



United Nations
Economic Commission for Africa



Session 7: Digital ID: A Key to Inclusive Growth

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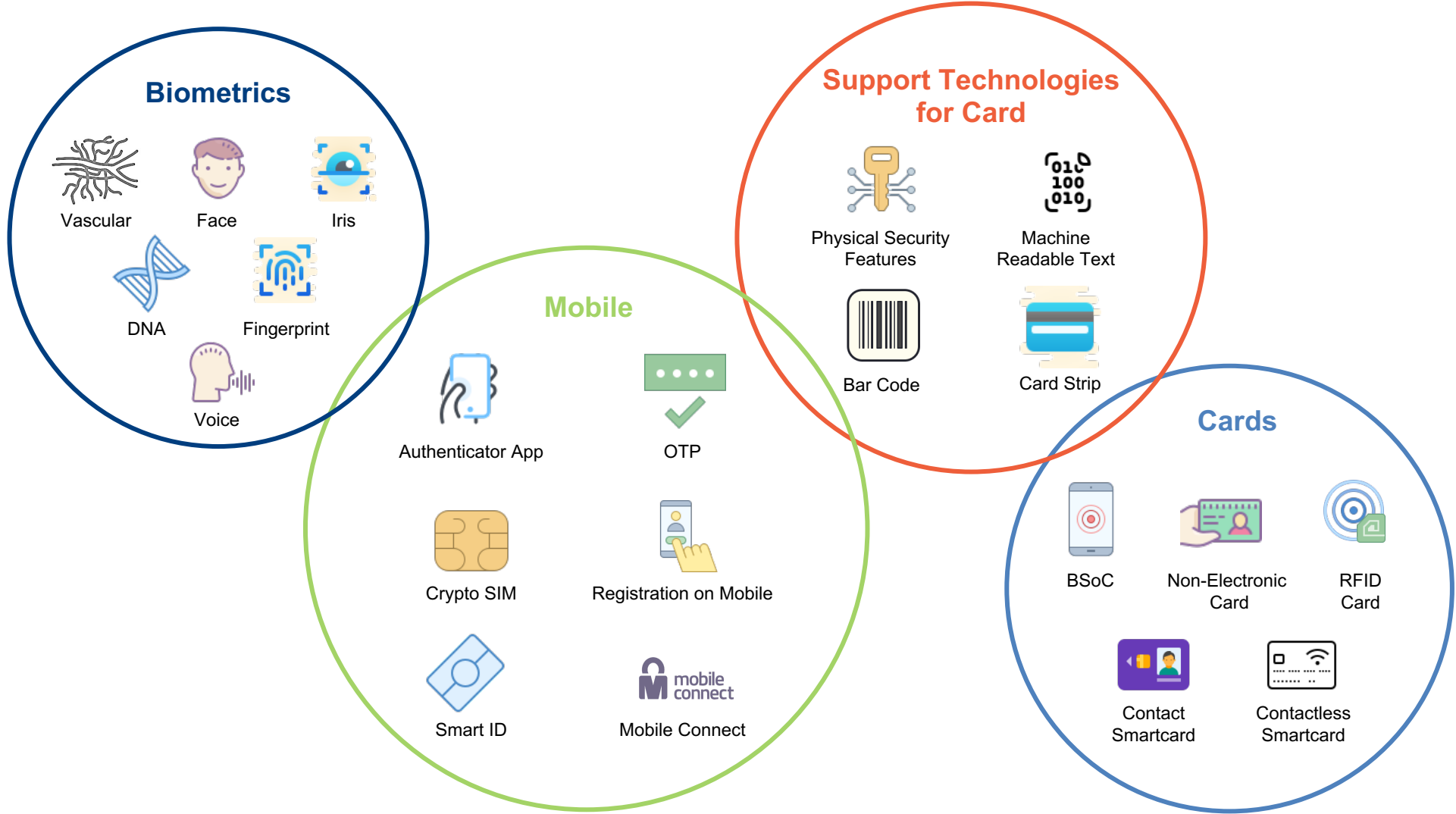
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Identification & Authentication Technologies used in verification of Identity and financial inclusion transactions

