benefits offered by UIDAI, like online biometric authentication and facilitation of Government payments, will continue to be leveraged by banks and service providers across time for servicing the residents. But there are certain benefits, like elimination of the customer acquisition cost or rapid scale build-up, which can be fully leveraged only if the bank accounts are opened leveraging the Aadhaar enrolment process. E.g. Even though usage of Aadhaar number for account opening at anytime will ease the account opening/KYC requirements for banks, the customer acquisition cost will not be zero in this case.

*Whereas, if banks leverage the Aadhaar enrolment process itself to open the bank accounts, their customer acquisition cost can be almost eliminated as the same would be a part of Aadhaar enrolment cost.* Also, it will be costly and waste of effort for a separate exercise to replicate the scale as planned by UIDAI of touching 60 crore residents in the next 4 years.

Thus UIDAI proposes to facilitate opening of bank accounts for residents participating in the Aadhaar enrolment process. For this purpose UIDAI intends to partner with banks across the country, so that the partner banks could open bank accounts for the residents participating in the Aadhaar enrolment process. The partnership decision for which bank opens the resident's account will be dependent on two factors

- Who is the Registrar for the Aadhaar enrolment process?
- Geographical area where the enrolment is being conducted.

The below diagram depicts the 4 segments for account opening based on the above criteria

## Four possible segments for account allocation

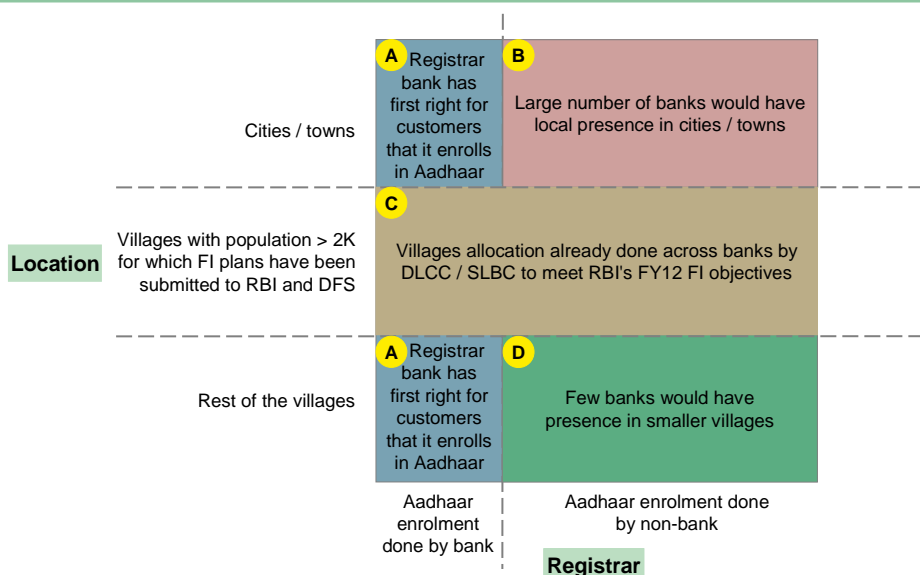


Figure 5: Approach for account allocation to banks

### 4.1.1 Proposed account allocation process

#### A) When a bank is conducting Aadhaar enrolment as the Registrar:

In this situation it is proposed that the registrar bank which is conducting the UIDAI enrolment process should get the customer's account by default. Given that one of the main incentives for the banks to become UIDAI Registrar is to either clean-up their existing customer database or to sign-up new customers, it is deemed prudent that the registrar bank should get to sign-up the new customer.

This provides a level playing field for all banks, as they can sign-up as many customers as they would like by increasing their presence in the marketplace through Aadhaar enrolment. The location at which the enrolment is taking place should have no consequence in this situation.

#### B) When a non-bank registrar is conducting enrolment in cities / towns:

Given the existing presence of large number of banks in the cities / towns, it is expected that many of the banks will be in a position (ability to meet distance



criteria for BC, bank's interest in partnering with UIDAI, etc) to open the accounts for residents participating in the Aadhaar enrolment process. Thus UIDAI intends to ensure that the accounts are allocated to bank/s which maximizes customer satisfaction. UIDAI proposes to adopt one of the two below mentioned approaches for account allocation:

- I. Empanel a list of interested banks and let the customer choose from the list during Aadhaar enrolment. This would enable banks to target customers through marketing campaigns and the banks with 'popular perception' / 'best service' would be chosen by the residents themselves.
- II. Allocate accounts to the bank which promises to deploy the most extensive customer service infrastructure in the city / town. For example, the banks can be asked to bid for the maximum number of Business Correspondents they are planning to setup in the city / town and the one with the highest bid may be chosen. Or other service delivery parameters, e.g. cost of service delivery to customer, focus on financial literacy, etc, can be defined to select the 'winner' bank.

