

A Big Thumbs-Up to Cashless Payments

GLOBAL FIRST PM Narendra Modi launches Aadhaar Pay system allowing cash transfers using biometrics even without phones

Our Bureaus

Mumbai | New Delhi: Prime Minister Narendra Modi launched the BHIM-Aadhaar platform, putting in place yet another keystone of a digital payment system that will help India make the shift to a less-cash economy. The biometric-based indigenous payment solution will enable real-time bank-to-bank money transfers even for those without a phone and at no additional cost.

"This app can work even on a ₹1,000-1,500 phone, you don't need a smartphone. If you don't have a phone you can use your thumb," he said, referring to fingerprint authentication. Modi was speaking

in Nagpur to mark the 126th birth anniversary of BR Ambedkar, after whom the payment system has been named.

Modi called the BHIM app "a game changer" and said that despite criticism over Aadhaar being linked to bank accounts, the payment solution would set a global trend and lead to other countries taking lessons from India.

"If someone doesn't want to understand, how do we explain?" he said, adding, it's not just paperless banking but branchless banking. "It will become a part of our lives."

'Cleanliness Campaign' >> 11

BANKS MEET PM'S PoS TARGET
>> PAGE 6

BHIM-Sized Game Changer

Essentials

A customer has to link his bank account with his Aadhaar number

(40 crore bank accounts already linked to Aadhaar)

Merchants will be given a biometric reader that can be attached to a mobile; will also have to download an app

How Does It Work

Customer will have to key in his Aadhaar number, the amount to be paid and then authenticate using biometric reader

If biometrics match, the amount will be instantly debited from the buyer's account & credited to the seller

Benefits

A customer will pay no charge for using BHIM-Aadhaar

The merchant and the bank deploying PoS machine will each get an incentive of 0.25% of transaction value

Govt's Push

Outlay of ₹495cr for 6 months for the scheme to be paid from Digital Inclusion Fund

SBI, PNB, ICICI Bank & HDFC Bank among 30 institutions that have joined the system



'Cleanliness Campaign Against Black Money'

>> From Page 1

Close to 30 banks, including the country's biggest have adopted BHIM-Aadhaar, also known as Aadhaar Pay. They include State Bank of India, Punjab National Bank, ICICI Bank and HDFC Bank.

Modi said BHIM (Bharat Interface for Money) will soon become the centre of economic activity and he urged law and IT minister Ravi Shankar Prasad to get the payment system patented since other countries are looking to replicate the model. The platform allows merchants to accept payments from customers who will authenticate transactions from their Aadhaar-linked bank accounts with fingerprint verification.

The Unified Payment Interface (UPI), BHIM, Bharat QR code and Aadhaar Pay form the basis of a digital payment ecosystem that's part of the government's initiative to reduce the dependence on cash, track transactions and end the scourge of black money. Demonetisation, announced on November 8, was another big part of this.

Prasad said the country has saved ₹49,000 crore by linking Aadhaar with various welfare schemes. "For this you don't even need a phone, only your bank account should be linked with Aadhaar and money will come directly into your account," he said. "All middlemen will be eradicated."

Almost 40 crore bank accounts are already linked to Aadhaar. While customers won't have to pay any additional charges, merchants and banks that have deployed point of sale (PoS) machines will get an incentive of 0.25% of transaction value for each one via the BHIM-Aadhaar platform. In contrast, a Merchant Discount Rate (MDR) has to be given to payment gateways

Potential to be a 'Catalytic Agent'

IT Minister Ravi Shankar Prasad came in for praise from Prime Minister for role in roll out of Aadhaar enabled BHIM App which PM claimed to have generated interest among leaders of other countries. Narendra Modi, in fact, suggested IT Minister Ravi Shankar to get BHIM-Aadhaar App patented given its transformative potential that could be leveraged globally.

"It is only matter of time that the global universities will flock India for the case study of BHIM-Aadhaar Only yesterday I asked Ravi Shankar Prasad whether he has got the entire initiative patented. The world is showing curious interest in it," PM said. PM revealed that leaders of African countries have evinced interest in this path breaking initiative and India held potential to become a "catalytic agent" for this use of technology at the global level.

such as Visa and MasterCard for debit or credit card transactions.

REVERSE MDR

The BHIM-Aadhaar channel is "reverse" MDR, said AB Pandey, CEO of the Unique Identification Authority of India (UIDAI), which runs Aadhaar. "There is a strong logic for an incentive per transaction since money is being spent by the merchant and the banks for putting in the infrastructure," Pandey said. "Back end is being handled by Aadhaar, so why should customers pay? Also, we need to encourage digital transactions."

The government has allocated ₹495 crore for a period of six months for the scheme, which will be paid from the Digital Inclusion Fund. Almost 75,000 merchants are already on the BHIM platform, the government said.

Modi described the cashless movement as a "safai abhiyaan", a cleanliness campaign aimed at fighting the "menace" of corruption and black money. After demonetisation was announced, India has been pushing ahead with its digital economy agenda. According to government estimates, the volume of

digital transactions increased about 23 times to 6.38 million for a value of ₹2,425 crore in March compared with 280,000 worth ₹101 crore until November 2016.

The Prime Minister pointed out that lowering cash use will lead to big savings. "You will be surprised that in a country like India, printing currency costs crores. That money can be used for building homes for the poor," he said. Modi dismissed criticisms against Aadhaar by privacy activists who have expressed doubts about its security and the prospect of surveillance.

The PM said the BHIM-Aadhaar technology was foolproof and those against it wouldn't be able to prevent it from blossoming. "The day is not far off when big universities will do case studies on it—Aadhaar will be a reference point. Other countries will adopt it and India will be the catalyst," he said.

Modi also launched the Referral Bonus and Cash Back schemes to promote digital payments. The first will pay ₹10 to a BHIM user who refers a new one. Under the Cash Back scheme, merchants will get money back on every transaction using BHIM.