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Unique Identification Number: To fulfill a billion aspirations

We attended a seminar on *Developing an Eco-System for UID implementation*, conducted by the Unique Identification Authority of India (UIDAI). This was the first formal public address of the body since it was formed in mid-2009. The event enlightened us about the UID project and its possible advantages along with businesses that will be impacted. We believe, UID will be a door that will open many doors for poor and rural Indians, providing them easy access to banking and telecom services, amongst others, together with government sponsored welfare schemes, after establishing their unique and authenticated identity.

Overview

Unique Identification Number (UID) is a Government of India (GoI) initiative to assign a centralised identification number to all residents of India. Headed by Mr. Nandan Nilekani, Founder and ex Co-Chairman of Infosys Technologies, the UID project is one of UPA government's most ambitious projects. GoI has constituted UIDAI, to execute the UID initiative, that comprises eminent technocrats and bureaucrats. Currently, there are multiple identity documents in use, each serving a different purpose and several separate sets of requirements need to be fulfilled to avail these documents; also, it is easy to forge them.

The UID will dispose the need to produce different identity documents for availing various services (opening a bank account, mobile connection etc.) by assigning every resident a non-tamperable UID number linked to his/her demographic and biometric information. Backed by intensive use of technology, it will greatly facilitate easy verification of a person's identity and enable a single communication to trigger address changes in all relevant agency records. It will also serve as the basis for many e-Governance services incorporating online verification of a person's identity. Though the enrolment itself will not be mandatory, the likelihood of multiple services demanding UID number as a pre-requisite over time will necessitate people to have one.

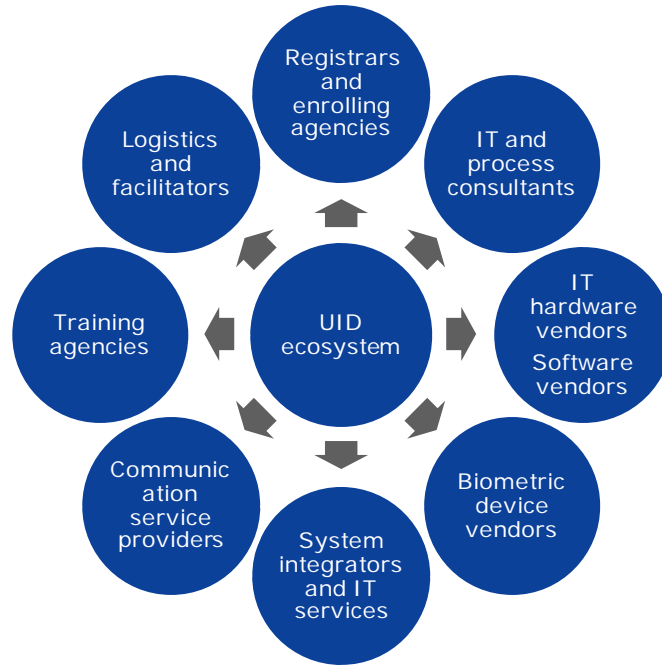
From conceptualisation to implementation

- UIDAI has conceptualised the project's basic structure and is actively enabling the building of both enrolment and application ecosystems.
- Extensive consultations with various stakeholders—Union and state governments, public sector units, industry and civil society organisations—have already been held and MoUs have been signed with eight states for implementation (with more states expressing interest).
- The authority has begun testing aspects such as biometric solution, enrolment software, logistics, and training processes. In these areas, UIDAI has started issuing Expressions of Interest (EoI) and Request for Proposals (RFP).
- Pilot projects are expected to begin by August 2010 and first issue of identity numbers is expected before February 2011. The target is to issue 600 mn UID numbers to residents by 2014.

UID ecosystem and opportunities: An overview

The initial opportunities around UID will arise out of creation of the infrastructure itself, which will require a large ecosystem of registrars, enrollment agencies, technology vendors, and many other organisations. With the issue of RFPs from UIDAI and states, some opportunities have already started to emerge.

Fig.1: Inclusive structure of UID ecosystem



Source: UIDAI, Edelweiss research

We see large new business opportunities being created in the following sectors:

Technology: This major transformational project will throw open horizontal opportunities such as IT consulting, application development & maintenance services, systems integration, and storage services (data centre and servers). Further, large number of biometric devices such as (cameras, scanners, and iris scanners) will be extensively used across the country for the purpose of enrolment. Biometric attributes such as face, all 10 finger prints, and iris are planned to ensure the uniqueness. Thus, it is a significant **opportunity for biometric device manufacturers.**

It is estimated that the UID project will offer an INR 150-200 bn (USD 3.3-4.4 bn) opportunity towards computing, database, smartcard, storage vendors, and system integrators. Further, industry participants estimate ~60% of this spending to be directed towards hardware vendors.

Telecom services: The UID project will require biometric identification devices located at various identification points like airports, banks, utility offices, to be connected to the centralised data base. Telecom service providers could provide a communication link between distributed identification devices and the centralised database.

