

# Merchants using Aadhaar Payment app should be incentivised, says UIDAI CEO

'The incentive costs should be borne by the issuer bank'

**RICHA MISHRA**

New Delhi, January 8

The Unique Identification Authority of India has recommended that merchants using the Aadhaar Payment app or AadhaarPay should be incentivised.

"UIDAI has recommended that merchants using AadhaarPay for doing transactions should be given incentives by the issuer bank on the same lines as given under the Aadhaar Enabled Payment System," Ajay Bhushan Pandey, Chief Executive Officer, UIDAI said.

AadhaarPay, which was working on Aadhaar Enabled Payment System, is now migrating to recently launched



Ajay Bhushan Pandey, CEO, UIDAI

BHIM app. In an interview with *BusinessLine*, Pandey said: "For Aadhaar Payment app, the merchant should be treated at par with a business correspondent and should not be subject to pay merchant discount rate to the banks as is the case with other plastic or digital transactions."

To encourage banks to accept digital payments, the RBI came out with the concept of merchant discount rates. It is

basically a charge to a merchant by a bank for accepting payment from their customers in credit and debit cards.

"To facilitate digital transactions, the banks provide payment service devices and infrastructure and charge merchants in return. The merchant discount rate is taken as a percentage of the transaction amount.

"Unlike other plastic or digital transactions where payment systems players bear

the costs — swipe machines, plastic cards, so on and so forth — in the case of Aadhaar Payment it is the merchant who is bearing all costs — getting the device, using his/her phone, and bearing cost of data charges.

"Therefore, in all fairness, it is the merchant who should be incentivised because the transactions is in goods and relieve banks from the burden of cash management," he said.

Asked who should be bearing the incentive cost, he said, "it should be the issuer bank".

On whether AadhaarPay can be a replacement for the debit card, he said it works like a debit card, but without requiring the infrastructure used for debit facility. "It is not a replacement, but can be called an alternative mode of payment," he stated.

Interview p13

# BHIM App enables a customer to become powerful: UIDAI chief

'All an individual needs is the receiver's mobile number or Aadhaar number or a virtual name to make payment'

**RICHA MISHRA**

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Ajay Bhushan Pandey, Chief Executive Officer, UIDAI, is the man in the thick of things as he steers the entire Aadhaar programme. Accepting that the task is not easy and there are many challenges, Pandey allays fears about individuals' information privacy breach while enrolling for Aadhaar. Pandey, who has been associated with the project since 2010, believes that Aadhaar can be best utilised for government welfare scheme as has been shown by the direct benefit transfer of LPG subsidies and ensure that everyone gets a bank account. In a conversation with *BusinessLine*, he shares his views on incentivising merchants, use of BHIM App for e-transactions, Aadhaar seeding, and several works in progress. Excerpts:

**BHIM App is being termed as unique. What makes it different from other e-transaction facilities?**

Let us first understand what BHIM is. In this, a customer becomes very powerful, as through this App he can access his bank account and then make payment or send a request to collect payment by directly approaching the settlement system. The overall framework is based on UPI - Unified Payment Interface.

Today, there is a physical method, cash or cheque, or other methods for doing transactions. In many transactions, the payer has to write the account number of the recipient. In BHIM all this can be avoided, as all an individual needs is just a virtual financial address of the receiver such as his mobile number or

Aadhaar number or a virtual name. His real financial address is discovered by the National Payment Corporation of India. The whole concept is way above the existing banking system. I will give you a parallel — earlier to send a letter you needed the recipient's home address. Now e-mail or SMS allows you to send message to people without knowing their physical locations. Earlier, electronic payment was happening through account number. Now the sender doesn't need to know the account details to send money but he can now use BHIM app and use recipient's mobile number, Aadhaar number or Virtual Payment Address to send money. More than eight million people have already downloaded BHIM app. Numbers of transactions are high. Initially there were some teething trouble, but they are being addressed.

Another important thing for this programme to scale up is that the person's bank account should be seeded with his mobile number and Aadhaar number.

**This means you have to have a smart phone and everyone should be an account holder, while for Aadhaar it was not a requisite (it was an enabler) ... Things are happening in parallel. The good thing is all are con-**

verging to make the system robust and better. Today, there are 100 crore mobile phones, 110 crore Aadhaar numbers, 40 crore people have Aadhaar seeded in their bank accounts. This is in the infrastructure.

Aadhaar is enabling people to open bank accounts as well as getting their mobile numbers. Now through UPI, if your account is linked with Aadhaar as well as with mobile number, you can take full advantage of BHIM.

**Is this a way to promote UPI? Do you see any competition from e wallets?**

We don't consider any other alternate mode of digital payment as competition. We all are collaborators. India is very diverse. Some use wallets, some smart phones, and some who are both digitally and financially not so literate will use AadhaarPay.

Each consumer base uses different mode of payment according to their comfort and convenience. We need to promote all forms. It is not x versus y, rather x plus y.

**So, what differentiates AadhaarPay from the rest? Is Aadhaar working as debit card? Does it require any changes in banking law?**

In the case of AadhaarPay you don't need a smart phone. With AadhaarPay on BHIM, the sender of money does not require a phone or a credit/debit card. There is no pin to be remembered,

but just his finger print and Aadhaar number. The equipment is with each merchant. Individuals don't have to buy it.

At present, sender and payer require smart phones. But, for AadhaarPay on BHIM, nothing is required for customer.

AadhaarPay works like a debit card — instead of swiping your card you give your finger print.

Today, Aadhaar Enabled Payment System is already approved by the RBI. People can withdraw money through AEPS. But, if some regulatory process approvals are required, we will take them.

**Privacy concerns are also an issue with digital transactions. How are you going to protect the data (data collection by private agencies)?**

As far as collection of data by private agency is concerned, what we also need to understand is that these agencies are authorised by us. The data is collected through the software we supply and control. Besides, each and every operator has been certified by us.

The enrolment operator has to biometrically authenticate his/her identity before accessing the enrolment software through his/her Aadhaar number. At the

end of every individual enrolment, the person enrolling them has to sign off with his/her Aadhaar number and biometrics saying that he/she has done it.

We have done enrolment of 110 crore people, and we haven't got complaints of any breach of biometric. Security is a continuous exercise. We continually take all possible measures to assess threats and take necessary measures.

**Since mobile phones are key for e-transactions are you speaking with mobile manufacturers to address the security concerns?**

For use of Aadhaar devices we are talking to manufacturers. We would like to work out a mechanism in consultation with them on how the whole transaction can be secured at the device level itself. Once that's ensured we have to ensure that software is secure, and then when the transaction is taking place they should secure. Finally the server that receives the information has to be secure. It is end-to-end security that needs to be ensured. We are constantly on the job.

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**AJAY BHUSHAN PANDEY**  
Chief Executive Officer, UIDAI

