Aadhaar : An enabler for Financial Inclusion

About five years back, India had embarked on an ambitious program of creating a digital identity infrastructure. As on date, more than 940 million people in India have got the Unique Identity Number- called Aadhaar. Aadhaar is a unique identity number (uniqueness being ensured through biometric de-duplication) which also provides digital authentication services.

Uniqueness property of Aadhaar is being leveraged by various domains to clean up existing databases by removing duplicates and ghosts and to transfer benefits directly to the residents using Aadhaar as financial address. Authentication services offered by Aadhaar are being leveraged for various service delivery domains like banking, telecom, provision of social assistance programs and food security. For example, Aadhaar issues electronic know-your-customer (eKYC) document which is used for proving a resident's proof of identity and address typically required for subscribing to a service like opening of a bank account or getting a mobile SIM. Similarly Aadhaar authentication integrated with mobile devices enables banking at the grass-root level. This has resulted in reduction of costs per transaction which is essential to capture the bottom of the pyramid in rural India.

This digital identity infrastructure has reduced the transaction costs as also the entry barriers in the financial space. Now people can buy insurance policies and other financial products online. Digital transactions help build credit histories and thus enable accessibility of credit to the poor.

The device eco-system has started building up which seeks to integrate the finger-print as also iris authentication in the mobile phones. Large number of touch-points, cheap devices, ease of opening the bank accounts digitally and robust authentication system all are enabling a cost-effective and sustainable financial inclusion framework.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_