Various technology options are available for identity credentials

Option analysis needs to be conducted before selection of an ID technology





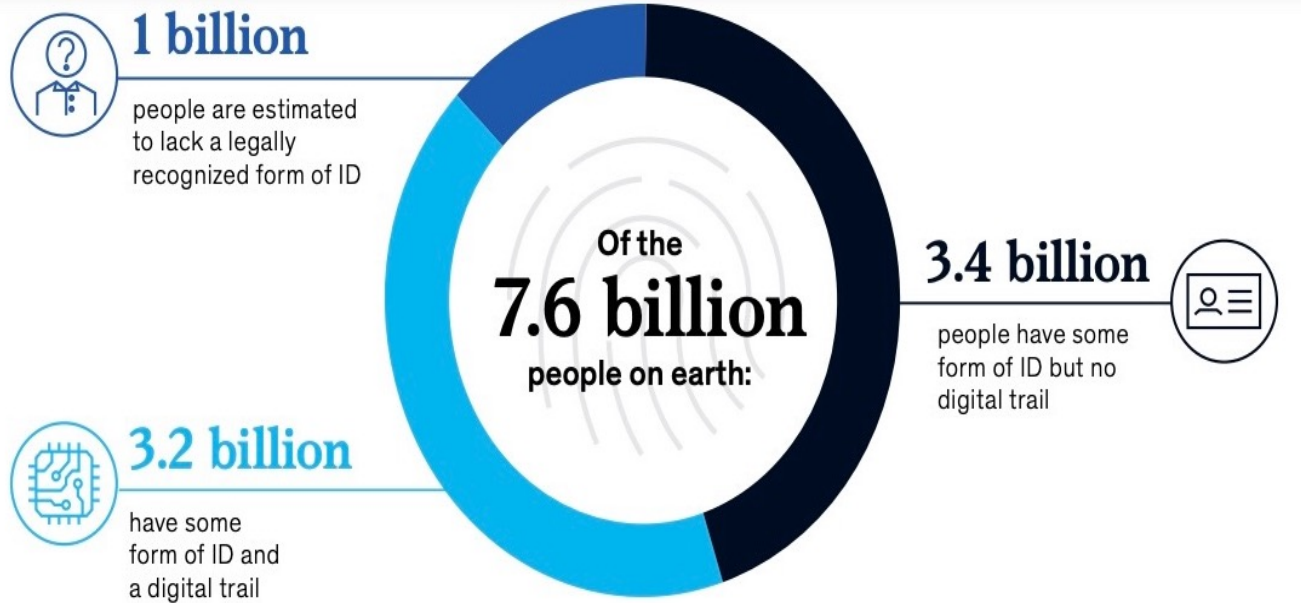
Identity landscape as given by World Bank

According to estimates from the World Bank's ID4D database, almost one billion people globally lack any form of legally recognized identification.

An additional 3.4 billion who have some type of legally recognized identification have limited ability to use it in the digital world.

The remaining 3.2 billion have a legally recognized identity and but may not be able to use that ID effectively and efficiently online

Digital ID holds the promise of enabling economic value creation by fostering increased inclusion, which provides greater access to goods and services



Unlocking global economic value

Can unlock economic potential of 3 to 13 % of GDP by 2030



Attributes of Digital ID needed for authentication and inclusion

- ❖ Unlike a paper-based ID such as driver's licenses and passports, a digital ID can be authenticated remotely over digital channels. This is the outcome-based definition of digital ID
- ❖ For example, a digital ID could be issued by a national or local government but digital ID requires the following four attributes:
 - *Verified and authenticated to a high degree of assurance:* High-assurance digital ID meets standards for initial registration and subsequent acceptance for a multitude of important civic and economic uses, such as gaining access to education, opening a bank account, and establishing credentials for a job.
 - *Unique:* With a unique digital ID, an individual has only one identity within a system, and every system identity corresponds to only one individual.
 - *Established with individual consent:* Consent means that individuals knowingly register for and use the digital ID with knowledge of what personal data will be captured and how they will be used.
 - *Protects user privacy and ensures control over personal data:* Built-in safeguards to ensure privacy and security while also giving users access to their personal data, decision rights over who has access to that data