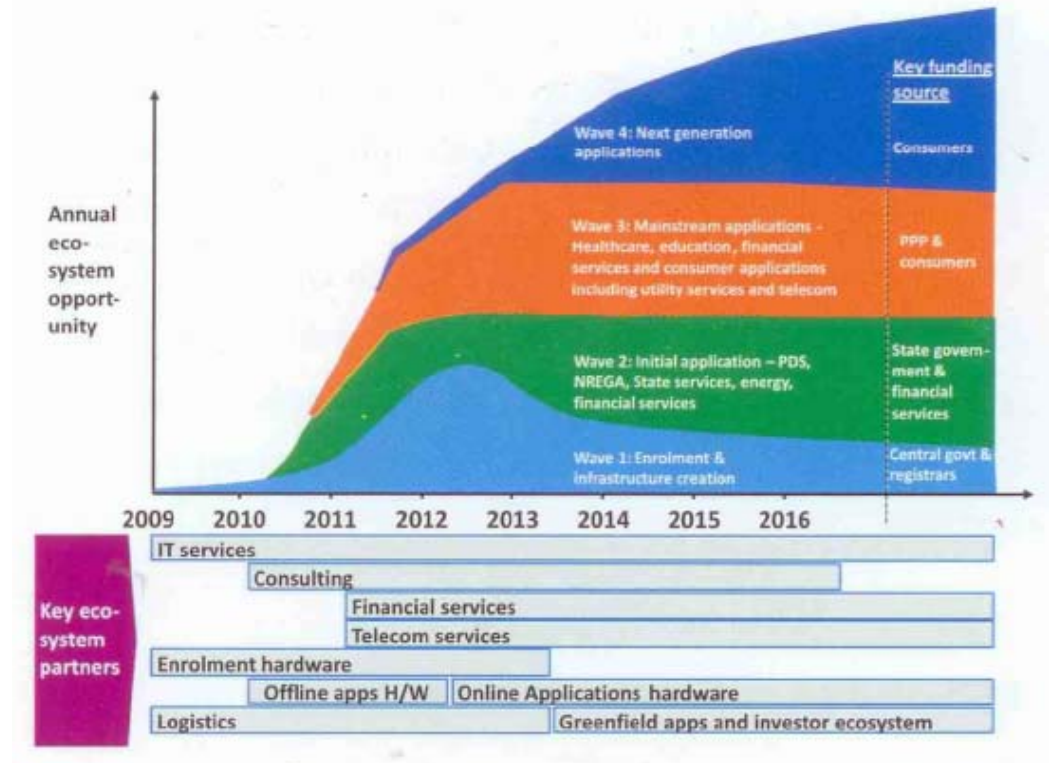
Banking: It will increase rural India's participation in the banking system over the long term. **Mr. D Subbarao, RBI governor, has pointed out, "40% of rural Indians today have a bank account; the extent of their financial exclusion is staggering."**

In addition, since UID takes care of the demographic and biometric information of a resident, the Know Your Client (KYC) costs (for financial services, telecom services, healthcare, and education) will reduce significantly.

Nandan Nilekani, Chairman, UIDAI: UID will facilitate inclusion of poor and down-trodden in various services like banking, telecom, energy, and education

Ram Sevak Sharma, DG, UIDAI: The basic purpose behind UID is to establish a unique, authenticated and non-tamperable identity for each resident

Fig. 2: The UID ecosystem— Timeline



Source: UIDAI

Benefits of UID

UID's benefits are three pronged: To the government, residents, and eco-system partners.

Benefits to government

- The UID initiative will help the government keep a vigil on legitimate residents and immigrants, thereby enhancing internal security.
- It will help create a single authenticated and non-tamperable database that will be useful for planning and administration.
- Also, it will aid better administration of various welfare schemes like food, education, energy subsidies, employment guarantee, etc., by ensuring that the benefits thereof are reaped by legitimate and intended recipients and may possibly help reduce the subsidy bill.

Benefits to residents

- A UID holder will be able to establish his/her identity easily and resolve the identity crisis suffered by poor and rural residents in particular as they find it difficult and costly to have an identity card due to lack of documentation.
- UID will become the single source of identity verification, freeing residents from providing supporting identity documents each time they seek services like obtaining a bank account, passport, driving licence, and telephone connection.
- UID will also help resident migrants to establish their identity.
- Also, the benefits of UID to government, viz., better internal security and administration of welfare schemes, will accrue indirectly to residents.

M. N. Vidyashankar,
Principal Secretary,
Karnataka: The
Karnataka government
achieved savings of
~ INR 450 mn per
month, courtesy an
income linked
centralised identity
system

Benefits to service providers

- UID will render the current stringent KYC norms required to be followed by BFSI, telecom, electricity, and other service providers redundant, reducing customer acquisition costs significantly.
- UID infrastructure will create immense business opportunities across various segments and the ongoing maintenance will add to it.

Key challenges

Apart from planning, executing, administrating, and funding of the UID project, the following two key challenges need to be addressed:

- Currently, it is not compulsory to get a UID, though the associated benefits would make it necessary. With a high degree of inertia amongst Indians, we believe the success of the project will largely be determined by the mandatory/ optional status.
- UIDAI proposes to obtain information regarding name, date of birth, gender, parents/ spouse/ guardians name, address, and biometric details. Though additional data fields can be subsequently added, this will be complex and time consuming considering the size of the Indian population.

AADHAAR: UID brand name and logo

The brand name **AADHAAR** which translates into 'foundation' or 'support' of the UID number was announced along with unveiling of the logo (see figure below).

Fig. 3: UID logo



Source: UIDAI

UIDAI intends to collect the following information in the centralised database:

- Name
- Date of birth
- Gender
- Parents/ guardian's/ spouse name
- Address
- Photograph, all 10 fingerprints and both iris scan

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