

Aadhaar and Financial Exclusion

What is the issue?

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- Union government has set a deadline to link all financial instruments with Aadhaar.

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- The insistence on linking ignores the concerns of the marginal class and practical difficulties.

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What is the government's plan on Aadhaar linking?

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- Union government has decided to use Aadhaar as a tool to track down black money.

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- In June, it notified its new Prevention of Money Laundering (Maintenance of Records) Second Amendment Rules 2017.

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- This required all financial firms to compulsorily collect Aadhaar and PAN details for KYC requirements by December 31.

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- Recently union government also mandated Aadhaar number to be linked with bank accounts, demat accounts, mutual fund folios, life and general insurance policies, credit cards and post office account by March 31 next year.

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How does it contribute to financial exclusion?

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- **Time-consuming** - Aadhaar-PAN linking on IT returns was a two-step

process.

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- But linking Aadhaar to all of one's financial savings entails over a dozen steps.

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- This is because key financial product providers and their regulators have not managed to create a centralised registry for investors.

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- **Digital divide** -Using the online mode for Aadhaar-linking requires familiarity with digital banking, a robust internet connection and uninterrupted phone/email access.

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- This poses severe problems for senior citizens and the poor.

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- **Errors** - Much of old age population find it difficult to enrol to Aadhaar because their biometrics fail to read at the Aadhaar touchpoints.

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- Population beyond the age 50 complain of enrolments being rejected because their fingerprints have faded with age.

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- Biometric failures also foil attempts by the disabled or those engaged in physical labour from securing Aadhaar.

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- Thus it causes anxiety not only at the time of opening an account, but also at the time of every subsequent authentication.

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- These problems can be addressed by allowing to provide alternative documentation, in place of Aadhaar, to prove their identity.

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Source: Business Line

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