Individual and Institutional benefits from Digital ID

Individuals and institutions can benefit from digital ID

- ❖ Individuals
 - as consumers,
 - workers,
 - microenterprises,
 - taxpayers and beneficiaries,
 - civically engaged individuals,
 - and asset owners
- ❖ institutions can use an individual's identity in a variety of positions:
 - as commercial providers of goods and services, (B2B)
 - interacting with consumers;
 - as employers,
 - interacting with workers;
 - as public providers of goods and services, (B2C)
 - interacting with beneficiaries; as governments, (G2C)

Access to financial services and employment

- ❖ The four largest contributors to direct economic value for individuals globally are
 - increased use of financial services,
 - improved access to employment,
 - increased agricultural productivity, and time savings.
 - Increased use of financial services.
- ❖ Digital ID helps individuals meet Know Your Customer (KYC) requirements and enables remote customer registration for financial services.
- ❖ According to the World Bank, lack of documentation, distance to financial institutions, and cost of financial services are each cited by 20 to 30 per cent of respondents as a reason for not having access to a bank account.



Inclusion at the Private and Institutional level

- Both private and public institutions benefit most from cost savings and reduced fraud. The five largest sources of value for institutions—in both government and the private sector—are cost savings, reduced fraud, increased sales of goods and services, improved labor productivity, and higher tax revenue. —
- **Time and cost savings.** Institutions using high-assurance ID for registration could see up to 90 percent cost reduction in customer onboarding, with the time taken for these interactions reduced from days or weeks to minutes. By enabling streamlined authentication to improve the customer experience in digital channels, institutions could also influence customers to choose digital offerings that are cheaper to provide. For example, for financial services providers, the cost of offering customers digital accounts can be 80 to 90 percent lower than the cost of using physical branches.
- **Reduced fraud.** Digital ID can help reduce fraud in a wide range of transactions, from decreased payroll fraud in worker interactions to reduced identity fraud in consumer and taxpayer and beneficiary interactions
- Brazil and Nigeria, could reduce leakage in public benefits alone by \$90 billion, \$3 billion respectively — Increased sales of goods and services. Through digital onboarding, which enables streamlined authentication and improves customer experience in digital channels, institutions could increase uptake of new products and services.
- A key to inclusive growth using e-KYC, enabled by India's national digital ID system, Aadhaar . For example, the Indian telecom provider Jio onboarded some 160 million new customers in less than 18 months
- Digital ID could also reduce opportunity costs;. Greater revenue facilitated by digital ID could expand the tax base, helping promote formalization of the economy and more effective tax collection.³⁴

