

Govt eyes Aadhaar merchants for cashless push in rural India

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The government is proposing an out-of-the-box solution to address cash shortage in rural areas: Aadhaar merchants.

According to a new plan, these Aadhaar merchants, to be located in every rural village, will facilitate small payments such as grocery or medical bills or even open a bank account using biometric authentication.

All the merchant will need is an app on his phone that will be made available by a bank and a fingerprint scanner.

This is a part of the five-pronged approach of the government to promote cashless transactions in India which envisages a mix of usage of cards, Unstructured Supplementary Service Data or USSD for non-smartphones, Unified Payments Interface, wallets (both private and those owned by banks) and an Aadhaar-enabled payment system (AEPS), said A.B. Pandey, chief executive officer of Unique Identification Authority of India (UIDAI), in an interview.

"There is no one solution to this problem. A mix of solutions has to be used based on the requirements of people in

urban and rural areas," he said.

The need to promote cashless payments has gained urgency after the government's decision to demonetize high-value currency with effect from 9 November and the resultant cash crunch due to this.

UIDAI is in talks with banks to make the usage of AEPS more widespread.

The information technology ministry is also activating the 2 lakh plus common service centres in India that have been tasked to at least enrol 30 merchants each in their vicinity who will help in such payments.

At present, there are only around 1.1 lakh such neighbourhood merchants and the plan is to increase the number to 30 lakh, Pandey said.

The details of the approach were worked out in a meeting on Tuesday between various government departments and more than 500 district collectors, he added.

To be sure, the bank accounts will have to be seeded with Aadhaar to facilitate such payments.

So far, 360 million bank accounts have been linked with Aadhaar numbers.

"You will not need a credit card or a debit card or even a bank account number to make such a payment. We are trying

to promote a scenario wherein AEPS merchants will receive the payments directly through this biometric system. They will also be able to open bank accounts based on Aadhaar verification or accept cash deposits," Pandey said.

These devices can work even on a 2G connection and can perform a host of functions including bank account opening, eKYC (know your customer), cash deposit, cash withdrawal, money transfer, balance enquiry, open recurring/fixed deposits and generation of mini statements.

"This will definitely help push India towards cashless economy, but the ideal situation should be when all transactions are happening through mobile phones like with UPI. It is more convenient to use as only the mobile number of the other person is needed, no need to remember your Aadhaar number. Also, it is a more sustainable solution in the long run as it is cheaper than having AEPS or micro ATMs," said Krishnan Dharmarajan, executive director at Centre for Digital Financial Inclusion.

UPI allows customers to instantaneously transfer funds across different banks with the use of a single identifier that acts as a virtual address.

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