

Govt may Foot the Bill to Push Aadhaar Payments

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New Delhi: In a major fillip for Aadhaar-based payments, the government may subsidise the cost of biometric readers — which are attached to smartphones to validate such transactions — across the 5,00,000 ration shops in the country. According to two top government officials ET spoke to, a biometric reader costs anywhere between ₹2,000 and ₹3,000 — a price point that has proven to be a disincentive for merchants. India has over 5.35 lakh fair price or ration shops, as they are commonly known, which are supposed to serve the 400-million citizens who live below the poverty line. Only 91,000 of them had electronic points of sale (ePOS) as of March 2016.

Aruna Sundararajan, secretary, ministry of electronics and IT told ET that a proposal for the reimbursement of cost of biometric readers to merchants by the Unique Identification Authority of India (UIDAI) was being considered. The UIDAI is the nodal body responsible for running the Aadhaar programme. “We are also working with RBI and NPCI to bring out the common app, which anybody, any merchant, can plug into. It will be interoperable.” She added that the government is also trying to see how merchant charges can be done away with or are minimal in the system.

The government has also soft launched a scheme under which any merchant in the country who is accepting payments through Aadhaar will get a 0.5% rebate for each transaction capped at ₹10. This has been done in association with the National Bank for Agriculture and Rural Development (NABARD). “We are looking at a completely different regime, where there will be no infrastructure cost. The cost of transaction will also be lower and simple. And it will be ubiquitous,” Sundararajan added.

The government, meanwhile, is doing its bit to increase the production of biometric readers so that their costs drop automatically. With this, the government hopes to empower the poorest of the poor, who don’t have feature phones or cards. Using an Aadhaar number and their fingerprint, they can make payments from their bank accounts to merchants.

The budget allocation for the subsidy for biometric readers is currently being drawn up and will be finalised soon, said Ajay Bhushan Pandey, CEO of UIDAI. Pandey added that the government may subsidise the cost of the device for all the PDS payments while banks may later come up with their own set of incentives for promoting Aadhaar Pay. “In some areas, the ration

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BHIM is a Unified Payments Interface-based app

Aadhaar Pay app is built on the Aadhaar Enabled Payment System

An expert said that it is not yet clear how the two apps will be integrated

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shops come under the state government or the food ministry in other areas UIDAI can subsidise them, the estimate of the exact shops and the budget required is being worked out,” he added.

The Aadhaar Pay app is expected to be launched soon and is likely to be integrated with the newly launched common Unified Payment Interface app BHIM, say government officials.

“The plan is that everything should come under BHIM since it is the next-gen platform and doesn’t require one to log into their specific banks,” said Pandey.

But, some experts were sceptical about the government’s move, especially given the paucity of biometric machines. An expert in the fintech space, who did not want to be identified, pointed out that RBI had asked all banks to roll out PoS machines by January 1 2017, where PoS machines should allow chip and PIN-based payments, as well as biometric payments. But, a shortage of biometric machines meant that the deadline was extended by another six months.

“Pushing Aadhaar Pay with the biometric machines now means there would be excess demand for such biometric machines, which is heightened by the fact that they are being subsidised,” said the expert mentioned above.