For administrative ease, UIDAI may decide to aggregate cities / towns to a larger geographical unit, e.g. district such that all cities / towns in a particular district could be allocated together.

**C) When a non-bank registrar is conducting enrolment in villages with population > 2000 that are part of bank's FI plans submitted to RBI:**

While UIDAI intends to give choice to customer if possible, it also recognizes that many banks have already begun implementing the FI plans they have submitted to RBI. Thus in order to support the implementation of their FI plans, UIDAI proposes to give these banks the 'first right to refusal' to open accounts for the customers in the villages that they have adopted for financial inclusion by Mar 2012. Thus an Expression of Interest (EoI) may be conducted asking the banks to submit their list of 'adopted' villages that they have submitted to RBI and wish to 'adopt' during Aadhaar enrolment as well.

In case the banks do not 'adopt' these villages as part of the proposed EoI, then these villages will be added back to the segment D, 'rest of the villages', and the bank account allocation would proceed as per the plan for the 'rest of the villages'.

#### **D) When a non-bank registrar is conducting enrolment in ‘rest of the villages’:**

Given the limited presence of banks in the smaller villages, it is expected that not too many banks will be in a position (ability to meet distance criteria for BC, bank’s interest in partnering with UIDAI, etc) to open the accounts of residents participating in the Aadhaar enrolment process. Also given the smaller nature of these villages, the banks may take time to setup the complementary BC network to service these accounts. Thus UIDAI plans to ensure that the accounts are allocated to bank/s which is best positioned to service these residents. UIDAI proposes to adopt one of the three below mentioned approaches for account allocation:

- I. Combine these villages with the nearby larger villages of population > 2000 (Segment C) which have already been allocated among banks through the DLCC / SLBC allocation. Since banks would anyway put BCs in the larger villages, this would ensure that banks get geographical scale in serving customers as well as customers can access BCs at nearby larger villages, even if banks take time to setup BC network in these smaller villages.
- II. Combine these villages with the nearby cities / towns (Segment B) so that customer can access BCs at nearby cities / towns, even if banks take time to setup BC network in these smaller villages. Thus the allocation process followed for cities / towns could be followed for these smaller villages as well.
- III. Allocate these villages to the bank responsible for the particular ‘service area’ where the village is located. As the service area bank would already have the reach in the area, it would be well positioned to service the accounts in these villages.

#### **4.1.2 Eligibility Criteria for banks to partner with UIDAI**

UIDAI proposes to extend the offer of partnership to any scheduled bank, as recognized by the Reserve Bank of India, with the following additional conditions

- I. The bank should have at least one branch on the CBS platform in the district where they wish to sign-up residents
- II. The bank would have to ensure that all BCs they setup going forward will use the proposed MicroATM architecture and will be interoperable which means that the bank's BCs will serve other bank's Aadhaar-enabled customers as well.

This would allow scale to be achieved from a customer servicing perspective, as is the case currently in the ATM network deployed by the banks. Transfer pricing mechanism for the usage of one bank's BC by another bank's customer is expected to evolve through bilateral / multilateral discussion between the banks and the regulator.

Although UIDAI values the partnership with banks, failing to implement any of the above service delivery measures could be grounds for UIDAI to remove their name from the partner bank list for any future account opening during Aadhaar enrolment process.

