Lack of KYC compliance to impede pandemic EPF withdrawals

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- **So far, EPFO has issued 170.3 million UANs to its subscribers, both active and inactive**

New Delhi: The relaxation in rules to allow all subscribers to withdraw a portion of their **Employees provident fund (EPF)** savings to survive the covid-19 crisis may not achieve the desired result, with less than one out of every two EPF accounts being KYC-compliant. For those without KYC compliance, withdrawing PF money will be a cumbersome task, requiring the support of their workplaces.

Only 44.73% of the total universal account numbers (UANs) have seeded both bank and Aadhaar numbers with UANs with their organizations authenticating it through digital signatures, according to official data reviewed by Mint. This seeding and authentication is mandatory according to the new rules to withdraw PF savings faster without employers' involvement. So far, the Employees' Provident Fund Organization (EPFO) has issued 170.3 million UANs to its subscribers, both active and inactive.

The labour ministry has allowed EPFO subscribers to withdraw 75% of their savings or up to a maximum of three months' basic pay and dearness allowance, whichever is lower, to soften the blow of the covid-19 outbreak.

The retirement fund manager had said on Sunday that it has "devised a system of auto settlement of claims through our centralized server in respect of all such members whose KYC data is fully updated and compliant. It is going to be a paradigm shift in claim settlements where claims will be possible to settle within 3 days".

Overall 43.73% of UAN accounts are KYC-compliant, but in at least a dozen regional offices of the retirement fund manager less than 33% of the accounts under their jurisdiction have the required compliance and several more are way below the national average. For example, Guwahati region has less than 11% compliance, while the compliance level in Coimbatore region is 39%, Gwalior 35%, Bengaluru 41%, and Nagpur 42%. Kashmir region has a paltry 0.19% compliance.

People can still withdraw with the help of their offices, but a government official who declined to be named said those who will use this opportunity largely work with small firms, MSME sector and the construction sector, where office work has been suspended and they are unlikely to process a request immediately.

The government will also face a challenge in paying the EPF contribution of both employees and employers for three months, in line with its announcement last week, given the condition that companies must have less than 101 employees or have 90% workers earning less than ₹15,000 per month.

“EPFO will have data, but it will be tough to execute. The authorities may have to come out with a technology solution that will enable companies to adhere to the 90% rider. It will benefit only a small portion of the intended recipients," said Rituparna Chakraborty, senior vice president of staffing firm Teamlease Services. “The pandemic has put everyone in an unprecedented situation and the government seems to be trying to tackle the immediate crisis and people’s sentiment a bit. A bigger consultation is required to deal with a situation like this… they may further revise the rules," she said.

The ₹15,000 rider is a tough one and will keep a large number of companies out of the relief package, said Michael Dias, managing partner of a law firm and secretary of the Employers’ Association in Delhi. “If a company has 100 workers and 85 of them are getting ₹15,000 each per month and remaining 15 are above the threshold, then as per the rules, the entire company is ineligible. So, what about the 85% workers in the same firm who are earning less than ₹15,000 per month? The other side is, why discriminate among companies? If the government is looking to take care of the EPF contributions of both employees and employers, it should be made universal," Dias said.

Chakraborty said a universal relief on EPF contribution for three months will have a huge financial consequence. The directive to companies to keep paying salary in the absence of work is a bit tough as “beyond a time, industry cannot pay unemployment insurance… The government will have to pitch in", Chakraborty said.