

THE NEW-AGE EPFO

**THE EMPLOYEES' PROVIDENT FUND ORGANISATION
IS TAKING STEPS TO MAKE LIFE EASIER FOR ITS
NEARLY 80 MILLION SUBSCRIBERS. CAN THE NEXT
SET OF REFORMS MAKE IT FUTURE-READY?**

BY SURABHI



I**N FEBRUARY** 2024, a 69-year-old pensioner died by suicide in the provident fund (PF) office in Kochi after being unable to withdraw his PF benefits for nine years. Despite multiple visits and submission of papers, it is reported that his dues were not cleared because of 'technical' issues.

The tragic incident brought to the forefront the long delays subscribers and pensioners of the Employees' Provident Fund Organisation (EPFO) often face in not only getting their life's savings but also for minor requests such as correction in personal details.

Over the past few months, the EPFO, the country's second-largest financial institution after



THE NEW EPFO



► The EPFO has rolled out several measures in the last one year to digitise processes and reduce paperwork



► For subscribers and employers, this has meant streamlining of compliances and easier transactions



► But KYC verification and Aadhaar-UAN matching are essential, leaving legacy members at a disadvantage



► The EPFO has completed the first set of reforms under CITES 2.01 to make systems more efficient



► It plans to start working on EPFO 3.0 reforms later this year to make operations as smooth as that of a bank

The Life Insurance Corporation of India, has embarked upon serious reforms to overhaul its decades-old IT infrastructure and reduce the number of compliances and approvals. The aim is faster service for subscribers, ease of doing business for companies and reduction in the workload of its officials.

BETTER LATE THAN NEVER

Set up in March 1952, the 73-year-old EPFO has seen a surge in its subscriber base, corpus and activities over the years. From just 1,267 factories and 542,904 workers on March 31, 1954, the retirement fund manager now has 796,093 contributing establishments, 77.6 million active members and over 8.1 million pensioners. Its corpus was ₹24.75 lakh crore on March 31, 2024.

The Employees' Provident Fund Scheme, launched to provide social security to formal sector workers, many of whom do not get pension, covers establishments with 20 or more workers. Both employers and employees contribute 12% of the basic salary to the scheme. Of the employer's contribution, 8.33%, up

to ₹1,250, goes into the Employees' Pension Scheme, 1995, and the rest into the EPF. The employee's entire contribution goes to the EPF.

However, the EPFO's infrastructure and processes have not kept pace with its scale. Social media is rife with complaints over simple transactions and almost everyone knows someone who has had trouble in withdrawing the EPF money. Take the case of Bengaluru-based IT professional Asha Venkatesh (name changed on request), who has been trying to withdraw her PF balance since 2018. After switching jobs, she was shown that her PF accounts have been merged, but now she is unable to withdraw her funds. Despite speaking to her company's human resources (HR) department and even using the services of a private agent, she is yet to get her dues.

Industry experts say that anticipating a delay in processing, subscribers often lodge a grievance as soon as they file a claim. In the past, even EPF officers have highlighted the poor condition of the organisation's computers, servers and software applications that were on the verge of collapsing and affecting

services by stalling simple approvals. The Ministry of Electronics and Information Technology (MeitY) had also asked the EPFO to prioritise the upgrade of its IT infrastructure.

However, since late 2024, the Ministry of Labour and Employment and the EPFO seem to have gone on a mission mode to address these issues and improve customer service to make the organisation future-ready, in sync with the government's plan to include informal sector employees, such as gig and platform workers, within its ambit.

The two focus areas include improving services by simplifying processes and upgrading the IT software. The idea is to reduce the time for settlement of auto claims to one day. Union Labour and Employment Minister Mansukh Mandaviya has been holding regular meetings to review the progress of the reforms being undertaken. The labour minister has underlined that EPFO beneficiaries will be able to withdraw funds from ATMs due to faster processing of claims. "The EPFO will soon implement a Version 3.0 (of the system) with the help of a robust IT platform to provide seamless and simplified services, including auto-claim settlements, digital corrections, and ATM-based fund withdrawals. The overhaul is aimed at making the EPFO accessible and efficient," he has said.

The change is visible. Puneet Gupta, Tax Partner, EY India, says the EPFO is trying to reform its systems by cutting down on unnecessary approvals and compliances. "The systems are being made more efficient and settlements faster. This is a welcome move," he says.