Digital IDs and Cost Savings

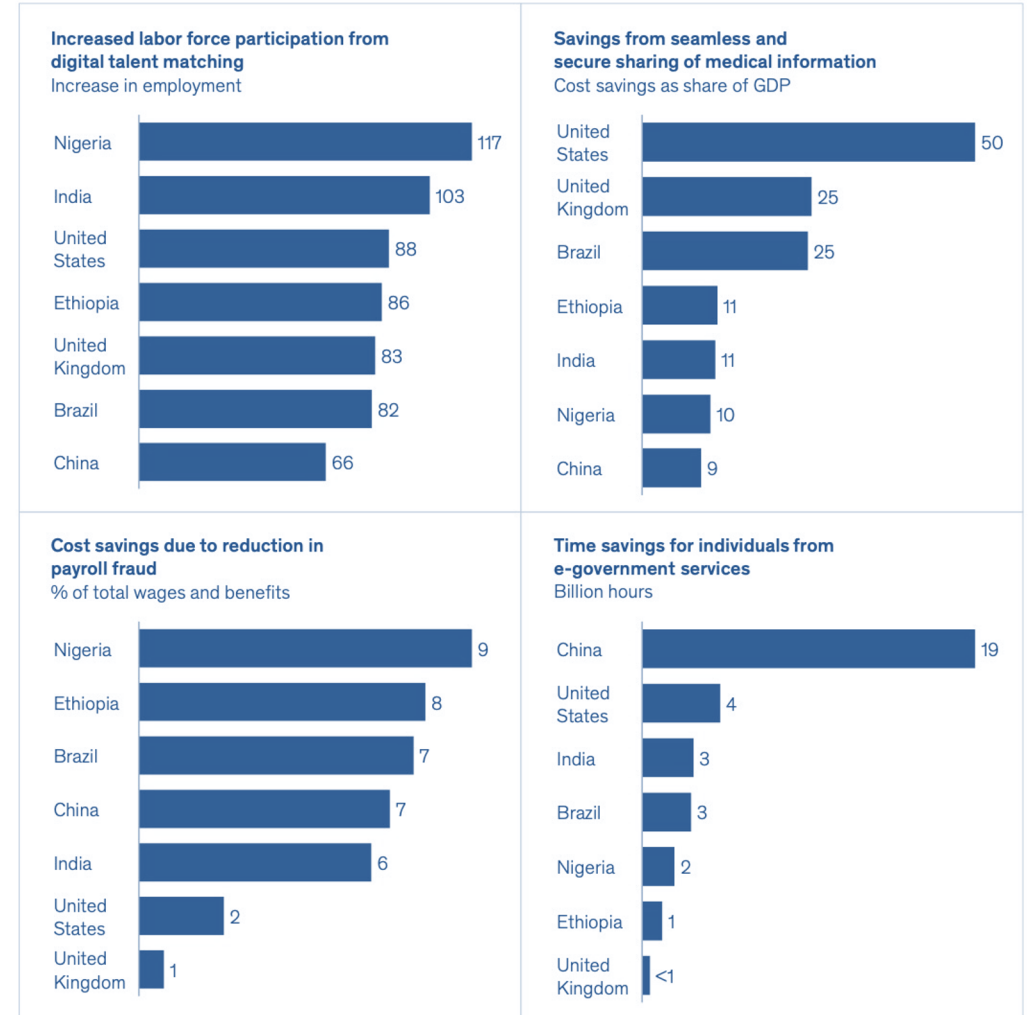


Analysis allows us to pinpoint the most important benefits of digital ID. These include

- increased financial inclusion,
- cost savings,
- improved labor market efficiency,
- time savings, and fraud reduction
- ❖ Increased financial inclusion, particularly in emerging economies, is the most significant benefit associated with consumer interactions
- ❖ Improved labor market efficiency stems from the way digital ID can facilitate interactions between workers and employers as well as those between microenterprises and their prospective customers.

Countries adopting digital ID schemes have the potential to capture significant value in a wide variety of use cases.

Four examples of how digital ID can create value
Potential benefits, 2030E





India - the story of financial inclusion

With the aim of reforming Government delivery system by re-engineering the existing process in welfare schemes for simpler and faster flow of information/funds and to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud Direct Benefit Transfer (DBT) was started on 1st January, 2013.

Electronic Payment Framework was laid down in Feb- 2015 to be followed by all Ministries/ Departments for all schemes where components of cash is transferred to individual beneficiaries.

Jan Dhan, Aadhaar (JAM)[no frills account] and Mobile are DBT enablers and as on date more than 220 Million Jan Dhan Account, more than 1.3 Billion Unique IDs Aadhaar and about 1 billion Mobile connections provide a unique opportunity to implement DBT in all welfare schemes across country

