

## KYC holds up EPF interest for 4 million

Updated: 15 Feb 2021, 07:48 AM IST

Interest payments to around 4 million people registered with the Employees' Provident Fund Organisation (EPFO) have not been credited though one-and-a-half months have elapsed since the government announced its decision to make the payments for 2019-20.

This is because of a KYC mismatch of employees at the employers' end, and the retirement fund manager's field offices are reaching out to these establishments, the authorities said. EPFO credits provident fund (PF) interests, organization-wise instead of individually, two government officials said seeking anonymity.

This has put the spotlight on EPFO, which has been in the news for the delay in interest payment for 2019-20 even before this KYC problem. In 2020, the fund manager delayed the sale of some of its equity investments to pay the announced 8.5% interest for 2019-20 as the stock market fell as a result of the imposition of the lockdown amid the pandemic. EPFO had said it would credit the 2019-20 interest by 31 December, and the labour ministry announced the credit in the last week of December.

"Yes, some 8-10% of EPF subscribers' interest payout for 2019-20 FY has not happened as yet. There was some mismatch in employee KYC details. EPFO credits interest (in batches) establishment-wise instead of on an individual subscriber basis," said one of the two officials cited above.

"If there is a mismatch between employee details provided by employer and the one with EPFO even for a few employees, the payout is held up for the establishment. Initial estimate shows around 4 million subscribers are yet to get them," said a second official. However, the official was puzzled as to why the delay has happened "when every transaction is happening using technology".

EPFO has around 50 million active subscribers.

An email from Mint seeking a response from the labour ministry spokesperson on the exact number of such people and the reasons for such a delay remained unanswered. Mint also tried to reach out to the central PF commissioner (CPFC) over the phone but did not receive a response. In response to a WhatsApp message seeking a response and perspective on the issue, CPFC said he has asked the financial adviser of EPFO to respond, but Mint has not got a response.

The first official cited above said they are trying to make sure the development does not lead to any problem for subscribers during withdrawal. Also, they are working to make sure subscribers do not face much problem on account of compounding of interest as 2020-21 is about to end.

EPFO is relatively more efficient than other social security bodies, labour economist K.R. Shyam Sundar said. However, the holding up of interest payment for entire establishments because of KYC mismatch of a few staff, despite a strong IT backbone, puts a question mark on the system, he said.