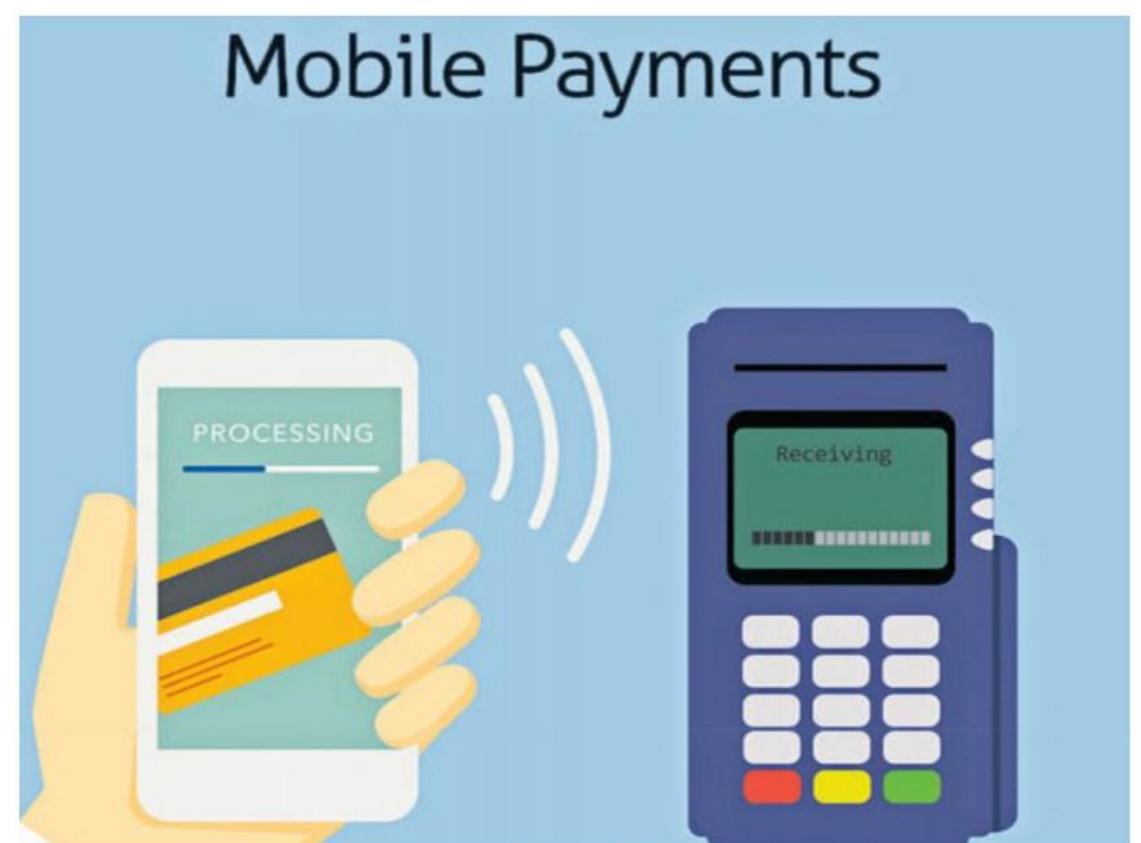
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Demystifying Aadhaar Pay for beginners



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Demystifying Aadhaar Pay for beginners

One of the key agendas of the government behind demonetisation has been to make India a cashless economy. And, the government is initiating lots of steps towards digitisation. This year in the Union Budget, Finance Minister Arun Jaitley, introduced Aadhaar Pay, a merchant version of Aadhar Enabled Payment System (AEPS) to be launched to benefit people who don't have debit cards, e-wallets, and mobile phones.

This app hasn't reached play store as yet, and is still in the testing phase, but will launch soon. As of now, 14 banks have come on board for Aadhaar Pay, and the government is in talks with the other banks too. As per the data available, close to 1.11 billion people in the country have Aadhar IDs and about 390 million bank accounts are linked to the Aadhaar number.

Biometrics

Aadhaar Pay, will enable people to make and receive payments using Aadhaar number and biometrics, bypassing the need of any debit/credit card, e-wallet, or smart phone, hence making it one of the cheapest methods for payment. One just needs to link his/her bank account with the Aadhaar number, and he/she can use Aadhaar Pay.

There is no need to install app at the customer's end. It runs on the android platform and has to be installed by the merchants. AEPS is a payment service offered by National Payments Corporation of India (NPCI) to banks, financial institutions to use Aadhaar number and online UIDAI authentication through their respective business correspondent service centres.

Merchant's requirement

Aadhaar payment app

Fingerprint scanner

Internet

Bank account

Smartphone

Customer's requirement

Aadhaar No.

Bank account linked with Aadhaar Need to scan his/her fingers for authentication

Process

Merchant will need to install Aadhaar Pay app on his smartphone, and will also need a fingerprint scanner, and it should be attached to his smartphone. To receive payment, merchant will have to register on the Aadhaar app using his Aadhaar number. This registration will be authenticated using merchant's fingerprints. After registration, merchant's mobile phone needs to be linked to an Aadhaar biometric reader.

For payment, the customer will have to feed his/her Aadhaar number into the app. Then the app will show the linked banks accounts with regards to the entered Aadhaar number. The customer will have to select the desired account number for the payment.

Aadhaar database

Then the customer needs to place his /her fingers on the scanner. The fingerprints will authenticate the payment, as they will be matched with the available fingerprints in the Aadhaar database. Once the authentication is successful, NPCI will transfer the payment from one Aadhaar linked bank account to another Aadhaar linked bank account.

Aadhaar Pay will specifically benefit people who do not have mobile phones, debit/credit cards and ewallets. In case of card transactions, merchants need to install PoS machines, charges of which vary from Rs 5,000 to Rs 15,000 and there are also per transaction charges ranging from 1% to 2.5%, which a merchant needs to pay.

Today, all customers pay charges for holding credit/debit card in the form of annual fee. If you look at ewallets, there are inter-operability issues, both merchant and the customer need to have an e-wallet from the same service provider.

With Aadhaar Payment app, there are no extra charges other than fingerprint scanner, which is a onetime expense. Hence, this system of payment has a high probability of greater acceptability from both merchants and consumers.

(The writer is Managing Director at Sinhasi Consultants)

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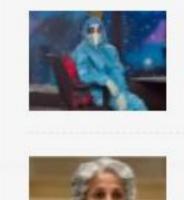
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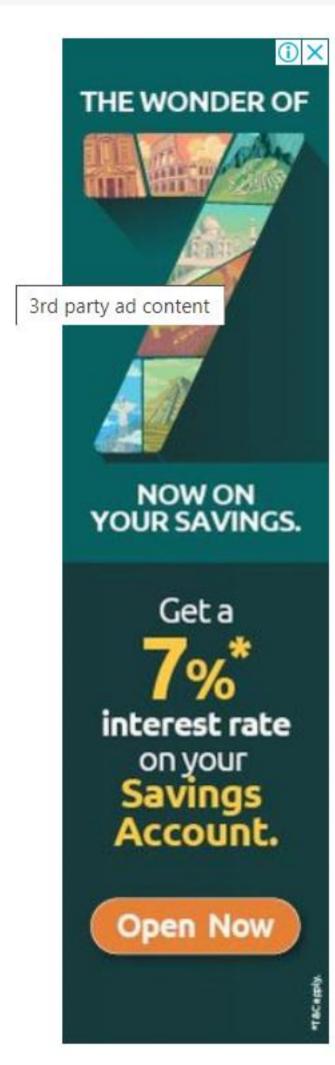
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