#### 4.1.3 Account opening process details

In the proposed partnership, UIDAI will collect the resident's information, as part of the Aadhaar enrolment, and pass on to the bank for opening the bank account. The process details of information capture and transfer to bank are mentioned below:

1. The registrars will be responsible for collecting the resident's information including biometrics and consent for opening bank account. With the **proposed** change in KYC regulations, the bank officials will not need to be present during this process to sight / verify resident details.
2. The resident's information hence captured by the registrar will be electronically sent to UIDAI, where the Aadhaar number will be generated post the de-duplication process to ensure the concerned person has not been issued Aadhaar earlier.
3. The resident's information along with the Aadhaar number will be transferred to the bank, as chosen by the resident, for opening of resident's bank account. UIDAI will only send the resident's following mandatory and conditional/optional 'Know Your Resident' (KYR)

information to the bank (Optional data may not be available for all residents)

a. Name	-	Mandatory
b. Date of Birth	-	Mandatory
c. Gender	-	Mandatory
d. Address	-	Mandatory
e. Aadhaar number	-	Mandatory
f. Photograph	-	Mandatory
g. Father's/Husband's Name	-	Conditional
h. Father's/Husband's Aadhaar	-	Conditional
i. Mother's/Wife's Name	-	Conditional
j. Mother's/Wife's Aadhaar	-	Conditional
k. Introducer's Name	-	Conditional
l. Introducer's Aadhaar	-	Conditional
m. Mobile Number	-	Optional
n. Email Address	-	Optional

The below figure explains the data transfer process in detail.

### Process flow for data transfer for bank account opening

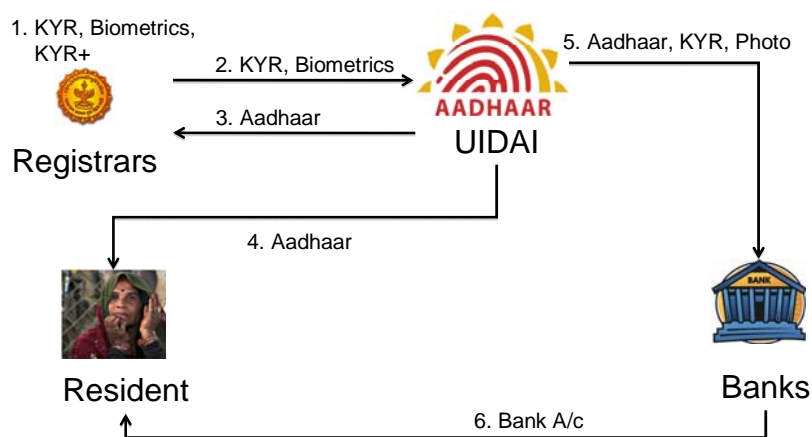


Figure 6: Process flow for data transfer for bank account opening

4. **If a bank is a Registrar for Aadhaar enrolment**, then they can capture additional data fields as per their requirements. The same UIDAI client application that will be used for Aadhaar enrolment, allows additional fields to be captured by the Registrar (E.g. Bank) for their internal usage (referred to as KYR+). Additionally the Registrar can also decide to keep the resident's biometric information if they so wish.
5. Post receipt of the resident information, the bank will be responsible for intimating the resident about opening of the resident's bank account. Issuance of any other information / material like passbook, cheque book, etc are also at the bank's discretion and UIDAI is in no way responsible for the same.
6. Once the bank accounts are opened, servicing the resident's bank account is solely the bank's responsibility and UIDAI will play no role whatsoever in the same. Similarly charges levied on these accounts for various services are also at the bank's discretion.

#### 4.2 PROPOSAL FOR SETTING UP OF CUSTOMER SERVICING NETWORK

Given the envisioned scale of Aadhaar enrolment, 60 crore in 4 years, and thus the corresponding scale of bank account opening, an extensive customer service network would have to be built by the banks. Thus it is important that banks collaborate together to build an interoperable network which would provide huge scale and thus cost saving and higher customer satisfaction.

The interoperability of the network not only allows economies of scale, but also allows various players to adopt different business strategies. For example, today the distribution of saving account across banks is very different as compared to the distribution of ATM deployment across banks, which is primarily driven by the different business strategies adopted by the banks.

A few options for this potential collaboration across banks for an interoperable BC network which meets MicroATM standards as laid out by UIDAI are detailed out below to invite comments from the stakeholders:

- I. Each bank sets up distribution network as per their business plan and expectation of signing-up Aadhaar enabled bank accounts.
- II. All banks conduct a joint reverse auction to identify the market player/s that would setup the interoperable MicroATMs for servicing the Aadhaar enabled bank accounts at various locations. This would allow different banks to adopt different strategy, as well as scale to be built in customer servicing. The auction could be orchestrated by a third party like IBA or UIDAI, if deemed fit by the banks. Choosing this option would require various banks to come together and decide to rely on this common customer servicing network so that scale can be leveraged.