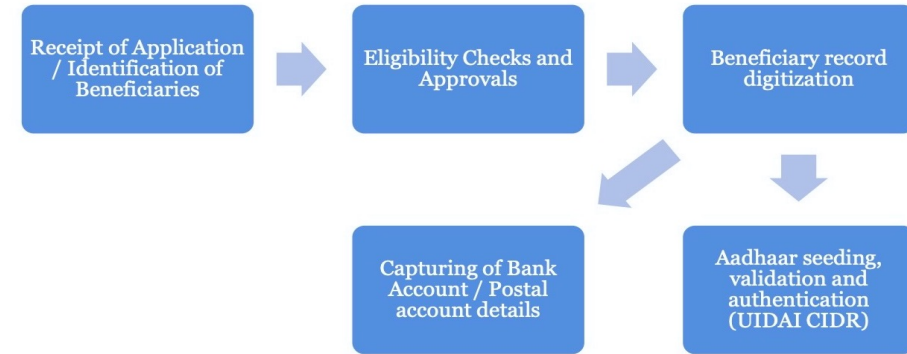
DBT bring efficiency, effectiveness, transparency and accountability in the Government system and infuse confidence of citizen in the governance.



It all started with the launch of a Digital ID called Aadhaar – and institutional arrangement

National Payments Corporation of India a non-profit organisation, was set up by the Central Bank of India and funded by different major banks. It is a trusted switch connecting banks and Payment Service Providers (PSPs). Similar to VISA's role in Card payments, NPCI makes sure that data flow between banks and payment apps is routed to the correct and verified destinations.

Beneficiary Identification & Enrolment in DBT Scheme Management Software



Aadhaar-Enabled Payment System

- A central bank product called the (AEPS) offered an instant, 24X7, interbank electronic fund transfer service through mobile phones. It allows Aadhaar biometric authentication-based transactions from a bank account that is linked with the Aadhaar number.

Aadhaar Payments Bridge System (APBS)

- APBS is a system allowing remittances to be made to an Aadhaar number without providing any other bank or account details. It uses the central mapper as a part of National Automated Clearing House (NACH) to enable government user departments to electronically transfer subsidies and direct benefit transfers to individuals on the basis of their Aadhaar number.



Financial Inclusion + Savings accrued through Direct Benefit Transfer (DBT) - India

- DBT programme helped plug leakages in welfare schemes, weed out fake or ghost beneficiaries and transfer funds to genuine beneficiaries.
- This ensured significant savings to the exchequer and enabled efficient utilisation of government funds.
- Total savings cumulative up to the year March 2022 are estimated to be **USD 27 Billion**.
- The Table on the right-hand shows the savings accrued by line departments and ministries using DBT based on Digital ID.
- These savings were achieved by removing duplicates and ghosts in the beneficiary lists.
- The major savings accrued in the Public Distribution System, Ministry of Petroleum and Natural Gas

S.No	Ministry/ Department	Scheme	Estimated Savings / Benefits (in Rs. Cr)		
			Cumulative upto March 2021	April 2020 to March 2022	Cumulative upto March 2022
1	Department of Fertilizers	FERTILIZER	10,000.00	8,699.89	18,699.89
2	Department of Rural Development	MGNREGS	33,475.47	7,511.51	40,986.98
3	Department of Rural Development	NSAP	530.72	4.89	535.61
4	Ministry of Women and Child Development	OTHERS	1,523.75	0	1,523.75
5	OTHERS	OTHERS	1,156.55	1.58	1,158.13
6	Ministry of Petroleum and Natural Gas	PAHAL	72,909.58	0	72,909.58
7	Department of Food and Public Distribution	PDS	1,01,596.87	33,600.00	1,35,196.87
8	Ministry of Minority Affairs	SCHOLARSHIP SCHEME	1,439.97	290.81	1,730.78
9	Department of Social Justice and Empowerment	SCHOLARSHIP SCHEME	335.52	16.69	352.21
Total			2,22,968.43	50,125.37	2,73,093.80

