UIDAI permits Aadhaar updation facility through CSC- Banking Correspondent

Part of: GS-II- GOVERNANCE (PT-MAINS-PERSONALITY TEST)

1. To make Aadhaar updating easier for citizens, Unique Identification Authority of India, UIDAI has permitted Common Service Centre, CSCs, which are designated banking correspondents of banks, to offer Aadhaar services.
2. Around 20,000 such CSCs will now be able to offer this service to citizens. CSC Village Level Entrepreneurs are asked to start the Aadhaar work with responsibility and as per instructions issued by UIDAI in this regard.
3. The decision would further strengthen the efforts of achieving the goals of Digital India as envisaged by Prime Minister Narendra Modi.
4. Commencement of Aadhaar updation services through CSC also comes across as a big relief during the lockdown restrictions imposed to prevent spread of COVID-19.
5. With these 20 thousand additional centers available to Aadhaar, the users particularly in rural areas need not visit Aadhaar centres in bank branches or Post Offices for this work.

Banking Correspondent

The RBI has allowed banks to appoint entities and individuals as agents for providing basic banking services in remote areas where they can’t practically start a branch. These agents are called business correspondents. BCs are considered as practical solutions to extend basic banking services to the nearly 600000 village habitations in the country. Business Correspondents are hence instrumental in facilitating financial inclusion in the country.

What are BCs?

Business Correspondents are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM. BCs enable a bank to provide its limited range of banking services at low cost. BCs are hence instrumental in promoting financial inclusion.

What are the functions of BCs?

BCs have to do a variety of functions viz, identification of borrowers, collection of small value deposit, disbursement of small value credit, recovery of principal / collection of interest, sale of micro insurance/ mutual fund products/ pension products/ other third party products and receipt and delivery of small value remittances/ other payment instruments, creating awareness about savings and other products, education and advice on managing money and debt counseling, etc.

What types of products can be provided by BCs?

As per the RBI guidelines the products provided by BCs are: Small Savings Accounts, Fixed Deposit and Recurring Deposit with low minimum deposits, Remittance to any BC customer, Micro Credit and General Insurance.

The BC model allows banks to provide door-step delivery of services especially ‘cash in – cash out’ at a location much closer to the rural population, thus addressing the last-mile problem.

Who can act as BCs?

The RBI has provided a long list of entities and persons who can act as BCs. Initially the entities permitted included registered entities like NGOs/ MFIs. Later, the list expanded to include individuals like retired
retired teachers, retired government employees and ex-servicemen, individual owners of kirana / medical / Fair Price shops, individual Public Call Office (PCO) operators, agents of Small Savings schemes of Government Companies, individuals who own Petrol Pumps, authorized functionaries of well-run Self Help Groups linked to banks. Any other individual including those operating Common Service Centres (CSCs) are also allowed to act as BCs of banks.

Though the BC model was attractive it has not delivered effectively because of the many shortcomings. Firstly, banks have imposed higher restrictions on operations of BCs. Secondly, salaries of BCs were very low compared to the physical work they have to do to cover the distant areas. The JDY also heavily relies the operations of BCs for continuation of account activities by the village people who started the account as part of the programme.

Common Services Centers (CSCs)

Common Services Centers (CSCs) are a strategic cornerstone of the Digital India programme. They are the access points for delivery of various electronic services to villages in India, thereby contributing to a digitally and financially inclusive society.

They are multiple-services-single-point model for providing facilities for multiple transactions at a single geographical location. They are the access points for delivery of essential public utility services, social welfare schemes, healthcare, financial, education and agriculture services, apart from host of B2C services to citizens in rural and remote areas of the country.

CSCs enable the three vision areas of the Digital India programme:

1. Digital infrastructure as a core utility to every citizen.
2. Governance and services on demand.

Significance of CSCs:

CSCs are more than service delivery points in rural India. They are positioned as change agents, promoting rural entrepreneurship and building rural capacities and livelihoods. They are enablers of community participation and collective action for engendering social change through a bottom-up approach with key focus on the rural citizen.