Aadhaar based payment systems

What is the issue?

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In the digital era mitigation risks of Aadhaar based payment mechanism is required, not its revocation.

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How Aadhaar based payment systems works?

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- The Aadhaar-based payment system has been robust and secure, which is evident from the track record of the Aadhaar Enabled Payment System (AEPS).
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- **Aadhaar based micro-ATMs** - AEPS enables rural population to withdraw or deposit money from this ATM's using their fingerprints.
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- **BHIM-Aadhaar** - Any merchant can install this software in his smartphone connected to a fingerprint device to recieve payments.
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- Customers can pay small amounts up to Rs 2,000 by using their fingerprints without needing a debit or credit card.
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- **Bharat QR -** Merchants can also use the Bharat QR Code to receive payments.
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- **UPI -** There are 350 million smartphone users in India, who can use UPI to make digital payments up to Rs 1 lakh without any card or POS device.
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What are the measures taken to make Aadhaar payments secure?

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- Three major reforms happened in the last six months, which would make UPI

and Aadhaar-based payment systems even more secure.
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1. Amendment of the Income Tax Act to mandatorily link PAN with Aadhaar.
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2. Supreme Court directed that more than 100 crore existing mobile SIM cards must be biometrically verified with Aadhaar, by Feb 2018.
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3. Amendment of Prevention of Money Laundering Rules, required every bank account to be verified and linked with Aadhaar and PAN by December 31, 2017.
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How safer are this payments?

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- There are various phobias prevalent over Aadhaar systems, but recent experiences break the myths.
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- In BHIM-Aadhaar and UPI, Bank accounts, mobile numbers and Aadhaar are used for the payments and the transactions are undoubtedly safer.
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- In the worst case if there is an unauthorised transfer from an account, the beneficiary can be identified through Aadhaar.
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- In the last four years, more than 700 million transactions have been carried out without a single case of financial loss due to fraud or identity theft.
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What are the issues with traditional payments systems?

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- The payment systems based on physical signatures, cheques, debit cards, ATM cards, PIN etc. are also not safe and has vulnerabilities.
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- Physical signatures used for cheque transactions can be easily forged when compared to biometrics.
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- There are fraudulent activities in ATMs, debit cards and internet banking through cloning, scheming, spoofing, phishing etc., and yet many have not stopped using them.
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Way forward

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- India has set an ambitious target of achieving 2,500 crore of digital payment transactions by end of 2017-2018 FY.
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- Efforts are on to bring down transaction costs so that consumers are not at a disadvantage for choosing to pay digitally.
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- The US in 2010 undertook reforms to protect consumers of digital transactions.
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- The EU also passed regulations in 2015 to rationalise and reduce transaction fees.
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- Similar steps are necessary in India to ensure mass adoption of digital payments.
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Source: Indian Express

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