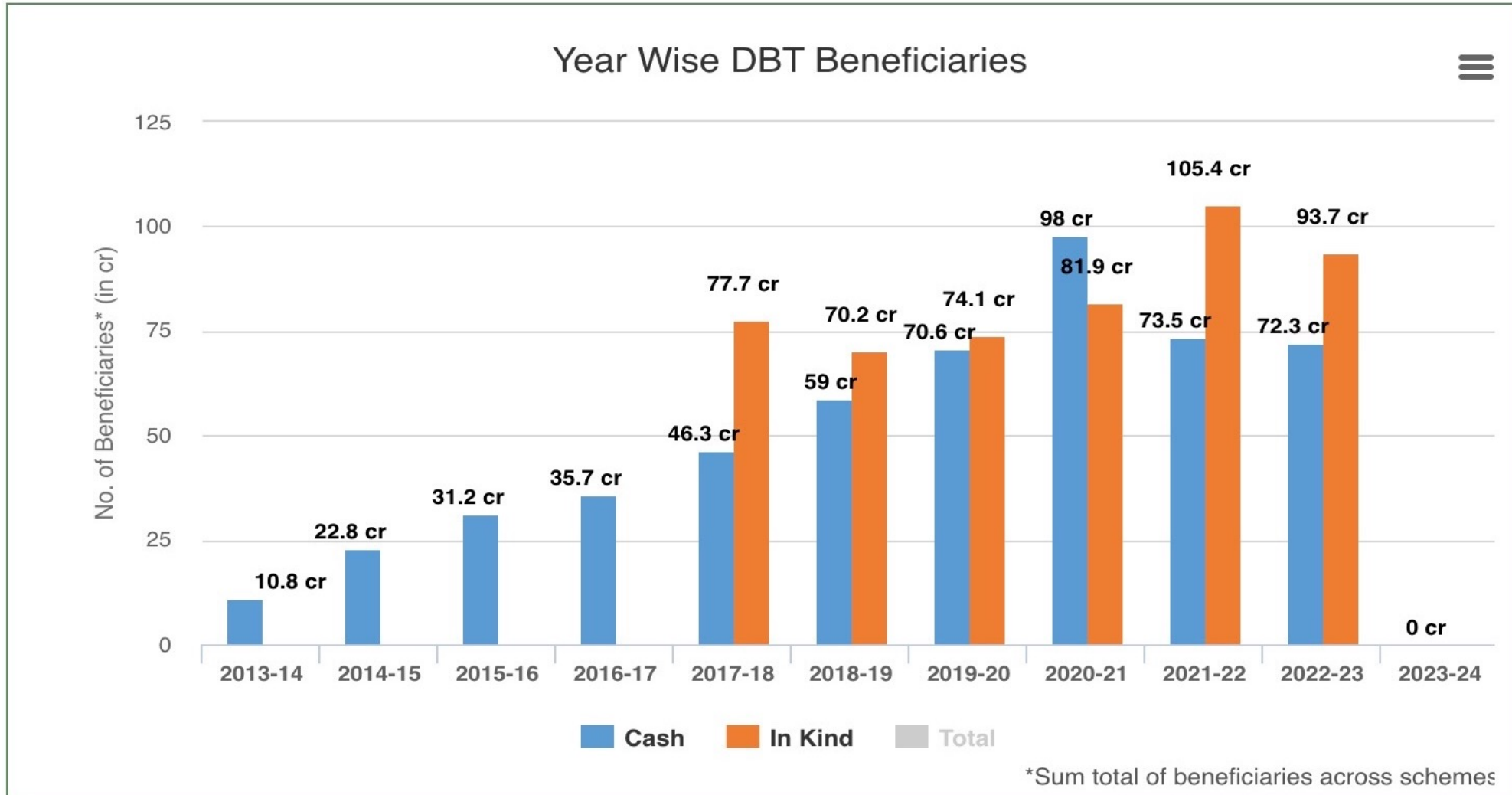
Source : <https://dbtbharat.gov.in/>



Financial Inclusion – Direct Benefit Transfer based on Digital ID

720 Million beneficiaries for cash transfer and also transfer in Kind

<https://dbtbharat.gov.in/>



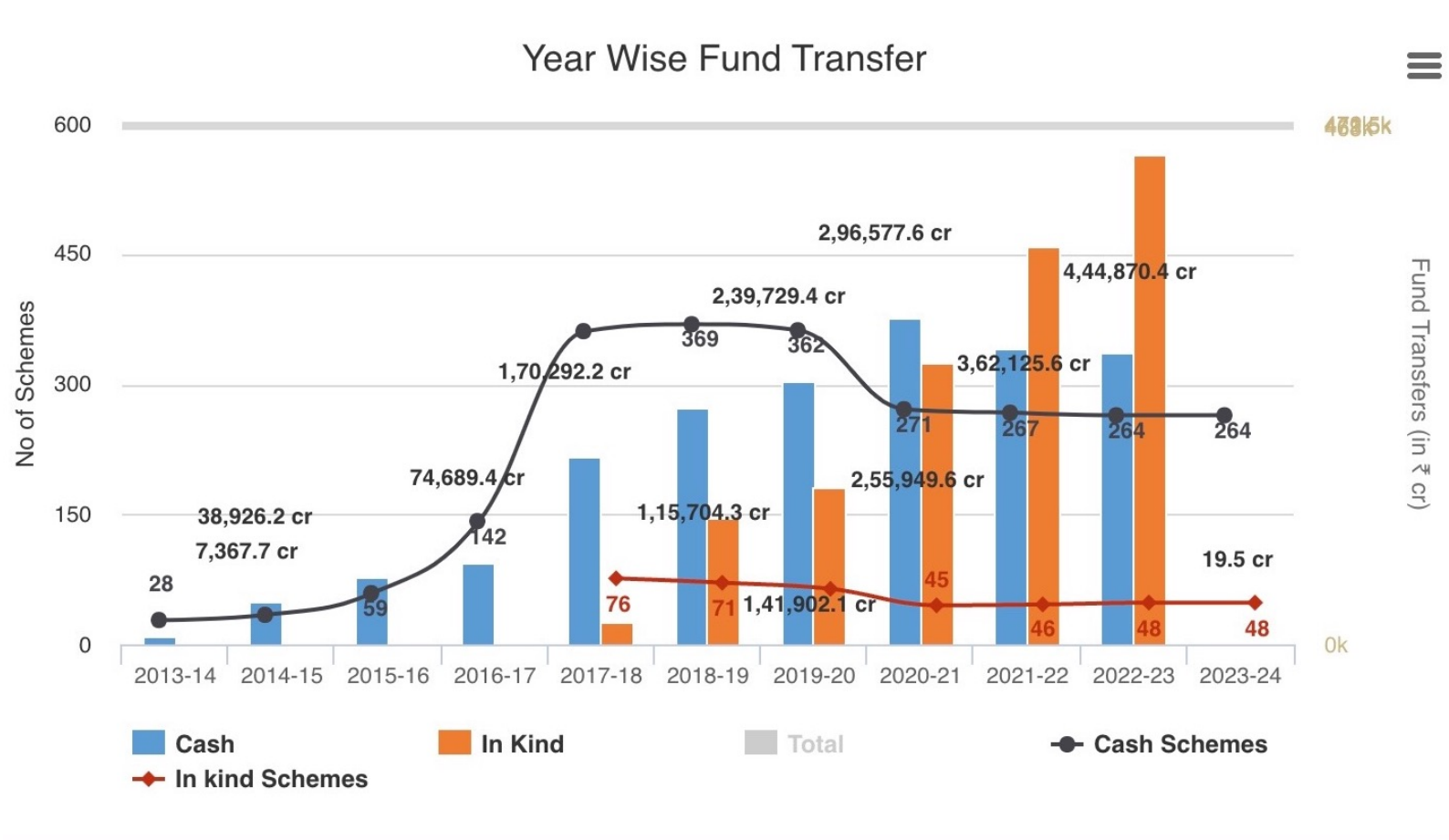


Financial Inclusion – Annual Fund Transfer using Digital ID

<https://dbtbharat.gov.in/>

202-2023- Benefits of Appx USD 54 billion for 48 schemes, mainly in kind mainly for Fertilizers Subsidy and PDS

2022-2023- Benefits in cash for 264 schemes mainly for Housing, Scholarship and Rural Employment





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Thank You