#### **4.3 PROPOSAL FOR SETTING UP OF COMMON LOW COST ACCOUNT HOSTING**

Current cost estimates for the CBS systems used by banks for account hosting vary in the range of Rs 50-100 / account / annum. Given the low revenue potential of many marginal customers and the scale of Aadhaar enrolment, this can prove to be a substantial drain of the bank's resources. Thus it is important that banks evaluate other low cost account hosting solutions for hosting the Aadhaar enabled bank accounts.

If each bank was to deploy a low cost account hosting solution on their own, then they may not be able to achieve the scale that a common account hosting solution could provide. Thus, in line with the recommendations of the Inter Ministerial Group's report on 'Delivery of Basic Financial Services Using Mobile Phones' published in April 2010 it is important that the banks evaluate usage of a common low cost account hosting solution.

If enough number of banks are interested in exploring this option, then a joint group could be formed to evaluate the possibility of setting up a common account hosting solution.

#### **5 CONCLUSION AND NEXT STEPS**

UIDAI is planning to run pilot programs as 'Proof of Concept' for the entire process of account opening and customer servicing. In this regard UIDAI is in the process of planning the programs with various banks and state government agencies in Jharkhand, Delhi, Mumbai, etc. More details on this will be made available in due time.

Banks interested in participating in this proposal are also encouraged to start planning for

- Linking Aadhaar number with every customer account in their database
- Enablement of BC devices based on the MicroATM architecture standards
- Enablement of transactions processed through Aadhaar by linking Bank's CBS with UIDAI's Aadhaar authentication system
- Technological integration of bank's CBS with UIDAI server for exchange of customer information for opening bank account and confirmation etc.
- Building infrastructure for large scale account opening and servicing of these accounts.

In the meanwhile, UIDAI solicits comments and feedback on this proposal from all stakeholders including but not limited to Banks, BCs, Bank IT partners, etc. All are requested to provide their comments on this discussion paper latest by 18<sup>th</sup> October 2010. The comments may be sent to Shri Rajesh Bansal, Assistant Director General, UIDAI at [rajesh.uidai@gmail.com](mailto:rajesh.uidai@gmail.com) . Post reviewing these comments UIDAI may choose to make appropriate changes to the current proposed plan.

UIDAI also plans to conduct an all day workshop with the banks on 29<sup>th</sup> October 2010 to clarify UIDAI's plan and gather their comments on the same. The final communication on date and agenda of the workshop will be made in due course of time.

## References

Following is the list of few relevant documents which are published on the UIDAI website:

- **UIDAI Strategy Overview**

[http://www.uidai.gov.in/UID\\_PDF/Front\\_Page\\_Articles/Documents/Strategy\\_Overveiw-001.pdf](http://www.uidai.gov.in/UID_PDF/Front_Page_Articles/Documents/Strategy_Overveiw-001.pdf)

- **Aadhaar Handbook for Registrars**

[http://www.uidai.gov.in/UID\\_PDF/Front\\_Page\\_Articles/Documents/Publications/AadhaarHandbook-Version1.pdf](http://www.uidai.gov.in/UID_PDF/Front_Page_Articles/Documents/Publications/AadhaarHandbook-Version1.pdf)

- **Exclusion to Inclusion with Micropayments**

[http://www.uidai.gov.in/UID\\_PDF/Front\\_Page\\_Articles/Strategy/Exclusion\\_to\\_Inclusion\\_with\\_Micropayments.pdf](http://www.uidai.gov.in/UID_PDF/Front_Page_Articles/Strategy/Exclusion_to_Inclusion_with_Micropayments.pdf)

- **Draft MicroATM Standards**

[http://www.uidai.gov.in/UID\\_PDF/Front\\_Page\\_Articles/Documents/Publications/MicroATM\\_Standards\\_v1.0\\_Draft.pdf](http://www.uidai.gov.in/UID_PDF/Front_Page_Articles/Documents/Publications/MicroATM_Standards_v1.0_Draft.pdf)

- **Demographic Data Standards and Verification Procedure Committee Report**

[http://www.uidai.gov.in/UID\\_PDF/Committees/UID\\_DDSVP\\_Committee\\_Report\\_v1.0.pdf](http://www.uidai.gov.in/UID_PDF/Committees/UID_DDSVP_Committee_Report_v1.0.pdf)