FOR DUE DILIGENCE ON PF DUES

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THIS October, the finance minister launched the nationwide campaign 'Your money, your right'. The objective is to make people aware of unclaimed funds and assets of up to ₹1.84 lakh crore lying with various authorities. Coming after the GST and income tax incentives, unleashing such idle funds could further help private consumption and economic growth.

The expression 'your money' has three distinct dimensions. The first concerns 'unclaimed' assets—belonging to rightful owners who are unaware of their holdings. The solution lies in facilitating the 'claiming of the unclaimed' through greater awareness, accessibility, and procedural simplification.

The second dimension concerns 'withheld' assets, where the owners are aware of their assets but have been unable to claim them, often despite repeated efforts. While the awareness campaign is expected to increase the number of claims, its real success will depend on the response of the custodians of such claims. It calls for an institutional commitment to 'release the withheld' promptly and efficiently.

The third dimension concerns the flow of such assets, 'serve the claimed'. Custodians must proactively identify, trace, and return assets to their owners before they become unclaimed. This forward-looking approach will give full effect to the campaign's principle.

The Reserve Bank seems to have become active on all three dimensions since launching the unified database for unclaimed deposits or UDGAM portal in August 2023. Further, this September 26, it issued directions simplifying procedures for settling accounts of deceased depositors to nominees or to legal heirs. Shortly thereafter, it introduced an innovative, incentive-based scheme to reduce the stock of unclaimed deposits in the Depositor Education and Awareness Fund.

The Insurance Regulatory and Development Authority has made tangible progress since 2022 in strengthening its Bima Bharosa portal, an integrated grievance redress system to facilitate claim settlements. The Securities and Exchange Board has operationalised the Mutual Funds Investment Tracing and Retrieval Assistant or MITRA, while the Pension Fund Regulatory and Development Authority has introduced a facility enabling subscribers to claim refunds.

A key to address all three dimensions lies in honouring the claims in time rather than rejecting them on technical or procedural grounds. Consider the case of the Investor Education and Protection Fund, which reportedly holds unclaimed assets about ₹1.1 lakh crore, comprising roughly ₹9,000 crore in unpaid dividends and about ₹150-crore unclaimed securities. These assets accumulated because companies and their registrars and transfer agents failed to disburse them to the rightful owners for several years.

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When honouring claims is inefficient and rejection rates high, getting your rightful dues can be a nightmare. In the spirit of the govt campaign 'Your money, your right', particular attention should be paid to EPFO, most of whose subscribers need help with the claims process

An authority was established in 2016 to facilitate the refund of unclaimed assets. However, its track record of refunds is yet to be inspiring. During 2023-24, while about 17,000 applications were approved, nearly 34,000 were rejected.

Most of the unclaimed or withheld money represents amounts individuals voluntarily deposited or invested. However, the situation is perhaps worse where they are mandatory, like subscriptions to pension or provident funds. The Employees Provident Fund Organisation (EPFO) is a glaring example of the challenges in ensuring 'Your Money, Your Right'.

A statutory body with 73 years of experience, it manages over ₹28 lakh crore in funds for some 8 crore active members. The EPFO primarily serves the lowest rungs of the working class, who require special support on their savings-to-pension journey. As both an empowered regulator and service provider, it should have been a model of efficiency.

However, the reality is different. The claim that there's only ₹8,500 crore in unclaimed funds, even if correct, masks the deeper problems. EPFO's annual report for 2023-24 shows that overall, 25.5 percent of claims were rejected. Delays compound the problem, with 40 percent percent of claims taking more than 10 days to settle.

On paper, the reasons for rejection appear reasonable. However, anecdotal experiences tell a different story. Of rejection on account of 'inadequate balance' at the age of 65, 'multiple unique account numbers', 'need to recheck of retirement rules of the organisation'; Issues with the digital interface turns out to be an obstacle race with multiple checkposts and desk officials, each one dismissing casually. There is also a deep disconnect between the system genie and humans, leaving even a few well-intentioned officials helpless, making citizens trapped in endless loops.

Our experience made us recall the horror story of a subscriber in Kochi who committed suicide after nine years of pursuing his PF claims. Not surprisingly, this has spanned a parallel ecosystem of brokers who charge up to 20 percent to help people access their funds, since it takes '25 steps to withdraw your own money'. Hope, EPFO 3.0 will reduce the disconnects between humans and machines, and the incentive problems.

Semi-functional processes and apps without application of mind are a disservice to our people. Systems must enable subscribers/rightful owners to realise their assets, like digital bank account transactions. While all systems must be efficient and customer-friendly, compulsory systems must be perfect. Only perfect systems can make your money your right. If that cannot be guaranteed by their custodians, such schemes should shift to a voluntary mode so that their users need not crush their heads in single-window routes to prolonged traps.

(Views are personal)