CUTTING DOWN COMPLIANCES

The simplification of processes has involved changes such as doing away with the need for the employer's approval in most joint declaration requests. EPF members whose Universal Account Number (UAN) has been validated through Aadhaar can now change personal details such as name and date of birth online without verification by the employer or approval by the EPFO. This is expected to have eliminated an average delay of nearly 28 days taken by the employer to approve such requests. Requests for transfer of PF accounts earlier also required the employer's approval. The EPFO has removed the need for approval of all transfer claims at the Destination Office by launching a revamped Form 13 software functionality. But these facilities are available only to subscribers whose UAN

THE DASHBOARD

- The EPFO is the country's second-largest financial organisation after LIC
- The number of subscribers and corpus under management have made it difficult to manage operations

796,093

CONTRIBUTING ESTABLISHMENTS

77,685,014

CONTRIBUTING MEMBERS

77,293,483

KYC STATUS

8,163,321

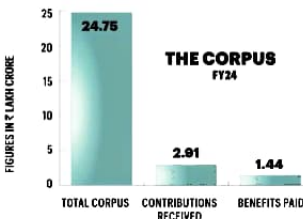
PENSIONERS

60,979,518

CLAIMS SETTLED

FOR PAST ONE YEAR

SOURCE EPFO LIVE DASHBOARD



SOURCE EPFO ANNUAL REPORT 2023-24



THE REFORMS TILL NOW

► EPFO has worked on IT systems and undertaken steps such as storage upgrade, addressing high load on specific database server ports and performance tuning

► The amount for auto processing of advance claims hiked to ₹1 lakh; advances for housing, education, marriage enabled

► Removed the need to upload cheque leaf for claim filing

► Members with fully compliant e-KYC EPF

accounts can file Online Transfer Claims directly without the approval of the employer

► Centralised Pension Payments System fully implemented

► To streamline the process of seeding bank accounts with UAN, EPFO has removed the requirement of employer approval after bank verification

► Members can self-correct their details in UAN without the employer's approval



PHOTO BY GETTY IMAGES

WHAT NEXT

► Reforms under centralised IT-enabled system (CITES 2.01) are under way

► Next-gen reforms to make EPFO future-ready, allow faster claim processing, withdrawal through UPI, and reduce need to visit PF offices

► Discussions on EPFO 3.0 ongoing as government looks to roll out universal social security programme

► New website interface for users, mobile app planned

► Use of AI, ML, business analytics also proposed

is validated through Aadhaar.

The EPFO has also introduced the facility for generation and activation of UAN by an employee or a new employer using the Aadhaar Face Authentication Technology through the Umang mobile app. Also, the limit for auto claim settlement, which allows withdrawals without manual intervention, has been increased from ₹50,000 to ₹1 lakh for several purposes, including education, marriage and house purchase. The limit may soon be hiked further to ₹5 lakh. Over 99% of such claims are now filed in the auto mode and cleared in three days (See *The Reforms Till Now*).

The EPFO would ideally like to settle all claims in the auto mode but officials say manual approvals are still needed in some cases to curtail risk and chances of fraud. "For instance, if the KYC of a customer has been just changed, his withdrawal request must be checked

thoroughly to reduce any threat of fraud," says an official. But in cases where the KYC is accurate and not recent, and the UAN is validated, the EPFO would like to prefer auto settlement. "We want to move to a trust-based system where we have confidence in employers and subscribers. This will ensure ease of living, ease of doing business and cut down the redundant work of our officers," says a senior government official.

Kartik Narayan, CEO-Staffing, TeamLease Services, says the impact of these measures has been positive for employees. "Auto-claim settlement enhancement, simplified transfers, online profile updates will ease the burden on employees," he says, adding that the Central Pension Payment system is another major change that will benefit the nominees. Earlier, this process was cumbersome and restricted to a few banks, he says, adding that the new system will help nominees get the money faster.



PUNEET GUPTA
TAX PARTNER,
EY INDIA

“The EPFO is trying to reform its systems by cutting down on unnecessary approvals and compliances, which increased time for processing”

Madhu Damodaran, Member, Executive Committee, Employers' Federation of India & Member, Central Board of Trustees (CBT) of the EPFO, says the EPFO must be given credit for its focus on automation and digitisation and matching Aadhaar with the UAN. "All this has helped employees and employers do transactions in a more simplified and efficient manner. Now, subscribers whose KYC is verified and details of Aadhaar and UAN matched can do several transactions, including transfers and withdrawals, easily," he says.

CITES 2.01

A major part of the reformed EPFO is the overhaul of its IT infrastructure since November 2024, which is no easy task given that it has 123 databases in offices across countries with 127 crore records. The new computers and IT hardware for all its offices were in place by early January 2025. "The new IT system has, in fact, been the trigger for the overall revamp of the EPFO," says a source. As part of this exercise, the EPFO is putting in place new hardware, consolidating databases and enhancing the software model being used by its field offices that was implemented in 2010-12. "The multipronged approach will make the system much more efficient and further reduce processing and settlement times," says a source.

Known as CITES 2.01 or Centralised IT Enabled System, this IT overhaul project is being undertaken by the EPFO with the Centre for Development of Advanced Computing as its technology partner. Oracle is doing the database migration. The EPFO is also working with the National e-Governance Mission under MeitY on the project, which has a budget of about ₹250 crore. It was expected to be completed by March 31, 2025, but only about 75% of the work has been done so far. The fresh deadline for the transition is later in May or the first fortnight of June. "Multiple iterations and checks have to be done as the databases are consolidated. One has to be extremely careful so that not even a single record is missed," says an official.

Further, with monthly contributions and continuous claim settlement, the transition has to be sometimes done with lags and stops. For instance, between the 10th and 15th of every month, employers file monthly returns with the EPFO, while between the 24th and the 30th of every month, the claims are settled. "These processes can't be avoided and have contributed to the delay in the full rollout of CITES 2.01," says an official.



KARTIK NARAYAN
CEO-STAFFING,
TEAMLEASE
SERVICES

“Auto-claim settlement, enhanced, simplified PF transfers and online member profile updates will ease the burden of employees who want to withdraw their funds”

THE IMPACT

- The reforms have helped in faster claim settlement
- The EPFO now receives 99.31% claims online; auto claims are cleared in three days

	FY25	FY24
Number of claims settled (million)	60.1	44.5
Amount settled (lakh crore)	2.41	1.82
	FY25	FY24
Number of auto claims settled (million)	23.4	9
Amount disbursed (₹crore)	32,848	12,605

SOURCE EPFO ANNUAL REPORT 2023-24

But once in place, the new system will make the back-end processes much faster, leading to quicker approvals and fewer rejections. Both subscribers and PF officials will have consolidated data on the portal, reducing errors and delays. Grievances have already started coming down with the availability of digital services for KYC-validated subscribers. The EPFO is hopeful that its latest measures will further reduce complaints.

As part of the upgrade, it will also transition to an Aadhaar-enabled payment system using the NPCI platform; the payment will be directly transferred into the subscriber's Aadhaar-linked bank account, leading to faster settlements.

R. Karumalaiyan, National Secretary, CITU and Member, CBT, says the EPFO was struggling with old infrastructure and even MeitY asked it to focus on a revamp. “The EPFO has certainly worked on improving its IT infrastructure and compliance processes, which has proved beneficial for subscribers,” he says.

Narayan of TeamLease Services says the EPFO's IT infrastructure is archaic. “Systems need to talk to each other. Bulk transfers within PF offices are not yet enabled. The EPFO is not equipped for smooth movement of accounts in mergers and acquisitions,” he says.

EPFO 3.0

In fact, the next on the retirement fund manager's to-do list is a much bigger revamp of systems and processes and scaling up of infrastructure. This is important to meet the challenge of planned rollout of a universal social security under which it expects its subscriber base to more than double as informal sector workers also join the scheme.

Called EPFO 3.0, the project is still at the planning and discussion stage but is likely to be started later this year and completed by June 2026. The customer portal of the EPFO that often sees long downtimes and remains inaccessible to subscribers for days will be revamped. A mobile app is also being discussed. “Today, everyone wants real-time information and access to their funds. A mobile app could be the way forward,” says a source.

The EPFO is also looking to use artificial intelligence, business analytics and machine learning to lower the workload on employers and its own officials. It may also enable withdrawals through UPI.

THE CHALLENGE REMAINS

- Legacy subscribers who may not have UAN or have a mismatch in KYC details continue to face problems
- EPFO's passbook portal remains unstable with members often unable to access it
- Claim settlement often remains a task, and they have to go to private agents
- Implementation of higher pension still awaited
- EPFO needs to use more technology to meet growing scale



transferred their accounts or done Aadhaar-UAN linking are unable to access the online services.

New Delhi-based professional Vivek Kumar (name changed) continues to hold two PF accounts from previous jobs as he does not have a UAN. The busy professional is not sure how to transfer the accounts or generate a UAN and who to approach for a redressal as HR executives at his previous company have also changed.

Gupta of EY India notes there are practical problems that still stall claims of some subscribers. “For instance, whenever there is a mismatch between Aadhaar and UAN, claims require manual applications. We have seen cases where death claims, transfers and settlements have been delayed due to this,” he says. Similarly, employees from some organisations are unable to see the interest credited into their accounts for FY24. The issue of higher pension decided by the Supreme Court is also yet to be fully resolved, and the EPFO is rejecting the applications for various reasons, he says.

CBT member Karumalaiyan also underlines that it is difficult for people to get their money if their UAN and Aadhaar are not linked. “Imagine the condition of poor workers who would not have the means to get this rectified easily and would have to run from pillar to post. The implementation of higher pension is also an issue for pensioners, who are still awaiting clarity,” he says, adding that the EPFO's technology upgrade must look into all such issues. Transferring a PF account in an exempt or private PF trust to the EPFO can also be a difficult task and requires a lot of paperwork.

The EPFO expects several of these problems to be sorted out as these new services become popular and the proposed reforms take shape. For legacy workers, the EPFO says that the new Facial Authentication Feature will be useful for generation of UAN and transfer of accounts. Similarly, work on higher pension is under way and will be completed soon. It is also planning a meeting of the CBT, the apex decision making body, later in May or June to apprise them of the reforms undertaken and the plans under EPFO 3.0.

This is perhaps the first time that the EPFO is undertaking such a comprehensive set of reforms with support from stakeholders. Improving the lives of its subscribers will go a long way in bringing back trust in the institution, which is seen to be among the top pension funds in the world due to its size and corpus. ■

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